

**CITY OF ARROYO GRANDE**  
CALIFORNIA

**Comprehensive Annual  
Financial Report**

*For the Fiscal Year Ended June 30, 2013*

Prepared by the Department of Administrative Services



**CITY OF ARROYO GRANDE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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## Introductory Section



**CITY OF ARROYO GRANDE**

**DIRECTORY OF OFFICIALS**

June 30, 2013

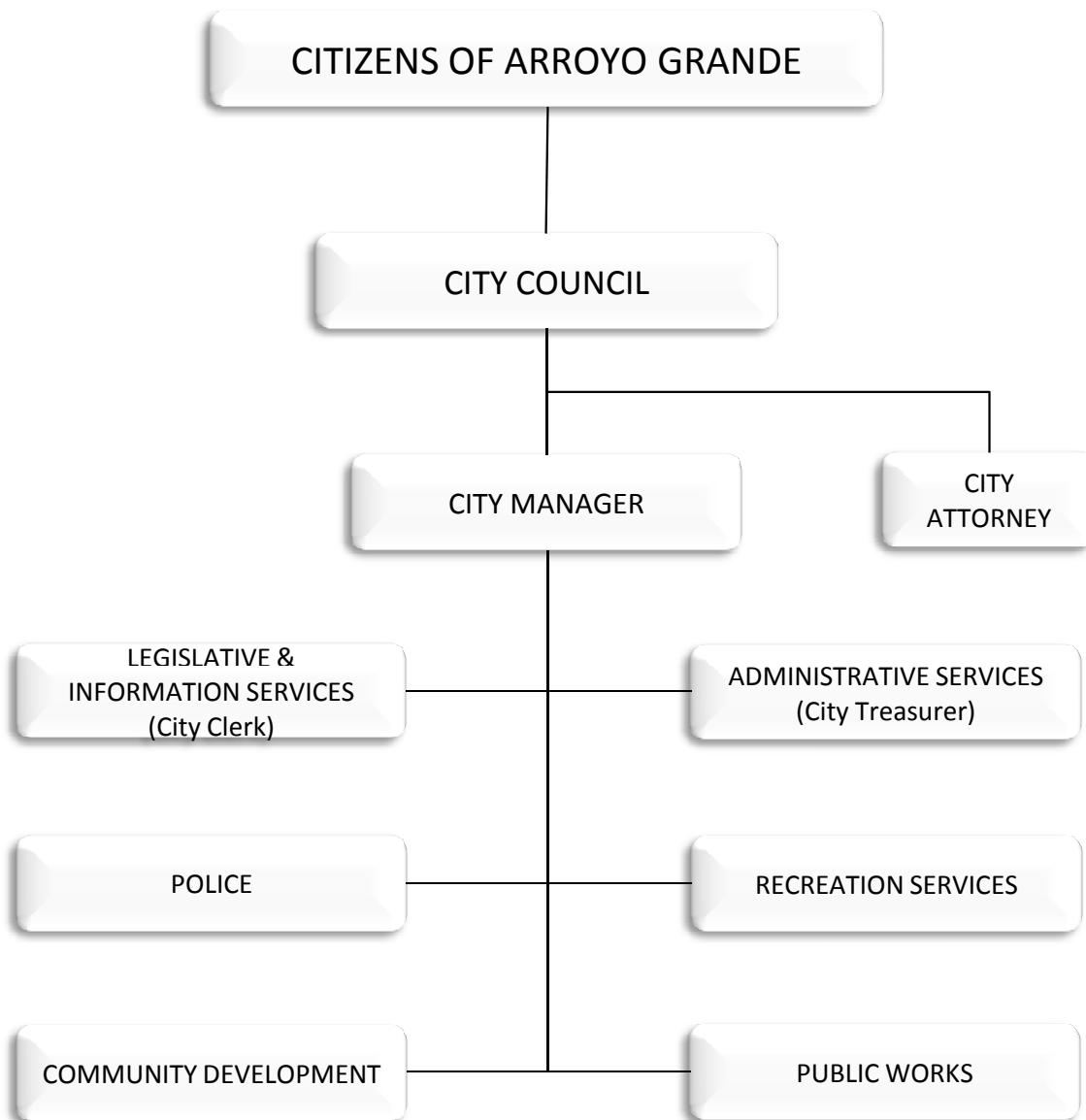
**ELECTED OFFICIALS**

Mayor..... Tony Ferrara  
Mayor Pro Tem ..... Joe Costello  
Council Member ..... Tim Brown  
Council Member ..... Jim Guthrie  
Council Member ..... Caren Ray

**ADMINISTRATIVE PERSONNEL**

City Manager..... Steve Adams  
City Attorney..... Tim Carmel  
Director of Administrative Services (City Treasurer) ..... Deborah Malicoat  
Director of Legislative and Information Services Director (City Clerk) ..... Kelly Wetmore  
Director of Community Development ..... Teresa McClish  
Director of Recreation Services ..... John Rogers  
Director of Public Works..... Geoffrey English  
Police Chief ..... Steve Annibali

**CITY OF ARROYO GRANDE**  
ORGANIZATIONAL CHART  
June 30, 2013





## Financial Section



**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

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The management's discussion and analysis of the City of Arroyo Grande provides an overall review of the City's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements, as well as, the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2013, are as follows:

- The City has finished the fiscal year with revenues exceeding expenditures, which is a substantial accomplishment given that the City had initially anticipated using over \$450,000 in reserves.
- Property tax revenues have decreased approximately 6% over the past fiscal year, however, sales tax and transient occupancy tax (TOT) experienced meaningful increases of 5%. Management projects the decrease in property taxes to level off and to begin to increase slightly in the 2013-14 fiscal year.
- The General Fund's fund balance is \$5.7 million which is an increase of approximately \$600,000, or 12%. This amount will exceed the City's reserve policy goal of 20% of General Fund expenditures.
- Both the Water and Sewer funds have finished the fiscal year with revenues exceeding expenses and has ending net position and fund balances remaining above the reserve policy goal of 60-days of operating expenses plus \$500,000.
- The City completed the following capital improvement projects:
  - Replacement lighting at the lower basin fields at the Soto Sports Complex
  - El Camino Real Street rehabilitation and resurfacing
  - Lift Station No. 3 replacement
  - Reservoir No. 6 at Stagecoach Road construction

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities. This annual report consists of five parts – introductory section, financial section (of which consists of this discussion and analysis), a required supplementary information section that presents budgetary and post-employment benefit information, an optional supplementary section that presents combining statements for nonmajor governmental funds and agency funds statement of fiduciary net position, and a statistical section.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the City's operations in more detail than the *government-wide statements*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

***Government-wide Statements***

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

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The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's assets added to deferred outflows of resources and liabilities added to the deferred inflows of resources and is one of the ways to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base, facility condition, required educational programs, and other factors.

The government-wide financial statements of the City are divided into two categories:

- **Governmental activities:** Most of the City's basic services are included here, such as the general government, community development, police, recreation services, and maintenance services. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these types of activities.
- **Business-type activities:** The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and Lopez treatment systems are reported in this category.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the City's most significant funds and not the City as a whole. The City's major governmental funds include the General Fund, Transportation Impact Fees Fund, In-Lieu Affordable Housing Fund, Community Development Block Grant Fund, and the Capital Improvement Fund. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- Management establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and/or other money.

The City has three kinds of funds:

- **Governmental funds:** Most of the City's basic services are included in governmental funds which focus on how money flows into and out of these funds and the balance left at fiscal year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in the financial statements that reconciles and explains the relationship (or differences) between them.
- **Proprietary funds:** When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. In fact, the City's proprietary funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The proprietary fund financial statements provide separate information for the Water and Lopez funds.
- **Fiduciary funds:** The City is the trustee, or *fiduciary*, for the Downtown Parking Association, Sanitation District, and the Successor Agency of the Former Redevelopment Agency. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The City's combined net position at June 30, 2013 and 2012 are as follows:

	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012	Increase/ (Decrease)	Total % Change
<b>Assets:</b>				
Current and other assets	\$ 24,977,982	\$ 23,207,913	\$ 1,770,069	8%
Capital assets, net	<u>75,216,839</u>	<u>74,670,392</u>	<u>546,447</u>	<u>1%</u>
Total assets	<u>100,194,821</u>	<u>97,878,305</u>	<u>2,316,516</u>	<u>2%</u>
<b>Liabilities:</b>				
Long-term liabilities outstanding	4,339,527	4,327,596	11,931	<1%
Other liabilities	<u>1,936,539</u>	<u>1,907,252</u>	<u>29,287</u>	<u>2%</u>
Total liabilities	<u>6,276,066</u>	<u>6,234,848</u>	<u>41,218</u>	<u>1%</u>
<b>Net Position:</b>				
Investment in capital assets	72,536,394	71,993,317	543,077	1%
Restricted	7,374,485	7,221,859	152,626	2%
Unrestricted	<u>14,007,876</u>	<u>12,428,281</u>	<u>1,579,595</u>	<u>13%</u>
Total net position	<u>\$ 93,918,755</u>	<u>\$ 91,643,457</u>	<u>\$ 2,275,298</u>	<u>2%</u>

Total net position for the City, as a whole, increased between fiscal years ending 2013 and 2012, increasing by 2% to \$93.9 million.

**GOVERNMENTAL ACTIVITIES**

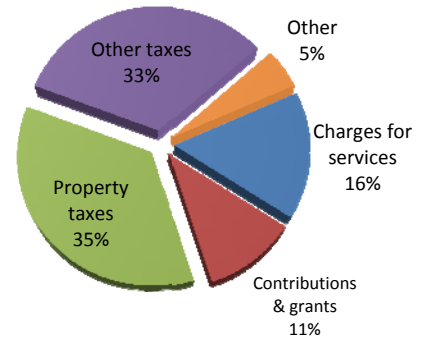
The City's net position of governmental activities at June 30, 2013 and 2012 are as follows:

	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012	Increase/ (Decrease)	Total % Change
<b>Assets</b>				
Current and other assets	\$ 17,988,700	\$ 16,832,238	\$ 1,156,462	7%
Capital assets, net	<u>64,948,297</u>	<u>64,853,708</u>	<u>94,589</u>	<u>&lt;1%</u>
Total assets	<u>82,936,997</u>	<u>81,685,946</u>	<u>1,251,051</u>	<u>2%</u>
<b>Liabilities</b>				
Long-term liabilities outstanding	4,204,905	4,203,770	1,135	<1%
Other liabilities	<u>1,709,953</u>	<u>1,712,814</u>	<u>(2,861)</u>	<u>&lt;(1)%</u>
Total liabilities	<u>5,914,858</u>	<u>5,916,584</u>	<u>(1,726)</u>	<u>&lt;(1)%</u>
<b>Net Position</b>				
Investment in capital assets	62,267,852	62,176,633	91,219	<1%
Restricted	7,374,485	7,221,859	152,626	2%
Unrestricted	<u>7,379,802</u>	<u>6,370,870</u>	<u>1,008,932</u>	<u>16%</u>
Total net position	<u>\$ 77,022,139</u>	<u>\$ 75,769,362</u>	<u>\$ 1,252,777</u>	<u>2%</u>

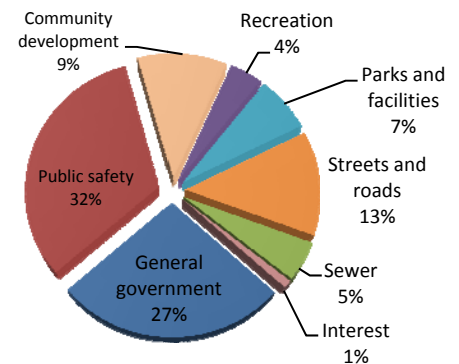
**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

The City's net position from governmental activities increased by 2% from \$75.8 million to \$77 million. Key elements of the governmental activities increase is as follows:

	Fiscal Year Ended <u>June 30, 2013</u>
<b>Revenues</b>	
Program revenues:	
Charges for services	\$ 2,733,085
Grants and contributions	1,911,189
General revenues:	
Property taxes	6,232,026
Other taxes	5,676,811
Other	895,570
<b>Total revenues</b>	<b><u>\$ 17,448,681</u></b>



<b>Expenses</b>	
General government	\$ 4,822,346
Community development	1,934,076
Public safety	5,594,859
Recreation	765,563
Parks and facilities	1,313,371
Streets and roads	2,266,016
Sewer	821,609
Interest on long-term debt	109,800
<b>Total expenses</b>	<b><u>\$ 17,627,640</u></b>



Expenses over revenues	\$ (178,959)
Transfers from business-type activities	1,468,937
Net position at beginning of fiscal year	75,769,362
Prior period adjustment	<u>(37,201)</u>
<b>Net position at end of fiscal year</b>	<b><u>\$ 77,022,139</u></b>

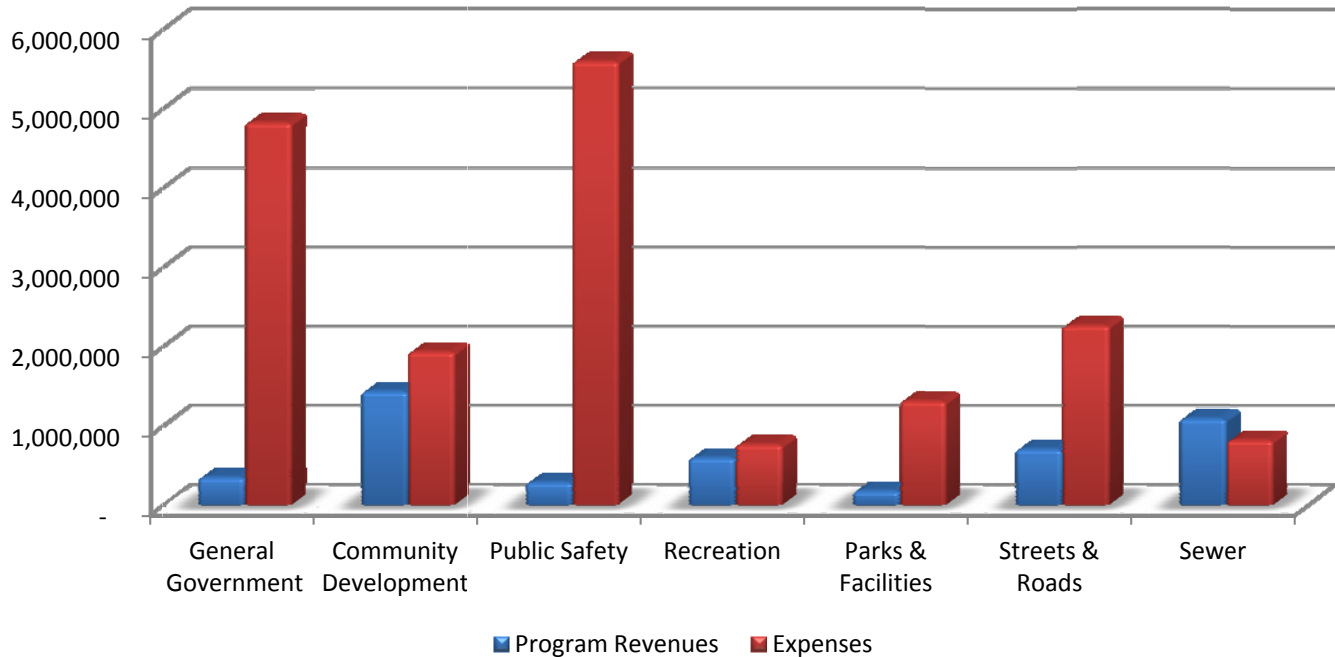
As similar in prior years, the City's significant source of revenue is derived by taxes (property, sales, TOT, etc.) which comprises \$11.9 million, or 68% of total revenue. The City charged \$2.7 million for services in the current fiscal year and makes up approximately 16% of total revenue for the City.

The cost of all governmental activities in the fiscal year was \$17.6 million, a decrease of less than 1% in comparison to last fiscal year. As shown above, public safety and general government consist of 59% of total expenses for the City. Overall, the City's governmental revenues, including intergovernmental aid and fees for services, were \$17.4 million. Transfers from the business-type activities contributed \$1.5 million towards governmental activities.

The City's programs include general government, community development, public safety, recreation, parks and facilities, streets and roads, and sewer. Each program's net cost (total cost less revenues generated by the activities) is presented on the following page. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. These functions were subsidized by taxes, investment income, miscellaneous income, and transfers from the business-type activities.

**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Fiscal Year Ended June 30, 2013

**Program Revenues and Expenses**



Total resources available during the fiscal year to finance governmental operations were \$90.8 million consisting of restated net position at July 1, 2012 of \$75.7 million, program revenues of \$4.6 million, general revenues and transfers of \$14.3 million. Total governmental activity expenses during the fiscal year were \$17.6 million; thus net position was increased by \$1.3 million to \$77 million.

**BUSINESS-TYPE ACTIVITIES**

The net position of business-type activities for the fiscal year ended June 30, 2013 and 2012 are as follows:

	<u>Fiscal Year Ended June 30, 2013</u>	<u>Fiscal Year Ended June 30, 2012</u>	<u>Increase/ (Decrease)</u>	<u>Total % Change</u>
<b>Assets</b>				
Current and other assets	\$ 6,989,282	\$ 6,375,675	\$ 613,607	10%
Capital assets, net	<u>10,268,542</u>	<u>9,816,684</u>	<u>451,858</u>	<u>5%</u>
Total assets	<u>17,257,824</u>	<u>16,192,359</u>	<u>1,065,465</u>	<u>7%</u>
<b>Liabilities</b>				
Long-term liabilities outstanding	134,622	123,826	10,796	9%
Other liabilities	<u>226,586</u>	<u>194,438</u>	<u>32,148</u>	<u>17%</u>
Total liabilities	<u>361,208</u>	<u>318,264</u>	<u>42,944</u>	<u>13%</u>
<b>Net Position</b>				
Total net position	<u>\$ 16,896,616</u>	<u>\$ 15,874,095</u>	<u>\$ 1,022,521</u>	<u>6%</u>

**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

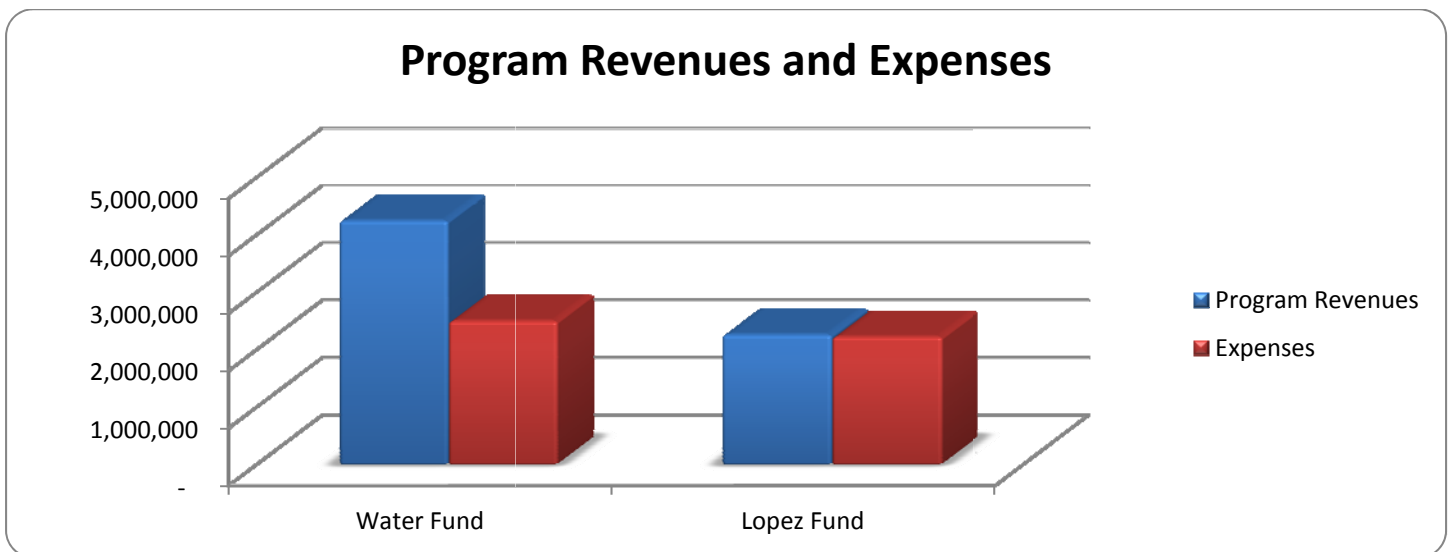
The City's net position from business-type activities increased by 6% from \$15.9 million to \$16.9 million. The key elements of this increase are as follows:

- Decrease in capital improvement costs (transfers out) to the water systems including; Lift Station No. 3 replacement, upgrading the Water Well No. 11 facilities, the construction of a new water reservoir (No. 6), and the replacement of the Oro Drive booster pump station.
- Increase in water rates in the current year.

