

City of Morro Bay

Morro Bay, California

Independent Auditors' Report and Basic Financial Statements

For the Year Ended June 30, 2015



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

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Basic Financial Statements
For the Year Ended June 30, 2015**

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**CITY OF MORRO BAY
ELECTED AND CITY OFFICIAL
COMMISSIONS, BOARDS, AND COMMITTEES**

<u>Elected Officials</u>	<u>Title</u>	<u>Term Expires</u>
Jamie Irons	Mayor	November 2016
Noah Smukler	Mayor Pro Tempore	November 2016
John Headding	Councilmember	November 2018
Christine Johnson	Councilmember	November 2016
Matt Makowetski	Councilmember	November 2018

<u>City Officials</u>	<u>Position</u>
David Buckingham	City Manager
Joseph Pannone	City Attorney
Eric Endersby	Harbor Director
Scot Graham	Community Development Manager
Robert Livick	Public Works Director
Amy Christey	Police Chief
Steve Knuckles	Fire Chief
Susan Slayton	Administrative Services Director
Dana Swanson	City Clerk
Sam Taylor	Deputy City Manager

Planning Commission

Robert Tefft	Chair
Katherine Sorenson	Vice-Chair
Michael Lucas	Commissioner
Gerald Luhr	Commissioner
Richard Sadowski	Commissioner

Public Works Advisory Board

Marlys McPherson	Chair
Stephen Shively	Vice-Chair
Janith Goldman	Commissioner
Deborah Owens	Commissioner
Christopher Parker	Commissioner
Stewart Skiff	Commissioner
David Sozinho	Commissioner

Morro Bay Tourism Business Imprvmnt Dist

Joan Solu	Chair
Jack Smith	Vice-Chair
Roger Corwin	Member
Michele Jacquez	Member
Taylor Newton	Member
Fred Reed	Member
Vacant	Member

Harbor Advisory Board

William Luffee	Chair
Dana McLish	Vice-Chair
Alan Alward	Member
Gene Doughty	Member
Neal Maloney	Member
Lynn Meissen	Member
Ron Reisner	Member

Recreation and Parks Commission

Drew Sidaris	Chair
Tom Coxwell	Vice-Chair
Jeffrey Cox	Commissioner
Karen Croley	Commissioner
Al Romero	Commissioner
Robert Swain	Commissioner
Vacant	Commissioner

Citizens Finance Committee

Betty Forsythe	Member
Gregory Head	Member
Marlys McPherson	Member
Susan Schneider	Member
Barbara Spagnola	Member

**CITY OF MORRO BAY
ELECTED AND CITY OFFICIALS
COMMISSIONS, BOARDS, AND COMMITTEES**

Planning Commission

Robert Tefft	Chair
Katherine Sorenson	Vice-Chair
Michael Lucas	Commissioner
Gerald Luhr	Commissioner
Richard Sadowski	Commissioner

Public Works Advisory Board

Marlys McPherson	Chair
Stephen Shively	Vice-Chair
Janith Goldman	Commissioner
Deborah Owens	Commissioner
Christopher Parker	Commissioner
Stewart Skiff	Commissioner
David Sozinho	Commissioner

**Water Reclamation Facility Citizen
Advisory Committee (WRFAC)**

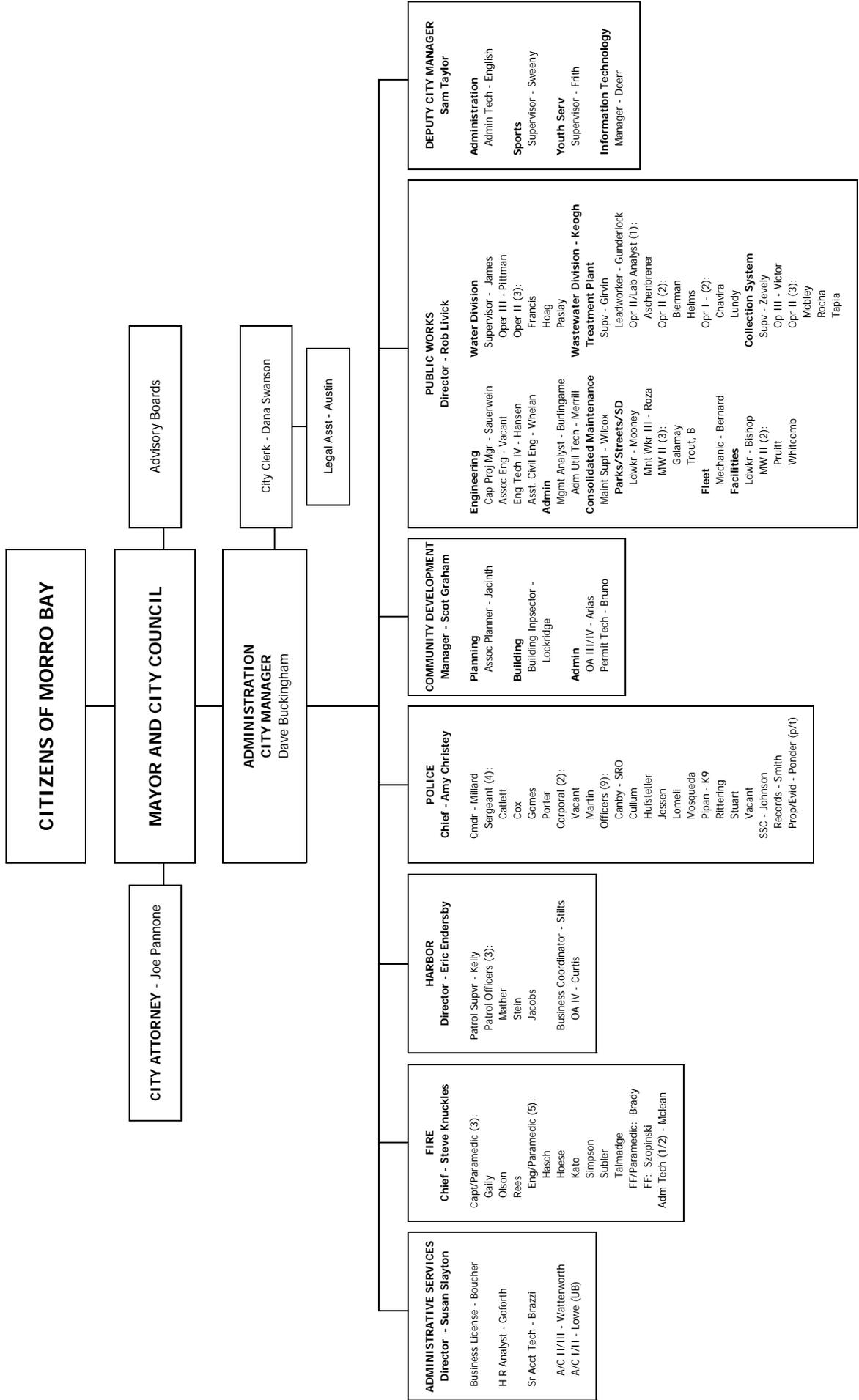
John Diodati	Chair
Bill Woodson	Vice-Chair
Paul Donnelly	Member
Mary (Ginny) Garelick	Member
Dale Guerra	Member
Valerie Levulett	Member
Barbara Spagnola	Member
Richard Sadowski	Planning Commission Appointee
Steven Shively	PWAB Appointee

**General Plan/Local Coastal Program
Advisory Board (GPAC)**

Rich Buquet	Member
Robert Davis	Member
Janith Goldman	Member
Christine Rogers	Member
Susan Schneider	Member
Glenn Silloway	Member
Melani Smith	Member
Susan Stewart	Member
Robert Tefft	Member

CITY OF MORRO BAY ORGANIZATIONAL CHART

For the 2014/15 Fiscal Year



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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Implementation of GASB Statement No. 68 and 71

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 11 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$15,038,904 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”) plans. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As discussed in Note 11 to the basic financial statements, the City has restated the beginning net positions to report corrections of errors. The beginning net position for governmental activities and business-type activities were restated in the amount of \$(736,889) and \$(75,232), respectively. Our opinion is not modified with respect to this manner.

Water Revenue Over State Water Payments

As discussed in Note 10 to the basic financial statements, the City did not meet the Water Revenue over State Water Payments Ratio. For the year ended June 30, 2015, the City’s ratio was at 64%, which is below the required minimum ratio of 125%. Management’s plans regarding this matter is also described in the Note 10 to the basic financial statements. Our opinion is not modified with respect to this manner.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule - General Fund, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of City’s Contributions, and the Schedules of Funding Progress-Other Postemployment Benefits Plan on pages 5 to 14 and 89 to 98, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Supplementary Information

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

The Introductory Sections have not been subject 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 March 30, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

Walnut Creek, California
March 30, 2016

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Management's Discussion and Analysis

As management of the City of Morro Bay, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City, for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying basic financial statements.

Financial Highlights

In the 2014/15 fiscal year, the City implemented the two new statements from the Governmental Accounting Standards Board (GASB), related to pension activities:

- Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27," and
- Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68."

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the City's defined benefit pension plans. This Statement replaces the requirements of prior GASB statements, impacting accounting and disclosure of pensions.

The significant impact to the City of implementing GASB Statement No. 68 is the reporting of the City's unfunded pension liability on the full accrual basis of accounting in the government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement. The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one-year lag in the release of actuaries from CalPERS, and was used so that these financial statements could be issued in a timely manner. Activity, such as contributions made by the City, occurring during the 2014/15 fiscal year, are reported as deferred outflows of resources, in accordance with Statement No. 71. The City did not reflect these pension standards in the 2013/14 fiscal year results because the necessary actuarial information from the California Employees' Retirement System was not provided for the prior years presented.

The following outlines financial highlights for the year:

- At June 30, 2015, the City's net position increased \$0.9 million due to recovery of the economy and increase in building fees.
- Total city-wide assets increased by approximately \$866, or 0.53%. In governmental activities, cash and prepaid items increased by \$661K, and receivables by \$981K. In business-type activities, cash and prepaid items decreased by \$728K.
- Total city-wide liabilities, excluding net pension and deferred inflows, increased \$16.6 million. Current liabilities decreased by \$165K, and long-term liabilities increased by \$16.7 million.
- With the application of GASB Statement No. 68, the City restated the 2013-2014 fiscal year beginning net position for both governmental and business-type activities. The significant impact to the City of implementing Statement No. 68 is the reporting of the City's unfunded pension liability on full accrual basis of accounting government-wide financial statements and more directly affecting the 2014-2015 fiscal year' unrestricted net position. These amounts are presented as deferred in-/out- flows of resources, and aggregate net pension liabilities. More information on GASB Statement No. 68 and 71 application can be found in Note 7 and 11. GASB Statement No. 68 does not change CalPERS policies or contribution rates or cash flow.

