

**CITY OF GROVER BEACH  
CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS  
June 30, 2014



**City of Grover Beach**  
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**June 30, 2014**

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# City of Grover Beach

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Mayor John P. Shoals

Mayor Pro Tem Jeff Lee

Council Member Karen Bright, Council Member Barbara Nicolls, Council Member Mariam Shah

Robert Perrault  
City Manager

December 15, 2014

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

## INTRODUCTION

The City follows a policy of preparing a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America after the end of each fiscal year. These financial statements are audited by a licensed certified public accounting firm. The financial statement audit has been completed, and we hereby issue the Comprehensive Annual Financial Report of the City of Grover Beach for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City of Grover Beach. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Grover Beach has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to communicate sufficient reliable information for the City of Grover Beach's financial statements to be in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City of Grover Beach's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Grover Beach's financial statements have been audited by Moss, Levy & Hartzheim L.L.P., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Grover Beach for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditing firm concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Grover Beach's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

This report contains financial information and data using the new financial reporting format established for governments by the Governmental Accounting Standards Board (GASB). The GASB sets accounting and financial reporting standards for governments in the United States of America.

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Administrative Services/Water (805) 473-4550 ♦ City Council/City Manager (805) 473-4567 ♦ City Clerk (805) 473-4568  
Community Development - Building, Planning & Economic Development (805) 473-4520 ♦ Human Resources (805) 473-4564  
Parks & Recreation (805) 473-4580 ♦ Police/Non-Emergency (805) 473-4511 ♦ Public Works (805) 473-4520

The financial reporting standards require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Grover Beach's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY AND ITS OPERATIONS**

The City of Grover Beach was incorporated in 1959, and the City is located on the Central Coast of California about midway between San Francisco and Los Angeles. The City is contiguous with the Pismo Beach area, which is visited annually by a substantial number of tourists seeking to enjoy the area's moderate climate, beautiful ocean views and sunsets, fine restaurants, and the relaxing atmosphere unique to coastal communities. The City itself has a population of slightly over 13,250 persons, and about 55 percent of the City is residential.

The City operates under a council-manager form of government. Policy making and legislative authority are vested in the City Council consisting of the Mayor and four other elected Council Members. The Council is responsible, among other matters, for passing ordinances, adopting the City budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing other employees, and other wise managing daily operations of the City.

The City provides a full range of municipal services including police protection and fire protection with a joint powers authority; construction and maintenance of City streets, sanitary services, water system, storm drains, bridges and other infrastructure assets; and park maintenance, and community recreation activities. In terms of business type activities, the City provides water, wastewater and storm water collection services through operation of its utility enterprises.

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

Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The General Fund's comparison and the Local Transportation Special Revenue Fund's comparison deemed major funds under the reporting standards, are presented as required supplementary information in a separate section of this report immediately following the notes to basic financial statements. For the City's other governmental-type funds, a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the basic financial statements is perhaps best understood when it is considered in relationship to the City's specific environment and the City's plans for the future.

### **Local Economy**

About 79 percent of the City's total revenues, applicable to its governmental-type activities, are derived from tax revenues. Of that percent, about 58 percent is from local property taxes including the portion of motor vehicle license fees and sales tax added to property taxes from the State of California's triple flip. The rest is from sales taxes, hotel and other taxes. The City also charges user fees for items that are of benefit only to the individual charged. About an additional 18 percent of the City's revenues from governmental-type activities are from allocations from State and Local Agencies in the form of grants and allocations. Overall, about 89 percent of the City's governmental operations are financed from taxes and allocations from other agencies.

The City's property tax revenues are beginning to increase slowly. Projections for property tax revenues are estimated to have a slight increase. Future growth in property taxes will depend upon building and new development. Normal sales tax revenues increased for fiscal year 2014. The City has in the past been heavily dependent upon grants and allocations from other agencies to provide funding for major infrastructure projects, and the City continues to utilize grant funding.