	Fiscal Year Ended <u>June 30, 2013</u>	Fiscal Year Ended <u>June 30, 2012</u>	Increase/ <u>(Decrease)</u>	Total % <u>Change</u>
Operating revenues	\$ 6,489,088	\$ 5,995,756	\$ 493,332	8%
Operating expenses	<u>(4,706,422)</u>	<u>(4,822,020)</u>	<u>(115,598)</u>	<u>(2)%</u>
Operating income	<u>1,782,666</u>	<u>1,173,736</u>	<u>608,930</u>	<u>52%</u>
Non-operating revenues	<u>17,835</u>	<u>26,785</u>	<u>(8,950)</u>	<u>(33)%</u>
Income before transfers and contributions	<u>1,800,501</u>	<u>1,200,521</u>	<u>599,980</u>	<u>50%</u>
Capital contributions	690,957		690,957	100%
Transfers out	<u>(1,468,937)</u>	<u>(2,070,466)</u>	<u>(601,529)</u>	<u>(29)%</u>
Change in net position	<u>1,022,521</u>	<u>(869,945)</u>	<u>1,892,466</u>	<u>218%</u>
Total net position – beginning of fiscal year	<u>15,874,095</u>	<u>16,744,040</u>	<u>(869,945)</u>	<u>(5)%</u>
Total net position – end of fiscal year	<u>\$ 16,896,616</u>	<u>\$ 15,874,095</u>	<u>\$ 1,022,521</u>	<u>6%</u>

The total expense of business-type activities the fiscal year was \$4.7 million and the amounts paid by users of the systems was \$6.5 million. Additional revenues consisted of non-operating revenues of \$17,835 and transfers out of \$1.5 million.

The business-type activities include the Water fund and the Lopez fund. The two activities' net cost (total cost less revenues generated by the activities) is presented below:





**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

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Total resources available during the fiscal year to finance proprietary funds (business-type) activities was \$23.1 million; consisting of net position at July 1, 2012 of \$15.9 million, program revenues of \$6.5 million capital contributions of approximately \$700,000 and investment revenues of just over \$17,000. Total proprietary fund (business-type) activity expenses during the fiscal year were \$4.7 million for operations and \$1.5 million for transfers; thus the net position increased by approximately \$1 million to \$16.9 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds – The focus of the City of Arroyo Grande's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At fiscal year-end, the City's governmental funds reported a combined fund balance of \$14.3 million, an increase of \$1.2 million in comparison with the prior fiscal year. Of the total fund balance, less than 1% of this total amount (\$139,884) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remaining components of fund balance consist of *non-spendable* of \$797,526 (6%), *restricted* of \$7,412,863 (52%), *committed* of \$4,276,484 (30%) and *assigned* of \$1,667,038 (12%). For further information on the definition of the fund balance classification, see note 1, subsection k.

The General Fund is the chief operating fund of the City of Arroyo Grande. At the end of the current fiscal year, unassigned fund balance was \$149,944, while total fund balance reached \$5.7 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and the committed fund balance for economic stabilization to total fund expenditures. Unassigned fund balance plus the economic stabilization represents 21% of total general fund expenditures projected for the fiscal year ending 2014. This exceeds the Council's reserve goal of 20%.

Proprietary Funds – The City of Arroyo Grande's proprietary funds provide the same type of information found in the *Government-wide Financial Statements* under business-type activities, but in more detail.

The net position of the Water Fund at the end of the fiscal year amounted to \$14.1 million, and the net position for the Lopez Fund amounted to \$2.8 million. Factors concerning the finances of these two funds have already been addressed in the discussion of the City of Arroyo Grande's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared according to California law. The most significant budgeted fund is the General Fund. The City's budget is a flexible-spending plan, which commits resources to the accomplishment of City Council goals and objectives.

City Council's approval is required for changes impacting fund balances, such as increases to appropriations that are not offset by matching increases to estimated revenue. Approval is also required for all budget transfers between departments/divisions that alter fund balance. Semi-Annual Reports are used to keep the City Council informed of key budget issues, forecasts, and required changes. The budget amendments reported in the financial reports fall into three categories:

- The carryover of appropriations for contracts, equipment, and/or projects approved in the previous fiscal year(s), but not completed as of fiscal year-end.
- Increases or decreases in estimated revenues to reflect actual receipts of major revenues.
- Additional appropriations for unforeseen, but necessary expenses or expenditures.

**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

The overall difference between the original General Fund budget and the final amended budget was an increase of approximately \$425,000 in appropriations. This can mainly be attributed by the following:

- Increase in appropriations for the retrospective costs related to the liability and workers compensation insurance program with the California JPIA. This cost was offset by one-time revenues received from the County due to a settlement agreement.
- Increase in appropriations for the purchase of the new police vehicle fleet. This cost was offset by the monies received from De Lage Landen Public Finance LLC. The lease is to be paid off over a four year period.

**CAPITAL ASSETS**

The capital assets of the City are those which are used in the performance of the City's functions, including but not limited to infrastructure-related assets. At June 30, 2013, net capital assets of the governmental activities totaled \$64.9 million and the net capital assets of the business-type activities totaled \$10.3 million. Depreciation on capital assets is recognized in the *Government-wide financial statements*.

The investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The City's investment in capital assets for the current fiscal year was 77% of total net position.

Description	Original Cost	Accumulated Depreciation	Book Value
<b>Capital Assets – Governmental Activities:</b>			
Land	\$ 2,870,474	\$ -	\$ 2,870,474
Infrastructure	6,379,188		6,379,188
Construction in progress	2,469,683		2,469,683
Structures and improvements	8,436,332	2,163,025	6,273,307
Equipment, vehicles, and machinery	5,146,087	3,057,703	2,088,384
Infrastructure	78,365,626	33,498,365	44,867,261
<b>Total</b>	<b>\$ 103,667,390</b>	<b>\$ 38,719,093</b>	<b>\$ 64,948,297</b>
<b>Capital Assets – Business-Type Activities:</b>			
Land	\$ 56,730	\$ -	\$ 56,730
Structures and improvements	222,999	217,034	5,965
Equipment, vehicles, and machinery	401,674	380,652	21,022
Infrastructure	16,629,014	6,444,189	10,184,825
<b>Total</b>	<b>\$ 17,310,417</b>	<b>\$ 7,041,875</b>	<b>\$ 10,268,542</b>

Major capital asset events during the fiscal year include the following:

- Completion of replacement lighting at the lower basin fields at Soto Sports Complex. Total cost of project: ~\$300,000.
- Completion of El Camino Real pavement rehabilitation project. Total cost of project: ~\$2.5 million.
- Completion of Lift Station No. 3 replacement. Total cost of project: ~\$300,000.
- Completion of Reservoir No. 6 at Stagecoach Road construction. Total cost of project: ~\$755,000.
- Purchase and replacement of nine new police vehicles. Total costs: ~\$375,000

**CITY OF ARROYO GRANDE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2013**

**LONG-TERM DEBT**

At the end of the current fiscal year, the City had total General Obligation debt outstanding of \$1.1 million that is backed by the full faith and credit of the City. The proceeds of the debt issuance were used for expanding the current fire station in order to accommodate a full time fire staff. Voters approved the general obligation debt, which is to be repaid through a tax assessment on property taxes, in November 2002. The City received an "A" rating from Standard & Poor's for the general obligation debt.

Compensated absences are the outstanding amount of vacation, sick leave, management annual leave, and comp time earned by employees as of June 30, 2013.

Further detail on each debt can be found in Note 7 in the Notes to the Basic Financial Statements section.

The following table summarizes the long-term debt of the City:

<u>Debt Description</u>	<u>Fiscal Year Ended June 30, 2012</u>	<u>Governmental</u>		<u>Business-Type</u>		<u>Fiscal Year Ended June 30, 2013</u>	
		<u>One-Year</u>	<u>Long-Term</u>	<u>One-Year</u>	<u>Long-Term</u>	<u>One-Year</u>	<u>Long-Term</u>
General obligation	\$ 1,315,000	\$ 90,000	\$ 1,140,000	\$ -	\$ -	\$ 90,000	\$ 1,140,000
Capital lease payable	221,140	113,459	252,401			113,459	252,401
Loan payable	1,332,694	59,118	1,247,156			59,118	1,247,156
Compensated absences	978,838		834,219		75,100		909,319
OPEB	479,924		468,552		59,521		528,073
<b>Total</b>	<b>\$ 4,327,596</b>	<b>\$ 262,577</b>	<b>\$ 3,942,328</b>	<b>\$ -</b>	<b>\$ 134,621</b>	<b>\$ 262,577</b>	<b>\$ 4,076,949</b>

**FINANCIAL ISSUES AND CONCERNS**

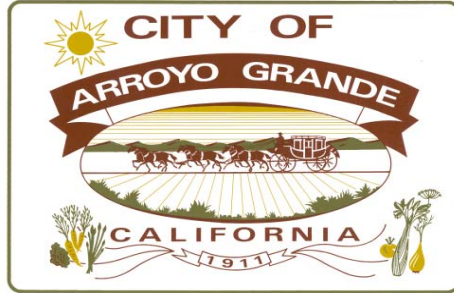
Like most municipal agencies in California, the City has experienced tremendous budget challenges over the past few years due to the economic recession, rising pension and health care costs, and loss of redevelopment. The City responded proactively through a comprehensive restructuring of the organization that significantly reduced positions, but maintained critical service levels.

The biennial budget for the fiscal year 2013-14 and 2014-15 was approved by Council on June 11, 2013 and represents a mixture of both increased financial stability, but also continued challenges and constraints as budget shortfalls are projected in both fiscal year 2013-14 and 2014-15. However, the ongoing shortfall has been meaningfully reduced in comparison to prior years. It is staff's goal is to achieve a fully balanced budget during the course of the fiscal year 2013-14 given measures under way to further reduce costs.

Despite these operational funding constraints, the budget continues the City's commitment to utilize revenue from the 2006 Local Sales Tax Measure for the purposes intended, which primarily consist of capital improvements. In addition, the budget does not rely on General Fund fee or tax increases except inflationary adjustments in recognition of the impact economic conditions have had on the community's residents and businesses. This has been the City's approach throughout this difficult economic period

**CONTACTING THE CITY'S ADMINISTRATIVE SERVICES DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Deborah Malicoat, Director of Administrative Services at 300 East Branch Street in Arroyo Grande, California or by phone at (805) 473-5400.



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**CITY OF ARROYO GRANDE**  
**STATEMENT OF NET POSITION**  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 12,415,322	\$ 4,006,084	\$ 16,421,406
Restricted cash and investments	20,196		20,196
Receivables:			
Accounts	665,995	1,255,394	1,921,389
Taxes	1,037,023		1,037,023
Grant	1,020,730		1,020,730
Loan	1,989,635		1,989,635
Interest	8,578	3,210	11,788
Inventory	14,375	87,681	102,056
Prepaid items	783,151	1,636,913	2,420,064
Deferred charges	33,695		33,695
Capital assets:			
Nondepreciable:			
Land	2,870,474	56,730	2,927,204
Infrastructure	6,379,188		6,379,188
Construction in progress	2,469,683		2,469,683
Depreciable:			
Structures and improvements	8,436,332	222,999	8,659,331
Equipment	5,146,087	401,674	5,547,761
Infrastructure	78,365,626	16,629,014	94,994,640
Accumulated depreciation	(38,719,093)	(7,041,875)	(45,760,968)
Total assets	<u>82,936,997</u>	<u>17,257,824</u>	<u>100,194,821</u>
<b>LIABILITIES</b>			
Accounts payable	666,357	89,653	756,010
Accrued wages and benefits	342,305		342,305
Interest payable	38,378		38,378
Deposits payable	228,009	105,539	333,548
Deferred revenue	434,904	31,394	466,298
Noncurrent liabilities:			
Due within one year	262,577		262,577
Due in more than one year	3,942,328	134,622	4,076,950
Total liabilities	<u>5,914,858</u>	<u>361,208</u>	<u>6,276,066</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	62,267,852	10,268,542	72,536,394
Restricted for:			
Access programming	111,628		111,628
Debt service	800,288		800,288
Landscape maintenance	399,281		399,281
Park construction	829,884		829,884
Public improvements	2,164,852		2,164,852
Public safety	365,747		365,747
Streets and roads	594,237		594,237
Water production	2,108,568		2,108,568
Unrestricted	7,379,802	6,628,074	14,007,876
Total net position	<u>\$ 77,022,139</u>	<u>\$ 16,896,616</u>	<u>\$ 93,918,755</u>

The notes to the basic financial statements are an integral part of this statement.

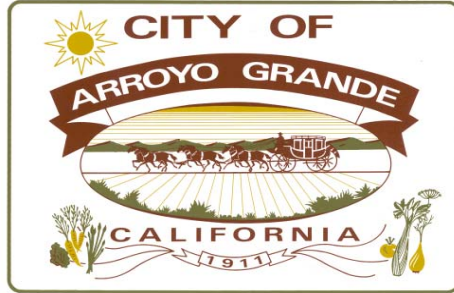
**CITY OF ARROYO GRANDE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2013

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental Activities:			
General government	\$ 4,822,346	\$ 47,652	\$ 301,841
Community development	1,934,076	699,553	35,219
Public safety	5,594,859	74,388	95,073
Recreation	765,563	597,230	
Parks and facilities	1,313,371	179,908	
Streets and roads	2,266,016	44,455	412,431
Sewer	821,609	1,089,899	
Interest on long-term debt	109,800		
Total governmental activities	<u>17,627,640</u>	<u>2,733,085</u>	<u>844,564</u>
Business-type Activities:			
Water	2,490,896	4,236,880	
Lopez	2,215,526	2,252,208	
Total business-type activities	<u>4,706,422</u>	<u>6,489,088</u>	
Total government	<u>\$ 22,334,062</u>	<u>\$ 9,222,173</u>	<u>\$ 844,564</u>
		General Revenues	
		Taxes:	
		Property taxes	
		Sales and use taxes	
		Transient lodging taxes	
		Franchise taxes	
		Business license tax	
		Investment income	
		Other	
		Transfers	
		Total general revenues and transfers	
		Change in net position	
		Net position at beginning of fiscal year	
		Prior period adjustments	
		Net position at beginning of fiscal year - restated	
		Net position at end of fiscal year	

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes  
in Net Position

Capital Contributions and Grants	Governmental Activities	Business-type Activities	Total
\$ -	\$ (4,472,853)	\$ -	\$ (4,472,853)
699,390	(499,914)		(499,914)
117,316	(5,308,082)		(5,308,082)
	(168,333)		(168,333)
	(1,133,463)		(1,133,463)
249,919	(1,559,211)		(1,559,211)
	268,290		268,290
	(109,800)		(109,800)
<u>1,066,625</u>	<u>(12,983,366)</u>		<u>(12,983,366)</u>
690,957		2,436,941	2,436,941
		36,682	36,682
<u>690,957</u>		<u>2,473,623</u>	<u>2,473,623</u>
<u>\$ 1,757,582</u>	<u>(12,983,366)</u>	<u>2,473,623</u>	<u>(10,509,743)</u>
	6,232,026		6,232,026
	4,269,905		4,269,905
	746,333		746,333
	575,495		575,495
	85,078		85,078
	330,551	17,835	348,386
	565,019		565,019
	1,468,937	(1,468,937)	
	<u>14,273,344</u>	<u>(1,451,102)</u>	<u>12,822,242</u>
	<u>1,289,978</u>	<u>1,022,521</u>	<u>2,312,499</u>
	75,769,362	15,874,095	91,643,457
	(37,201)		(37,201)
	<u>75,732,161</u>	<u>15,874,095</u>	<u>91,606,256</u>
	<u>\$ 77,022,139</u>	<u>\$ 16,896,616</u>	<u>\$ 93,918,755</u>



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## **CITY OF ARROYO GRANDE**

### **DESCRIPTION OF MAJOR GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUNDS**

June 30, 2013

#### **Governmental Funds**

General Fund – This is the primary operating fund of the City, which accounts for resources and services traditionally associated with government. The General Fund provides administrative, financial, police protection, fire protection, community development, recreation, and maintenance services to the community and other funds. The General Fund accounts for revenues that have unrestricted uses and are not required legally or by contractual agreement to be accounted for in another funds.

Transportation Impact Fees Fund – This fund accounts for developer impact fees (AB1600 fees) paid to protect the public health, safety, and welfare by maintaining the existing level of public services for existing and future residents within the City of Arroyo Grande.

In-Lieu Affordable Housing Fund – This fund accounts for monies paid by developers in meeting the City's mandatory affordable housing requirements.

CDBG Fund – This fund accounts for revenues and expenditures related to Community Development Block Grant (CDBG) Funds.

Capital Improvement Fund – This fund accounts for capital projects constructed within the City. Funding sources are provided from other City funds through capital transfers; grant revenues from the federal and state governments; and other miscellaneous sources. These funding sources are used to improve the City parks, drainage systems, streets, sewer pipelines, and water systems.

Other Governmental Funds – This is the aggregate of all the Nonmajor governmental funds.

#### **Proprietary Funds**

Water Fund – This fund is used to account for the activities associated with the transmission and distribution of potable water by the City to its users.

Lopez Fund – This fund is responsible for the purchase of water from Lopez Dam. The City has a 50.55% share of the water and expense generated by Zone 3 – County of San Luis Obispo's Flood Control and Water Conservation District.

#### **Fiduciary Funds**

Private-Purpose Trust Fund:

Successor Agency to the Former Arroyo Grande Redevelopment Agency – This private-purpose trust fund was created to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government after the payment of enforceable obligations have been made.

Agency Funds:

Sanitation District Fund – This agency fund accounts for the receipt and remittance of wastewater processing fees on behalf of the South San Luis Obispo County Sanitation District. The City bills the wastewater processing fee through the utility bills, collecting the fee from the City's utility customers.

Downtown Parking Fund – This agency fund collects assessments from Arroyo Grande Village merchants for the maintenance of the Village parking lots for the Downtown Village Merchants Association.

**CITY OF ARROYO GRANDE**

**GOVERNMENTAL FUNDS**

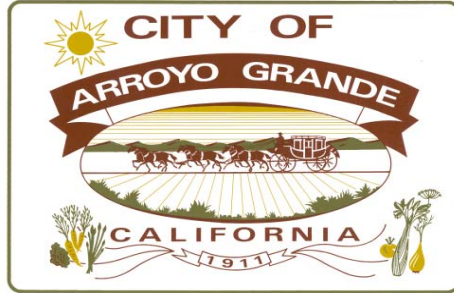
Balance Sheet

June 30, 2013

	General Fund	Transportation Impact Fees Fund	In-Lieu Affordable Housing Fund
<b>ASSETS</b>			
Cash and investments	\$ 4,008,089	\$ 2,089,441	\$ 91,158
Receivables:			
Accounts	422,587		
Taxes	1,000,796		
Grant			
Loan			1,200,595
Interest	3,406	1,465	58
Inventory	8,544		
Prepaid items	764,872		
Due from other funds	373,791		
Total assets	<u>\$ 6,582,085</u>	<u>\$ 2,090,906</u>	<u>\$ 1,291,811</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 246,081	\$ -	\$ -
Accrued wages and benefits	342,305		
Deposits payable	228,009		
Deferred revenue	107,297		1,200,595
Due to other funds			
Total liabilities	<u>923,692</u>	<u></u>	<u>1,200,595</u>
Fund Balances:			
Nonspendable:			
Inventory	8,544		
Prepaid items	764,872		
Restricted for:			
Access programming			
Debt service			
Landscape maintenance			
Park construction			
Public improvements		2,090,906	
Public safety			
Streets and roads			
Water production			
Committed for:			
Capital projects	1,554,807		
Economic stabilization	2,721,677		
Assigned for:			
Affordable housing			91,216
Capital projects	384,439		
Post employment benefits	74,110		
Streets and roads			
Utility service			
Unassigned	149,944		
Total fund balances	<u>5,658,393</u>	<u>2,090,906</u>	<u>91,216</u>
Total liabilities and fund balances	<u>\$ 6,582,085</u>	<u>\$ 2,090,906</u>	<u>\$ 1,291,811</u>

The notes to the basic financial statements are an integral part of this statement.