- The City’s governmental funds altogether reported combined ending fund balances of \$8.5 million. Of this amount, \$6.4 million, or 75%, is nonspendable (\$2.8 million), restricted (\$1.8 million) and committed (\$1.8 million).
- The City’s General fund balance increased by \$1.4 million. The fund balance includes nonspendable (\$2.67 million) and committed (\$1.28 million) funds. A total of \$3.2 million is held in reserve, per the City’s policy of retaining 27.5% of General fund expenditure estimate.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Morro Bay’s basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Morro Bay’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflow of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of the City’s overall financial health.

The *Statement of Activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Morro Bay that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include administration, community promotion, finance, fire, housing, police, public services, and parks and recreation. The business-type activities of the City include the Water, Sewer, Harbor, and Local Transportation (“LTF”) operations.

The government-wide financial statements include not only the City of Morro Bay itself (known as the *primary government*), but also the Morro Bay-Cayucos Sanitary District Waste Water Treatment Facility, for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-21 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Morro Bay, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds are divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds

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

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

The City of Morro Bay maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet, and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Development Grants Funds, and Capital Improvement Fund, all of which are considered major funds of the government. Data from the other governmental funds are combined into a single, aggregated presentation. Fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. Requirement Supplementary Information - Budgetary Statements for the General Fund have been provided to demonstrate compliance with its budget.

The governmental fund financial statements can be found on pages 27-30 of this report.

Proprietary funds

The City of Morro Bay maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water, Sewer, Harbor, and LTF operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. Morro Bay uses internal service funds to account for the various types of insurance coverage for the City. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Harbor operations, all of which are considered to be major funds of the City. The remaining proprietary fund (LTF) is combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 32-39 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Morro Bay's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on pages 43-44 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-86 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including Budgetary Comparison Schedule - General Fund, Schedule of Proportionate Share of the Net Pension Liability and Related Ratio, Schedule of Plan Contributions, and Schedule of Funding Progress – Other Postemployment Benefits Plan. Required supplementary information can be found on page 89 - 98 of this report.

Supplementary information

The combining and individual statements, referred to earlier in connection with the nonmajor governmental funds, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 100 - 126 of this report.

Government-wide Financial Analysis

The City's net position from governmental activities increased from \$114.8 million to \$117.2 million (approximately 3%).

Changes between fiscal years are shown in Table I, and explained in detail below:

Total assets and deferred outflows increased approximately \$1.3 million:

- Governmental:
 - Cash and investments increased \$371K
 - Receivables increased \$981K
 - Prepaid items and inventories increased \$290K
 - Capital assets increased \$1.3 million
 - Deferred outflows of resources increased \$21K
- Business-type:
 - Cash and investments decreased \$202K
 - Receivables decreased \$49K
 - Prepaid items and inventories decreased \$525K
 - Capital assets increased \$997K
 - Deferred outflows of resources increased \$105K

Total liabilities and deferred inflows decreased approximately \$2.7 million:

- Governmental:
 - Accounts payable increased \$811K
 - Payroll payable increased \$69K
 - Deposits and unearned revenue decreased \$866K
 - Long-term liabilities increased \$34K
 - Aggregate net pension liabilities decreased \$3.3 million
 - Deferred inflow of resources increased \$3.3 million

- Business-type:
 - Accounts payable decreased \$277K
 - Payroll payable increased \$11K
 - Deposits and unearned revenues increased \$214K
 - Long-term liabilities decreased \$87K
 - Aggregate net pension liabilities decreased \$926K
 - Deferred inflow of resources increased \$926K

TABLE 1: CITY OF MORRO BAY NET POSITION

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	(As Restated)		(As Restated)		(As Restated)	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 12,913	\$ 11,291	\$ 10,368	\$ 11,123	\$ 23,281	\$ 22,414
Capital assets	123,287	122,003	18,631	19,629	141,918	141,632
Total assets	136,200	133,294	28,999	30,752	165,199	164,046
Deferred outflows	1,647	1,271	460	355	2,107	1,626
Current liabilities	2,870	1,352	750	857	3,620	2,209
Long-term liabilities	14,499	18,406	4,044	5,071	18,543	23,477
Total liabilities	17,369	19,758	4,794	5,928	22,163	25,686
Deferred inflows	3,319	-	926	-	4,245	-
Net position:						
Net investment in						
capital assets	121,872	122,002	17,836	19,629	139,708	141,631
Restricted	1,773	128	46	-	1,819	128
Unrestricted (Deficit)	(6,486)	(7,323)	5,857	5,550	(629)	(1,773)
Total net position	\$ 117,159	\$ 114,807	\$ 23,739	\$ 25,179	\$ 140,898	\$ 139,986

Activities in 2014/15, which changed the City's net position, are described in the Table 2, with comparison totals for 2013/14 activities

Governmental activities. Governmental activities increased the City of Morro Bay's net position by \$2.35 million. Increased building and increased building fees comprise the greatest reason for change. The economy is stabilizing, and the City is seeing the results in tourism increases, and building. The City completed one major capital project, the Morro Creek Bridge and Bikeway, which was paid mostly from a National Scenic Byways grants, California Department of Transportation (CalTRANS) grants, and Local Transportation funding made available by the San Luis Obispo Council of Governments (SLOCOG).

TABLE 2: CITY OF MORRO BAY CHANGES IN NET POSITION

(Amounts expressed in thousands)

	Governmental		Business-type		Total	
	activites		activites			
	(As Restated)		(As Restated)		(As Restated)	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 4,016	\$ 2,225	\$ 9,595	\$ 9,726	\$ 13,611	\$ 11,951
Operating grants and contributions	442	1,638	455	182	897	1,820
Capital grants and contributions	1,603	354	-	764	1,603	1,118
General revenues:						
Property taxes	3,940	4,745	-	-	3,940	4,745
Other taxes	6,521	5,093	-	-	6,521	5,093
Other	500	111	101	63	601	174
Total revenues	<u>17,022</u>	<u>14,166</u>	<u>10,151</u>	<u>10,735</u>	<u>27,173</u>	<u>24,901</u>
Expenses:						
Administraton	2,773	3,016	-	-	2,773	3,016
Community promotion	1,167	905	-	-	1,167	905
Finance	630	711	-	-	630	711
Fire	2,658	6,479	-	-	2,658	6,479
Housing	53	456	-	-	53	456
Police	3,392	9,185	-	-	3,392	9,185
Public Works	2,985	3,904	-	-	2,985	3,904
Recreation	1,819	4,480	-	-	1,819	4,480
Water operating	-	-	4,113	5,046	4,113	5,046
Sewer operating	-	-	4,167	5,314	4,167	5,314
Harbor operating	-	-	2,234	3,476	2,234	3,476
Transit	-	-	270	359	270	359
Total expenses	<u>15,477</u>	<u>29,136</u>	<u>10,784</u>	<u>14,195</u>	<u>26,261</u>	<u>43,331</u>
Increase (decrease) in net assets						
before transfers	1,545	(14,970)	(633)	(3,460)	912	(18,430)
Transfers	807	803	(807)	(803)	-	-
Increase (decrease) in net assets	<u>2,352</u>	<u>(14,167)</u>	<u>(1,440)</u>	<u>(4,263)</u>	<u>912</u>	<u>(18,430)</u>
Net position-beginning of						
year, restated	<u>114,807</u>	<u>128,974</u>	<u>25,179</u>	<u>29,442</u>	<u>139,986</u>	<u>158,416</u>
Net position - June 30	<u>\$ 117,159</u>	<u>\$ 114,807</u>	<u>\$ 23,739</u>	<u>\$ 25,179</u>	<u>\$ 140,898</u>	<u>\$139,986</u>

Business-type activities.

Business-type activities decreased the City of Morro Bay's net position by \$1.44 million. Cost of personnel and services continues to rise, while revenues have not, particularly in Water Operations. The City is a participant in the California state water project, and the commitment must be paid, whether or not the City's allotment of water is provided. With the drought conditions in California, state water allocations have declined, and the City has been forced to use its desalination facility to clean well water to maintain sufficient supply to its citizens. As a part of the drought situation, restrictions have been imposed on our citizens, and thus, revenues have fallen by \$216. An additional problem is our water rate structure that has not been updated since 1996. In fiscal year 2013/14, the process to update water rates began, with a study conducted by Bartle Wells.

After several public hearings and much public outreach, the City mailed out a protest vote invitation, in accordance with Proposition 218. During the Proposition 218 public hearing, protest votes were received, but the number of protests was insufficient to stop the imposition of the new rates. On May 26, 2015, the City Council adopted the new rate study which will go into effect with July 2015 usage.

In 2014/15, the Harbor Fund used a considerable amount (\$500 thousand) of its accumulated cash to complete repairs to its North T-Pier. The total cost of the project, which began in fiscal year 2013/14, was \$997.

Financial Analysis of the Government's Funds

As noted earlier, the City of Morro Bay uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2015, the City of Morro Bay's governmental funds reported combined ending fund balances of \$8.5 million, an increase of \$731K in comparison to the prior year. The majority of this total amount (\$6.4 million) constitutes nonspendable (\$2.8 million), restricted (\$1.8 million) and committed (\$1.8 million) fund balances. The amount available for spending at the City's discretion (\$2.1 million) is 25% of the combined fund balances.

The General Fund is the chief operating fund of the City of Morro Bay. At the end of June 30, 2015, total fund balance of the general fund was \$6.1 million, the majority of which is nonspendable (\$2.7 million) and committed (\$1.3 million). As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 19% of total general fund expenditures.

The General Fund's fund balance increased by \$1.4 million during the current fiscal year. City management has embraced a change in philosophy, leaning towards leveling the playing field for residents and businesses by ensuring those who utilize services pay for those services. Fees for services, with the exception of tiered subsidies for youth recreation programs, have been increased to collect more fully the cost of services provided. Additionally, the City engaged a professional firm to perform an organizational assessment and financial stability model. Some of these recommendations and tools were implemented in fiscal year 2014/15, and the remaining are subject to review for implementation in fiscal years 2015/16 and 2016/17.

Proprietary funds. The City of Morro Bay's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail. At June 30, 2015, unrestricted net position in the Water and Sewer Operating Funds amounted to \$2.9 million and \$3.4 million, respectively. Unrestricted net position in the Harbor Operating Funds presented as a deficit \$544K, due to the use of cash for the North T-Pier repair, as previously mentioned. Net position increased in the Sewer fund by \$28K. The Water and Harbor funds decreased by \$1 million and \$438, respectively. Factors concerning those funds have already been addressed in the discussion of the City's business-type activities.