### **Long-Term Financial Planning**

The City expects in fiscal year 2015, to complete capital improvement projects totaling more than \$6.4 million. Additional projects are planned for subsequent fiscal years. The City will continue its practice of seeking out Federal, State, and Local grants and allocations to provide financing for the City's capital projects. One major project planned for completion in fiscal year 2015, is the West Grand Avenue Enhancements Phase 3, which is being funded primarily by Local Transportation Grants. A second grant related project is an upgrade to water lines. In addition, the Grover Beach Municipal Broadband Project is also planned. The citizens, in November, passed Measure K-14 which is a \$48 million bond measure which will be used to improve residential streets. The City is anticipating selling the first series of bonds in the spring of 2015.

### **Cash Resources and Practices**

During the fiscal year, almost all of the idle cash was invested by the City in the State of California Local Agency Investment Fund (a pooled investment arrangement among California governments). Investment revenue from this investment pool decreased to .24% at the end of fiscal year 2014 from .26% in the first quarter of fiscal year 2014.

The City did end the fiscal year with about \$8.7 million in cash and investment holdings. This amount is more than sufficient to enable the City to move forward into the new fiscal year and conduct operations.

### **Risk Management**

The City limits its exposure to losses from unfavorable events, employee injuries, and from the risk of damage to City property by participating with other governments in an insurance pool. Under the arrangement, the risk of loss is not transferred to the pool for the first \$50,000 of each workers' compensation claim and the first \$30,000 of each liability claim. Losses above those amounts are covered by insurance provided by the insurance pool and its purchased excess insurance coverage's.

### **Long-Term Debt Administration**

The City's enterprises had no bonded debt outstanding at the end of fiscal year 2014. The only debt currently held is by the Successor Agency in the amount of \$5.4 million. Debt service payments are due on this obligation each February and August, and all payments have been made in a timely manner.

### **Pension Benefits**

The City directly participates in the Public Employees' Retirement System (PERS) of the State of California for all employees. The City funds each fiscal year's required contribution to the miscellaneous and public safety plans as determined by PERS based upon actuarial information. As a result of funding contributions over the fiscal years and the result of investment gains realized by PERS, the pension plan's actuarial accrued liability for both plans was substantially fully funded as of the latest actuarial valuation of the plan. Additional information about the plan is included in the notes to basic financial statements.

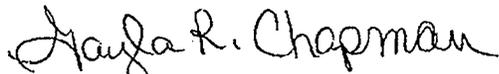
### **Challenges For Fiscal Year 2015**

In fiscal year 2015, the City will be able to successfully continue to provide customary City services and will continue with the planned rehabilitation and improvements to City streets and infrastructure. As referenced in the Long Range Financial Planning section, the citizens have passed measure K-14 which will pay for residential street repairs. The fiscal year 2015 budget is structurally balanced. The City expects to end the 2015 fiscal year with \$2.1 million in General Fund Reserves. The City will also be launching an upgrade to the Financial System. This is scheduled to be a three year implementation.

### **Staff Contributions**

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

Respectfully submitted,



Gayla R. Chapman  
Administrative Services Director

**ELECTED OFFICIALS**

Mayor	Debbie Peterson
Mayor Pro Tem	Jeff Lee
Council Member	William "Bill" Nicolls
Council Member	Karen Bright
Council Member	Glenn Marshall

**APPOINTED OFFICIALS**

City Manager	Robert Perrault
City Attorney	Martin D. Koczanowicz
Administrative Services Director	Gayla R. Chapman
Community Development Director	Bruce Buckingham
Public Works Director/City Engineer	Gregory A. Ray
City Clerk/Executive Assistant	Donna L. McMahon
Police Chief	Jim Copsey

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**FINANCIAL SECTION**





PARTNERS  
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## INDEPENDENT AUDITORS' REPORT

City Council of the City of Grover Beach  
Grover Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grover Beach, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of Grover Beach, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

#### *Change in Accounting Principles*

As discussed in note 1 to the basic financial statements effective July 1, 2013, the City of Grover Beach Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter. Our opinion is not modified with respect to this matter.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 18 and 49 – 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grover Beach's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and combining private purpose trust funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and combining private purpose trust funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the City of Grover Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Moss, Levy & Halperin LLP*