<u>CDBG Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 6,246,830	\$ 12,435,518
	40,002	203,406	665,995
		36,227	1,037,023
26,685	969,795	24,250	1,020,730
789,040			1,989,635
		3,649	8,578
		5,831	14,375
		18,279	783,151
			373,791
<u>\$ 815,725</u>	<u>\$ 1,009,797</u>	<u>\$ 6,538,472</u>	<u>\$ 18,328,796</u>
\$ -	\$ 356,121	\$ 64,155	\$ 666,357
			342,305
			228,009
789,164	287,257	40,226	2,424,539
26,561	331,581	15,649	373,791
<u>815,725</u>	<u>974,959</u>	<u>120,030</u>	<u>4,035,001</u>
		5,831	14,375
		18,279	783,151
		111,628	111,628
		838,666	838,666
		399,281	399,281
		829,884	829,884
		73,946	2,164,852
		365,747	365,747
		594,237	594,237
		2,108,568	2,108,568
			1,554,807
			2,721,677
			91,216
	34,838	198	419,475
			74,110
		53,803	53,803
		1,028,434	1,028,434
		(10,060)	139,884
	<u>34,838</u>	<u>6,418,442</u>	<u>14,293,795</u>
<u>\$ 815,725</u>	<u>\$ 1,009,797</u>	<u>\$ 6,538,472</u>	<u>\$ 18,328,796</u>



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**CITY OF ARROYO GRANDE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET**

**TO THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balances - governmental funds	\$	14,293,795
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In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	103,667,390	
Accumulated depreciation		<u>(38,719,093)</u>	

Net capital assets		64,948,297
--------------------	--	------------

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (38,378)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statement of activities, debt issue costs are amortized over the life of the debt. 33,695

In governmental funds, certain receivables are deferred because they do not meet current financial obligations. However, in government-wide statement of activities, it is recognized in the period that it is incurred. 1,989,635

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$	834,219	
General obligation bonds		1,230,000	
Capital lease payable		365,860	
CA energy loan payable		124,092	
USDA loan payable		1,155,000	
Reimbursement agreement		27,182	
Other postemployment benefits		<u>468,552</u>	

Total long-term liabilities		<u>(4,204,905)</u>
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Total net position, governmental activities	\$	<u><u>77,022,139</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**CITY OF ARROYO GRANDE**

**GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>	<u>Transportation Impact Fees Fund</u>	<u>In-Lieu Affordable Housing Fund</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 11,678,616	\$ -	\$ -
Licenses and permits	259,153		
Fines and penalties	52,299		
Use of money and property	282,500	8,657	338
Intergovernmental revenues	254,820		
Charges for services	821,572	221,532	25,313
Other revenue	139,459		
	<hr/>	<hr/>	<hr/>
Total revenues	13,488,419	230,189	25,651
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
General government	4,642,717		
Community development	1,123,425		
Public safety	5,136,154		
Recreation	758,822		
Parks and facilities	1,203,361		
Streets and road	47,431		
Sewer			
Capital outlay	439,623		
Debt service:			
Principal	119,746		
Interest and fiscal agent fees	13,420		
	<hr/>	<hr/>	<hr/>
Total expenditures	13,484,699		
	<hr/>	<hr/>	<hr/>
Excess of revenue over/(under) expenditures	3,720	230,189	25,651
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	275,595		
Proceeds from sale of capital assets	62,169		
Transfers in	1,984,806		
Transfers out	(1,710,438)	(231,184)	
	<hr/>	<hr/>	<hr/>
Total other financing sources/(uses)	612,132	(231,184)	
	<hr/>	<hr/>	<hr/>
Net change in fund balances	615,852	(995)	25,651
Fund balances - July 1, 2012	5,042,541	2,091,901	65,565
	<hr/>	<hr/>	<hr/>
Fund balances - June 30, 2013	<u>\$ 5,658,393</u>	<u>\$ 2,090,906</u>	<u>\$ 91,216</u>

The notes to the basic financial statements are an integral part of this statement.

<u>CDBG Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 286,883	\$ 11,965,499
			259,153
			52,299
		21,056	312,551
36,719	249,919	717,434	1,258,892
	45,710	1,618,958	2,733,085
		11,853	151,312
<u>36,719</u>	<u>295,629</u>	<u>2,656,184</u>	<u>16,732,791</u>
		21,600	4,664,317
17,922	12,661	87,012	1,241,020
			5,136,154
			758,822
	20,614	64,540	1,288,515
	846,182	650,957	1,544,570
		257,073	257,073
	1,653,707	21,702	2,115,032
		122,548	242,294
		98,250	111,670
<u>17,922</u>	<u>2,533,164</u>	<u>1,323,682</u>	<u>17,359,467</u>
<u>18,797</u>	<u>(2,237,535)</u>	<u>1,332,502</u>	<u>(626,676)</u>
			275,595
			62,169
(18,797)	2,237,535	310,359	4,532,700
		(1,103,344)	(3,063,763)
<u>(18,797)</u>	<u>2,237,535</u>	<u>(792,985)</u>	<u>1,806,701</u>
		539,517	1,180,025
	34,838	5,878,925	13,113,770
<u>\$ -</u>	<u>\$ 34,838</u>	<u>\$ 6,418,442</u>	<u>\$ 14,293,795</u>

**CITY OF ARROYO GRANDE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2013

Total net change in fund balances - governmental funds	\$ 1,180,025
 In governmental funds, capital outlays are reported as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$2,748,649 is more than depreciation expense \$(1,832,751) in the period.	 915,898
 In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between proceeds from disposal of capital assets and the resulting loss is:	 (821,309)
 In governmental funds, certain revenues are deferred because the revenues are not collected within the prescribed time period after fiscal year-end. However, on the accrual basis used in the statement of activities, those revenues are included:	 18,000
 In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during but owing from the prior period was:	 1,870
 In governmental funds, proceeds and repayments of long-term debt are reported as other financing sources and expenditures, respectively. In the government-wide statements, proceeds and repayments of long-term debt are reported as increases or decreases in liabilities, respectively. This is the amount by which proceeds from issuance of debt of \$275,595 is less than repayments of debt of \$(242,294) in the period.	 (33,301)
 In governmental funds, the issuance of long-term debt provides current financial resources. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issue, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	 (3,370)
 In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). For this fiscal year ended, vacation used exceeded the amounts earned by:	 70,775
 In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid). This fiscal year, postemployment benefits earned were more than the amounts used by:	 <u>(38,610)</u>
Change in net position - governmental activities	<u>\$ 1,289,978</u>

The notes to the basic financial statements are an integral part of this statement.



**CITY OF ARROYO GRANDE**  
**PROPRIETARY FUNDS**  
Statement of Net Position  
June 30, 2013

	<u>Water Fund</u>	<u>Lopez Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,730,939	\$ 1,275,145	\$ 4,006,084
Receivables:			
Accounts, net	880,058	375,336	1,255,394
Interest	1,941	1,269	3,210
Inventory	87,681		87,681
Prepaid items	501,163	1,135,750	1,636,913
Total current assets	<u>4,201,782</u>	<u>2,787,500</u>	<u>6,989,282</u>
Capital assets:			
Nondepreciable assets	56,730		56,730
Depreciable assets, net	10,211,812		10,211,812
Total capital assets, net	<u>10,268,542</u>		<u>10,268,542</u>
Total assets	<u>14,470,324</u>	<u>2,787,500</u>	<u>17,257,824</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	89,653		89,653
Deposits payable	105,539		105,539
Deferred revenue	31,394		31,394
Total current liabilities	<u>226,586</u>		<u>226,586</u>
Noncurrent liabilities:			
Compensated absences	75,100		75,100
OPEB liability	59,522		59,522
Total noncurrent liabilities	<u>134,622</u>		<u>134,622</u>
Total liabilities	<u>361,208</u>		<u>361,208</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	10,268,542		10,268,542
Unrestricted	3,840,574	2,787,500	6,628,074
Total net position	<u>\$ 14,109,116</u>	<u>\$ 2,787,500</u>	<u>\$ 16,896,616</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ARROYO GRANDE**

**PROPRIETARY FUNDS**

Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2013

	Water Fund	Lopez Fund	Totals
<b>OPERATING REVENUES</b>			
Sale of water	\$ 4,157,536	\$ 2,252,208	\$ 6,409,744
Distribution charges	46,360		46,360
Meter installations	10,042		10,042
Other revenue	22,942		22,942
	<hr/>	<hr/>	<hr/>
Total operating revenues	4,236,880	2,252,208	6,489,088
	<hr/>	<hr/>	<hr/>
<b>OPERATING EXPENSES</b>			
Distribution	531,057		531,057
General	444,261		444,261
Lopez water contract	923,114	2,215,526	3,138,640
Production	353,365		353,365
Depreciation	239,099		239,099
	<hr/>	<hr/>	<hr/>
Total operating expenses	2,490,896	2,215,526	4,706,422
	<hr/>	<hr/>	<hr/>
Operating income	1,745,984	36,682	1,782,666
	<hr/>	<hr/>	<hr/>
<b>NON-OPERATING REVENUES</b>			
Interest income	10,472	7,363	17,835
	<hr/>	<hr/>	<hr/>
Total non-operating revenues	10,472	7,363	17,835
	<hr/>	<hr/>	<hr/>
Income before capital contributions and transfers	1,756,456	44,045	1,800,501
Capital contributions	690,957		690,957
Transfer out	(1,125,637)	(343,300)	(1,468,937)
	<hr/>	<hr/>	<hr/>
Change in net position	1,321,776	(299,255)	1,022,521
Net position - July 1, 2012	12,787,340	3,086,755	15,874,095
	<hr/>	<hr/>	<hr/>
Net position - June 30, 2013	\$ 14,109,116	\$ 2,787,500	\$ 16,896,616
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ARROYO GRANDE**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2013**

	Water Fund	Lopez Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 4,030,603	\$ 2,303,658	\$ 6,334,261
Payments to employees and suppliers	(2,199,436)	(2,181,137)	(4,380,573)
Other receipts	22,942		22,942
	<u>1,854,109</u>	<u>122,521</u>	<u>1,976,630</u>
Net cash provided by operating activities			
	<u>1,854,109</u>	<u>122,521</u>	<u>1,976,630</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers to capital improvement fund	(59,533)		(59,533)
	<u>(59,533)</u>		<u>(59,533)</u>
Net cash used by capital and related financing activities			
	<u>(59,533)</u>		<u>(59,533)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Grant revenue received	2,760		2,760
Transfers to other funds	(1,066,104)	(343,300)	(1,409,404)
	<u>(1,063,344)</u>	<u>(343,300)</u>	<u>(1,406,644)</u>
Net cash used by noncapital financing activities			
	<u>(1,063,344)</u>	<u>(343,300)</u>	<u>(1,406,644)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income received	10,640	7,647	18,287
	<u>10,640</u>	<u>7,647</u>	<u>18,287</u>
Net cash provided by investing activities			
	<u>10,640</u>	<u>7,647</u>	<u>18,287</u>
Net increase (decrease) in cash and cash equivalents	741,872	(213,132)	528,740
Cash and cash equivalents - July 1	1,989,067	1,488,277	3,477,344
Cash and cash equivalents - June 30	<u>\$ 2,730,939</u>	<u>\$ 1,275,145</u>	<u>\$ 4,006,084</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ARROYO GRANDE**  
**PROPRIETARY FUNDS**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013

	<u>Water Fund</u>	<u>Lopez Fund</u>	<u>Totals</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income	\$ 1,745,984	\$ 36,682	\$ 1,782,666
Adjustments to reconcile operating activities:			
Depreciation expense	239,099		239,099
Change in assets and liabilities:			
Receivables, net	(188,827)	51,450	(137,377)
Inventory	(12,959)		(12,959)
Prepaid items	27,868	34,389	62,257
Accounts payables	26,656		26,656
Deposits payable	2,430		2,430
Deferred revenue	3,062		3,062
Compensated absences	1,256		1,256
OPEB	9,540		9,540
Net cash provided by operating activities	<u>\$ 1,854,109</u>	<u>\$ 122,521</u>	<u>\$ 1,976,630</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ARROYO GRANDE**

**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2013

	Private-Purpose Trust Fund		
	Successor Agency to the Former Redevelopment Agency	Agency Funds	Totals
<b>ASSETS</b>			
Cash and investments	\$ 2,072,338	\$ 320,897	\$ 2,393,235
Accounts receivable		51,555	51,555
Interest receivable		121	121
Prepaid items		102	102
Inventory - land held for resale	860,928		860,928
Note receivable	707,123		707,123
Bond issuance costs	249,641		249,641
Total assets	<u>3,890,030</u>	<u>372,675</u>	<u>4,262,705</u>
<b>LIABILITIES</b>			
Accounts payable	3,745		3,745
Interest payable	113,471		113,471
Deferred revenue	487,249		
Due to other agencies		372,675	372,675
Loans payable	836,257		836,257
Bonds payable	5,950,000		5,950,000
Total liabilities	<u>7,390,722</u>	<u>372,675</u>	<u>7,276,148</u>
<b>NET POSITION</b>			
Held in trust for:			
Successor agency to the former redevelopment agency	<u>(3,500,692)</u>		<u>(3,500,692)</u>
Total net position	<u>\$ (3,500,692)</u>	<u>\$ -</u>	<u>\$ (3,500,692)</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ARROYO GRANDE**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Fiduciary Fund

For the Fiscal Year Ended June 30, 2013

	<u>Private-Purpose Trust Fund</u>
	<u>Successor Agency to the Former Redevelopment Agency</u>
<b>ADDITIONS</b>	
Property taxes	\$ 438,789
Use of money and property	3,417
	<u>442,206</u>
<b>DELETIONS</b>	
Administration	96,838
Contract services	48,178
Loss on disposal of capital asset	697,890
Bond issuance, interest, and fiscal agent fees	355,787
	<u>1,198,693</u>
Net change in net position	<u>(756,487)</u>
Net position - July 1, 2012	(2,827,745)
Prior period adjustment	83,540
	<u>(2,744,205)</u>
Net position - July 1, 2012, restated	
Net position - June 30, 2013	<u>\$ (3,500,692)</u>

The notes to the basic financial statements are an integral part of this statement.

## CITY OF ARROYO GRANDE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Arroyo Grande (City) has been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant City's accounting policies are described below:

##### A. Reporting Entity

The City was incorporated in 1911, under the laws of the State of California. The City of Arroyo Grande operates under a Council-Manager form of government, which includes an elected Mayor and a four-member council. The accompanying basic financial statements present the financial activity of the City, which is the primary government, along with the financial activities of its component unit, which is an entity for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's basic financial statements.

There are no component units in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

##### B. Basis of Accounting and Presentation

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 with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net position, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which the governmental resources are to be spent and the means by which spending activities are controlled.

The government-wide, proprietary funds, and private-purpose trust fund 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. Assets equal liabilities and the measurement of operations is not a focus of the agency funds.

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

## CITY OF ARROYO GRANDE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### B. Basis of Accounting and Presentation – continued

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

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

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

##### *Government-wide Statements*

The Statement of Net Position and the Statement of Activities display information about the City. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting or internal activities. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### *Fund Financial Statements*

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds. 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 non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present 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 liability is incurred.

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



**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

B. Basis of Accounting and Presentation – continued

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds. The City maintains two agency funds, Sanitation District and Downtown Parking, and three private-purpose trust funds, the Successor Agency to the Former Redevelopment Agency of Arroyo Grande, Successor Agency to the Former Redevelopment Agency of Arroyo Grande – Housing Function, and Redevelopment Obligation Retirement Fund.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

The City reported the following major governmental funds in the accompanying financial statements:

*General Fund* – This is the primary operating fund of the City, which accounts for resources and services traditionally associated with government. The General Fund provides administrative, financial, police protection, fire protection, community development, recreation, and maintenance services to the community.

*Transportation Impact Fees Fund* – This fund accounts for transportation impact fees collected.

*In-Lieu Affordable Housing Fund* – This fund accounts for monies paid by developers in meeting the City's mandatory affordable housing requirement.

*CDBG Fund* – This fund accounts for revenues and expenditures related to Community Development Block Grant (CDBG) funds.

*Capital Improvement Fund* – This fund accounts for capital improvements projects performed by the City and the use of those revenues.

The City reported the following major proprietary funds:

*Water Fund* – This fund accounts for the activities of providing water to residents of the City.

*Lopez Fund* – This fund accounts for the activities associated with Lopez Lake and the water contract with the County of San Luis Obispo.

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

D. Cash and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investments, with original maturities of three months or less, to be cash equivalents.

Certain proceeds of long-term debt, including the USDA City Hall loan, as well as certain resources set aside for repayment, are classified as restricted assets on the government-wide balance sheet, because their use is limited by applicable debt covenants. The City has classified additional assets as restricted to comply with laws and other agreements.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City's investments with fiscal agent required by bond indentures are stated at cost, which approximate fair value.

The City participates in an investment pooled managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

E. Assets Held for Resale

The City has assets held for resale and is recorded at the lower of cost or market, but not greater than the net realizable value.

F. Capital Assets

Capital assets are defined as costs related to the acquisition or purchase of property, plant, equipment, and infrastructure (roads, sidewalks, drainage systems, lighting systems, etc.). Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. It is City policy to capitalize all capital assets with costs exceeding \$50,000 for infrastructure-type assets and \$5,000 on all other assets and with useful lives exceeding two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems, and lighting systems.

The purpose of depreciation is to spread the cost of capital assets equitable among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. The City has assigned the useful lives listed on the following page to capital assets:

**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

F. Capital Assets – continued

Structures and improvements	50 years
Equipment	5 – 25 years
Infrastructure	15 – 50 years

G. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. 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 among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

H. Deferred Revenue

In the government-wide financial statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. A typical transaction recorded as deferred revenue is the prepaid charged for services.

In the governmental fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available.

I. Compensated Absences

In compliance with GASB Statement No. 16, the City has established a liability for accrued sick leave and vacation. All vacation is accrued when incurred in the government-wide and proprietary financial statements. This liability is calculated for current employees at the current rates of pay. City employees accrue vacation and sick leave that vary in amounts, based primarily on employment status and years of service. In the event of termination or retirement, employees are reimbursed for the total value of their accumulated vacation days and compensatory time. In the event of retirement, employees may choose to be paid 50% of their unused sick leave, to a maximum of 480 hours at the current rate of pay. In addition, unused accumulated sick leave may be converted to PERS retirement credit per the City’s contract with PERS.

J. Long-term Debt

In the government-wide financial statements, proprietary fund, and private-purpose trust fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as, bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

K. Fund Balances and Net Position

Fund balance is the difference between the assets and liabilities reported in the governmental funds. In compliance with GASB Statement No. 54, the City has established the following fund balance types:

*Non-spendable* – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – The restricted fund balance classification includes amounts that reflect constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance, etc.) it employed to previously commit those amount. Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – The assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but that are neither restricted nor committed. Such intent is to be established by (a) the City Council itself or (b) the City Manager to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned* – The unassigned fund balance classification includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes within the General Fund. The General Fund is the only fund that should report this category of fund balance. However, other governmental funds may report a negative balance in this classification if there is an over-spending for specific purposes for which amounts have been restricted, committed, or assigned.