TABLE 4: CITY OF MORRO BAY NET CAPITAL ASSETS

(Amounts expressed in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 95,465	\$ 95,465	\$ 1,496	\$ 1,496	\$ 96,961	\$ 96,961
Artwork	63	63	3	3	66	66
Construction in progress	1,852	1,667	206	202	2,058	1,869
Subtotal	97,380	97,195	1,705	1,701	99,085	98,896
Machinery and equipment	4,280	3,760	9,741	9,872	14,021	13,632
Buildings and structures	15,468	14,876	5,316	5,316	20,784	20,192
Infrastructure	25,716	25,288	30,207	30,207	55,923	55,495
Less accum deprn	(19,557)	(19,117)	(28,338)	(27,467)	(47,895)	(46,584)
Subtotal	25,907	24,807	16,926	17,928	42,833	42,735
Total	\$ 123,287	\$ 122,002	\$ 18,631	\$ 19,629	\$ 141,918	\$ 141,631

Additional information on the City's capital assets can be found in Note 1-I and Note 4 on page 52 and pages 60-61.

Long-term debt.

At the end of the current fiscal year, the City of Morro Bay had total debt outstanding of \$4.3 million. Of this amount, \$2.2 million comprises debt secured solely by specified revenue sources (e.g., notes payable and certificates of participation). The City maintains a double A ("AA") rating from Standard & Poor's.

TABLE 5: CITY OF MORRO BAY LONG-TERM LIABILITIES

(Amounts expressed in thousands)

	Governmental		Business-type		Total	
	activities		activities			
	(As Restated)		(As Restated)		(As Restated)	
	2015	2014	2015	2014	2015	2014
Certificates payable	\$ 1,416	\$ 1,487	\$ -	\$ -	\$ 1,416	\$ 1,487
Notes payable	-	-	795	889	795	889
Claims payable	230	-	-	-	230	-
Compensated absences	290	260	80	69	370	329
Other Post-Employment Benefits	206	110	-	-	206	110
Pension-related debt	1,256	1,508	-	-	1,256	1,508
Total	\$ 3,398	\$ 3,365	\$ 875	\$ 958	\$ 4,273	\$ 4,323

Additional information on the City's long-term liabilities can be found in Note 5 on pages 62 - 63 of this report.

Economic Factors and Next Year's Budget and Rates

- Home prices, home sales and remodels are booming, and that momentum is anticipated to continue for the fiscal year 2015/16. The median home price in Morro Bay is \$448,500, which is an increase of 13.2% from this time last year. Property taxes continue to grow by approximately 2% annually. Morro Bay is nearly built out, with little vacant land to construct more homes. There are several projects in process right now that could provide 80+ additional homes, and require 10 of those to be affordable.
- Tourism in Morro Bay is flourishing, as demonstrated by the significant increases in Transient Occupancy Tax (TOT). Since the 2010/11 fiscal year, TOT has rocketed, increasing each year over the previous year as follows:
 - 2011/12 – 7.37%
 - 2012/13 – 10.25%
 - 2013/14 – 13.07%
 - 2014/15 – 10.3%

Our Embarcadero and waterfront are bustling with activity on a daily basis, including our normal *off-season*, from January through April. For the fiscal year 2015/16, TOT growth is expected to slow down to 3%, unless our transient stay inventory increases.

- Sales tax revenue is expecting a modest increase (2%), which has been our historical norm. The City has hired a Deputy City Manager, whose responsibilities include economic development and public outreach. Additionally, the City has expanded its marketing through social media, and an updated website. Promoting the City as a tourist destination is a top goal for management.
- In the 2014/15 fiscal year, the City was successful in negotiating two year contracts with its employees that contained a 3% salary increase, along with other incentives.
- In 2015, Dynegy Morro Bay LLC, owners of the Morro Bay power plant, permanently closed operations. The future of this property is unknown.

These factors were considered in preparing the City's budget for the 2015/16 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Morro Bay's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Morro Bay, 595 Harbor Street, Morro Bay, CA 93442.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and investments	\$ 6,187,852	\$ 7,827,181	\$ 14,015,033	\$ 160,667
Receivables, net of allowance for doubtful accounts:				-
Utility billings	-	1,447,588	1,447,588	9,400
Intergovernmental	2,124,728	116,574	2,241,302	-
Notes	2,095,286	-	2,095,286	-
Due from primary government	-	-	-	3,012
Due from component unit	-	4,766	4,766	-
Internal balances	(64,395)	64,395	-	-
Prepaid items & inventories	1,229,407	907,179	2,136,586	11,655
Land held for resale	1,340,000	-	1,340,000	-
Total Current Assets	12,912,878	10,367,683	23,280,561	184,734
Noncurrent Assets:				
Capital assets - nondepreciable	97,379,792	1,705,035	99,084,827	899,133
Capital assets - depreciable, net	25,907,707	16,926,153	42,833,860	27,333
Total Noncurrent Assets	123,287,499	18,631,188	141,918,687	926,466
Total Assets	136,200,377	28,998,871	165,199,248	1,111,200
DEFERRED OUTFLOWS OF RESOURCES				
Pension contribution after measurement date	1,318,092	367,879	1,685,971	-
Employer's actual contribution in excess of employer's proportionate share of contribution	118,098	32,961	151,059	-
Positive adjustment due to difference in proportion	210,850	58,848	269,698	-
Total deferred outflows of resources	1,647,040	459,688	2,106,728	-

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

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts payable	1,282,527	141,592	1,424,119	95,187
Accrued payroll and benefits	733,279	162,537	895,816	63,454
Due to primary government	-	-	-	4,766
Due to component unit	-	3,012	3,012	-
Deposits	-	89,749	89,749	-
Unearned revenues	197,633	239,786	437,419	-
Long-term liabilities:				
Due within one year	657,303	112,387	769,690	-
Due in more than one year	2,741,220	762,322	3,503,542	15,338
Aggregate net pension liabilities	11,757,415	3,281,489	15,038,904	-
Total Liabilities	17,369,377	4,792,874	22,162,251	178,745
DEFERRED INFLOWS OF RESOURCES				
Difference in projected and actual earnings on pension investments	3,151,139	879,481	4,030,620	-
Employer's proportionate share of contribution in excess of employer's actual contribution	112,217	31,320	143,537	-
Negative adjustment due to difference in proportion	55,651	15,532	71,183	-
Total deferred inflows of resources	3,319,007	926,333	4,245,340	-
NET POSITION				
Net investment in capital assets	121,871,499	17,836,522	139,708,021	926,466
Restricted for:				
Housing	779,788	-	779,788	-
Assessment district	135,449	-	135,449	-
Parking	405,811	-	405,811	-
Parks and recreation	164,345	-	164,345	-
Transportation	29,240	46,185	75,425	-
Other purposes	258,545	-	258,545	-
Unrestricted (Deficit)	(6,485,644)	5,856,645	(628,999)	5,989
Total Net Position	\$ 117,159,033	\$ 23,739,352	\$ 140,898,385	\$ 932,455

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

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	\$ 2,772,921	\$ 1,919,455	\$ -	\$ -
Community promotion	1,166,533	471,039	-	-
Finance	630,241	344,220	-	-
Fire	2,657,615	212,280	10,085	-
Housing	53,518	40,040	1,920	-
Police	3,392,394	-	143,744	-
Public works	2,984,847	493,886	286,394	1,602,492
Rec/parks/maintenance	1,819,370	535,198	-	-
Total Governmental Activities	15,477,439	4,016,118	442,143	1,602,492
Business-Type Activities:				
Water	4,112,628	3,311,970	-	-
Sewer	4,167,339	4,330,253	-	-
Harbor	2,234,035	1,910,962	147,262	-
Local Transportation	270,198	42,160	307,751	-
Total Business-Type Activities	10,784,200	9,595,345	455,013	-
Total Primary Government	\$ 26,261,639	\$ 13,611,463	\$ 897,156	\$ 1,602,492
Discretely Presented Component Unit:				
Waste Water Treatment Plant	\$ 3,466,004	\$ 3,271,709	\$ 4,540	\$ -

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

	Net (Expense) Revenue and Changes in Net Positions			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Functions/Programs				
Governmental Activities:				
Administration	\$ (853,466)	\$ -	\$ (853,466)	\$ -
Community promotion	(695,494)	-	(695,494)	-
Finance	(286,021)	-	(286,021)	-
Fire	(2,435,250)	-	(2,435,250)	-
Housing	(11,558)	-	(11,558)	-
Police	(3,248,650)	-	(3,248,650)	-
Public services	(602,075)	-	(602,075)	-
Rec/parks/maintenance	(1,284,172)	-	(1,284,172)	-
Total Governmental Activities	(9,416,686)	-	(9,416,686)	-
Business-Type Activities:				
Water	-	(800,658)	(800,658)	-
Sewer	-	162,914	162,914	-
Harbor	-	(175,811)	(175,811)	-
Local Transportation	-	79,713	79,713	-
Total Business-Type Activities	-	(733,842)	(733,842)	-
Total Primary Government	(9,416,686)	(733,842)	(10,150,528)	-
Component Units:				
Waste Water Treatment Plant	-	-	-	(189,755)
General Revenues and Transfers:				
Taxes:				
Property taxes	3,940,250	-	3,940,250	-
Sales tax	2,317,779	-	2,317,779	-
Transient occupancy tax	3,630,074	-	3,630,074	-
Franchise taxes	492,572	-	492,572	-
Other taxes	80,484	-	80,484	-
Investment earnings	375,298	91,489	466,787	-
Gain on disposition of capital assets	42,286	9,500	51,786	-
Miscellaneous	82,799	-	82,799	-
Transfers	807,213	(807,213)	-	-
Total General Revenues and Transfers	11,768,755	(706,224)	11,062,531	-
Changes in Net Position	2,352,069	(1,440,066)	912,003	(189,755)
Net Position - beginning of year, restated (Note 11)	114,806,964	25,179,418	139,986,382	1,122,210
Net Position - end of year	\$ 117,159,033	\$ 23,739,352	\$ 140,898,385	\$ 932,455