Santa Maria, California  
December 9, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Grover Beach's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$2,077,353 over the course of this year's operations. The net position of our business-type activities increased by \$483,357 (approximately 4.2 percent), and there was a \$1,593,996 increase in the net position of our governmental activities funds (approximately a 9.3 percent increase).
- During the year, the City's expenses were \$4,356,255 more than revenues from user charges, operating and capital grants. This expenditure that was not collected by user fees was funded from general tax revenues such as property taxes, sales taxes, and other taxes.
- The general fund reported a 2014 year end fund balance of \$2,339,774 including cash, assets and liabilities. The fund balance for FY 14 grew by \$378,543.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – an *introductory section*, a *financial section* (this section which includes the management's discussion and analysis and the basic financial statements, *required supplementary information*, and a *supplemental section* that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major funds, each of which are added together and presented in single columns in the basic financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and wastewater systems
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Statements**

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

The two government-wide statements report the City's *net position* and how it has changed. Net Position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *position*.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

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 police, fire, public works, parks departments and general administration. Property taxes, sales taxes, transient occupancy taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and wastewater system are included here.

### **Fund Financial Statements**

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

- Some funds are required by State law.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (like state supplemental law enforcement operating and technology grants).

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you 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, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
  - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Net Position.** The City's *combined* net position increased about \$0.8 million from \$30.0 to \$30.8 between fiscal years 2013 and 2014. (See Table A-1.)

Table A-1  
City of Grover Beach's Net Position  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current and other assets	\$4.4	\$5.3	\$5.9	\$6.6	\$10.3	\$11.9	15.5%
Internal balances	(0.5)	(0.5)	0.5	0.5	-	-	0.0%
Capital assets	16.4	16.5	5.6	5.4	22.0	21.9	(0.5%)
<b>Total assets</b>	<b>20.3</b>	<b>21.3</b>	<b>12.0</b>	<b>12.5</b>	<b>32.3</b>	<b>33.8</b>	<b>4.6%</b>
Long-term debt outstanding	0.9	0.7	0.2	0.3	1.1	1.0	(9.1%)
Other liabilities	0.9	1.9	0.3	0.1	1.2	2.0	66.6%
<b>Total liabilities</b>	<b>1.8</b>	<b>2.6</b>	<b>0.5</b>	<b>0.4</b>	<b>2.3</b>	<b>3.0</b>	<b>30.4%</b>
Net position							
Invested in capital assets	16.1	16.2	5.6	5.4	21.7	21.6	(0.5%)
Restricted	1.3	1.7	-	-	1.3	1.7	30.8%
Unrestricted	1.1	0.8	6.0	6.7	7.1	7.6	5.6%
<b>Total net position</b>	<b>\$18.5</b>	<b>\$18.7</b>	<b>\$11.5</b>	<b>\$12.1</b>	<b>\$30.0</b>	<b>\$30.8</b>	<b>2.7</b>

Net Position of the City's governmental activities Increased by 9.3 percent to \$18.7 million. About 87 percent of net position relating to governmental activities are represented by the City's investment in land buildings, equipment, and infrastructure systems. The City has about \$2.1 million in long-term debt being used to finance governmental operations.

The net position of our business-type activities increased to \$12.1 million, and these resources cannot be used for governmental activities. The City generally can only use these assets to finance the continuing operations of the water and wastewater operations.

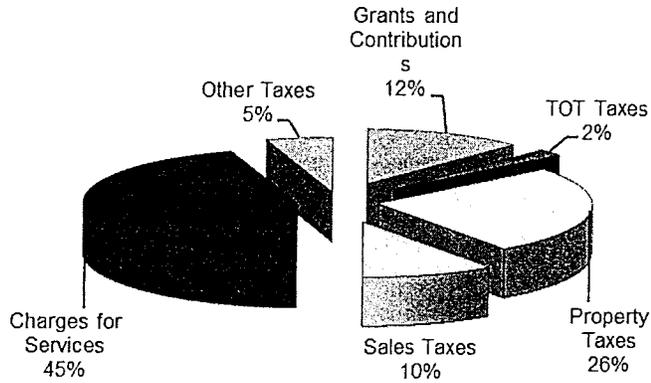
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF ALL CITY FUNDS**