Governmental Accounting Standards Board Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified in the following categories:

*Net Investment in Capital Assets* – Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt directly attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – The restricted net position is the portion of net position that has external constraints placed on it by external creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – The unrestricted net position classification is the amount remaining that does not fall into one of the above two categories.

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

K. Fund Balances and Net Position – continued

The City’s policy that when an expenditure is incurred for which both restricted and unrestricted fund balances are available, the restricted fund balance be spent first followed by committed, then assigned, and, if applicable, unassigned.

The City has established a formal minimum general fund balance policy of 15% of appropriations.

L. Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property’s assessed valuation. Additional taxes may be imposed with voters’ approval. Assessed value is calculated at one hundred percent of a property’s fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The State Legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Dates	January 1	January 1
Levy Dates	July 1	July 1
Due Dates	November 1 (50%) February 1 (50%)	August 1
Delinquency Dates	December 10 (Nov) April 10 (Feb)	August 31

The City adopted an alternative method of property tax distribution (the “Teeter Plan”). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year end.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures or expenses as appropriate. Actual results could differ from those estimates.

N. New Accounting Pronouncements

*Governmental Accounting Standards Board Statement No. 60* – For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” The statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2013.

## **CITY OF ARROYO GRANDE**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

##### N. New Accounting Pronouncements – continued

*Governmental Accounting Standards Board Statement No. 61* – For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 61, “The Financial Reporting Entity: Omnibus.” The statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61, did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2013.

*Governmental Accounting Standards Board Statement No. 62* – For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2013.

*Governmental Accounting Standards Board Statement No. 63* – For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of GASB Statement No. 63 did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2013.

#### **NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The two-year budget is legally adopted for all funds by the City Council prior to July 1 of odd years. The City Manager first submits a preliminary budget in April of the odd year, which includes projected expenditures and the means of financing them, to the City Council. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager. Budget modifications to any of the funds, increases or decreases to a fund’s overall budget, and all transfers in and out of any funds, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year. Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting is employed (e.g., purchase orders) to avoid expenditures over the budget. Encumbrances outstanding at the end of the fiscal year are automatically budgeted in the following fiscal year.

**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 3 – CASH AND INVESTMENTS**

The composition of cash and investments as of June 30, 2013, is as follows:

Cash in bank and on hand	\$ 1,587,432
Cash and investments held with fiscal agent	316,468
Investments	<u>16,930,937</u>
Total	<u>\$ 18,834,837</u>

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the City’s debt instruments or Agency’s agreements:

Cash and investments, statement of net position	\$ 16,421,406
Restricted cash and investments, statement of net position	20,196
Cash and investments, statement of fiduciary net position	<u>2,393,235</u>
Total	<u>\$ 18,834,837</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	60%	None
U.S. Agency Securities	5 years	None	None
Bankers’ Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	20%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Guaranteed Investment Contract	15 months	None	None

Investments Authorized by Debt Agreements

Investments of note proceeds held by note trustees are governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table on the following page identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 3 – CASH AND INVESTMENTS – continued**

Investments Authorized by Debt Agreements – continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Money Market Accounts	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				
	<u>Carrying Amount</u>	<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Local Agency Investment Fund	\$ 14,830,054	\$ 14,830,054	\$ -	\$ -	\$ -
Certificates of Deposit	2,100,883	100,000	1,250,000	750,883	
Held by Fiscal Agent:					
Money Market Funds	316,468	316,468			
<b>Total</b>	<b>\$ 17,247,405</b>	<b>\$ 15,246,522</b>	<b>\$ 1,250,000</b>	<b>\$ 750,883</b>	<b>\$ -</b>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 14,830,054	N/A	\$ -	\$ -	\$ -	\$ 14,830,054
Certificates of Deposit	2,100,883	N/A				2,100,883
Held by Fiscal Agent:						
Money Market Funds	316,468	N/A				316,468
<b>Total</b>	<b>\$ 17,247,405</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,247,405</b>



**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 3 – CASH AND INVESTMENTS – continued**

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 are no investments in any one issuer that represent 5% or more of total City's investments.

Custodial Credit Risk

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

None of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools (such as LAIF).

Investment in State Investment Pool

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

**CITY OF ARROYO GRANDE**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, is as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers and Other Re- classifications</u>	<u>Balance June 30, 2013</u>
<b>Governmental Activities</b>					
Nondepreciable capital assets					
Land	\$ 2,172,584	\$ 697,890	\$ -	\$ -	\$ 2,870,474
Infrastructure	6,379,188				6,379,188
Construction in progress	<u>5,515,510</u>	<u>1,653,707</u>		<u>(4,699,534)</u>	<u>2,469,683</u>
Total nondepreciable capital assets	<u>14,067,282</u>	<u>2,351,597</u>		<u>(4,699,534)</u>	<u>11,719,345</u>
Depreciable capital assets					
Structures and improvements	7,866,643			569,689	8,436,332
Equipment	5,171,963	397,052	650,298	227,370	5,146,087
Infrastructure	<u>75,104,089</u>			<u>3,261,537</u>	<u>78,365,626</u>
Total depreciable capital assets	88,142,695	397,052	650,298	4,058,596	91,948,045
Less accumulated depreciation	<u>37,356,269</u>	<u>1,832,751</u>	<u>519,946</u>	<u>50,019</u>	<u>38,719,093</u>
Net depreciable capital assets	<u>50,786,426</u>	<u>(1,435,699)</u>	<u>130,352</u>	<u>4,008,577</u>	<u>53,228,952</u>
Net capital assets	<u>\$ 64,853,708</u>	<u>\$ 915,898</u>	<u>\$ 130,352</u>	<u>\$ (690,957)</u>	<u>\$ 64,948,297</u>
<b>Business-type Activities</b>					
Nondepreciable capital assets					
Land	<u>\$ 56,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,730</u>
Total nondepreciable capital assets	<u>56,730</u>				<u>56,730</u>
Depreciable capital assets					
Structures and improvements	222,999				222,999
Equipment	572,675		56,219	(114,782)	401,674
Infrastructure	<u>15,873,294</u>			<u>755,720</u>	<u>16,629,014</u>
Total depreciable capital assets	16,668,968		56,219	640,938	17,253,687
Less accumulated depreciation	<u>6,909,014</u>	<u>239,099</u>	<u>56,219</u>	<u>(50,019)</u>	<u>7,041,875</u>
Net depreciable capital assets	<u>9,759,954</u>	<u>(239,099)</u>		<u>690,957</u>	<u>10,211,812</u>
Net capital assets	<u>\$ 9,816,684</u>	<u>\$ (239,099)</u>	<u>\$ -</u>	<u>\$ 690,957</u>	<u>\$ 10,268,542</u>

**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 4 – CAPITAL ASSETS – continued**

Transfers and Other Reclassifications

During the 2012-13 fiscal year, the City completed \$569,689 in structure and improvement-related assets, \$112,588 in equipment-related assets, and \$3,261,537 in infrastructure-related assets.

During the 2012-13 fiscal year, capital contributions to business-type activities was \$755,720 and capital contributions to the governmental activities was \$64,763.

Depreciation Allocation

Depreciation expense was charged to function and programs based on their usage of related assets. The amounts allocated to each function or program is presented below:

Governmental Activities:	
General government	\$ 101,486
Public safety	353,994
Parks and facilities	70,924
Streets and roads	743,596
Sewer	<u>562,751</u>
Total depreciation expense – governmental activities	<u>\$ 1,832,751</u>
Business-type Activities:	
Water	<u>\$ 239,099</u>
Total depreciation expense – business-type activities	<u>\$ 239,099</u>

**NOTE 5 – LOAN RECEIVABLE**

On July 25, 2006, the City entered into a loan agreement with the Redevelopment Agency of Arroyo Grande (subsequently the Successor Agency of the Former Redevelopment Agency of Arroyo Grande) for the purpose of funding the cost of the acquisition of a vacant lot on the north side of Faeh Street in the amount of \$820,130. The loan originally called for interest to be accrued equal to the rate earned by the City’s Local Agency Investment Fund, however, on February 23, 2010, the agreement was amended to no longer accrue interest. Although the Department of Finance continues to refuse to recognize loans from Cities to Redevelopment Agencies as “enforceable obligations” eligible for repayment, under provisions of the loan agreements pursuant to provisions included in Assembly Bill 1484, once the Successor Agency receives a “Finding of Completion” from the Department of Finance, loan agreements between the Redevelopment Agency and the City shall be deemed to be enforceable obligations provided that the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes. On May 14, 2013, the Oversight Board approved the legitimacy of this loan. The total amount outstanding at June 30, 2013 was recalculated to be \$836,257. See Note 16 for further detail on the prior period adjustment.

On September 14, 2004, the City and RDA entered into a loan agreement with Courtland Arroyo Grande, LP to construct a 108-unit affordable senior housing complex in the amount of \$412,847. Of this loan amount, \$300,000 was provided by the City’s In-Lieu Affordable Housing Fund. At June 30, 2013, accrued interest was \$64,338, leaving an outstanding loan receivable balance of \$364,338. See Note 16 for further detail on the prior period adjustment.

**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 5 – LOAN RECEIVABLE – continued**

On August 13, 1996, the City entered into a loan agreement with C-Court Limited Partnership for the purpose of development of a rental housing development located at 351 South Elm Street in the amount of \$344,040. The note has a term of 30-years, with no interest bearing. The total amount of the loan is due at the end of the term.

On August 13, 1996, the City entered into a loan agreement with Oak Forest Association for the purpose of development of a 20-unit multifamily affordable housing development located at 163 South Elm Street in the amount of \$445,000. The note had a term of 30-years, with no interest bearing. The total amount of the loan is due at the end of the term.

Loan Receivable:		
In-Lieu Affordable Housing Fund	\$	1,200,595
CDBG Fund		<u>789,040</u>
Total	\$	<u><u>1,989,635</u></u>

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Interfund Transfers

The transfers in and out between funds during the fiscal year ended June 30, 2013, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,984,806	\$ 1,710,438
Transportation Impact Fees Fund		231,184
CDBG Fund		18,797
Capital Improvement Fund	2,237,535	
Nonmajor Governmental Funds	310,359	1,103,344
Water Fund		1,125,637
Lopez Fund		<u>343,300</u>
Total	<u>\$ 4,532,700</u>	<u>\$ 4,532,700</u>

B. Interfund Loans

The due to and from other funds at June 30, 2013, were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 373,791	\$ -
CDBG Fund		26,561
Capital Improvement Fund		331,581
Nonmajor Governmental Funds		<u>15,649</u>
Total	<u>\$ 373,791</u>	<u>\$ 373,791</u>

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 7 – LONG-TERM DEBT**

A. Compensated Absences

City employees accumulate earned but unused vacation and sick pay benefits, which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the funds statements. However, in the statement of activities the expenditure is allocated to each function based on usage. The non-current portion of these vested benefits (payable in accordance with various collective bargaining agreements) at June 30, 2013, total \$834,219 for governmental activities and \$75,100 for business-type activities.

B. General Obligation Bonded Debt

The purpose of the bonds was to finance the expansion, construction, and retrofit of the City’s fire station. The outstanding general obligation bonded debt of the City at June 30, 2012 is shown below:

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
2003	2.00 – 4.45%	2024	<u>\$ 1,900,000</u>	<u>\$ 1,315,000</u>	<u>\$ 85,000</u>	<u>\$ 1,230,000</u>

The annual requirements to amortize general obligation bonds payable is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 90,000	\$ 49,970	\$ 139,970
2015	90,000	46,505	136,505
2016	95,000	42,850	137,850
2017	100,000	38,900	138,900
2018	105,000	34,672	139,672
2019-2023	610,000	100,214	710,214
2024	140,000	3,115	143,115
<b>Total</b>	<u>\$ 1,230,000</u>	<u>\$ 316,226</u>	<u>\$ 1,546,226</u>

C. Capital Leases Payable

The City is leasing police vehicles with De Lage Landen Public Finance LLC under an agreement which provides for title to pass upon expiration of the lease period.

The City is leasing a platform fire truck with Oshkosh Capital under an agreement which provides for title to pass upon expiration of the lease period.

The City is leasing a sewer vector truck with Kansas State Bank of Manhattan which provides for the title to pass upon expiration of the lease period.

The future minimum payment obligation for the capital leases payable are shown on the following page:

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 7 – LONG-TERM DEBT – continued**

C. Capital Leases Payable – continued

Fiscal Year Ending June 30	De Lage Landen	Oshkosh Capital	Kansas State Bank	Total
2014	\$ 71,840	\$ 38,478	\$ 15,002	\$ 125,320
2015	71,840	38,478	15,002	125,320
2016	71,840	38,478	15,002	125,320
2017			15,002	15,002
Total	215,520	115,434	60,008	390,962
Less: amount representing in interest	11,765	7,858	5,478	25,101
Present value of net minimum lease payments	<u>\$ 203,755</u>	<u>\$ 107,576</u>	<u>\$ 54,530</u>	<u>\$ 365,861</u>

D. California Energy Resources Conservation and Development Commission Loan Payable

On July 7, 2010, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (CA Energy). The purpose of the loan was to partially fund the city-wide energy savings project. The project consisted of heating, ventilation, and air conditioning retrofits including equipment, building controls, lighting equipment, and lighting controls, installation of vending machine misers, installation of LCD computer monitors, installation of computer controls, and installation of LED streetlights. Installation occurred at all City owned buildings including city council chambers, city hall, fire department, community center, corporate yard, Soto Field complex, and parks and recreation building. The outstanding loan payable debt of the City at June 30, 2013 is shown below:

Date of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Redeemed Current Year	Outstanding June 30, 2013
2011	3.00%	2026	<u>\$ 127,512</u>	<u>\$ 127,512</u>	<u>\$ 3,420</u>	<u>\$ 124,092</u>

The future minimum payment obligation for the loan payable is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 7,936	\$ 3,664	\$ 11,600
2015	8,176	3,424	11,600
2016	8,414	3,185	11,599
2017	8,677	2,923	11,600
2018	8,939	2,660	11,599
2019-2023	48,910	9,088	57,998
2024-2026	33,040	1,759	34,799
Total	<u>\$ 124,092</u>	<u>\$ 26,703</u>	<u>\$ 150,795</u>

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 7 – LONG-TERM DEBT – continued**

E. United States Department of Agriculture Loan Payable

On September 1, 2010, the City entered into a lease-purchase agreement with the United States Department of Agriculture (USDA). The purpose of this loan was to acquire the property and office building for the relocation of the City Hall offices. The outstanding loan payable debt of the City at June 30, 2013 is shown below:

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
2011	3.75%	2041	<u>\$ 1,200,000</u>	<u>\$ 1,178,000</u>	<u>\$ 23,000</u>	<u>\$ 1,155,000</u>

The future minimum payment obligation for the USDA loan payable is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 24,000	\$ 42,863	\$ 66,863
2015	25,000	41,944	66,944
2016	26,000	40,988	66,988
2017	27,000	39,994	66,994
2018	28,000	38,963	66,963
2019-2023	155,000	178,030	333,030
2024-2028	187,000	146,080	333,080
2029-2033	225,000	107,569	332,569
2034-2038	270,000	61,313	331,313
2039-2041	188,000	10,762	198,762
Total	<u>\$ 1,155,000</u>	<u>\$ 708,506</u>	<u>\$ 1,863,506</u>

F. Reimbursement Agreement

On June 10, 2005, the City entered into a reimbursement agreement with S & S Homes of the Central Coast, Inc (Developer) whereas the Developer paid for costs of designing, constructing, and installing certain underground utility improvements that are subject to reimbursement from the City. The City is obligated to reimburse the Developer in full by the end of seven years from the time final inspection and approval of the underground utilities occurred, with simple interest accruing at 5% per annum. On March 24, 2009, the City amended to reimbursement agreement with the Developer which reduced the amount to be reimbursed by \$20,000.

The outstanding reimbursement agreement of the City at June 30, 2013 is shown below:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
2007	5.00%	2014	<u>\$ 129,293</u>	<u>\$ 27,182</u>	<u>\$ -</u>	<u>\$ 27,182</u>

The future minimum obligation for the reimbursement agreement is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 27,182</u>	<u>\$ 4,613</u>	<u>\$ 31,795</u>
Total	<u>\$ 27,182</u>	<u>\$ 4,613</u>	<u>\$ 31,795</u>

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 7 – LONG-TERM DEBT – continued**

H. Other Postemployment Benefits

In 2004, GASB issued Statement No. 45 which required the City to measure and report the liabilities associated with other post-employment benefits (OPEB). The City’s annual OPEB requirement was determined to be \$194,815. The City set is currently funding the liability on a pay-as-you-go basis and has set aside \$74,110 towards fully funding this liability. See Note 11 for further detail.

I. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 904,994	\$ 578,403	\$ 649,178	\$ 834,219	\$ -
General obligation bonds	1,315,000		85,000	1,230,000	90,000
Capital leases payable	221,140	275,595	130,874	365,861	113,459
CA energy loan payable	127,512		3,420	124,092	7,936
USDA loan payable	1,178,000		23,000	1,155,000	24,000
Reimbursement agreement	27,182			27,182	27,182
OPEB	429,942	183,220	144,610	468,552	
Total	<u>\$ 4,203,770</u>	<u>\$ 1,037,218</u>	<u>\$ 1,036,082</u>	<u>\$ 4,204,906</u>	<u>\$ 262,577</u>
<b>Business-type Activities</b>					
Compensated absences	\$ 73,844	\$ 45,973	\$ 44,717	\$ 75,100	\$ -
OPEB	49,982	11,595	2,056	59,521	
Total	<u>\$ 123,826</u>	<u>\$ 57,568</u>	<u>\$ 46,773</u>	<u>\$ 134,621</u>	<u>\$ -</u>

**NOTE 8 – WATER SUPPLY CONTRACT**

The City of Arroyo Grande has entered into a Water Supply Contract with the San Luis Obispo County Financing Authority (SLOCFA). The SLOCFA was created on August 15, 2000, to issue bonds for the purpose of financing part or all of the costs of the purchase, construction, expansion, improvement, or rehabilitation of any real or other tangible property. The SLOCFA issued \$28,905,000 (\$13,200,000 of General Obligation Bonds and \$15,705,000 Revenue Bonds) of Lopez Dam Improvement Bonds on October 1, 2000. The City of Arroyo Grande is considered a participating agency of SLOCFA. The City’s share of the Water Supply Contract is 50.55%, based upon such participating agency’s share of the quantity of water to be distributed by SLOCFA from the Lopez Dam. The City is obligated to pay for the debt service of SLOCFA based on their water share, as stated above. The City is further obligated to make contract payments until the fiscal year 2030. The future minimum contract payments for the debt service are shown on the following page:



**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 8 – WATER SUPPLY CONTRACT – continued**

Fiscal Year Ending June 30	Contract Payment
2014	\$ 535,965
2015	535,232
2016	536,243
2017	536,622
2018	538,575
2019-2023	2,692,252
2024-2028	2,709,869
2029-2030	1,087,729
Total	<u>\$ 9,172,487</u>

The minimum contract payments only include the City’s portion of the Revenue Bonds. The General Obligation Bonds are not included in the financial statements, because the SLOCFCA collects the property tax revenue and makes the payment on behalf of the City. However, in the event SLOCFCA is disbanded, the City will be obligated to continue to pay its share of the remaining debt service.

**NOTE 9 – JOINT POWERS AUTHORITY**

The City of Arroyo Grande is a member of the Five Cities Fire Authority (FCFA), a joint powers authority between the Cities of Arroyo Grande, Grover Beach, and the Oceano Community Services District. FCFA was formed on July 9, 2010 for the purpose of providing a more efficient fire protection service within the City limits of Arroyo Grande and Grover Beach, as well as the towns of Oceano and Halcyon, which are unincorporated areas of San Luis Obispo County. Each member contributes its pro rata share of operating costs to FCFA based on a funding formula, calculated annually. The FCFA governing board consists of one member appointed from each participating entity as determined by the respective City Council or Board of Directors. All financial decisions are made by this three-member board. The City of Arroyo Grande contributed \$1,551,420 to FCFA during the fiscal year ended June 30, 2013 for fire protection services. Separate financial statements may be obtained from the Five Cities Fire Authority at 140 Traffic Way in Arroyo Grande, California.