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

	General Fund	Community Development Grant Special Revenue Fund	Capital Improvement Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 3,475,764	\$ 116,947	\$ -	\$ 1,487,054	\$ 5,079,765
Receivables:					
Intergovernmental	152,879	1,144	1,267,704	77,411	1,499,138
Accounts	535,703	-	-	86,553	622,256
Notes	1,178,101	885,871	-	31,314	2,095,286
Other	-	-	-	-	-
Due from other funds	540,125	-	-	12,580	552,705
Prepaid items	140,335	288	872	1,575	143,070
Inventories	10,424	-	-	-	10,424
Land held for resale	1,340,000	-	-	-	1,340,000
Total Assets	\$ 7,373,331	\$ 1,004,250	\$ 1,268,576	\$ 1,696,487	\$ 11,342,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 269,032	\$ 46,840	\$ 781,120	\$ 178,577	\$ 1,275,569
Accrued payroll and benefits	723,823	1,225	2,432	5,799	733,279
Due to other funds	109,576	-	484,998	32,506	627,080
Unearned revenue	194,466	-	-	3,167	197,633
Total Liabilities	1,296,897	48,065	1,268,550	220,049	2,833,561
Fund Balances:					
Nonspendable	2,668,860	176,397	872	1,575	2,847,704
Restricted	-	779,788	-	993,390	1,773,178
Committed	1,276,529	-	-	481,473	1,758,002
Unassigned (Deficit)	2,131,045	-	(846)	-	2,130,199
Total Fund Balances	6,076,434	956,185	26	1,476,438	8,509,083
Total Liabilities & Fund Balances	\$ 7,373,331	\$ 1,004,250	\$ 1,268,576	\$ 1,696,487	\$ 11,342,644

City of Morro Bay
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Position
June 30, 2015

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

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

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

Nondepreciable	\$ 97,379,792	
Depreciable, net	<u>25,907,707</u>	123,287,499

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

2,190,356

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

Certificates payable	\$ (1,416,000)	
Claims payable	(229,549)	
Compensated absences	(290,150)	
Other postemployment benefits	(206,590)	
Pension related debt	<u>(1,256,234)</u>	(3,398,523)

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

1,318,092

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

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

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

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

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

Adjustments due to difference in proportions. 155,199

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

(11,757,415)

Net Position of Governmental Activities \$ 117,159,033

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

	General Fund	Community Development Grant Special Revenue Fund	Capital Improvement Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Taxes & special assessments	\$ 8,768,929	\$ -	\$ -	\$ 1,845,304	\$ 10,614,233
Intergovernmental revenue	36,322	-	1,601,042	432,129	2,069,493
Charges for services	1,537,444	2,200	1,450	224,653	1,765,747
Revenues from use of money and property	418,119	600	-	95,922	514,641
Fines & forfeits	8,562	-	-	15,624	24,186
Other revenues	603,344	4,202	-	33,314	640,860
Total Revenues	<u>11,372,720</u>	<u>7,002</u>	<u>1,602,492</u>	<u>2,646,946</u>	<u>15,629,160</u>
Expenditures:					
Current:					
Administration	1,320,110	-	-	-	1,320,110
Community promotion	279,225	-	-	872,552	1,151,777
Finance	630,241	-	-	-	630,241
Fire	2,280,930	-	-	107,857	2,388,787
Housing	-	60,914	-	-	60,914
Police	3,305,060	-	-	299,944	3,605,004
Public works	1,444,781	-	-	972,060	2,416,841
Recreation/parks/maintenance	1,710,790	-	-	134,650	1,845,440
Capital outlay	382,964	-	2,044,386	-	2,427,350
Debt service:					
Principal	-	-	-	70,838	70,838
Interest	-	-	-	53,971	53,971
Total Expenditures	<u>11,354,101</u>	<u>60,914</u>	<u>2,044,386</u>	<u>2,511,872</u>	<u>15,971,273</u>
Excess (deficiency) of revenues over expenditures	18,619	(53,912)	(441,894)	135,074	(342,113)
Other Financing Sources (Uses):					
Transfers in	1,824,177	-	743,107	406,346	2,973,630
Transfers (out)	(458,238)	-	(301,187)	(1,141,096)	(1,900,521)
Total Other Financing Sources (Uses):	<u>1,365,939</u>	<u>-</u>	<u>441,920</u>	<u>(734,750)</u>	<u>1,073,109</u>
Net change in Fund Balance	1,384,558	(53,912)	26	(599,676)	730,996
Fund Balances:					
Beginning of year, as restated (Note 11)	4,691,876	1,010,097	-	2,076,114	7,778,087
End of year	<u>\$ 6,076,434</u>	<u>\$ 956,185</u>	<u>\$ 26</u>	<u>\$ 1,476,438</u>	<u>\$ 8,509,083</u>

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

Net Change in Fund Balances - Total Governmental Funds \$ 730,996

Governmental activities in the Statement of Activities were reported differently because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Capital outlay	2,427,350
Depreciation	(1,065,260)
Net effect on disposal of capital assets	<u>(77,024)</u>
Total	<u>1,285,066</u>

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Change in compensated absences	(30,674)
Pension expense	375,453
Change in pension related liabilities	252,207
Change in other postemployment benefits	(96,753)
Change in claims payable	(229,549)
Payment of certificates payable	<u>70,838</u>
Total	<u>341,522</u>

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.

(5,515)

Change in Net Position of Governmental Activities \$ 2,352,069

PROPRIETARY FUND FINANCIAL STATEMENTS

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Harbor Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,411,466	\$ 4,564,661	\$ 507,112
Accounts receivable, net of allowance for doubtful accounts	423,479	538,389	479,850
Other receivables	2,147	1,925	-
Intergovernmental receivables	-	-	112,502
Due from other funds	20,039	35,866	6,472
Due from component unit	-	4,766	-
Prepaid items	891,259	6,636	9,284
Total Current Assets	3,748,390	5,152,243	1,115,220
Noncurrent Assets:			
Capital assets, nondepreciable	460,080	1,202,155	2,800
Capital assets, depreciable	7,236,995	8,581,452	964,109
Total Noncurrent Assets	7,697,075	9,783,607	966,909
Total Assets	11,445,465	14,935,850	2,082,129
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution after measurement date	63,898	166,069	137,912
Employer's actual contribution in excess of employer's proportional share of contribution	5,725	14,879	12,357
Positive adjustment due to difference in proportion	10,222	26,565	22,061
Total deferred outflows of resources	79,845	207,513	172,330
LIABILITIES			
Current Liabilities:			
Accounts payable	57,186	15,420	30,722
Accrued payroll and benefits	53,934	39,272	69,331
Due to component unit	-	3,012	-
Deposits payable	79,142	-	10,607
Unearned revenues	-	-	107,831
Compensated absences, due within one year	5,118	2,309	5,861
Notes payable, due within one year	-	-	99,099
Total Current Liabilities	195,380	60,013	323,451
Noncurrent Liabilities			
Compensated absences, due in more than one year	25,712	11,599	29,444
Note payable, due in more than one year	-	-	695,567
Aggregate net pension liabilities	569,974	1,481,333	1,230,182
Total Noncurrent Liabilities	595,686	1,492,932	1,955,193
Total Liabilities	791,066	1,552,945	2,278,644

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

	Business-Type Activities		Governmental
	Nonmajor - Local Transportation		Activites
	Fund	Total	Internal Service
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 343,942	\$ 7,827,181	\$ 1,108,087
Accounts receivable, net of allowance for doubtful accounts	5,870	1,447,588	3,334
Other receivables	-	4,072	-
Intergovernmental receivables	-	112,502	-
Due from other funds	2,018	64,395	9,980
Due from component unit	-	4,766	-
Prepaid items	-	907,179	1,075,913
Total Current Assets	351,830	10,367,683	2,197,314
Noncurrent Assets:			
Capital assets, nondepreciable	40,000	1,705,035	-
Capital assets, depreciable	143,597	16,926,153	-
Total Noncurrent Assets	183,597	18,631,188	-
Total Assets	535,427	28,998,871	2,197,314
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution after measurement date	-	367,879	-
Employer's actual contribution in excess of employer's proportional share of contribution	-	32,961	-
Positive adjustment due to difference in proportion	-	58,848	-
Total deferred outflows of resources	-	459,688	-
LIABILITIES			
Current Liabilities:			
Accounts payable	38,264	141,592	6,958
Accrued payroll and benefits	-	162,537	-
Due to component unit	-	3,012	-
Deposits payable	-	89,749	-
Unearned revenues	131,955	239,786	-
Compensated absences, due within one year	-	13,288	-
Notes payable, due within one year	-	99,099	-
Total Current Liabilities	170,219	749,063	6,958
Noncurrent Liabilities			
Compensated absences, due in more than one year	-	66,755	-
Note payable, due in more than one year	-	695,567	-
Aggregate net pension liabilities	-	3,281,489	-
Total Noncurrent Liabilities	-	4,043,811	-
Total Liabilities	170,219	4,792,874	6,958

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Harbor Fund
DEFERRED INFLOWS OF RESOURCES			
Difference in projected and actual earnings on pension investments	152,760	397,016	329,705
Employer's proportionate share of contribution in excess of employer's actual contribution	5,440	14,139	11,741
Negative adjustment due to difference in proportion	2,698	7,011	5,823
Total deferred inflows of resources	160,898	418,166	347,269
NET POSITION			
Net investment in capital assets	7,697,075	9,783,607	172,243
Restricted for:			
PTMISEA	-	-	-
LTF	-	-	-
Unrestricted (Deficit)	2,876,271	3,388,645	(543,697)
Total Net Position	\$ 10,573,346	\$ 13,172,252	\$ (371,454)

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

	Business-Type Activities		Governmental
	Nonmajor - Local Transportation		Activites
	Fund	Total	Internal Service
DEFERRED INFLOWS OF RESOURCES			
Difference in projected and actual earnings on pension investments	-	879,481	-
Employer's proportionate share of contribution in excess of employer's actual contribution	-	31,320	-
Negative adjustment due to difference in proportion	-	15,532	-
Total deferred inflows of resources	-	926,333	-
NET POSITION			
Net investment in capital assets	183,597	17,836,522	-
Restricted for:			
PTMISEA	13,185	13,185	
LTF	33,000	33,000	
Unrestricted (Deficit)	135,426	5,856,645	2,190,356
Total Net Position	\$ 365,208	\$ 23,739,352	\$ 2,190,356