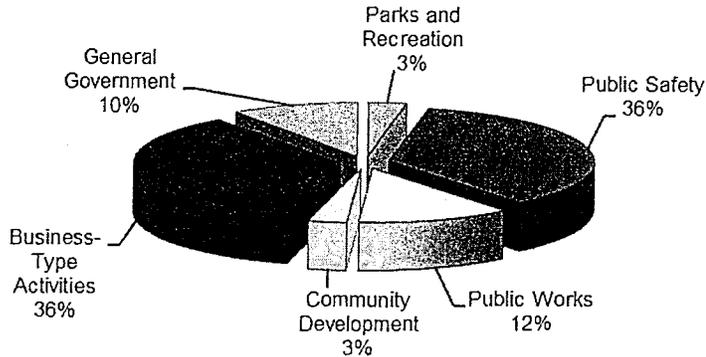
**Changes in net position.** The City's total revenues increased by 9.7 percent to \$14.7 million. (See Table A-2.) About 43 percent of the City's revenue comes from property taxes, transient occupancy, sales taxes, and other taxes. Another 45 percent comes from fees charged for services, and most of the remaining is state and local aid.

The total cost of all programs and services increased by approximately \$.2 million, or about 1.6 percent. The City's expenses cover a range of services, with about 36 percent related to business type activities, 36 percent for public safety services, and the remaining 29 percent for general government, streets, parks and community programs, which is the same as the prior year.

**Sources of Revenue for Fiscal Year 2014**



**Functional Expenses for Fiscal Year 2014**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Activities**

Revenues for the City's governmental activities increased by about 12 percent, while total expenses increased by 1.6 percent.

Most of the revenue increase in Fiscal Year 14 was a result of Property Taxes and Grants.

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

Table A-2  
Changes in City of Grover Beach's Net Assets  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 0.9	\$ 1.0	\$ 5.3	\$5.6	\$ 6.2	\$ 6.6	6.5%
Grants and Contributions	1.0	1.7	0.0	0.0	1.0	1.7	70.0%
General revenues							
Property taxes	3.7	3.8	0.0	0.0	3.7	3.8	2.7%
Other taxes	2.5	2.6	0.0	0.0	2.5	2.6	(4.0%)
<b>Total revenues</b>	<b>8.1</b>	<b>9.1</b>	<b>5.3</b>	<b>5.6</b>	<b>13.4</b>	<b>14.7</b>	<b>9.7%</b>
<b>Expenses</b>							
General Government	1.8	1.2	0.0	0.0	1.8	1.2	(33.3%)
Public Safety	4.6	4.5	0.0	0.0	4.6	4.5	(2.2%)
Community Development	0.5	0.4	0.0	0.0	0.5	0.4	(20.0%)
Public Works	0.5	1.5	0.0	0.0	0.5	1.5	200.0%
Parks and Recreation	0.6	0.4	0.0	0.0	0.6	0.4	(33.3%)
Water	0.0	0.0	2.7	2.6	2.7	2.6	(3.7%)
Wastewater	0.0	0.0	1.7	1.9	1.7	1.9	11.7%
Water Conservation	0.0	0.0	0.0	0.1	0.0	0.1	N/A
<b>Total expenses</b>	<b>8.0</b>	<b>8.0</b>	<b>4.4</b>	<b>4.6</b>	<b>12.4</b>	<b>12.6</b>	<b>1.6%</b>
Excess (deficiency) before transfers	0.1	1.1	0.9	1.0	1.0	2.1	110.0%
Transfers	(0.8)	0.5	0.8	(0.5)	0.0	0.0	0%
<b>Increase (decrease) in net position</b>	<b>\$(0.7)</b>	<b>\$ 1.6</b>	<b>\$ 1.7</b>	<b>\$ 0.5</b>	<b>\$ 1.0</b>	<b>\$ 2.1</b>	<b>110.0%</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-3 presents the cost of each of the City's largest governmental programs – administration or general government, safety, community development, public works, and streets –

- The cost of all *governmental* activities this year was \$8.0 million, no change compared to fiscal year 13.