**NOTE 10 – CITY EMPLOYEES’ RETIREMENT PLAN**

Plan Description

The City of Arroyo Grande’s defined pension plan, Public Employees’ Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 10 – CITY EMPLOYEES’ RETIREMENT PLAN – continued**

Funding Policy

The City contributes the employee and employer shares for the Miscellaneous Plan and the Safety Plan. Since the City has less than 100 active members in each plan as of June 30, 2004, it is required to participate in a risk pool. Mandated pooling became effective for the City of Arroyo Grande during the 2005-06 fiscal year. During the 2010-11 fiscal year, the City contracted fire services to Five Cities Fire Authority and, as a result, is responsible for the retirement contributions for their employees. This changed the history of funded status when compared to prior fiscal year’s CAFR. The City of Arroyo Grande is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal year 2012-13, were as follows:

	Miscellaneous Employees		Public Safety Employees	
	Plan	Rate	Plan	Rate
Tier I	2.5% @ 55	22.086%	3.0% @ 50	43.775%
Tier II	2.0% @ 55	9.716%	3.0% @ 55	20.057%
Tier III	2.0% @ 57	6.250%	2.7% @ 57	11.500%

The contribution requirements of the plan members are established by the State statutes and the employer contribution rate is established and may be amended by CalPERS. The City’s contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were \$1,895,089, \$1,506,301, and \$1,315,871, respectively, and equal 100% of the required contributions for each fiscal year.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

The City of Arroyo Grande provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from the City and enrolled in an insurance program under the California Public Employees’ Medical and Hospital Care (PEMHCA). The CalPERS PEMHCA plan is a defined contribution, multiple employer, and healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the California Public Employees’ Retirement System. Copies of the CalPERS annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The City participates in the CalPERS Health Benefit Program where all employee groups were under the equal contribution option. The City was required to contribute \$112 per month during calendar year 2012 and \$115 per month during calendar year 2013 towards the cost of the retiree health insurance, which is the same amount contributed toward active employee health insurance. In modifying the current retiree medical agreements, it was agreed that existing employees with a minimum of five (5) years of full-time service at the time of retirement and new employees with a minimum of ten (10) years of service will receive a supplemental monthly payment (amount varies depending upon employee group and type of insurance). The remaining balance of the premium is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulation. Beginning on January 1, 2014, the contribution amount will increase to \$119 per month. During fiscal year 2012-13, expenditures of \$146,666 were recognized for post-retirement health insurance contributions on a pay-as-you-go basis.

As required by GASB 45, an actuary will determine the City’s annual required contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the normal cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

**CITY OF ARROYO GRANDE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – continued**

Funding Policy – continued

GASB 45 does not require pre-funding of OPEB benefits, however, the City’s funding policy is to pay level contributions of \$200,000 each year. City has elected not to establish an irrevocable trust at this time but has begun to set aside funds towards this liability. At June 30, 2013, the City has assigned \$74,110 for post employment benefits in the General Fund’s fund balance.

Annual OPEB Cost

For the fiscal year 2012-14, the City’s OPEB cost (expense) of \$194,815 was less than the annual required contributions (ARC) of \$202,039 due to interest on OPEB obligations of \$23,996 and the amortization adjustment to ARC of \$(31,220). The City’s annual OPEB cost, the annual OPEB cost contributed, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of 2012-13, is shown below:

Fiscal Year Ending June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 219,706	\$ 64,532	29%	\$ 155,174
2009	219,706	109,503	50%	110,203
2010	219,706	128,616	59%	91,090
2011	196,673	128,474	65%	68,199
2012	195,647	140,389	72%	55,258
2013	194,815	146,666	75%	48,149
Total	\$ 1,246,253	\$ 718,180	58%	\$ 528,073

The funded status of the plan as of June 30, 2010, is as follows:

Actuarial accrued liability (AAL)	\$ 2,053,387
Actuarial value plan assets	<u>                        </u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,053,387</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 5,055,775
UAAL as a percentage of covered payroll	41%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events are far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## CITY OF ARROYO GRANDE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

#### NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – continued

##### Actuarial Methods and Assumptions – continued

The actuarial valuation of plan assets, dated July 1, 2010, used the Projected Unit Credit cost method. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after three years. These assumptions reflect an implicit 3.0 percent general inflation assumption. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2010 was 30 years.

#### NOTE 12 – LIABILITY, PROPERTY, AND WORKERS' COMPENSATION PROTECTION

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

The City of Arroyo Grande is a member of the California Joint Powers Insurance Authority (Cal JPIA). The Cal JPIA is composed of 107 California public entities and is organized under a joint powers agreement pursuant to California Government Code 6500 et seq. The purpose of the Cal JPIA 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 coverage's. The Cal JPIA's pool 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 9-member Executive Committee.

##### B. Self-Insurance Programs of the Authority

*General Liability* – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$15,000,000 are pooled based on payroll. Costs of covered claims about \$15,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

*Workers' Compensation* – The City of Arroyo Grande also participates in the workers' compensation pool administered by the Cal JPIA. Members retain the first \$50,000 of each claim. Claims are pooled separately between public safety and non-public safety. Loss development reserves are allocated by pool and by loss layer (\$0 to \$100,000 allocated by retained amount and \$100,000 to \$2,000,000 by payroll). Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with losses from \$100,000 to \$2,000,000 are pooled based on payroll. Costs from \$2,000,000 to \$50,000,000 are transferred to an excess insurance policy. Costs in excess of \$50,000,000 are pooled among the Members based on payroll. Administrative expenses are paid from the Cal JPIA's investment earnings.

##### C. Purchase Insurance

*Property Insurance* – The City of Arroyo Grande participates in the all-risk property protection of the Cal JPIA. Several insurance companies underwrite this insurance protection. The City's property is currently insured according to a schedule of covered property submitted by the City to the Cal JPIA. Total all-risk property insurance coverage is \$37,033,492. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

*Fidelity Bonds* – The City of Arroyo Grande purchases blanket fidelity bond coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through Cal JPIA. Premiums are paid annually and are not subject to retroactive adjustments.

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 12 – LIABILITY, PROPERTY, AND WORKERS’ COMPENSATION PROTECTION – continued**

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior fiscal year.

**NOTE 13 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218**

Proposition 218, which was approved by the voters in November 1996, will regulate the City’s ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voters’ approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voters’ initiative process and may be rescinded in the future years by the voters.

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER ARROYO GRANDE REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of State and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City Resolution No. 4420.

After the enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by appropriate judicial authority that would resolve this issue unfavorably to the City.

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER ARROYO GRANDE REDEVELOPMENT AGENCY – continued**

Financial Reporting

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. As a result, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Cash and Investments

The RDA has pooled its cash and investments with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents. See Note 3 for disclosure related to cash and investments pooled with the City and the related custodial risk categorization.

Cash and investments at June 30, 2013, consisted of the following:

	<u>Total</u>
Cash and investments pooled with the City	\$ 1,755,870
Restricted cash and investments held with fiscal agent	316,468
Total	<u>\$ 2,072,338</u>

Inventory – Land Held for Resale

On August 11, 2006, the RDA purchased a vacant lot at the corner of Faeh Street and El Camino Real in the amount of \$825,129. The RDA purchased the property because the location is a key site to the City’s economic development strategy and goals and didn’t want the property to be sold as individual lots.

On June 22, 2010, the RDA transferred \$980,000 to the General Fund, in exchange for land located on Pearwood Ave in which the City purchased for approximately \$35,799. The proposed sale and purchase price is based upon an appraisal conducted at the time the project was proposed.

The RDA is currently holding both properties for resale. Inventory is valued at cost which approximates fair value.

Notes Receivable

On September 14, 2004, the City and RDA entered into a loan agreement with Courtland Arroyo Grande, LP to construct a 108-unit affordable senior housing complex in the amount of \$412,847. Of this loan amount, \$112,847 was provided by the RDA. At June 30, 2013, accrued interest was \$28,776, leaving an outstanding loan receivable balance of \$141,623.

On January 11, 2005, the RDA entered into a loan agreement with the Family Care Networks, Inc. for the acquisition and development of property at 201 South Halcyon Road to be used for affordable housing for low and very low income households in the amount of \$50,000. The term of the loan agreement is 55 years and will be considered paid in full as long as the units are maintained as affordable housing.

On December 9, 2008, the RDA entered into a purchase agreement with the Housing Authority of the City of San Luis Obispo and purchased property utilizing low and moderate set-aside funds. The property was then sold to the Housing Authority for \$285,000 in cash, plus \$55,500 as a note receivable. This note is to be repaid when the property is sold.

**CITY OF ARROYO GRANDE****NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER ARROYO GRANDE REDEVELOPMENT AGENCY – continued**Notes Receivable – continued

On December 14, 2010, the RDA entered into a loan agreement with Habitat for Humanity of San Luis Obispo County (Habitat for Humanity) and purchased property utilizing low and moderate set-aside funds in the amount of \$260,000. Under the terms of the agreement, as long as each home is sold to a qualified homebuyer (as defined in the agreement), a portion of the outstanding balance of the loan shall be forgiven.

On March 28, 2013, the RDA entered into a loan agreement with Courtland Street Apartments, LP for the construction of a 36-unit affordable housing rental project and related improvements on the property located on the corner of Grand Avenue and Courtland Avenue in the amount of \$930,000 utilizing low and moderate set-aside funds. The term of the loan agreement is 55 years with interest accruing on the outstanding principal balance at the rate of 3% per annum. Repayment of the loan shall begin on March 1 of the subsequent year the project is complete. At June 30, 2013, the RDA disbursed \$200,000 of the \$930,000 to the developer for predevelopment costs.

Loans Payable

On July 25, 2006, the City entered into a loan agreement with the RDA for the purpose of funding the cost of the acquisition of a vacant lot on the north side of Faeh Street in the amount of \$820,130. The loan originally called for interest to be accrued equal to the rate earned by the City’s Local Agency Investment Fund, however, on February 23, 2010, the agreement was amended to no longer accrue interest. Although the Department of Finance continues to refuse to recognize loans from Cities to Redevelopment Agencies as “enforceable obligations” eligible for repayment, under provisions of the loan agreements pursuant to provisions included in Assembly Bill 1484, once the Successor Agency receives a “Finding of Completion” from the Department of Finance, loan agreements between the Redevelopment Agency and the City shall be deemed to be enforceable obligations provided that the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes. On May 14, 2013, the Oversight Board approved the legitimacy of this loan. The total amount outstanding at June 30, 2013 was recalculated to be \$836,257. See Note 16 for further detail on the prior period adjustment.

Tax Allocation Bonds Payable

On May 1, 2007, the Arroyo Grande Redevelopment Agency (RDA) issued \$6,285,000 of 2007 tax allocation bonds. The purpose of the tax allocation bonds were to repay debt and to provide funds for future improvement projects. The bonds bears an interest rate of 5.304% for a term bond of \$1,280,000, maturing on September 1, 2019, and an interest rate of 5.800% for a term bond of \$5,005,000, maturing on September 1, 2037. As of June 30, 2013, the principal balance outstanding was \$5,950,000.

The future minimum payment obligation for the tax allocation bonds payable is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 115,000	\$ 337,363	\$ 452,363
2015	120,000	331,131	451,131
2016	130,000	324,501	454,501
2017	135,000	317,473	452,473
2018	140,000	310,180	450,180
2019-2023	830,000	1,423,245	2,253,245
2024-2028	1,095,000	1,147,675	2,242,675
2029-2033	1,455,000	779,955	2,234,955
2034-2038	1,930,000	292,030	2,222,030
Total	<u>\$ 5,950,000</u>	<u>\$ 5,263,553</u>	<u>\$ 11,213,553</u>

**CITY OF ARROYO GRANDE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2013

**NOTE 15 – CONTINGENCIES AND COMMITMENTS**

The City is involved in various litigations. In the opinion of management and legal council, the disposition of all litigation pending will not have a material effect on the City’s financial statements.

The City has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursement will not be material.

The City has the following outstanding contracts listed below for uncompleted projects at June 30, 2013:

Project Name	Amount
Corporation Yard Upgrade	\$ 92,910
Police Station Remodel	124,025
Bridge Street Bridge Rehabilitation	363,340
Montego Street Sidewalks	148,482
Brisco Road at US 101 Interchange Rehabilitation	13,083
Concrete Repair Project	41,469
Creek Preservation	60,450
Fair Oaks Waterline & Overlay	286,095
Water Well No. 11 Facilities	15,995
Total	<u>\$ 1,145,849</u>

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

In prior years, the accrued interest on the agreement with Courtland Arroyo Grande, LP was understated. As a result, a prior period adjustment of \$46,339 was made which effects the statement of activities under governmental activities.

A prior period adjustment of \$83,540 was made which negatively effects the government-wide statement of activities under governmental activities and positively effects the statement of changes in fiduciary net position. Under the provisions of Assembly Bill 1484, the City is required to recalculate the loan it has with the Successor Agency of the Former Redevelopment Agency of Arroyo Grande from its date of origination, with interest at the current Local Agency Investment Fund rate added to the principal. This decreased the loan balance by \$83,540.



## Required Supplementary Information Section (unaudited)



**CITY OF ARROYO GRANDE**

**BUDGETARY INFORMATION - MAJOR GOVERNMENTAL FUNDS**

General Fund

For the Fiscal Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance Over/(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 10,831,000	\$ 11,338,953	\$ 11,678,616	\$ 339,663
Licenses and permits	205,150	205,150	259,153	54,003
Fines and penalties	85,000	90,000	52,299	(37,701)
Use of money and property	304,820	329,820	282,500	(47,320)
Intergovernmental revenues	225,200	252,715	254,820	2,105
Charges for services	744,350	744,350	821,572	77,222
Other revenue	90,500	205,300	139,459	(65,841)
Total revenues	<u>12,486,020</u>	<u>13,166,288</u>	<u>13,488,419</u>	<u>322,131</u>
<b>EXPENDITURES</b>				
General government				
City council	110,950	109,331	89,371	(19,960)
City manager	649,505	587,578	509,297	(78,281)
City attorney	183,250	220,250	245,700	25,450
Legislative services	322,660	340,440	324,378	(16,062)
Information technology	241,330	238,395	213,162	(25,233)
Administrative services	719,120	733,935	726,306	(7,629)
Printing	37,450	36,700	30,631	(6,069)
Non-departmental	2,425,950	2,595,097	2,503,872	(91,225)
Community development				
Planning	517,640	598,265	595,974	(2,291)
Engineering	313,150	316,349	307,518	(8,831)
Building and life safety	238,490	230,342	219,933	(10,409)
Public safety				
Police	5,794,150	5,620,470	5,135,828	(484,642)
Emergency operations center	1,000	5,000	326	(4,674)
Recreation services				
Recreation	145,950	181,074	174,211	(6,863)
General recreation	115,400	88,142	72,103	(16,039)
Preschool program	73,350	72,920	75,704	2,784
Special recreation programs	112,500	110,250	121,882	11,632
Children in Motion	247,900	245,679	265,396	19,717
Five Cities Youth Basketball	51,750	51,750	49,526	(2,224)
Parks and facilities				
Parks	571,290	562,476	496,201	(66,275)
Soto sports complex	263,750	235,165	230,781	(4,384)
Governmental buildings	177,270	178,633	180,245	1,612
Street & bridge maintenance	50,000	44,300	47,431	3,131
Street lighting	235,200	235,200	180,678	(54,522)
Automotive shop	118,230	117,335	115,456	(1,879)
Capital outlay	66,675	502,770	439,623	(63,147)
Debt service	190,828	140,828	133,166	(7,662)
Total expenditures	<u>13,974,738</u>	<u>14,398,674</u>	<u>13,484,699</u>	<u>(913,975)</u>
Excess of revenue over (under) expenditures	<u>\$ (1,488,718)</u>	<u>\$ (1,232,386)</u>	<u>\$ 3,720</u>	<u>\$ 1,236,106</u>

Continued on following page

**CITY OF ARROYO GRANDE**

**BUDGETARY INFORMATION - MAJOR GOVERNMENTAL FUNDS**

General Fund

For the Fiscal Year Ended June 30, 2013

Continued from previous page

	Budget Amounts		Actual Amounts	Variance Over/(Under)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	\$ -	\$ 275,595	\$ 275,595	\$ -
Proceeds from sale of capital assets			62,169	
Transfer in	2,319,199	1,934,989	1,984,806	49,817
Transfer out	(1,371,325)	(3,237,357)	(1,710,438)	1,526,919
Total other financing sources (uses)	<u>947,874</u>	<u>(1,026,773)</u>	<u>612,132</u>	<u>1,638,905</u>
Net change in fund balance	(540,844)	(2,259,159)	615,852	2,875,011
Fund balances - July 1, 2012	<u>5,042,541</u>	<u>5,042,541</u>	<u>5,042,541</u>	
Fund balances - June 30, 2013	<u>\$ 4,501,697</u>	<u>\$ 2,783,382</u>	<u>\$ 5,658,393</u>	<u>\$ 2,875,011</u>

**CITY OF ARROYO GRANDE**

**BUDGETARY INFORMATION - MAJOR GOVERNMENTAL FUNDS**

**Transportation Impact Fees Fund**

For the Fiscal Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance Over/(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 15,000	\$ 15,000	\$ 8,657	\$ (6,343)
Charges for services	25,000	150,000	221,532	71,532
Total revenues	40,000	165,000	230,189	65,189
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	(130,000)	(788,422)	(231,184)	557,238
Total other financing sources/(uses)	(130,000)	(788,422)	(231,184)	557,238
Net change in fund balance	(90,000)	(623,422)	(995)	622,427
Fund balances - July 1, 2012	2,091,901	2,091,901	2,091,901	
Fund balances - June 30, 2013	\$ 2,001,901	\$ 1,468,479	\$ 2,090,906	\$ 622,427

**CITY OF ARROYO GRANDE**

**BUDGETARY INFORMATION - MAJOR GOVERNMENTAL FUNDS**

In-Lieu Affordable Housing Fund

For the Fiscal Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance Over/(Under)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 300	\$ 300	\$ 338	\$ 38
Charges for services		25,000	25,313	313
Total revenues	300	25,300	25,651	351
<b>EXPENDITURES</b>				
Community development				
Total expenditures				
Net change in fund balance	300	25,300	25,651	351
Fund balances - July 1, 2012	65,565	65,565	65,565	
Fund balances - June 30, 2013	\$ 65,865	\$ 90,865	\$ 91,216	\$ 351

**CITY OF ARROYO GRANDE**  
**BUDGETARY INFORMATION - MAJOR GOVERNMENTAL FUNDS**  
**CDBG Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Budget Amounts		Actual Amounts	Variance Over/(Under)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ 196,386	\$ 36,719	\$ (159,667)
Total revenues		196,386	36,719	(159,667)
<b>EXPENDITURES</b>				
Community development		177,589	17,922	(159,667)
Total expenditures		177,589	17,922	(159,667)
Excess of revenue over (under) expenditures		18,797	18,797	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out		(18,797)	(18,797)	
Total other financing sources (uses)		(18,797)	(18,797)	
Net change in fund balance				
Fund balances - July 1, 2012				
Fund balances - June 30, 2013	\$ -	\$ -	\$ -	\$ -

**CITY OF ARROYO GRANDE**

**OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS**

For the Fiscal Year Ended June 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Cost (b)</u>	<u>Unfunded AAL (UAAL)(b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent- age of Covered Payroll ((b-a)/c)</u>
07/01/07	\$ -	\$ 1,835,537	\$ 1,835,537	0%	\$ 5,968,881	31%
07/01/10	\$ -	\$ 2,053,287	\$ 2,053,287	0%	\$ 5,055,775	41%



## Supplemental Information Section



## CITY OF ARROYO GRANDE

### DESCRIPTION OF NONMAJOR GOVERNMENTAL

June 30, 2013

#### Nonmajor Governmental Funds

##### Special Revenue Funds:

Fire Protection Impact Fees Fund – This fund accounts for impact fees collected from developers for the expansion of the existing fire station in order to serve future development.