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Harbor Fund
Operating Revenues:			
Charges for services	\$ 3,311,970	\$ 4,323,986	\$ 1,894,203
Other revenues	-	6,267	16,759
Total operating revenues	<u>3,311,970</u>	<u>4,330,253</u>	<u>1,910,962</u>
Operating Expenses:			
Employee wages and benefits	727,156	500,328	931,222
Insurance costs	73,394	38,980	80,783
Transportation services	-	-	-
Public works	-	2,643,944	-
Depreciation	273,878	497,122	202,219
Maintenance	138,451	65,907	122,692
Administration	2,841,432	265,191	780,903
Supplies	58,317	155,867	76,189
Total operating expenses	<u>4,112,628</u>	<u>4,167,339</u>	<u>2,194,008</u>
Operating income (loss)	<u>(800,658)</u>	<u>162,914</u>	<u>(283,046)</u>
Nonoperating Income (loss):			
Intergovernmental	-	-	147,262
Rental income	-	23,370	-
Investment earnings	20,388	36,007	9,823
Gain on sale of capital assets	-	-	9,500
Interest expense	-	-	(40,027)
Total nonoperating income (loss)	<u>20,388</u>	<u>59,377</u>	<u>126,558</u>
Net income (loss) before transfers	<u>(780,270)</u>	<u>222,291</u>	<u>(156,488)</u>
Transfers:			
Transfers in	28,410	-	-
Transfers out	(279,105)	(194,757)	(281,986)
Total transfers	<u>(250,695)</u>	<u>(194,757)</u>	<u>(281,986)</u>
Changes in net position	<u>(1,030,965)</u>	<u>27,534</u>	<u>(438,474)</u>
Net Position:			
Beginning of the year, as restated (Note 11)	11,604,311	13,144,718	67,020
End of the year	<u>\$ 10,573,346</u>	<u>\$ 13,172,252</u>	<u>\$ (371,454)</u>

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

	Business-Type Activities		Governmental
	Nonmajor - Local		Activites
	Transportation Fund	Total	Internal Service
Operating Revenues:			
Charges for services	\$ 39,932	\$ 9,570,091	\$ 1,369,469
Other revenues	2,228	25,254	13,550
Total operating revenues	<u>42,160</u>	<u>9,595,345</u>	<u>1,383,019</u>
Operating Expenses:			
Employee wages and benefits	-	2,158,706	-
Insurance costs	-	193,157	1,076,505
Transportation services	180,690	180,690	-
Public works	-	2,643,944	-
Depreciation	38,932	1,012,151	-
Maintenance	1,073	328,123	15,000
Administration	7,245	3,894,771	41,249
Supplies	42,258	332,631	-
Total operating expenses	<u>270,198</u>	<u>10,744,173</u>	<u>1,132,754</u>
Operating income (loss)	<u>(228,038)</u>	<u>(1,148,828)</u>	<u>250,265</u>
Nonoperating Income (loss):			
Intergovernmental	307,751	455,013	-
Rental income	-	23,370	-
Investment earnings	1,901	68,119	10,116
Gain on sale of capital assets	-	9,500	-
Interest expense	-	(40,027)	-
Total nonoperating income (loss)	<u>309,652</u>	<u>515,975</u>	<u>10,116</u>
Net income (loss) before transfers	<u>81,614</u>	<u>(632,853)</u>	<u>260,381</u>
Transfers:			
Transfers in	-	28,410	-
Transfers out	(79,775)	(835,623)	(265,896)
Total transfers	<u>(79,775)</u>	<u>(807,213)</u>	<u>(265,896)</u>
Changes in net position	1,839	(1,440,066)	(5,515)
Net Position:			
Beginning of the year, as restated (Note 11)	363,369	25,179,418	2,195,871
End of the year	<u>\$ 365,208</u>	<u>\$ 23,739,352</u>	<u>\$ 2,190,356</u>

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

	Business-Type Activities		
	Water Operating Fund	Sewer Fund	Harbor Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from services provided	\$ 3,362,113	\$ 4,324,954	\$ 1,937,094
Cash paid to suppliers for goods and services	(2,583,182)	(3,252,994)	(1,245,139)
Cash paid to employees	(745,334)	(538,745)	(957,469)
Net Cash Provided by (Used in) Operating Activities	<u>33,597</u>	<u>533,215</u>	<u>(265,514)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	(250,695)	(194,757)	(281,986)
Intergovernmental	(14,279)	33,889	46,187
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(264,974)</u>	<u>(160,868)</u>	<u>(235,799)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment on long-term debt	-	-	(94,832)
Interest paid	-	-	(40,027)
Proceeds from sale of capital assets	-	-	9,500
Acquisition of capital assets	(11,157)	(3,599)	-
Net Cash (Used In) Capital and Related Financing Activities	<u>(11,157)</u>	<u>(3,599)</u>	<u>(125,359)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	20,388	59,377	9,823
Net Cash Provided by Investing Activities	<u>20,388</u>	<u>59,377</u>	<u>9,823</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(222,146)</u>	<u>428,125</u>	<u>(616,849)</u>
CASH AND CASH EQUIVALENTS:			
Beginning of Year	2,633,612	4,136,536	1,123,961
End of Year	<u>\$ 2,411,466</u>	<u>\$ 4,564,661</u>	<u>\$ 507,112</u>
Reconciliation of Operating Income (Loss) to to Net Cash Provided (Used) by Operating Activities:			
Operating Income (loss)	\$ (800,658)	\$ 162,914	\$ (283,046)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	273,878	497,122	202,219
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	50,153	(5,299)	(53,275)
(Increase)/decrease in other receivables	(10)	-	-
(Increase)/decrease in prepaid items	524,155	500	758
(Increase)/decrease in deferred outflows of resources related to pension	(10,317)	(6,622)	(5,498)
Increase/(decrease) in accounts payable	1,282	(83,605)	(184,718)
Increase/(decrease) in accrued payroll and benefits	217	6,578	3,755
Increase/(decrease) in deposits payable	2,975	-	(612)
Increase/(decrease) in unearned revenue	-	-	79,407
Increase/(decrease) in compensated absences	(193)	2,309	9,280
Increase/(decrease) in net pension liabilities	(160,891)	(418,144)	(347,251)
Increase/(decrease) in deferred inflows of resources related to pension	153,006	377,462	313,467
Net Cash Provided by (Used in) Operating Activities	<u>\$ 33,597</u>	<u>\$ 533,215</u>	<u>\$ (265,514)</u>

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

	Business-Type Activities		Governmental Activities
	Nonmajor - Local Transportation Fund	Total	Internal Service
	Fund	Total	Service
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from services provided	\$ 36,290	\$ 9,660,451	\$ 1,380,130
Cash paid to suppliers for goods and services	(241,137)	(7,322,452)	(1,410,870)
Cash paid to employees	-	(2,241,548)	-
Net Cash Provided by (Used in) Operating Activities	<u>(204,847)</u>	<u>96,451</u>	<u>(30,740)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	(79,775)	(807,213)	(265,896)
Intergovernmental	491,365	557,162	(9,980)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>411,590</u>	<u>(250,051)</u>	<u>(275,876)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment on long-term debt	-	(94,832)	-
Interest paid	-	(40,027)	-
Proceeds from sale of capital assets	-	9,500	-
Acquisition of capital assets	-	(14,756)	-
Net Cash (Used In) Capital and Related Financing Activities	<u>-</u>	<u>(140,115)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	1,901	91,489	10,116
Net Cash Provided by Investing Activities	<u>1,901</u>	<u>91,489</u>	<u>10,116</u>
Net Increase (Decrease) In Cash and Cash Equivalents	208,644	(202,226)	(296,500)
CASH AND CASH EQUIVALENTS:			
Beginning of Year	135,298	8,029,407	1,404,587
End of Year	<u>\$ 343,942</u>	<u>\$ 7,827,181</u>	<u>\$ 1,108,087</u>
Reconciliation of Operating Income (Loss) to to Net Cash Provided (Used) by Operating Activities:			
Operating Income (loss)	\$ (228,038)	\$ (1,148,828)	\$ 250,265
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	38,932	1,012,151	-
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	(5,870)	(14,291)	(2,889)
(Increase)/decrease in other receivables	-	(10)	-
(Increase)/decrease in prepaid items	79	525,492	(267,955)
(Increase)/decrease in deferred outflows of resources related to pension	-	(22,437)	-
Increase/(decrease) in accounts payable	(9,950)	(276,991)	(10,161)
Increase/(decrease) in accrued payroll and benefits	-	10,550	-
Increase/(decrease) in deposits payable	-	2,363	-
Increase/(decrease) in unearned revenue	-	79,407	-
Increase/(decrease) in compensated absences	-	11,396	-
Increase/(decrease) in net pension liabilities	-	(926,286)	-
Increase/(decrease) in deferred inflows of resources related to pension	-	843,935	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ (204,847)</u>	<u>\$ 96,451</u>	<u>\$ (30,740)</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

	Other Post-employment Trust Fund	Agency Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 515,813	\$ 1,225,626
Miscellaneous receivable	-	486
Prepays	-	1,456
Total assets	515,813	\$ 1,227,568
LIABILITIES		
Accounts payable	-	\$ 34,281
Agency funds held for others	-	1,193,287
Total liabilities	-	\$ 1,227,568
NET POSITION		
Held in trust	515,813	
Total net position	\$ 515,813	

City of Morro Bay
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

	<u>Other Postemployment Benefits Trust Fund</u>
ADDITIONS:	
Gains on investment	\$ 11,734
Total additions	<u>11,734</u>
Change in net position	11,734
NET POSITION:	
Beginning of year, as restated (Note 11)	<u>504,079</u>
End of year	<u><u>\$ 515,813</u></u>

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

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

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

The City reports the following major governmental funds:

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

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

Capital Improvement Capital Projects Fund - Used to account for financial resources to be solely used for the construction of capital assets.

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

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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

The City reports the following major proprietary funds:

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

The City reports the following major proprietary funds (Continued):

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

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

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

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

The City reports the following fiduciary funds:

Other Postemployment Benefits (OPEB) Trust Fund – Used to account for assets held by the City as a trustee for pre-funding of OPEB liability.

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

C. Cash and Investments

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

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

D. Receivable and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivable are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Prepaid Items

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

F. Inventories

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

G. Land Held for Resale

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

H. Property Tax Revenue

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

I. Capital Assets

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

Structures & improvements	15-30 years
Equipment	4-10 years
Infrastructure	25-75 years

J. Interfund Transactions

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources. There were no advances between funds during the year.