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

- Of the \$8.0 million cost of the City's governmental activities programs, our taxpayers paid for only \$6.4 million of the program costs. Some of the cost was paid by:
  - Those who directly benefited from the programs (\$1.0 million), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (\$1.7 million).
- The City paid for the \$6.4 million “public benefit” portion with essentially the City's entire general tax revenues.

Table A-3  
Cost of City Grover Beach's Governmental Activities  
(in millions of dollars)

	Total Cost of Services		Percentage Change
	2013	2014	2013-2014
General Government	\$ 1.8	\$ 1.2	(33.3%)
Public Safety	4.6	4.5	(2.2%)
Community Development	0.5	0.4	(20.0%)
Public Works	0.5	1.5	200.0%
Parks and Recreation	0.6	0.4	(33.3%)
<b>Total</b>	<b>\$ 8.0</b>	<b>\$ 8.0</b>	<b>0%</b>

**Business-type Activities**

Revenues of the City's business-type activities increased by about \$.3 million to \$5.6 million. Expenses increased by \$.2 million to \$4.6 million. (Refer to Table A-2.)

The City continued to transfer into the general fund from the water and wastewater about \$.5 million as part of the indirect cost allocation plan of the City.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a *combined* fund balance of \$4.0 million, about a \$1.4 million increase over the last fiscal year.

The City's spending for general fund operations was higher than general fund revenues by \$81,646 before inter-fund transfers. At year-end, the City's general fund had \$2.3 million designated for unanticipated financial needs and for emergencies that might arise in compliance with the financial management policy adopted by the City Council.

The City's non-major special revenue funds ended the fiscal 2014 year with a combined fund balance of about \$1.3 million. These resources can only be used for the purpose designated by their fund.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget. These budget amendments fall into two categories:

- Changes made at the midyear budget review for unanticipated revenues and costs.
- Increases in appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures were \$63,264 higher than final budget amounts. The budget was increased during the year by \$84,550.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 14, the City had invested \$32.7 million in a broad range of capital assets, including equipment, vehicles, buildings, park facilities, and water and wastewater systems. (See Table A-4.) This amount represents a net increase (including additions and deductions) of about \$.5 million, or 1.6 percent, over last year.

Table A-4  
City of Grover Beach's Capital Assets  
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Land	\$ 1.5	\$ 1.5	\$ 0.1	\$ 0.1	\$ 1.6	\$ 1.6	0.0%
Construction in Progress	1.4	.4	0.0	0.0	1.4	0.4	(71.4%)
Capacity rights	0.0	0.0	1.6	1.6	1.6	1.6	0.0%
Equipment	1.4	1.3	0.3	0.3	1.7	1.6	(5.9%)
Infrastructure	16.7	18.3	9.2	9.2	25.9	27.5	6.2%
<b>Total</b>	<b>\$ 21.0</b>	<b>\$ 21.5</b>	<b>\$ 11.2</b>	<b>11.2</b>	<b>32.2</b>	<b>32.7</b>	<b>1.6%</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **This year's major capital assets additions included:**

- West Grand Avenue Phase II – approximately \$1,339,331.
- City Hall Improvements – approximately \$210,901.
- Police Video Surveillance System – approximately \$11,323.
- Police Vehicle – approximately \$45,866.

Additional information about capital assets can be found in the notes to the basic financial statements.

### **Long-term Debt**

Information about the City's long-term obligations can be found in the notes to the basic financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the 2015 fiscal year, general fund revenue projections have again been conservative. The estimated increase in revenue for the General Fund is approximately \$114,683 over the previous year's estimated actual. The revenue increases for FY 15 are projected in many of the various revenue line items.

- The budget projects that there will be about a 1.6 percent increase in general fund revenues over the actual for FY 14.
- 
- The budget for FY 15 is structurally balanced with an estimated (\$12,527) to be used from reserves for one time capital projects.
- General Fund FY 15 budgeted appropriations are set at \$7,603,103. This is about a 5.6 percent increase over fiscal year 14 estimated actual General Fund expenditures.