Public Access Television Fund – This fund accounts for fees collected from Charter Communications that are restricted for support of public, education, and government access programming and equipment.

Police Protection Impact Fees Fund – This fund accounts for impact fees collected from developers for the expansion of the existing police facility in order to serve future development.

Park Development Fund – This fund accounts for the receipts of park-in-lieu fees (Quimby) and grant revenues that are used for construction, park acquisition, and development of park facilities.

Park Improvement Impact Fees Fund – Impact fees collected for park improvements are to be used to maintain the adopted level of service for neighborhood and community parks of 4.0 acres per thousand population. This fund accounts for the receipt and use of these monies.

Recreation Community Center Impact Fees Fund – This fund accounts for impact fees collected and used for recreation facilities in order to maintain the adopted level of service of recreation/community center facilities of 542 square feet per thousand population.

Grace Lane Assessment District Fund – This fund accounts for revenue derived from annual assessments, which are used to pay the cost incurred by the City for landscape maintenance.

Landscape Assessment Fund – This fund accounts for the landscape maintenance of parkways within tow housing tracts. A special benefit assessment is levied on property owners to pay for landscape maintenance expenditures.

Parkside Assessment District Fund – This fund accounts for revenue derived from annual assessments, which are used to pay the cost incurred by the City for landscape maintenance.

Special Gasoline Tax Fund – This fund accounts for receipts and expenditures of money apportioned by the State under Streets and Highway Code sections 2105, 2106, 2107, and 2107.5. The use of gas tax revenues can only be used to construct and maintain streets and highways.

Traffic Signal Fund – This fund accounts for traffic signalization assessment levied against developments for the future cost of traffic signals.

Traffic Circulation Fund – This fund accounts for developer traffic mitigation measure fees charged as a result of an environmental review.

Transportation Fund – This fund accounts for revenues from the Local Transportation Fund (LTF) and the South County Area Transit (SCAT). Expenditures are restricted to public transportation.

**CITY OF ARROYO GRANDE**

**DESCRIPTION OF NONMAJOR GOVERNMENTAL**

June 30, 2013

**Nonmajor Governmental Funds – continued**

Special Revenue Funds – continued:

Water Neutralization Impact Fund – This fund accounts for mitigation fees collected from developers to neutralize projected water demand of development projects, above historical usage amounts.

Construction Fund – This fund accounts for the accumulation of tax revenues levied on construction of residential dwelling units, mobile home lots, and commercial buildings. Expenditures are restricted to public improvements, including but not limited to, facilities, fire stations, fire-fighting equipment, parks, street improvements, and equipment.

Drainage Fees Fund – This fund accounts for development drainage fees restricted to improving drainage within the City.

In-Lieu Underground Utility Fund – This fund accounts for monies paid by developers in meeting the City's underground utility requirements.

Water Availability Fund – This fund accounts for impact fees collected to mitigate future water requirements.

State COPS Grant Fund – This fund accounts for the receipt and use of monies from the State of California restricted to the purchase of police equipment and technology for crime prevention.

Sewer Fund – This fund is used to account for maintenance of sewer lines connecting City residents to the San Luis Obispo County Sanitation District sewer plant. Maintenance costs are funded by user charges.

Sewer Facility Fund – This fund accounts for the accumulation of sewer facility revenues to be used in capital improvement projects in the City.

Debt Service Funds:

Fire Station GO Bond Fund – This fund is used to account for the accumulation of resources and payment of long-term debt principal and interest for general obligation bonds issued by the City to finance the expansion of the City Fire Station.

City Hall USDA Debt Service Fund – This fund is used to account for the accumulated resources and payment of long-term debt principal and interest for USDA loan payable issued by the City to finance for the relocation of City Hall.



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**CITY OF ARROYO GRANDE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 Combining Balance Sheet  
 June 30, 2013

Special Revenue Funds

	<u>Fire Protection Impact Fees</u>	<u>Public Access Television</u>	<u>Police Protection Impact Fees</u>	<u>Park Development</u>
<b>ASSETS</b>				
Cash and investments	\$ 107,354	\$ 111,561	\$ 88,348	\$ 776,025
Receivables:				
Accounts				
Taxes				
Grant				
Interest	65	67	54	490
Inventory				
Prepaid items				
Total assets	<u>\$ 107,419</u>	<u>\$ 111,628</u>	<u>\$ 88,402</u>	<u>\$ 776,515</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue				40,226
Due to other funds				
Total liabilities				<u>40,226</u>
Fund Balances:				
Nonspendable:				
Inventory				
Prepaid items				
Restricted for:				
Access programming		111,628		
Debt service				
Landscape maintenance				
Park construction				736,289
Public improvements				
Public safety	107,419		88,402	
Streets and roads				
Water production				
Assigned for:				
Capital projects				
Streets and roads				
Utility service				
Unassigned				
Total fund balances	<u>107,419</u>	<u>111,628</u>	<u>88,402</u>	<u>736,289</u>
Total liabilities and fund balances	<u>\$ 107,419</u>	<u>\$ 111,628</u>	<u>\$ 88,402</u>	<u>\$ 776,515</u>

Special Revenue Funds

Park Improvement Impact Fees	Community Center Impact Fees	Grace Lane Assessment District	Landscape Assessment District	Parkside Assessment District
\$ 93,353	\$ 49,562	\$ 61,859	\$ 13,307	\$ 331,192
			42	342
242	32	39	9	211
<u>\$ 93,595</u>	<u>\$ 49,594</u>	<u>\$ 61,898</u>	<u>\$ 13,358</u>	<u>\$ 331,745</u>
\$ -	\$ -	\$ 6,399	\$ 491	\$ 830
		<u>6,399</u>	<u>491</u>	<u>830</u>
93,595	49,594	55,499	12,867	330,915
<u>93,595</u>	<u>49,594</u>	<u>55,499</u>	<u>12,867</u>	<u>330,915</u>
<u>\$ 93,595</u>	<u>\$ 49,594</u>	<u>\$ 61,898</u>	<u>\$ 13,358</u>	<u>\$ 331,745</u>

**CITY OF ARROYO GRANDE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Balance Sheet  
June 30, 2013

Special Revenue Funds

	<u>Special Gasoline Tax</u>	<u>Traffic Signal</u>	<u>Traffic Circulation</u>	<u>Transportation</u>
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 593,864	\$ 53,772	\$ 6,914
Receivables:				
Accounts				
Taxes	33,500			
Grant				
Interest	19	373	31	
Inventory				
Prepaid items	10,060			
Total assets	<u>\$ 43,579</u>	<u>\$ 594,237</u>	<u>\$ 53,803</u>	<u>\$ 6,914</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 27,930	\$ -	\$ -	\$ 6,914
Deferred revenue				
Due to other funds	15,649			
Total liabilities	<u>43,579</u>			<u>6,914</u>
Fund Balances:				
Nonspendable:				
Inventory				
Prepaid items	10,060			
Restricted for:				
Access programming				
Debt service				
Landscape maintenance				
Park construction				
Public improvements				
Public safety				
Streets and roads		594,237		
Water production				
Assigned for:				
Capital projects				
Streets and roads			53,803	
Utility service				
Unassigned	(10,060)			
Total fund balances	<u>(10,060)</u>	<u>594,237</u>	<u>53,803</u>	
Total liabilities and fund balances	<u>\$ 43,579</u>	<u>\$ 594,237</u>	<u>\$ 53,803</u>	<u>\$ 6,914</u>



Special Revenue Funds

<u>Water Neutralization Impact</u>	<u>Construction</u>	<u>Drainage Fees</u>	<u>In-Lieu Underground Utility</u>	<u>Water Availability</u>
\$ 369,318	\$ 3,224	\$ 21,115	\$ 198	\$ 1,743,436
250	2	11		1,142
<u>\$ 369,568</u>	<u>\$ 3,226</u>	<u>\$ 21,126</u>	<u>\$ 198</u>	<u>\$ 1,744,578</u>
\$ 5,578	\$ -	\$ -	\$ -	\$ -
<u>5,578</u>				
	3,226	21,126		
363,990				1,744,578
			198	
<u>363,990</u>	<u>3,226</u>	<u>21,126</u>	<u>198</u>	<u>1,744,578</u>
<u>\$ 369,568</u>	<u>\$ 3,226</u>	<u>\$ 21,126</u>	<u>\$ 198</u>	<u>\$ 1,744,578</u>

**CITY OF ARROYO GRANDE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 Combining Balance Sheet  
 June 30, 2013

Special Revenue Funds

	<u>State COPS Grant</u>	<u>Sewer</u>	<u>Sewer Facility</u>	<u>Total Special Revenue Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 146,448	\$ 455,733	\$ 383,937	\$ 5,410,520
Receivables:				
Accounts		203,406		203,406
Taxes				33,884
Grant	24,250			24,250
Interest	78	280	241	3,636
Inventory		5,831		5,831
Prepaid items	3,456	4,763		18,279
Total assets	<u>\$ 174,232</u>	<u>\$ 670,013</u>	<u>\$ 384,178</u>	<u>\$ 5,699,806</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 850	\$ 15,163	\$ -	\$ 64,155
Deferred revenue				40,226
Due to other funds				15,649
Total liabilities	<u>850</u>	<u>15,163</u>	<u>-</u>	<u>120,030</u>
Fund Balances:				
Nonspendable:				
Inventory		5,831		5,831
Prepaid items	3,456	4,763		18,279
Restricted for:				
Access programming				111,628
Debt service				
Landscape maintenance				399,281
Park construction				829,884
Public improvements				73,946
Public safety	169,926			365,747
Streets and roads				594,237
Water production				2,108,568
Assigned for:				
Capital projects				198
Streets and roads				53,803
Utility service		644,256	384,178	1,028,434
Unassigned				(10,060)
Total fund balances	<u>173,382</u>	<u>654,850</u>	<u>384,178</u>	<u>5,579,776</u>
 Total liabilities and fund balances	 <u>\$ 174,232</u>	 <u>\$ 670,013</u>	 <u>\$ 384,178</u>	 <u>\$ 5,699,806</u>

Debt Service

Fire Station GO Bonds	City Hall USDA Debt Service	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ 816,057	\$ 20,253	\$ 836,310	\$ 6,246,830
2,343		2,343	203,406
			36,227
			24,250
	13	13	3,649
			5,831
			18,279
<u>\$ 818,400</u>	<u>\$ 20,266</u>	<u>\$ 838,666</u>	<u>\$ 6,538,472</u>
\$ -	\$ -	\$ -	\$ 64,155
			40,226
			15,649
			<u>120,030</u>
			5,831
			18,279
818,400	20,266	838,666	111,628
			838,666
			399,281
			829,884
			73,946
			365,747
			594,237
			2,108,568
			198
			53,803
			1,028,434
			(10,060)
<u>818,400</u>	<u>20,266</u>	<u>838,666</u>	<u>6,418,442</u>
<u>\$ 818,400</u>	<u>\$ 20,266</u>	<u>\$ 838,666</u>	<u>\$ 6,538,472</u>

**CITY OF ARROYO GRANDE**

**NONMAJOR GOVERNMENTAL FUNDS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2013

Special Revenue Funds

	<u>Fire Protection Impact Fees</u>	<u>Public Access Television</u>	<u>Police Protection Impact Fees</u>	<u>Park Development</u>
<b>REVENUES</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	343	354	292	2,889
Intergovernmental revenues				
Charges for services	40,041	35,336	20,809	84,278
Other revenue				
Total revenues	<u>40,384</u>	<u>35,690</u>	<u>21,101</u>	<u>87,167</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Community development				
Parks and facilities				
Streets and road				
Sewer				
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures				
Excess of revenue over/ (under) expenditures	<u>40,384</u>	<u>35,690</u>	<u>21,101</u>	<u>87,167</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in				
Transfers out				(2,436)
Total other financing sources/(uses)				<u>(2,436)</u>
Net change in fund balances	40,384	35,690	21,101	84,731
Fund balances - July 1, 2012	<u>67,035</u>	<u>75,938</u>	<u>67,301</u>	<u>651,558</u>
Fund balances - June 30, 2013	<u>\$ 107,419</u>	<u>\$ 111,628</u>	<u>\$ 88,402</u>	<u>\$ 736,289</u>

Special Revenue Funds

Park Improvement Impact Fees	Community Center Impact Fees	Grace Lane Assessment District	Landscape Assessment District	Parkside Assessment District
\$ -	\$ -	\$ 10,445	\$ 5,698	\$ 40,519
1,482	190	219	68	1,299
94,540	2,744			
<u>96,022</u>	<u>2,934</u>	<u>10,664</u>	<u>5,766</u>	<u>41,818</u>
		7,499	13,269	43,772
		<u>7,499</u>	<u>13,269</u>	<u>43,772</u>
<u>96,022</u>	<u>2,934</u>	<u>3,165</u>	<u>(7,503)</u>	<u>(1,954)</u>
<u>(359,289)</u>	<u>(324)</u>		<u>(3,300)</u>	<u>(3,600)</u>
<u>(359,289)</u>	<u>(324)</u>		<u>(3,300)</u>	<u>(3,600)</u>
(263,267)	2,610	3,165	(10,803)	(5,554)
<u>356,862</u>	<u>46,984</u>	<u>52,334</u>	<u>23,670</u>	<u>336,469</u>
<u>\$ 93,595</u>	<u>\$ 49,594</u>	<u>\$ 55,499</u>	<u>\$ 12,867</u>	<u>\$ 330,915</u>

**CITY OF ARROYO GRANDE**

**NONMAJOR GOVERNMENTAL FUNDS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2013

Special Revenue Funds

	Special Gasoline Tax	Traffic Signal	Traffic Circulation	Transportation
<b>REVENUES</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	35	2,167	117	
Intergovernmental revenues	412,431			205,003
Charges for services		80,983	28,520	
Other revenue	1,608			
Total revenues	<u>414,074</u>	<u>83,150</u>	<u>28,637</u>	<u>205,003</u>
<b>EXPENDITURES</b>				
Current:				
General government				21,600
Community development				
Parks and facilities				
Streets and road	650,957			
Sewer				
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures	<u>650,957</u>	<u>          </u>	<u>          </u>	<u>21,600</u>
Excess of revenue over/ (under) expenditures	<u>(236,883)</u>	<u>83,150</u>	<u>28,637</u>	<u>183,403</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in	236,883			
Transfers out				(183,403)
Total other financing sources/(uses)	<u>236,883</u>	<u>          </u>	<u>          </u>	<u>(183,403)</u>
Net change in fund balances		83,150	28,637	
Fund balances - July 1, 2012		511,087	25,166	
Fund balances - June 30, 2013	<u>\$ -</u>	<u>\$ 594,237</u>	<u>\$ 53,803</u>	<u>\$ -</u>

Special Revenue Funds

Water Neutralization Impact	Construction	Drainage Fees	In-Lieu Underground Utility	Water Availability
\$ -	\$ -	\$ -	\$ -	\$ -
1,597	13	15	1	6,916
75,308		20,648		51,850
<u>76,905</u>	<u>13</u>	<u>20,663</u>	<u>1</u>	<u>58,766</u>
87,012				
<u>87,012</u>				
(10,107)	13	20,663	1	58,766
(44,990)				(47,704)
(44,990)				(47,704)
(55,097)	13	20,663	1	11,062
419,087	3,213	463	197	1,733,516
<u>\$ 363,990</u>	<u>\$ 3,226</u>	<u>\$ 21,126</u>	<u>\$ 198</u>	<u>\$ 1,744,578</u>

**CITY OF ARROYO GRANDE**

**NONMAJOR GOVERNMENTAL FUNDS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2013

Special Revenue Funds

	<u>State COPS Grant</u>	<u>Sewer</u>	<u>Sewer Facility</u>	<u>Total Special Revenue Funds</u>
<b>REVENUES</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 56,662
Use of money and property	388	1,230	1,371	20,986
Intergovernmental revenues	100,000			717,434
Charges for services		1,029,918	53,983	1,618,958
Other revenue		10,245		11,853
Total revenues	<u>100,388</u>	<u>1,041,393</u>	<u>55,354</u>	<u>2,425,893</u>
<b>EXPENDITURES</b>				
Current:				
General government				21,600
Community development				87,012
Parks and facilities				64,540
Streets and road				650,957
Sewer		257,073		257,073
Capital outlay	19,416	2,286		21,702
Debt service:				
Principal		14,548		14,548
Interest and fiscal agent fees		454		454
Total expenditures	<u>19,416</u>	<u>274,361</u>	<u>55,354</u>	<u>1,117,886</u>
Excess of revenue over/ (under) expenditures	<u>80,972</u>	<u>767,032</u>	<u>55,354</u>	<u>1,308,007</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in				236,883
Transfers out		(455,752)	(2,546)	(1,103,344)
Total other financing sources/(uses)		<u>(455,752)</u>	<u>(2,546)</u>	<u>(866,461)</u>
Net change in fund balances	80,972	311,280	52,808	441,546
Fund balances - July 1, 2012	<u>92,410</u>	<u>343,570</u>	<u>331,370</u>	<u>5,138,230</u>
Fund balances - June 30, 2013	<u>\$ 173,382</u>	<u>\$ 654,850</u>	<u>\$ 384,178</u>	<u>\$ 5,579,776</u>



Debt Service

Fire Station GO Bonds	City Hall USDA Debt Service	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ 230,221	\$ - 70	\$ 230,221 70	\$ 286,883 21,056 717,434 1,618,958 11,853
<u>230,221</u>	<u>70</u>	<u>230,291</u>	<u>2,656,184</u>
			21,600 87,012 64,540 650,957 257,073 21,702
85,000 54,052 <u>139,052</u>	23,000 43,744 <u>66,744</u>	108,000 97,796 <u>205,796</u>	122,548 98,250 <u>1,323,682</u>
<u>91,169</u>	<u>(66,674)</u>	<u>24,495</u>	<u>1,332,502</u>
	73,476	73,476	310,359 <u>(1,103,344)</u>
	<u>73,476</u>	<u>73,476</u>	<u>(792,985)</u>
91,169 <u>727,231</u>	6,802 <u>13,464</u>	97,971 <u>740,695</u>	539,517 <u>5,878,925</u>
<u>\$ 818,400</u>	<u>\$ 20,266</u>	<u>\$ 838,666</u>	<u>\$ 6,418,442</u>

**CITY OF ARROYO GRANDE**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Sanitation District Fund</b>				
Cash and investments	\$ 135,085	\$ 1,623,673	\$ 1,626,280	\$ 132,478
Accounts receivable	49,337	1,480,997	1,478,779	51,555
<b>Total assets</b>	<b>\$ 184,422</b>	<b>\$ 3,104,670</b>	<b>\$ 3,105,059</b>	<b>\$ 184,033</b>
Due to other agencies	\$ 184,422	\$ 3,104,670	\$ 3,105,059	\$ 184,033
<b>Total liabilities</b>	<b>\$ 184,422</b>	<b>\$ 3,104,670</b>	<b>\$ 3,105,059</b>	<b>\$ 184,033</b>
<b>Downtown Parking Fund</b>				
Cash and investments	\$ 182,667	\$ 10,985	\$ 5,233	\$ 188,419
Interest receivable	148	121	148	121
Prepaid items	66	120	84	102
<b>Total assets</b>	<b>\$ 182,881</b>	<b>\$ 11,226</b>	<b>\$ 5,465</b>	<b>\$ 188,642</b>
Accounts payable	\$ 416	\$ 3,777	\$ 4,193	\$ -
Due to other agencies	182,465	7,449	1,272	188,642
<b>Total liabilities</b>	<b>\$ 182,881</b>	<b>\$ 11,226</b>	<b>\$ 5,465</b>	<b>\$ 188,642</b>
<b>Total Agency Funds</b>				
Cash and investments	\$ 317,752	\$ 1,634,658	\$ 1,631,513	\$ 320,897
Accounts receivable	49,337	1,480,997	1,478,779	51,555
Interest receivable	148	121	148	121
Prepaid items	66	120	84	102
<b>Total assets</b>	<b>\$ 367,303</b>	<b>\$ 3,115,896</b>	<b>\$ 3,110,524</b>	<b>\$ 372,675</b>
Accounts payable	\$ 416	\$ 3,777	\$ 4,193	\$ -
Due to other agencies	366,887	3,112,119	3,106,331	372,675
<b>Total liabilities</b>	<b>\$ 367,303</b>	<b>\$ 3,115,896</b>	<b>\$ 3,110,524</b>	<b>\$ 372,675</b>