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Claims Payable

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

L. Compensated Absences Payable

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

M. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

N. *Unearned Revenue*

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

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

O. *Net Position*

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

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

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

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

P. *Fund Balances*

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Fund Balances (Continued)

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

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

Q. Use of Estimates

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

R. Accounting Changes

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

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

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

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

Note 2 – Cash and Investments

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

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

	Primary Government				Total
	Government-Wide Statement of Net Position			Discretely Presented Component Unit	
	Governmental Activities	Business-type Activities	Fiduciary Fund		
Cash and investments	\$ 6,187,852	\$ 7,827,181	\$ 1,741,439	\$ 160,667	\$ 15,917,139

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

Cash and cash equivalents:	
Petty Cash	\$ 1,900
Deposits with financial institutions	7,564,319
Total cash and cash equivalents	7,566,219
Investments:	
Local Agency Investment Fund	3,127,955
Mutual Funds	515,813
Certificates of Deposit	3,710,482
U.S. Government Sponsored Enterprise Securities	996,670
Total investments	8,350,920
Total cash and investments	\$ 15,917,139

A. Deposits

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

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

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

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

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

Note 2 – Cash and Investments (Continued)

B. Investments

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

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

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

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

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

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

C. Risk Disclosures

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

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

Investment Type	Fair value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund	\$ 3,127,955	\$ 3,127,955	\$ -	\$ -	\$ -	\$ -
Mutual Funds	515,813	515,813	-	-	-	-
Certificates of deposit	3,710,482	1,187,361	1,002,828	-	1,270,293	250,000
U.S. Government Sponsored Enterprise Securities	996,670	-	-	996,670	-	-
Total	\$ 8,350,920	\$ 4,831,129	\$ 1,002,828	\$ 996,670	\$ 1,270,293	\$ 250,000

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

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

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

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund (LAIF)	Not Rated	Not Rated	37.46%
Mutual Funds	Not Rated	Not Rated	6.18%
Certificates of Deposits	Not Rated	Not Rated	44.43%
U.S. Government Sponsored Enterprise Securities			
Federal Farm Credit Banks	AAA	AA+	5.98%
Federal National Mortgage Association	AAA	AA+	5.95%
Total			100.00%

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

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

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

Note 3 – Interfund Transactions

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

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

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

Transfers

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

Transfers out	Transfers in				Total
	General Fund	Capital Improvement fund	Nonmajor Governmental Funds	Water Fund	
Governmental Funds:					
General Fund	\$ -	\$ 191,888	\$ 266,350	\$ -	\$ 458,238
Capital Improvement Fund	301,187	-	-	-	301,187
Nonmajor Funds	589,877	551,219	-	-	1,141,096
Enterprise Funds:					
Water Fund	279,105	-	-	-	279,105
Sewer Fund	166,347	-	-	28,410	194,757
Harbor Fund	281,986	-	-	-	281,986
LTF Fund	79,775	-	-	-	79,775
Internal Service Fund:					
Risk Management Fund	125,900	-	139,996	-	265,896
Total	\$ 1,824,177	\$ 743,107	\$ 406,346	\$ 28,410	\$ 3,002,040

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

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

Note 4 – Capital Assets

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

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

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

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

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

Note 4 – Capital Assets (Continued)

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

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

Depreciation expense was charged to governmental activities as follow:

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

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

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

Depreciation expense was charged to discretely presented component unit as follows

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

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

Note 5 – Long-term Liabilities

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

	Balance July 1, 2015, As Restated	Additions	Deletion	Balance June 30, 2015	Amounts due within one Year
Governmental Activities:					
Certificates payable	\$ 1,486,838	\$ -	\$ (70,838)	\$ 1,416,000	\$ 30,000
Claims payable	-	292,253	(62,704)	229,549	229,549
Compensated absences	259,476	410,821	(380,147)	290,150	34,818
Other postemployment benefits	109,837	146,411	(49,658)	206,590	-
Pension related debt	1,508,441	100,159	(352,366)	1,256,234	362,936
	<u>\$ 3,364,592</u>	<u>\$ 949,644</u>	<u>\$ (915,713)</u>	<u>\$ 3,398,523</u>	<u>\$ 657,303</u>
Business-Type Activities:					
Notes Payable	\$ 889,497	\$ -	\$ (94,831)	\$ 794,666	\$ 99,099
Compensated absences	68,647	77,684	(66,288)	80,043	13,288
	<u>\$ 958,144</u>	<u>\$ 77,684</u>	<u>\$ (161,119)</u>	<u>\$ 874,709</u>	<u>\$ 112,387</u>
Component Unit:					
Compensated absences	\$ 17,042	\$ 23,882	\$ (25,586)	\$ 15,338	\$ -

Pension-Related Debt

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

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

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

Note 5 – Long-term Liabilities (Continued)

Certificates of Participation

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

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

Notes Payable

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

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

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

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

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

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

B. Self-Insurance Programs of the CJPIA

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

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

Liability

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

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

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

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

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

Workers’ Compensation

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

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

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

C. Purchased Insurance

Property Insurance

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

Earthquake and Flood Insurance

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

Crime Insurance

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

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

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

Special Event Tenant User Liability Insurance

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

D. Adequacy of Protection

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

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

Note 7 – Defined Benefit Pension Plans

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
Net pension liabilities:				
Fire Tier 1	\$ 3,711,549	\$ 1,072,195	\$ (1,733,366)	\$ 3,050,378
Fire Tier 2	15,796	32,104	(35,972)	11,928
Police Tier 1	5,444,418	1,700,325	(2,772,231)	4,372,512
Police Tier 2	34,486	136,468	(144,911)	26,043
Miscellaneous Tier 1	10,071,499	3,551,374	(6,049,426)	7,573,447
Miscellaneous Tier 2	6,116	45,659	(47,299)	4,476
Miscellaneous PEPRA	164	11,987	(12,031)	120
Total net pension liabilities	<u>\$ 19,284,028</u>	<u>\$ 6,550,112</u>	<u>\$ (10,795,236)</u>	<u>\$ 15,038,904</u>
Deferred inflows of Resources:				
Difference in projected and actual earnings on pension investments:				
Fire Tier 1	\$ -	\$ 817,430	\$ (163,486)	\$ 653,944
Fire Tier 2	-	4,502	(900)	3,602
Police Tier 1	-	1,298,235	(259,647)	1,038,588
Police Tier 2	-	9,829	(1,966)	7,863
Miscellaneous Tier 1	-	2,906,349	(581,270)	2,325,079
Miscellaneous Tier 2	-	1,880	(376)	1,504
Miscellaneous PEPRA	-	50	(10)	40
Total difference in projected and actual earnings on pension investments:	<u>-</u>	<u>5,038,275</u>	<u>(1,007,655)</u>	<u>4,030,620</u>
Employer's proportionate share of contribution in excess of employer's actual contribution:				
Miscellaneous Tier 1	-	194,800	(51,263)	143,537
Total employer's proportionate share of contribution in excess of employer's actual contribution	<u>-</u>	<u>194,800</u>	<u>(51,263)</u>	<u>143,537</u>
Total adjustment due to difference in proportion in pension investments:				
Fire Tier 2	-	14,976	(3,941)	11,035
Police Tier 2	-	75,740	(19,932)	55,808
Miscellaneous Tier 2	-	295	(78)	217
Miscellaneous PEPRA	-	5,595	(1,472)	4,123
Total adjustment due to difference in proportion in actual earnings on pension investments	<u>-</u>	<u>96,606</u>	<u>(25,423)</u>	<u>71,183</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 5,329,681</u>	<u>\$ (1,084,341)</u>	<u>\$ 4,245,340</u>

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

Note 7 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan

Plan Description

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

Employees Covered by Benefit Terms

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

	Plans			
	Fire Tier 1	Fire Tier 2	Police Tier 1	Police Tier 2
Active employees	8	2	14	7
Transferred and terminated employees	6	1	14	1
Separated	1	-	8	-
Retired Employees and Beneficiaries	19	-	38	-
Total	34	3	74	8

	Plans		
	Misc. Tier 1	Misc. Tier 2	Misc. PEPR
Active employees	48	7	2
Transferred and terminated employees	30	-	-
Separated	29	1	-
Retired Employees and Beneficiaries	114	-	-
Total	221	8	2

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan

Benefit Provided

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

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

Employees may retire from active service once they reach 50 years of age and have five years of CalPERS-credited service.

The City has contracted with CalPERS for pre-retirement death benefits, should an employee die while actively employed, subject to the employee's eligibility to retire. Eligibility is established when an employee reaches 50 years of age, and has a minimum of five years of CalPERS-credited service.

Upon the death of an eligible employee, beneficiary(ies) may choose to receive: 1) the City-contracted CalPERS retirement formula Option 2W, or 2) the basic death benefit (employee contributions plus interest) and one month's salary for each year of current services, up to six months' pay. With either choice, the City-contracted 4th Level 1959 Survivor Benefit, which provides additional allocations to spouses caring for unmarried children, under the age of 22, or incapacitated children, is provided.

If the employee dies prior to attaining retirement eligibility, beneficiary(ies) receive: 1) the lump sum basic death benefit (employee contributions plus interest) and one month's salary for each year of current services, up to six months' pay, and 2) the City-contracted 4th Level 1959 Survivor Benefit.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retirees designated survivor(s), or to the retiree's estate. Depending on the retirement option chosen, beneficiary(ies) may continue to receive lifetime benefits. The City does not contract for Survivor Continuance. Additionally, the City does not participate in Social Security retirement.

Contributions

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

Discount Rate

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

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

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

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

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

Note 8 –Other Postemployment Benefits Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City's City Council, and/or the employee associations. The required employer contribution was \$119 per person for months in 2014 and \$122 per person per month in 2015. Retirees pay the differential monthly amount of the premium, which varies depending on the health benefits they select. The City implemented GASB 45 for the fiscal year ended June 30, 2010, establishing a liability in its Risk Management Fund for the value of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a closed period not to exceed thirty years. The ARC and contribution total for year ended June 30, 2015 was \$146,411 and \$49,658, respectively.

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation:

Annual Required Contribution	\$	149,704
Interest Adjustment		(5,298)
Adjustment to Annual Required Contribution		2,005
		146,411
Annual OPEB Cost		146,411
Contribution made		(49,658)
		96,753
Change in Net OPEB Obligation		96,753
Net OPEB Obligation, Beginning of Year, as Restated		109,837
		206,590
Net OPEB Obligation, End of Year	\$	206,590

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

Note 8 –Other Postemployment Benefits Plan (Continued)

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

Year Ended	OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	\$ 145,950	\$ 47,445	32.51%	\$ (4,175)
June 30, 2014	149,704	50,425	33.68%	109,837
June 30, 2015	146,217	49,658	33.96%	206,590

Funded Status and Funding Progress

As of August 1, 2015, the latest actuarial valuation date, there were no plan assets on the valuation date. The actuarial accrued liability for benefits was \$1,938,928, and the actuarial value of assets was \$614,048, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,324,880. The covered payroll (annual payroll of active employees covered by the plan) was \$6,509,854 and the ratio of the UAAL to the covered payroll was negative 20.35%.

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

In January 2013, the City adopted ICMA-RC’s Vantagecare RHS Employer Investment Program for pre-funding of OPEB liability and established a revocable trust account. The City holds discretion to amend or terminate the program, and appoint program administrator to manage the daily operations of the trust account. This trust account is solely funded with assets from the City. The balance as of June 30, 2015 was \$515,813.