The FY 15 budget has proposed capital expenditures of \$6.4 million for infrastructure related projects.

As to the City's business-type activities, about \$5.6 million is expected to be spent in fiscal year 15 to conduct operations and make capital improvements. Capital improvements included in the \$.5 million listed above includes:

- Wastewater Lining Project
- City Hall Facility Improvements
- Lopez Turnout Pump Station
- Meter Replacement Program

The enterprise fund programs are solely funded by charges for services to system users.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Services Director, City of Grover Beach, 154 South 8<sup>th</sup> Street, Grover Beach, CA 93433.

**CITY OF GROVER BEACH**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 4,473,966	\$ 4,262,834	\$ 8,736,800
Accounts receivable, net	501,244	963,082	1,464,326
Interest receivable	2,094	2,002	4,096
Inventory		107,106	107,106
Loans receivable - Successor Agency	366,464	1,221,546	1,588,010
Internal balances	(541,058)	541,058	
Deposits	1,612		1,612
Capital assets:			
Non Depreciable:			
Land	1,470,203	60,125	1,530,328
Construction in progress	380,070		380,070
Depreciable:			
Equipment	1,309,680	338,852	1,648,532
Infrastructure	18,257,787	9,184,945	27,442,732
Capacity rights		1,598,578	1,598,578
Accumulated depreciation	(4,917,482)	(5,780,552)	(10,698,034)
Total assets	<u>21,304,580</u>	<u>12,499,576</u>	<u>33,804,156</u>
<b>LIABILITIES</b>			
Accounts payable	302,798	156,191	458,989
Accrued wages	175,006	19,671	194,677
Deposits		95,218	95,218
Noncurrent liabilities:			
Due within one year	198,252	7,080	205,332
Due in more than one year	1,876,689	149,544	2,026,233
Total liabilities	<u>2,552,745</u>	<u>427,704</u>	<u>2,980,449</u>
<b>NET POSITION</b>			
Net investment in capital assets	16,199,940	5,401,948	21,601,888
Restricted for:			
Street improvements	662,710		662,710
Public safety	106,055		106,055
Community development projects	42,701		42,701
Community access channel	51,942		51,942
Administrative functions	1,964		1,964
Storm water functions	28,941		28,941
Wastewater functions	280,946		280,946
Park facilities	262,950		262,950
Recreation facilities	27,321		27,321
Underground utilities	199,289		199,289
State mandated ADA	1,437		1,437
Unrestricted	885,639	6,669,924	7,555,563
Total net position	<u>\$ 18,751,835</u>	<u>\$ 12,071,872</u>	<u>\$ 30,823,707</u>

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

**CITY OF GROVER BEACH**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
General government	\$ 1,169,957	\$ 202,839	\$ 2,591
Public safety	4,514,113	120,492	135,514
Community development	425,966	278,829	76,705
Public works	1,476,487	145,633	357,449
Parks and recreation	423,917	287,332	
Total governmental activities	<u>8,010,440</u>	<u>1,035,125</u>	<u>572,259</u>
Business-type activities:			
Water	2,639,329	3,323,751	
Water conservation	42,421	41,625	
Wastewater	1,933,447	2,190,405	
Total business-type activities	<u>4,615,197</u>	<u>5,555,781</u>	
Total	<u>\$ 12,625,637</u>	<u>\$ 6,590,906</u>	<u>\$ 572,259</u>

General Revenues:

Taxes:

Secured and unsecured property taxes

Other taxes

Investment income

Other general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of fiscal year

Prior period adjustments

Net position - beginning of fiscal year , restated

Net position - end of fiscal year

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

Capital Contributions and Grants	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (964,527)	\$ -	\$ (964,527)
	(4,258,107)		(4,258,107)
	(70,432)		(70,432)
1,106,217	132,812		132,812
	(136,585)		(136,585)
<u>1,106,217</u>	<u>(5,296,839)</u>		<u>(5,296,839)</u>
		684,422	684,422
		(796)	(796)
		<u>256,958</u>	<u>256,958</u>
		940,584	940,584
<u>\$ 1,106,217</u>	<u>(5,296,839)</u>	<u>940,584</u>	<u>(4,356,255)</u>
	3,825,049		3,825,049
	2,584,155		2,584,155
	7,034	8,244	15,278
	9,126		9,126
	<u>465,471</u>	<u>(465,471)</u>	
	<u>6,890,835</u>	<u>(457,227)</u>	<u>6,433,608</u>
	<u>1,593,996</u>	<u>483,357</u>	<u>2,077,353</u>
	18,470,132	11,588,515	30,058,647
	<u>(1,312,293)</u>		<u>(1,312,293)</u>
	<u>17,157,839</u>	<u>11,588,515</u>	<u>28,746,354</u>
	<u>\$ 18,751,835</u>	<u>\$ 12,071,872</u>	<u>\$ 30,823,707</u>

**CITY OF GROVER BEACH**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2014

	General Fund	Local Transportation Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and investments	\$ 2,466,683	\$ 535,237	\$ 1,472,046	\$ 4,473,966
Accounts receivable	295,635	103,750	101,859	501,244
Interest receivable	1,162	289	643	2,094
Loans receivable	366,464			366,464
Deposits	1,612			1,612
<b>Total assets</b>	<b>\$ 3,131,556</b>	<b>\$ 639,276</b>	<b>\$ 1,574,548</b>	<b>\$ 5,345,380</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 199,473	\$ 31,333	\$ 71,992	\$ 302,798
Accrued wages	174,696		310	175,006
Advances payable	51,149	449,576	40,333	541,058
<b>Total liabilities</b>	<b>425,318</b>	<b>480,909</b>	<b>112,635</b>	<b>1,018,862</b>
<b>Deferred Inflows of Resources:</b>				
Deferred loans receivable	366,464			366,464
<b>Total deferred inflows of resources</b>	<b>366,464</b>			<b>366,464</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Deposits	1,612			1,612
<b>Restricted:</b>				
Street improvements		158,367	504,343	662,710
Public safety			106,055	106,055
Community development projects			42,701	42,701
Community access channel			51,942	51,942
Administrative functions			1,964	1,964
Storm water functions			28,941	28,941
Wastewater functions			280,946	280,946
Park facilities			262,950	262,950
Recreation facilities			27,321	27,321
State mandated ADA			1,437	1,437
Underground utilities			199,289	199,289
Unassigned	2,338,162		(45,976)	2,292,186
<b>Total fund balances</b>	<b>2,339,774</b>	<b>158,367</b>	<b>1,461,913</b>	<b>3,960,054</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,131,556</b>	<b>\$ 639,276</b>	<b>\$ 1,574,548</b>	<b>\$ 5,345,380</b>

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

**CITY OF GROVER BEACH**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2014

Total fund balances - governmental funds \$ 3,960,054

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	\$	21,417,740
Accumulated depreciation		<u>(4,917,482)</u>

Net 16,500,258

Long-term liabilities: 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:

State loan	\$	300,318
CalPERS side-fund		1,245,916
Early retirement incentive		153,052
Compensated absences payable		<u>375,655</u>

Total (2,074,941)

Certain revenues in the governmental funds are deferred because the revenues are not  
collected within the prescribed time period after fiscal year-end. However, the  
revenues are included on the accrual basis used in the government-wide financial  
financial statements.