## Statistical Section (unaudited)





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**CITY OF ARROYO GRANDE**  
**NET POSITION BY COMPONENT**  
 Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental Activities</b>				
Investment in capital assets	\$ 55,451,775	\$ 55,951,374	\$ 57,463,427	\$ 51,452,482
Restricted	757,172	200,806	294,162	872,226
Unrestricted	<u>7,829,450</u>	<u>8,684,890</u>	<u>8,204,641</u>	<u>13,859,907</u>
Total governmental activities net position	<u>64,038,397</u>	<u>64,837,070</u>	<u>65,962,230</u>	<u>66,184,615</u>
<b>Business-Type Activities</b>				
Investment in capital assets	8,033,971	10,006,833	9,903,095	9,815,456
Unrestricted	<u>5,652,056</u>	<u>4,343,240</u>	<u>5,173,626</u>	<u>5,924,601</u>
Total business-type activities net position	<u>13,686,027</u>	<u>14,350,073</u>	<u>15,076,721</u>	<u>15,740,057</u>
<b>Primary Government</b>				
Investment in capital assets	63,485,746	65,958,207	67,366,522	61,267,938
Restricted	757,172	200,806	294,162	872,226
Unrestricted	<u>13,481,506</u>	<u>13,028,130</u>	<u>13,378,267</u>	<u>19,784,508</u>
Total primary government net position	<u>\$ 77,724,424</u>	<u>\$ 79,187,143</u>	<u>\$ 81,038,951</u>	<u>\$ 81,924,672</u>

Source: City of Arroyo Grande Annual Financial Report

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 51,506,838	\$ 52,059,524	\$ 52,196,451	\$ 54,012,699	\$ 62,176,633	\$ 62,267,852
916,560	969,659	937,284	8,179,991	7,221,859	7,374,485
15,736,998	15,799,496	15,491,347	7,584,426	6,370,870	7,379,802
68,160,396	68,828,679	68,625,082	69,777,116	75,769,362	77,022,139
9,759,235	9,670,367	9,532,740	10,057,743	9,816,684	10,268,542
6,961,084	7,569,157	7,518,372	6,686,297	6,057,411	6,628,074
16,720,319	17,239,524	17,051,112	16,744,040	15,874,095	16,896,616
61,266,073	61,729,891	61,729,191	64,070,442	71,993,317	72,536,394
916,560	969,659	937,284	8,179,991	7,221,859	7,374,485
22,698,082	23,368,653	23,009,719	14,270,723	12,428,281	14,007,876
\$ 84,880,715	\$ 86,068,203	\$ 85,676,194	\$ 86,521,156	\$ 91,643,457	\$ 93,918,755

**CITY OF ARROYO GRANDE**  
**CHANGES IN NET POSITION**  
Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,282,682	\$ 3,201,586	\$ 4,855,828	\$ 4,164,825
Community development	974,163	1,100,514	659,125	931,635
Public safety	5,679,014	6,333,577	6,792,337	7,378,307
Recreation	797,265	870,954	926,833	939,879
Parks and facilities	838,807	849,342	952,678	955,151
Streets and roads	2,245,277	2,753,823	1,316,248	2,706,738
Sewer	729,279	723,144	728,300	761,133
Interest on long-term debt	75,523	78,141	74,092	163,460
Unallocated depreciation	47,176			
Total governmental activities expenses	<u>13,669,186</u>	<u>15,911,081</u>	<u>16,305,441</u>	<u>18,001,128</u>
Business-type activities:				
Water	1,078,898	1,129,392	1,150,492	1,159,014
Lopez	1,519,067	1,448,995	1,681,126	2,176,061
Total business-type activities expenses	<u>2,597,965</u>	<u>2,578,387</u>	<u>2,831,618</u>	<u>3,335,075</u>
Total primary government expenses	<u>\$ 16,267,151</u>	<u>\$ 18,489,468</u>	<u>\$ 19,137,059</u>	<u>\$ 21,336,203</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 55,081	\$ 75,014	\$ 76,833	\$ 71,054
Community development	484,959	440,610	539,819	337,350
Public safety	329,175	445,091	343,219	428,343
Recreation	628,309	769,870	907,846	850,546
Parks and facilities	197,371	380,252	343,406	268,285
Streets and roads	194,754	237,423	116,877	109,733
Sewer	557,833	634,462	724,196	684,026
Operating grants and contributions	1,026,173	1,768,297	1,367,767	1,649,482
Capital grants and contributions	1,100,009	1,402,786	807,813	673,932
Total governmental activities program revenues	<u>4,573,664</u>	<u>6,153,805</u>	<u>5,227,776</u>	<u>5,072,751</u>
Business-type activities:				
Charges for services:				
Water	1,820,753	1,880,728	2,192,318	2,192,075
Lopez	1,764,929	1,994,492	2,350,934	2,667,329
Operating grants and contributions			1,792	
Capital grants and contributions				
Total business-type activities program revenues	<u>3,585,682</u>	<u>3,875,220</u>	<u>4,545,044</u>	<u>4,859,404</u>
Total primary government program revenues	<u>\$ 8,159,346</u>	<u>\$ 10,029,025</u>	<u>\$ 9,772,820</u>	<u>\$ 9,932,155</u>



Fiscal Year

	2008	2009	2010	2011	2012	2013
\$	4,240,653	\$ 4,216,918	\$ 4,543,500	\$ 4,786,979	\$ 4,475,869	\$ 4,822,346
	861,279	680,610	983,321	3,224,094	1,578,940	1,934,076
	7,521,516	8,090,323	7,290,559	5,795,069	5,708,603	5,594,859
	941,366	955,677	850,711	759,139	723,234	765,563
	974,892	988,341	828,852	830,914	1,439,738	1,313,371
	3,341,886	2,447,914	3,044,033	1,835,373	2,600,752	2,266,016
	759,438	738,149	858,806	798,287	793,207	821,609
	457,271	460,671	462,435	499,825	318,960	109,800
	<u>19,098,301</u>	<u>18,578,603</u>	<u>18,862,217</u>	<u>18,529,680</u>	<u>17,639,303</u>	<u>17,627,640</u>
	1,236,610	1,324,507	1,732,341	2,168,569	2,142,321	2,490,896
	<u>2,363,814</u>	<u>2,834,416</u>	<u>2,772,836</u>	<u>2,592,965</u>	<u>2,679,699</u>	<u>2,215,526</u>
	<u>3,600,424</u>	<u>4,158,923</u>	<u>4,505,177</u>	<u>4,761,534</u>	<u>4,822,020</u>	<u>4,706,422</u>
\$	<u>22,698,725</u>	<u>22,737,526</u>	<u>23,367,394</u>	<u>23,291,214</u>	<u>22,461,323</u>	<u>22,334,062</u>
\$	614,920	\$ 142,082	\$ 139,111	\$ 50,355	\$ 38,563	\$ 47,652
	288,672	218,197	292,480	498,223	403,679	699,553
	443,302	445,198	384,106	188,407	168,502	74,388
	627,707	695,501	675,828	694,090	650,897	597,230
	28,815	31,824	75,165	84,964	86,198	179,908
	180,317	6,747	52,290	96,409	16,561	44,455
	760,618	767,717	788,165	828,302	925,213	1,089,899
	2,297,131	1,740,668	2,169,381	2,154,143	731,446	844,564
	<u>664,433</u>	<u>577,876</u>	<u>888,102</u>	<u>1,751,549</u>	<u>1,509,016</u>	<u>1,066,625</u>
	<u>5,905,915</u>	<u>4,625,810</u>	<u>5,464,628</u>	<u>6,346,442</u>	<u>4,530,075</u>	<u>4,644,274</u>
	2,336,545	2,284,127	2,508,136	2,794,504	3,443,240	4,236,880
	3,395,713	3,673,952	3,265,221	2,895,218	2,552,516	2,252,208
				4,187	2,760	
				<u>135,071</u>		<u>690,957</u>
	<u>5,732,258</u>	<u>5,958,079</u>	<u>5,773,357</u>	<u>5,828,980</u>	<u>5,998,516</u>	<u>7,180,045</u>
\$	<u>11,638,173</u>	<u>10,583,889</u>	<u>11,237,985</u>	<u>12,175,422</u>	<u>10,528,591</u>	<u>11,824,319</u>

**CITY OF ARROYO GRANDE**  
**CHANGES IN NET POSITION**  
 Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Net revenue (expense)				
Governmental activities	\$ (9,095,522)	\$ (9,757,276)	\$ (11,077,665)	\$ (12,928,377)
Business-type activities	987,717	1,296,833	1,713,426	1,524,329
Total primary government net expense	<u>\$ (8,107,805)</u>	<u>\$ (8,460,443)</u>	<u>\$ (9,364,239)</u>	<u>\$ (11,404,048)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,122,123	\$ 3,441,330	\$ 4,572,642	\$ 5,240,507
Sales and use taxes	3,315,874	3,460,478	3,674,807	3,800,667
Transient lodging taxes	399,794	390,670	434,986	449,474
Franchise taxes	515,406	526,792	566,000	588,841
Business license tax	67,887	75,901	79,701	81,821
Debt service		238,048		
Investment income	213,420	347,595	476,461	701,918
Other revenue	1,903,644	1,358,260	1,294,708	1,236,158
Transfers	1,526,273	716,875	1,103,520	1,051,376
Extraordinary gain				
Total governmental activities	<u>11,064,421</u>	<u>10,555,949</u>	<u>12,202,825</u>	<u>13,150,762</u>
Business-type activities:				
Investment income	60,506	84,088	116,742	190,383
Transfers	<u>(1,526,273)</u>	<u>(716,875)</u>	<u>(1,103,520)</u>	<u>(1,051,376)</u>
Total business-type activities revenues	<u>(1,465,767)</u>	<u>(632,787)</u>	<u>(986,778)</u>	<u>(860,993)</u>
Total primary government	<u>\$ 9,598,654</u>	<u>\$ 9,923,162</u>	<u>\$ 11,216,047</u>	<u>\$ 12,289,769</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,968,899	\$ 798,673	\$ 1,125,160	\$ 222,385
Business-type activities	<u>(478,050)</u>	<u>664,046</u>	<u>726,648</u>	<u>663,336</u>
Total primary government	<u>\$ 1,490,849</u>	<u>\$ 1,462,719</u>	<u>\$ 1,851,808</u>	<u>\$ 885,721</u>

Source: City of Arroyo Grande Annual Financial Report

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ (13,192,386)	\$ (13,952,793)	\$ (13,397,589)	\$ (12,183,238)	\$ (13,109,228)	\$ (12,983,366)
<u>2,131,834</u>	<u>1,799,156</u>	<u>1,268,180</u>	<u>1,067,446</u>	<u>1,176,496</u>	<u>2,473,623</u>
<u><u>\$ (11,060,552)</u></u>	<u><u>\$ (12,153,637)</u></u>	<u><u>\$ (12,129,409)</u></u>	<u><u>\$ (11,115,792)</u></u>	<u><u>\$ (11,932,732)</u></u>	<u><u>\$ (10,509,743)</u></u>
\$ 5,295,263	\$ 5,586,348	\$ 5,471,651	\$ 5,379,176	\$ 6,633,678	\$ 6,232,026
5,280,813	4,658,777	4,252,903	4,781,774	4,127,541	4,269,905
437,164	389,067	348,014	390,472	630,379	746,333
621,987	639,776	604,325	539,673	570,172	575,495
80,990	79,111	80,283	79,663	84,925	85,078
893,125	589,734	337,724	389,292	333,962	330,551
1,363,029	1,285,769	606,653	479,514	773,180	565,019
1,341,156	1,392,494	1,492,439	1,888,403	2,070,466	1,468,937
<u>15,313,527</u>	<u>14,621,076</u>	<u>13,193,992</u>	<u>13,927,967</u>	<u>17,865,844</u>	<u>14,273,344</u>
199,398	112,543	35,847	30,483	24,025	17,835
<u>(1,341,156)</u>	<u>(1,392,494)</u>	<u>(1,492,439)</u>	<u>(1,888,403)</u>	<u>(2,070,466)</u>	<u>(1,468,937)</u>
<u>(1,141,758)</u>	<u>(1,279,951)</u>	<u>(1,456,592)</u>	<u>(1,857,920)</u>	<u>(2,046,441)</u>	<u>(1,451,102)</u>
<u><u>\$ 14,171,769</u></u>	<u><u>\$ 13,341,125</u></u>	<u><u>\$ 11,737,400</u></u>	<u><u>\$ 12,070,047</u></u>	<u><u>\$ 15,819,403</u></u>	<u><u>\$ 12,822,242</u></u>
\$ 2,121,141	\$ 668,283	\$ (203,597)	\$ 1,744,729	\$ 4,756,616	\$ 1,289,978
<u>990,076</u>	<u>519,205</u>	<u>(188,412)</u>	<u>(790,474)</u>	<u>(869,945)</u>	<u>1,022,521</u>
<u><u>\$ 3,111,217</u></u>	<u><u>\$ 1,187,488</u></u>	<u><u>\$ (392,009)</u></u>	<u><u>\$ 954,255</u></u>	<u><u>\$ 3,886,671</u></u>	<u><u>\$ 2,312,499</u></u>

**CITY OF ARROYO GRANDE**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
<b>General Fund</b>				
Reserved	\$ 525,547	\$ 24,468	\$ 1,108,791	\$ 778,455
Unreserved	1,944,963	2,643,229	1,250,287	1,116,751
Nonspendable				
Committed				
Assigned				
Unassigned				
<b>Total general fund</b>	<u><u>\$ 2,470,510</u></u>	<u><u>\$ 2,667,697</u></u>	<u><u>\$ 2,359,078</u></u>	<u><u>\$ 1,895,206</u></u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 1,741,301	\$ 1,104,604	\$ 2,248,940	\$ 2,641,882
Unreserved, reported in:				
Special revenue funds	7,317,092	8,009,074	7,566,466	10,984,987
Debt service funds	(1,960,331)	(1,865,635)	(2,616,734)	397,041
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
<b>Total all other governmental funds</b>	<u><u>\$ 7,098,062</u></u>	<u><u>\$ 7,248,043</u></u>	<u><u>\$ 7,198,672</u></u>	<u><u>\$ 14,023,910</u></u>

The City of Arroyo Grande implemented GASB Statement No. 54 for the fiscal year ended June 30, 2011. Information prior to the implementation of GASB Statement No. 54 is not available.

Source: City of Arroyo Grande Annual Financial Report

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 794,186	\$ 725,546	\$ 679,140	\$ -	\$ -	\$ -
2,272,789	2,726,035	4,321,286			
			595,268	642,708	773,416
				3,159,440	4,276,484
			350,000	703,355	458,549
			4,256,808	537,038	149,944
<u>\$ 3,066,975</u>	<u>\$ 3,451,581</u>	<u>\$ 5,000,426</u>	<u>\$ 5,202,076</u>	<u>\$ 5,042,541</u>	<u>\$ 5,658,393</u>
\$ 2,814,009	\$ 2,919,758	\$ 2,896,080	\$ -	\$ -	\$ -
11,656,498	11,367,715	10,181,391			
528,838	530,905	(95,156)			
			73,782	45,523	24,110
			8,513,465	7,262,107	7,412,863
				65,565	
			3,529,431	711,439	1,208,489
			83,163	(13,405)	(10,060)
<u>\$ 14,999,345</u>	<u>\$ 14,818,378</u>	<u>\$ 12,982,315</u>	<u>\$ 12,199,841</u>	<u>\$ 8,071,229</u>	<u>\$ 8,635,402</u>

**CITY OF ARROYO GRANDE**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues</b>				
Taxes and assessments	\$ 8,212,366	\$ 8,609,480	\$ 11,004,014	\$ 12,023,398
Licenses and permits	288,931	316,499	321,112	251,710
Fines and penalties	138,372	128,181	119,993	120,693
Use of money and property	213,420	347,595	476,461	701,918
Intergovernmental revenues	2,683,961	3,078,703	1,516,844	1,388,559
Charges for services	2,124,631	2,704,696	2,353,582	2,177,104
Other revenue	450,131	789,668	536,868	508,756
Total revenues	<u>14,111,812</u>	<u>15,974,822</u>	<u>16,328,874</u>	<u>17,172,138</u>
<b>Expenditures</b>				
Current:				
General government	2,214,920	3,128,497	4,792,777	4,067,238
Community development	966,162	1,092,513	654,154	929,196
Public safety	5,500,539	6,056,680	6,500,678	7,040,983
Recreation	797,265	870,954	926,833	939,879
Parks and facilities	795,109	804,687	909,999	906,975
Streets and road	1,766,639	1,850,713	1,113,395	1,157,235
Sewer	228,754	222,150	228,243	261,076
Capital outlay	4,841,957	4,259,607	2,497,186	2,333,001
Debt service:				
Principal	24,627	90,497	96,396	97,329
Interest and fiscal agent fees	71,387	74,772	70,723	102,185
Total expenditures	<u>17,207,359</u>	<u>18,451,070</u>	<u>17,790,384</u>	<u>17,835,097</u>
Excess of revenue over (under) expenditures	<u>(3,095,547)</u>	<u>(2,476,248)</u>	<u>(1,461,510)</u>	<u>(662,959)</u>
<b>Other Financing Sources (Uses)</b>				
Cost of issuance				(312,051)
Proceeds from issuance of debt				6,285,000
Proceeds from sale of capital assets				
Transfer in	4,907,167	5,036,622	3,687,453	3,440,859
Transfer out	(3,380,894)	(2,213,206)	(2,583,933)	(2,389,483)
Extraordinary loss				
Total other financing sources (uses)	<u>1,526,273</u>	<u>2,823,416</u>	<u>1,103,520</u>	<u>7,024,325</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,569,274)</u>	<u>\$ 347,168</u>	<u>\$ (357,990)</u>	<u>\$ 6,361,366</u>
Debt service as a percentage of non-capital expenditures	<u>0.78%</u>	<u>1.18%</u>	<u>1.10%</u>	<u>1.30%</u>

Source: City of Arroyo Grande Annual Financial Report

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 13,266,750	\$ 12,703,434	\$ 12,156,062	\$ 12,745,313	\$ 12,169,550	\$ 11,965,499
197,526	175,202	207,801	194,743	206,319	259,153
116,999	104,320	77,145	66,724	71,605	52,299
893,126	589,738	337,724	389,292	333,962	312,551
2,230,140	1,175,605	2,053,958	2,755,945	2,372,614	1,258,892
2,320,190	1,987,517	2,105,522	2,095,895	1,925,491	2,733,085
853,555	633,781	227,969	138,094	604,371	151,312
<u>19,878,286</u>	<u>17,369,597</u>	<u>17,166,181</u>	<u>18,386,006</u>	<u>17,683,912</u>	<u>16,732,791</u>
4,166,466	4,075,286	4,432,039	4,920,805	4,358,806	4,664,317
858,840	682,609	983,321	1,592,094	1,567,283	1,241,020
7,194,758	7,035,372	6,965,253	5,248,185	5,337,305	5,136,154
941,366	955,677	850,711	759,139	720,797	758,822
923,809	936,560	780,493	778,575	1,350,922	1,288,515
1,114,181	1,110,200	1,162,452	1,090,471	1,877,833	1,544,570
248,806	224,587	267,933	273,818	273,296	257,073
3,214,579	3,379,483	2,855,174	7,667,405	4,594,942	2,115,032
84,024	194,775	199,775	1,135,709	367,342	242,294
382,013	448,702	448,835	491,151	289,407	111,670
<u>19,128,842</u>	<u>19,043,251</u>	<u>18,945,986</u>	<u>23,957,352</u>	<u>20,737,933</u>	<u>17,359,467</u>
<u>749,444</u>	<u>(1,673,654)</u>	<u>(1,779,805)</u>	<u>(5,571,346)</u>	<u>(3,054,021)</u>	<u>(626,676)</u>
	484,799		2,253,119	69,077	275,595
			849,000		62,169
4,752,885	5,116,137	5,825,184	6,239,127	6,691,654	4,532,700
(3,355,125)	(3,723,643)	(4,332,745)	(4,350,724)	(4,621,188)	(3,063,763)
				(3,333,432)	
<u>1,397,760</u>	<u>1,877,293</u>	<u>1,492,439</u>	<u>4,990,522</u>	<u>(1,193,889)</u>	<u>1,806,701</u>
<u>\$ 2,147,204</u>	<u>\$ 203,639</u>	<u>\$ (287,366)</u>	<u>\$ (580,824)</u>	<u>\$ (4,247,910)</u>	<u>\$ 1,180,025</u>
<u>3.02%</u>	<u>4.28%</u>	<u>4.20%</u>	<u>11.09%</u>	<u>4.24%</u>	<u>2.38%</u>

**CITY OF ARROYO GRANDE****GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales &amp; Use Tax</u>	<u>Transient Occupancy Tax</u>	<u>Business Licenses</u>	<u>Franchise Revenues</u>	<u>Property Tax Transfer</u>	<u>Total</u>
2004	\$ 3,122,124	\$ 3,315,874	\$ 399,794	\$ 67,887	\$ 515,406	\$ 128,704	\$ 7,549,789
2005	3,534,079	3,460,478	390,670	75,901	526,792	150,563	8,138,483
2006	4,192,636	3,674,807	434,986	79,701	566,000	151,874	9,100,004
2007	5,240,507	3,800,667	449,474	81,821	588,841	109,182	10,270,492
2008	5,201,904	5,280,813	437,164	80,990	621,987	93,359	11,716,217
2009	5,518,824	4,658,777	389,067	79,111	639,776	67,524	11,353,079
2010	5,408,201	4,252,903	348,014	80,283	604,325	63,450	10,757,176
2011	5,313,261	4,781,774	390,472	79,663	539,673	65,915	11,170,758
2012	6,563,217	4,127,541	630,379	84,925	570,172	70,461	12,046,695
2013	6,150,672	4,269,905	746,333	85,078	575,495	81,354	11,908,837

Includes all governmental fund types (i.e. general fund, special revenue funds, capital project funds, and debt service funds).