Actuarial Methods and Assumptions

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

The required contribution for the year ended June 30, 2015 was determined as part of the August 1, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), payroll increase of 2.75% per annum, and inflation rate of 2.75% per annum, and the City’s share of premium cost will increase at rates of 4% per annum. The level percentage of payroll method is used to allocate amortization cost by year, closed 30 year amortization period is used for the initial UAAL, and open 25 year amortization period is used for any residual UAAL.

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

Note 9 – Classification of Fund Balances

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

	General Fund	Community Development Grant Special Revenue Fund	Capital Improvement Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 140,335	\$ 288	\$ 872	\$ 1,575	\$ 143,070
Inventories	10,424	-	-	-	10,424
Notes Receivable	1,178,101	176,109	-	-	1,354,210
Land Held for Resale	1,340,000	-	-	-	1,340,000
	<u>2,668,860</u>	<u>176,397</u>	<u>872</u>	<u>1,575</u>	<u>2,847,704</u>
Restricted:					
Community Development Grants	-	779,788	-	-	779,788
Tourism Business Improvement	-	-	-	79,664	79,664
Lower Cost Visitor					
Accommodations	-	-	-	52,797	52,797
Traffic Safety Grant	-	-	-	-	-
Special Safety Grants	-	-	-	29,031	29,031
Parking In-lieu	-	-	-	405,811	405,811
Non-Transit LTF - Bike Paths	-	-	-	113	113
Special Assessment Districts	-	-	-	59,092	59,092
State Park Marina Grants	-	-	-	154,139	154,139
Cloister Special Assessment Districts	-	-	-	76,357	76,357
LTF Roads	-	-	-	29,127	29,127
District Transaction Tax	-	-	-	97,053	97,053
Park In-lieu (Quimby) Fees	-	-	-	10,206	10,206
	<u>-</u>	<u>779,788</u>	<u>-</u>	<u>993,390</u>	<u>1,773,178</u>
Committed:					
Facility Maintenance Fund	1,276,529	-	-	-	1,276,529
Government Impact Fees	-	-	-	318,197	318,197
Affordable Housing	-	-	-	163,276	163,276
	<u>1,276,529</u>	<u>-</u>	<u>-</u>	<u>481,473</u>	<u>1,758,002</u>
Unassigned	<u>2,131,045</u>	<u>-</u>	<u>(846)</u>	<u>-</u>	<u>2,130,199</u>
	<u>\$ 6,076,434</u>	<u>\$ 956,185</u>	<u>\$ 26</u>	<u>\$ 1,476,438</u>	<u>\$ 8,509,083</u>

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

Note 10 – Water Revenue Over State Water Payments

The City has contracted with the San Luis Obispo County Flood Control and Water Conservation District to provide water from the state water project. The City has contracted to obtain 1,313 acre feet of water per year with an initial estimated cost of \$750 per acre foot, not including the fixed operating and management costs allocated to the City on a pro rata share basis. The City is obligated to make payments even if the City fails or refuses to accept water deliveries. The City paid a total of \$2,208,691 during the year ended June 30, 2015 for its share of the construction and operating costs.

For the fiscal year ending June 30, 2015, the city had 0.64 in water revenue over State Water Payments ratio which is required to be at minimum ratio of greater than, or equal to 1.25. The City entered into a contract with Bartle Wells for water and sewer rate study services. After many public meetings, a Prop 218 protest vote and public hearing, the new rates were adopted on May 26, 2015.

Note 11 – Prior Period Adjustments

Net positions as of July 1, 2014 were restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position at July 1, 2014	<u>\$ 129,348,688</u>	<u>\$ 29,107,573</u>
Report pension contribution made during the measurement period as deferred outflows of resources due to implementation of GASB 71	1,271,418	354,852
Report net pension liability due to the implementation of GASB 68	(15,076,253)	(4,207,775)
Overstatement of unearned revenue	881,389	-
Understatement of unearned revenue	-	(75,232)
Understatement of other postemployment benefits	(109,837)	-
Understatement of pension related debt	(1,508,441)	-
Subtotal	<u>(14,541,724)</u>	<u>(3,928,155)</u>
Net Position at July 1, 2014, as Restated	<u><u>\$ 114,806,964</u></u>	<u><u>\$ 25,179,418</u></u>

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

Note 11 – Prior Period Adjustments (Continued)

Net positions as of July 1, 2014 were restated as follows (Continued):

	Enterprise Funds			Nonmajor Local Transportation Fund	Total
	Water	Sewer	Harbor		
Net Position at July 1, 2014	\$ 12,273,540	\$ 14,884,008	\$ 1,511,424	\$ 438,601	\$ 29,107,573
Report pension contribution made during the measurement period as deferred outflows of resources due to implementation of GASB 71	61,636	160,187	133,029	-	354,852
Report net pension liability due to the implementation of GASB 68	(730,865)	(1,899,477)	(1,577,433)	-	(4,207,775)
Understatement of unearned revenue	-	-	-	(75,232)	(75,232)
Subtotal	(669,229)	(1,739,290)	(1,444,404)	(75,232)	(3,928,155)
Net Position at July 1, 2014, as Restated	<u>\$ 11,604,311</u>	<u>\$ 13,144,718</u>	<u>\$ 67,020</u>	<u>\$ 363,369</u>	<u>\$ 25,179,418</u>

	Special Revenue Fund Community Development
Fund Balance at July 1, 2014	\$ 128,708
Correction of reporting deferred revenue for notes receivable	881,389
Fund Balance at July 1, 2014, as Restated	<u>\$ 1,010,097</u>

Prior period adjustment of \$504,079 was made to the Other Postemployment Benefits Trust Fund due to the change of the reporting of the fund type from an agency fund to a trust fund.

Note 12 – Commitments and Contingencies

A. Commitments

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

B. Contingencies

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

C. Grants

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

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

Note 13 – Subsequent Events

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

Note 14 – Other Required Disclosure

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations occurred in individual funds during the year ended June 30, 2015 as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditure in Excess of Appropriations</u>
General Fund			
Administration	\$ 1,320,110	\$ 1,214,673	\$ (105,437)
Community promotion	279,225	-	(279,225)
Fire	2,280,930	2,189,761	(91,169)
Nonmajor Special Revenue Funds:			
MB Tourism Business Improvement District Fund			
Community promotion	872,552	715,000	(157,552)
Special Safety Grant Police	170,698	100,000	(70,698)
Parking In-lieu Fund Police	25,229	-	(25,229)
Special Assessments Fund Park and recreation	7,550	5,645	(1,905)
Park In-lieu Fee Fund Park and recreation	4,680	-	(4,680)
District Transaction Tax Fund Fire	107,857	95,312	(12,545)
Public works	972,060	755,521	(216,539)
Principal	70,838	25,000	(45,838)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes & special assessments	\$ 7,821,976	\$ 7,932,106	\$ 8,768,929	\$ 836,823
Intergovernmental revenue	22,000	22,000	36,322	14,322
Charges for services	1,155,609	1,413,156	1,537,444	124,288
Revenues from use of money and property	432,298	432,298	418,119	(14,179)
Fines & forfeits	11,000	11,000	8,562	(2,438)
Other revenues	13,650	13,650	603,344	589,694
Total Revenues	<u>9,456,533</u>	<u>9,824,210</u>	<u>11,372,720</u>	<u>1,548,510</u>
Expenditures:				
Current:				
Administration	1,055,161	1,214,673	1,320,110	(105,437)
Community promotion	-	-	279,225	(279,225)
Finance	645,329	662,145	630,241	31,904
Fire	2,045,618	2,189,761	2,280,930	(91,169)
Police	3,479,825	3,561,289	3,305,060	256,229
Public works	1,041,512	1,518,387	1,444,781	73,606
Recreation/parks/maintenance	2,103,490	1,715,913	1,710,790	5,123
Capital Outlay	382,964	382,964	382,964	-
Total Expenditures	<u>10,370,935</u>	<u>10,862,168</u>	<u>11,354,101</u>	<u>(108,969)</u>
Excess(deficiency) of revenues over expenditures	<u>(914,402)</u>	<u>(1,037,958)</u>	<u>18,619</u>	<u>1,439,541</u>
Other Financing Sources (Uses):				
Transfers in	1,324,755	1,450,655	1,824,177	373,522
Transfers out	-	(200,000)	(458,238)	(258,238)
Total Other Financing Sources (Uses):	<u>1,324,755</u>	<u>1,250,655</u>	<u>1,365,939</u>	<u>115,284</u>
Net change in Fund Balance	<u>\$ 410,353</u>	<u>\$ 212,697</u>	<u>1,384,558</u>	<u>\$ 1,171,861</u>
Fund Balances, July 1			<u>4,691,876</u>	
Fund Balances, June 30			<u>\$ 6,076,434</u>	

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

Note 1 – Budgetary Control and Accounting Policy

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

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

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

Budget was not adopted for Community Development Grant Special Revenue Fund and Capital Improvement Grant Special Revenue Fund.

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

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

Last Ten Fiscal Years

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

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

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

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

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

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

¹ Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year is shown.

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

Last Ten Fiscal Years

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

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

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

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

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

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

¹ Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year is shown.

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

Last Ten Fiscal Years

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

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

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

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

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

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

¹ Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year is shown.

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

Last Ten Fiscal Years

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

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

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

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

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

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 9,435	\$ -
Contribution in Relation to the Actuarially Determined Contribution ²	(9,435)	-
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,5}	\$ 82,151	\$ -
Contributions as a Percentage of Covered-Employee Payroll	11.48%	0.00%

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

Last Ten Fiscal Years

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

	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 398,627	\$ 428,502
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(398,627)</u>	<u>(428,502)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 1,186,874</u>	<u>\$ 1,152,305</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>33.59%</u>	<u>37.19%</u>

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

	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 133,057	\$ 111,079
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(133,057)</u>	<u>(111,079)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 511,505</u>	<u>\$ 496,607</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>26.01%</u>	<u>22.37%</u>

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

	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 17,908	\$ -
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(17,908)</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 159,302</u>	<u>\$ -</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>11.24%</u>	<u>0.00%</u>

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

Last Ten Fiscal Years

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

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

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

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

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

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

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

¹ Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year and the measure period are shown.

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

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

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

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

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

Notes to Schedule

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

Changes of Assumptions: There were no changes in assumptions.