Source: City of Arroyo Grande Annual Financial Report



**CITY OF ARROYO GRANDE****ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Secured Gross Assessed Value</u>	<u>Unsecured Gross Assessed Value</u>	<u>Total Gross Assessed Value</u>	<u>Exemptions</u>	<u>Net Taxable Value</u>	<u>Assessed to Property</u>
2004	\$ 1,544,938,583	\$ 39,202,838	\$ 1,584,141,421	\$ 27,451,140	\$ 1,556,690,281	100%
2005	1,705,009,381	37,532,227	1,742,541,608	27,317,728	1,715,223,880	100%
2006	1,854,194,694	45,169,815	1,899,364,509	26,909,137	1,872,455,372	100%
2007	2,051,896,464	41,436,924	2,093,333,388	26,740,180	2,066,593,208	100%
2008	2,196,091,386	41,592,228	2,237,683,614	26,977,685	2,210,705,929	100%
2009	2,291,770,614	45,964,735	2,337,735,349	27,218,700	2,310,516,649	100%
2010	2,245,531,517	44,455,451	2,289,986,968	27,131,700	2,262,855,268	100%
2011	2,242,734,120	41,864,014	2,284,598,134	26,925,209	2,257,672,925	100%
2012	2,195,793,943	41,107,547	2,236,901,490	26,926,650	2,209,974,840	100%
2013	2,204,645,960	42,637,641	2,247,283,601	26,788,183	2,220,495,418	100%

For comparison purposes, gross assessed valuations include homeowners and other exemptions. Although these exemptions reduce property tax collections, the revenue loss is reimbursed by the State of California. As such, gross assessed valuation is the revenue base used in establishing property tax-related revenues.

Source: San Luis Obispo County Auditor-Controller

**CITY OF ARROYO GRANDE**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>San Luis Obispo County Tax Rate</u>	<u>State Water Project Tax</u>	<u>Unified/High Bond Lease</u>	<u>Lopez Dam Bonds</u>	<u>Fire Bonds</u>	<u>Total Tax Rate</u>
2004	1.00000	0.00230	0.01211	0.01519	0.01304	1.04264
2005	1.00000	0.00223	0.03245	0.01384	0.01304	1.06156
2006	1.00000	0.00222	0.02018	0.01109	0.01100	1.04449
2007	1.00000	0.00221	0.01934	0.01017	0.00964	1.04136
2008	1.00000	0.00220	0.02854	0.00967	0.00891	1.04932
2009	1.00000	0.00220	0.02854	0.00967	0.00820	1.04861
2010	1.00000	0.00220	0.02854	0.00967	0.00817	1.04858
2011	1.00000	0.00290	0.02914	0.00972	0.00817	1.04993
2012	1.00000	0.00300	0.02984	0.00972	0.00817	1.05073
2013	1.00000	0.00400	0.03954	0.00992	0.00817	1.06163

Valuations are established by the County Assessor of the County of San Luis Obispo, except for property owned by private utility companies, which is valued by the State of California. Under the provisions of Article XIIA of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value and subsequently increased at a maximum rate of 2% per year. The County collects property taxes and distributes the appropriate amount to each city. Each \$1.00 of property tax is distributed to various local government agencies based upon fixed allocation factors.

Source: HDL Coren & Cone, San Luis Obispo County Assessor

**CITY OF ARROYO GRANDE**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Fiscal Year and Nine Fiscal Years Ago**

		2012-13		
Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Sphear Investments LLC		\$ 46,030,893	1	2.05%
MSB Properties Inc.	Commercial	15,639,854	2	0.70%
Sunrise Terrace Associates	Residential	11,876,559	3	0.53%
Manfred G Freutel Trust	Residential	9,504,931	4	0.42%
1400 West Branch LLC	Vacant	8,350,000	5	0.37%
Grand and Elm Properties LP	Commerical	7,698,125	6	0.34%
Deblauw Properties LLC	Vacant	7,346,508	7	0.33%
NKT Commercial LLC	Commercial	7,194,793	8	0.32%
EPT Arroyo Inc	Recreational	7,062,359	9	0.31%
Ray B. Bunnell	Commercial	6,904,231	10	0.31%
ESJ Centers LLC	Commercial			
Berry Gardens LLC	Residential			
Signature Real Estate Equities LLC	Recreational			
Orradre Ranch A California LP	Commercial			
Juanita D McMullen Trust	Institutional			
Larwin Company	Residential			
Totals		\$ 127,608,253		5.68%

Source: HDL Coren & Cone

2003-04

<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
\$		
5,069,177	8	0.32%
9,658,863	2	0.61%
8,267,117	3	0.52%
6,051,342	6	0.38%
37,069,809	1	2.34%
7,121,777	4	0.45%
6,540,746	5	0.41%
5,295,188	7	0.33%
4,753,461	9	0.30%
4,285,550	10	0.27%
<u>\$ 94,113,030</u>		<u>5.93%</u>

**CITY OF ARROYO GRANDE**  
**SECURED PROPERTY TAX ROLL LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Secured Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Current Year Delinquencies</u>	<u>Percent Delinquent</u>
2004	\$ 2,582,790	\$ 2,582,790	100%	*	*
2005	2,852,686	2,852,686	100%	*	*
2006	3,120,935	3,120,935	100%	*	*
2007	3,452,422	3,452,422	100%	*	*
2008	3,696,974	3,696,974	100%	*	*
2009	3,855,626	3,855,626	100%	*	*
2010	3,782,238	3,782,238	100%	*	*
2011	3,777,302	3,777,302	100%	*	*
2012	3,696,711	3,696,711	100%	*	*
2013	3,715,390	3,715,390	100%	*	*

The City has elected the Teeter Plan method of property tax collection, whereby the County remits 100% of taxes levied and pursues collection and retains any delinquent taxes and related penalties and interest.

Source: San Luis Obispo County Auditor-Controller

**CITY OF ARROYO GRANDE**  
**TAXABLE SALES BY CATEGORY**  
 Last Ten Calendar Years  
 (in thousands of dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Food Stores	\$ 18,306	\$ 18,304	\$ 19,960	\$ 21,026
Eating and Drinking Places	25,829	27,101	25,521	26,843
Building Materials	24,979	27,107	29,713	27,485
Auto Dealers and Supplies	48,904	48,959	51,966	44,185
Service Stations	32,059	39,591	43,146	43,621
Other Retail Stores	111,907	114,947	118,922	117,796
All Other Outlets	<u>55,522</u>	<u>62,714</u>	<u>66,376</u>	<u>68,695</u>
Total	<u>\$ 317,506</u>	<u>\$ 338,723</u>	<u>\$ 355,604</u>	<u>\$ 349,651</u>

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

Source: State of California Board of Equalization and the HdI Companies.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 18,561	\$ 17,909	\$ 16,835	\$ 15,452	\$ 15,271	\$ 15,562
28,789	30,826	29,840	29,910	32,711	36,685
24,672	22,119	18,727	18,222	19,369	20,083
37,242	26,442	21,891	24,474	29,981	33,568
44,033	48,632	34,574	36,655	42,785	45,543
118,500	113,822	113,753	112,491	113,262	115,443
<u>59,848</u>	<u>50,737</u>	<u>43,336</u>	<u>47,117</u>	<u>47,305</u>	<u>47,574</u>
<u><u>\$ 331,645</u></u>	<u><u>\$ 310,487</u></u>	<u><u>\$ 278,956</u></u>	<u><u>\$ 284,321</u></u>	<u><u>\$ 300,684</u></u>	<u><u>\$ 314,458</u></u>

**CITY OF ARROYO GRANDE**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Tax Allocation Bonds	Capital Leases	Loan Payable	Reimburse- ment Agreement
2004	\$ 1,900,000	\$ -	\$ 93,247	\$ -	\$ -
2005	1,835,000		67,750		
2006	1,765,000		41,353		
2007	1,695,000	6,285,000	14,024		
2008	1,625,000	6,285,000			
2009	1,550,000	6,275,000	375,023		
2010	1,475,000	6,265,000	260,396		
2011	1,395,000	6,165,000	312,405	1,327,512	27,182
2012	1,315,000		221,140	1,305,512	27,182
2013	1,230,000		365,860	1,279,092	27,182

Source: City of Arroyo Grande Annual Financial Report



<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percent of Estimated Actual Value of Taxable Property</u>	<u>Outstanding Debt per Capita</u>
<u>Safe Water Loan</u>	<u>Capital Leases</u>			
\$ 496,164	\$ 32,761	\$ 2,522,172	0.16%	152.10
408,557	23,803	2,335,110	0.14%	141.21
315,488	14,529	2,136,370	0.11%	128.70
216,617	4,927	8,215,568	0.36%	490.22
111,582		8,021,582	0.34%	470.86
		8,200,023	0.37%	480.10
		8,000,396	0.35%	466.63
		7,872,405	0.40%	531.36
		2,868,834	0.13%	165.91
		2,902,134	0.13%	166.84

**CITY OF ARROYO GRANDE**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years

Fire General Obligation Bond							
Fiscal Year	General Bonded Debt	Less: Amount Available in Debt Service Funds	Net General Bonded Debt	Estimated Actual Taxable Value of Property	Ratio of Net Bonded Debt to Assessed	Population	Net Bonded Debt Per Capita
2004	\$ 1,900,000	\$ 456,260	\$ 1,443,740	\$ 1,556,690,281	0.09%	16,582	87.07
2005	1,835,000	229,673	1,605,327	1,715,223,880	0.09%	16,537	97.07
2006	1,765,000	323,029	1,441,971	1,872,455,372	0.08%	16,599	86.87
2007	1,695,000	415,430	1,279,570	2,066,593,208	0.06%	16,759	76.35
2008	1,625,000	499,891	1,125,109	2,210,705,929	0.05%	17,036	66.04
2009	1,550,000	568,811	981,189	2,310,516,649	0.04%	17,080	57.45
2010	1,475,000	625,638	849,362	2,289,986,968	0.04%	17,145	49.54
2011	1,395,000	677,881	717,119	2,284,598,134	0.03%	17,365	41.30
2012	1,315,000	727,231	587,769	2,236,901,490	0.03%	17,291	33.99
2013	1,230,000	818,400	411,600	2,247,283,601	0.02%	17,395	23.66

Source: San Luis Obispo County Tax Assessor Rolls - California Department of Finance

**CITY OF ARROYO GRANDE**  
**DIRECT AND OVERLAPPING DEBT**  
 June 30, 2013

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City</u>	<u>Amount Applicable to the City</u>
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	\$ 9,890,000	33.079%	\$ 3,271,513
Lucia Mar Unified School District	33,212,243	20.771%	6,898,515
City of Arroyo Grande	1,230,000	100.000%	1,230,000
San Luis Obispo County Certificates of Participation	30,985,000	5.733%	1,776,370
San Luis Obispo Pension Obligations	115,624,398	5.733%	6,628,747
San Luis Obispo Community College District Certificates of Participation	20,350,000	5.710%	1,161,985
Lucia Mar Unified School District Certificates of Participation	<u>9,170,000</u>	20.771%	<u>1,904,701</u>
Combined Total Debt	<u>\$ 220,461,641</u>		<u>\$ 22,871,831</u>

Ratio to Assessed Valuation:

Direct Debt	0.05%
Total Direct and Overlapping Tax and Assessment Debt	0.51%
Combined Total Debt	1.28%

Assessed Valuation Calculation:

Net Taxable Value	\$ 2,247,283,601
Less: Redevelopment Agency Tax Increment	<u>(144,694,094)</u>
Total Assessed Valuation	<u>\$ 2,102,589,507</u>

Source: California Municipal Statistics

**CITY OF ARROYO GRANDE**  
**LEGAL DEBT MARGIN INFORMATION**  
 Last Ten Fiscal Years

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 59,405,303	\$ 65,345,348	\$ 71,226,169	\$ 70,520,002
Total net debt applicable to limit	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Legal debt margin	<u>\$ 59,405,303</u>	<u>\$ 65,345,348</u>	<u>\$ 71,226,169</u>	<u>\$ 70,520,002</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	10%

Source: San Luis Obispo County

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 76,003,136	\$ 79,840,076	\$ 79,151,950	\$ 76,912,430	\$ 81,390,806	\$ 81,888,135
<u>\$ 76,003,136</u>	<u>\$ 79,840,076</u>	<u>\$ 79,151,950</u>	<u>\$ 76,912,430</u>	<u>\$ 81,390,806</u>	<u>\$ 81,888,135</u>
9%	9%	9%	10%	3%	3%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 2,247,283,601
Debt limit - 3.75% of total assessed value	84,273,135
Amount of debt applicable to limit	<u>(2,385,000)</u>
Legal debt margin	<u>\$ 81,888,135</u>

Section 43605 of California Government Code establishes a legal debt limit of 15% of gross assessed valuation for municipalities. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with FY 1981-82, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionately modified to 3.75% for the purposes of this calculation for consistency with the original intent of the State's limit.

**CITY OF ARROYO GRANDE**  
**DEMOGRAPHIC STATISTICS**  
 Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	16,521	\$ 428,884	\$ 25,957	4.1%
2004	16,629	460,956	27,720	4.0%
2005	16,602	488,426	29,420	4.4%
2006	16,645	531,728	31,945	4.0%
2007	16,834	566,021	33,624	4.4%
2008	16,990	577,858	34,012	5.9%
2009	17,110	561,131	32,796	9.2%
2010	17,145	547,714	31,946	10.4%
2011	17,291	554,159	32,049	9.5%
2012	17,395	590,856	33,967	6.2%

Source: HDL Coren & Cone



**CITY OF ARROYO GRANDE**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	*	10.8	10.8	10.7	10.5	10.6	10.6	10.7	10.5	10.4
Community development	*	19.0	15.8	17.0	16.2	13.4	10.8	10.5	9.2	9.7
Police	*	46.8	44.6	45.1	43.2	38.0	38.5	38.5	39.6	38.4
Recreation	*	20.7	20.0	19.0	18.8	18.9	16.5	11.9	11.4	11.5
Parks and facilities	*	12.0	11.2	10.5	10.3	10.0	10.1	11.1	10.9	9.8
Streets and roads	*	8.2	7.1	6.8	5.8	6.1	6.0	6.4	6.1	5.6
Sewer	*	1.4	1.3	2.6	3.8	4.4	3.2	2.0	1.9	1.0
Water	*	7.8	7.1	7.4	7.3	7.4	6.5	6.6	6.6	6.1
Total	*	126.7	117.9	119.1	115.9	108.8	102.2	97.7	96.2	92.5

\* - Data on the number of hours worked is unavailable

Source: City of Arroyo Grande payroll records



**CITY OF ARROYO GRANDE**

**OPERATING INDICATORS BY FUNCTION**

Last Ten Fiscal Years

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>General Government</b>					
Number of business licenses	1,320	*	1,935	1,900	1,713
Number of minutes transcribed	33	36	31	34	24
Number of agenda items processed	312	320	297	320	302
Number of recruitments	29	29	29	33	51
<b>Police</b>					
Number of officers	26	27	27	27	27
Incidents recorded	16,582	17,300	14,448	12,456	12,518
Major crimes	437	480	510	500	498
Traffic collisions	280	300	442	479	325
Traffic enforcement activities	4,957	6,000	4,149	3,029	4,646
Arrests	696	780	584	697	609
<b>Engineering/Streets</b>					
Miles of streets maintained	65	70	70	70	70
Miles of sewer maintained	63	64	65	66	66
Number of vehicles maintained	87	88	89	90	70
Pieces of equipment maintained	385	386	385	389	385
In-house capital projects constructed	3	2	3	3	3
Capital projects constructed	6	8	6	7	6
CIP studies initiated	2	*	2	*	2
CIP studies completed	1	1	1	1	1
Plan and map checks completed	100	28	13	8	8
Street service request	500	510	550	560	560
<b>Community Development</b>					
Number of planning commission agendas	29	29	26	20	17
Number of planning commission staff reports	79	80	80	58	37
Number of ARC agendas	*	*	15	13	12
Building permits issued	509	540	550	560	530
Building inspections conducted	4,435	4,500	3,400	4,500	3,508
<b>Parks and Recreation</b>					
Number of street trees maintained	1,360	1,000	1,060	1,091	1,141
Registrations	11,500	11,650	11,500	11,650	11,000
Participants in City recreation sports	2,870	3,090	3,136	3,132	3,144
Number of programs/events/classes	72	73	72	73	114
Number of teams	272	281	294	301	306
Children in Motion enrollment	1,050	1,100	1,050	1,050	1,200
<b>Water</b>					
Water customer accounts	6,053	6,117	6,208	6,422	6,449
Acre feet of water consumed	3,490	3,204	3,037	3,245	3,343
Miles of water lines maintained	66	67	68	69	69

\* - Data not available

Source: City of Arroyo Grande budget records



**CITY OF ARROYO GRANDE**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
 Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	10	10	10	10
Motorcycles	2	2	2	2	2	2	2	2	2	2
Engineering/Streets										
Streets (miles)	65	70	70	70	70	70	70	70	70	70
Parks & Recreation										
Parks	18	18	18	19	19	19	19	19	19	19
Acreage of parks	150.7	150.9	150.9	151.6	151.6	151.6	151.6	151.6	151.6	151.6
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	68	68	68	68	68	69	69	69	87	87
Water capacity**	5.0	5.0	6.5	6.5	6.5	6.5	6.5	6.5	6.7	6.7

\*\* - In millions of gallons

Source: CBIZ GASB Statement No. 34 Infrastructure Inventory and Valuation City records