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

Other Postemployment Benefits Plan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) [(b) - (a)]	Funded Ratio [(a) / (b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b) - (a)] / (c)
August 1, 2010	\$ -	\$ 1,272,897	\$ 1,272,897	0.00%	\$ 6,609,575	19.26%
August 1, 2012	326,933	1,616,609	1,289,676	20.2%	\$ 6,154,925	20.95%
August 1, 2015	614,048	1,938,928	1,324,880	31.7%	\$ 6,509,854	20.35%

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS:

Morro Bay Tourism Business Improvement District (MBTBID) Special Revenue Fund - to account for the marketing activities of the MBTBID and the Visitors Center.

Gas Tax Special Revenue Fund - to account for monies received from gasoline taxes.

Lower Cost Visitor Special Revenue Fund – to accounts for collections in-lieu mitigation fees for lower cost visitor serving overnight accommodations, such as hostels and tent campground units, as required by California Coastal Commission actions on coastal development permits.

Traffic Safety Special Revenue Fund – to account for fines and forfeitures collected from any person charged with a misdemeanor.

Special Safety Grant Special Revenue Fund – To account for the Supplemental Law Enforcement Services Fund (SLESF) grant.

Parking In-Lieu Special Revenue Fund – To account for in-lieu fees charged for parking spaces required to adequately service a new business establishment, or the expansion of an existing one.

Bike Path Special Revenue Fund – To account for two percent of Transportation Development Act funds received by the City that are specifically set aside for bike path.

Special Assessment District Special Revenue Fund – to account for parcel assessments and expenditures associated with certain housing developments within the City limits.

Governmental Impact Fees Special Revenue Fund – to account for fees collected to ensure that new development pays the cost of infrastructure expansion required to meet the needs of that new development, effectively transferring the cost burden of growth from the existing rate and taxpayers.

State Park Marina Special Revenue Fund – To account for marina concessions revenues that are received for the planning and environmental review of the proposed dredging and renovation of the State Park Marina.

Affordable Housing In-lieu Special Revenue Fund – To account for collection of impact fees for affordable housing.

Cloisters Special Assessment District Special Revenue Fund – To account for parcel assessments and expenditures associated with the Cloisters housing developments within the City limits.

Local Transportation Funds ("LTF") Roads Special Revenue Fund – To account for Transportation Development Act (TDA) money for roads projects, under TDA Article 8, 99400(a)).

Park In-Lieu Fees Special Revenue Fund – To account for special revenue fees collected under the 1975 Quimby Act (California Government Code §66477).

District Transaction Tax Special Revenue Fund – To account for ½ cent district sales tax, commonly known as “Measure Q”.

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

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

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

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

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

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

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

	Special Revenue			Total Nonmajor Governmental Funds
	LTF Roads	Park In- Lieu Fees	District Transaction Tax	
ASSETS				
Cash and cash equivalents	\$ 28,997	\$ 9,784	\$ 106,379	\$ 1,487,054
Receivables:				
Intergovernmental	-	-	70,200	77,411
Accounts	-	-	-	86,553
Notes	-	-	-	31,314
Due from other funds	130	422	1,593	12,580
Prepaid items	-	-	1,290	1,575
Total Assets	<u>\$ 29,127</u>	<u>\$ 10,206</u>	<u>\$ 179,462</u>	<u>\$ 1,696,487</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 75,735	\$ 178,577
Accrued payroll and benefits	-	-	5,384	5,799
Due to other funds	-	-	-	32,506
Unearned revenue	-	-	-	3,167
Total Liabilities	<u>-</u>	<u>-</u>	<u>81,119</u>	<u>220,049</u>
Fund Balances:				
Nonspendable	-	-	1,290	1,575
Restricted	29,127	10,206	97,053	993,390
Committed	-	-	-	481,473
Total Fund Balances	<u>29,127</u>	<u>10,206</u>	<u>98,343</u>	<u>1,476,438</u>
Total Liabilities & Fund Balances	<u>\$ 29,127</u>	<u>\$ 10,206</u>	<u>\$ 179,462</u>	<u>\$ 1,696,487</u>

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

	Special Revenue Funds			
	MB Tourism Business Improvement District	Gas Tax	Lower Cost Visitor Accommodation	Traffic Safety Grant
REVENUES:				
Taxes and special assessments	\$ 741,435	\$ -	\$ -	\$ -
Intergovernmental revenues	-	286,393	-	-
Charges for services	-	-	-	-
Revenue from use of money and property	681	-	294	-
Fines and forfeitures	-	-	-	15,624
Other revenues	-	-	15,735	-
Total revenues	742,116	286,393	16,029	15,624
EXPENDITURES:				
Current:				
Community promotion	872,552	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Recreation and parks	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	872,552	-	-	-
REVENUE OVER (UNDER) EXPENDITURES	(130,436)	286,393	16,029	15,624
OTHER FINANCING SOURCES (USES):				
Transfers in	139,996	59,695	-	3,147
Transfers out	-	(346,088)	-	(18,771)
Total Other Financing Sources (Uses)	139,996	(286,393)	-	(15,624)
NET CHANGE IN FUND BALANCES	9,560	-	16,029	-
FUND BALANCES				
Beginning of Year	70,104	-	36,768	-
End of Year	<u>\$ 79,664</u>	<u>\$ -</u>	<u>\$ 52,797</u>	<u>\$ -</u>

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

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

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

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

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

	Special Revenue Funds			Total Nonmajor Governmental Funds
	LTF Roads	Park In- Lieu Fees	District Transaction Tax	
REVENUES:				
Taxes and special assessments	\$ -	\$ -	\$ 946,448	\$ 1,845,304
Intergovernmental revenues	28,785	-	-	432,129
Charges for services	-	17,282	-	224,653
Revenue from use of money and property	242	431	1,664	95,922
Fines and forfeitures	-	-	-	15,624
Other revenues	-	2,000	-	33,314
Total revenues	29,027	19,713	948,112	2,646,946
EXPENDITURES:				
Current:				
Community promotion	-	-	-	872,552
Fire	-	-	107,857	107,857
Police	-	-	104,017	299,944
Public works	-	-	972,060	972,060
Recreation and parks	-	4,680	-	134,650
Debt service:				
Principal	-	-	70,838	70,838
Interest	-	-	53,971	53,971
Total expenditures	-	4,680	1,308,743	2,511,872
REVENUE OVER (UNDER) EXPENDITURES	29,027	15,033	(360,631)	135,074
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	203,508	406,346
Transfers out	-	(90,660)	(99,608)	(1,141,096)
Total Other Financing Sources (Uses)	-	(90,660)	103,900	(734,750)
NET CHANGE IN FUND BALANCES	29,027	(75,627)	(256,731)	(599,676)
FUND BALANCES				
Beginning of Year	100	85,833	355,074	2,076,114
End of Year	\$ 29,127	\$ 10,206	\$ 98,343	\$ 1,476,438

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

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 271,934	\$ 271,934	\$ 286,393	\$ 14,459
Total revenues	<u>271,934</u>	<u>271,934</u>	<u>286,393</u>	<u>14,459</u>
Excess of Revenues Over (Under) Expenditures	<u>271,934</u>	<u>271,934</u>	<u>286,393</u>	<u>14,459</u>
Other Financing Sources (Uses):				
Transfers in	-	-	59,695	59,695
Transfers out	(271,934)	(271,934)	(346,088)	(74,154)
Total Other Financing Sources (Uses)	<u>(271,934)</u>	<u>(271,934)</u>	<u>(286,393)</u>	<u>(14,459)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES (DEFICIT)				
Beginning of Year			<u>-</u>	
End of Year			<u>\$ -</u>	

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

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

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

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

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

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

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

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

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

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 157,421	\$ 8,477	\$ 9,099	\$ 622
Total revenues	<u>157,421</u>	<u>8,477</u>	<u>9,099</u>	<u>622</u>
Expenditures:				
Current:				
Recreation and parks	134,645	5,645	7,550	(1,905)
Total expenditures	<u>134,645</u>	<u>5,645</u>	<u>7,550</u>	<u>(1,905)</u>
Net change in fund balances	<u>\$ 22,776</u>	<u>\$ 2,832</u>	1,549	<u>\$ (1,283)</u>
FUND BALANCES				
Beginning of Year			<u>57,552</u>	
End of Year			<u>\$ 59,101</u>	

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

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

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

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

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

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

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

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

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

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

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

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 930,000	\$ 930,000	\$ 946,448	\$ 16,448
Revenues from use of money and property	-	-	1,664	1,664
Total revenues	<u>930,000</u>	<u>930,000</u>	<u>948,112</u>	<u>18,112</u>
Expenditures:				
Current:				
Fire	93,142	95,312	107,857	(12,545)
Police	115,100	116,135	104,017	12,118
Public works	530,850	755,521	972,060	(216,539)
Debt service				
Principal	25,000	25,000	70,838	(45,838)
Interest	66,300	66,300	53,971	12,329
Total expenditures	<u>830,392</u>	<u>1,058,268</u>	<u>1,308,743</u>	<u>(250,475)</u>
Excess of Revenues Over (Under) Expenditures	<u>99,608</u>	<u>(128,268)</u>	<u>(360,631)</u>	<u>(232,363)</u>
Other Financing Sources (Uses):				
Transfers in	-	232,590	203,508	(29,082)
Transfers out	(99,608)	(99,608)	(99,608)	-
Total Other Financing Sources (Uses)	<u>(99,608)</u>	<u>132,982</u>	<u>103,900</u>	<u>(29,082)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 4,714</u>	<u>(256,731)</u>	<u>\$ (261,445)</u>
FUND BALANCES				
Beginning of Year			355,074	
End of Year			<u>\$ 98,343</u>	

AGENCY FUND FINANCIAL STATEMENTS

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City of Morro Bay
Statement of Assets and Liabilities
Agency Fund
June 30, 2015

	<u>Community Service Agency Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,225,626
Miscellaneous receivables	486
Prepays	<u>1,456</u>
Total assets	<u><u>\$ 1,227,568</u></u>
LIABILITIES	
Accounts payable	\$ 34,280
Agency funds held for others	<u>1,193,287</u>
Total liabilities	<u><u>\$ 1,227,567</u></u>

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>Community Services Fund</u>				
Assets:				
Cash and investments	\$ 1,194,087	\$ 276,198	\$ (244,660)	\$ 1,225,626
Miscellaneous receivables	-	486	-	486
Prepaid items	721	1,456	(721)	1,456
Total assets	\$ 1,194,808	\$ 278,140	\$ (245,381)	\$ 1,227,568
Liabilities:				
Accounts payable	\$ 16,530	\$ 236,963	\$ (219,213)	\$ 34,280
Agency funds held for others	1,178,278	372,812	(357,803)	1,193,287
Total liabilities	\$ 1,194,808	\$ 609,775	\$ (577,016)	\$ 1,227,567