366,464

Total net position - governmental activities

\$ 18,751,835

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

**CITY OF GROVER BEACH**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2014

	General Fund	Local Transportation Fund	Other Governmental Funds	Totals
<b>Revenues:</b>				
Taxes	\$ 6,409,204	\$ -	\$ -	\$ 6,409,204
Licenses, permits, and fees	216,006			216,006
Intergovernmental	38,104	1,071,011	568,861	1,677,976
Charges for services	382,949		180,916	563,865
Fines and forfeitures	60,053			60,053
Use of money and property	169,484	501	2,658	172,643
Other			39,218	39,218
<b>Total revenues</b>	<b>7,275,800</b>	<b>1,071,512</b>	<b>791,653</b>	<b>9,138,965</b>
<b>Expenditures:</b>				
General government	1,108,034		21,658	1,129,692
Public safety	4,470,611			4,470,611
Community development	343,735		29,874	373,609
Public works	795,531	62,449	290,514	1,148,494
Parks and recreation	335,880		56,771	392,651
Capital outlay	266,794	190,055	224,533	681,382
Debt service:				
Principal	33,689			33,689
Interest	3,172			3,172
<b>Total expenditures</b>	<b>7,357,446</b>	<b>252,504</b>	<b>623,350</b>	<b>8,233,300</b>
Excess of revenues over (under) expenditures	(81,646)	819,008	168,303	905,665
<b>Other Financing Sources (Uses):</b>				
Transfers in	490,189		30,000	520,189
Transfers out	(30,000)	(2,000)	(22,718)	(54,718)
<b>Total other financing sources (uses)</b>	<b>460,189</b>	<b>(2,000)</b>	<b>7,282</b>	<b>465,471</b>
<b>Net change in fund balance</b>	<b>378,543</b>	<b>817,008</b>	<b>175,585</b>	<b>1,371,136</b>
Fund balances - July 1	2,011,231	(708,294)	1,296,256	2,599,193
Prior period adjustment	(50,000)	49,653	(9,928)	(10,275)
<b>Fund balances - July 1, restated</b>	<b>1,961,231</b>	<b>(658,641)</b>	<b>1,286,328</b>	<b>2,588,918</b>
<b>Fund balances - June 30</b>	<b>\$ 2,339,774</b>	<b>\$ 158,367</b>	<b>\$ 1,461,913</b>	<b>\$ 3,960,054</b>

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

**CITY OF GROVER BEACH**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental funds	\$ 1,371,136
Capital outlays are reported in governmental funds 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 \$631,608 exceeds depreciation expense \$(526,839) in the period.	104,769
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	33,689
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). This fiscal year, vacation used exceeded the amounts earned by \$6,592.	6,592
In governmental funds, early retirement incentive benefit costs are recognized when paid. In the statement of activities, early retirement incentive benefit costs are recognized on the accrual basis. This fiscal year, the difference between benefits paid and accrued was:	21,708
Governmental funds report repayments of the PERS side fund debt as retirement expenditures. However, in the statement of activities, the repayments are reported as a decrease in the long-term liabilities. This is the amount by which contributions of \$148,292 exceeded the interest incurred of \$92,190 in the period.	<u>56,102</u>
Changes in net position - governmental activities	<u>\$ 1,593,996</u>

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

**CITY OF GROVER BEACH**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Water Fund	Water Conservation Fund	Wastewater Fund	Totals
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,183,588	\$ 164,361	\$ 2,914,885	\$ 4,262,834
Accounts receivable, net	582,402		380,680	963,082
Interest receivable	561	77	1,364	2,002
Inventory at cost	107,106			107,106
Total current assets	<u>1,873,657</u>	<u>164,438</u>	<u>3,296,929</u>	<u>5,335,024</u>
Noncurrent assets:				
Loans receivable	906,546		315,000	1,221,546
Advances receivable			541,058	541,058
Total noncurrent assets	<u>906,546</u>		<u>856,058</u>	<u>1,762,604</u>
Capital assets:				
Land	60,125			60,125
Equipment	205,227		133,625	338,852
Infrastructure	4,267,988	1,053,897	3,863,060	9,184,945
Capacity rights			1,598,578	1,598,578
	<u>4,533,340</u>	<u>1,053,897</u>	<u>5,595,263</u>	<u>11,182,500</u>
Less accumulated depreciation	(2,326,380)	(169,598)	(3,284,574)	(5,780,552)
Total capital assets (net of accumulated depreciation)	<u>2,206,960</u>	<u>884,299</u>	<u>2,310,689</u>	<u>5,401,948</u>
Total assets	<u>4,987,163</u>	<u>1,048,737</u>	<u>6,463,676</u>	<u>12,499,576</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	43,849	2,741	109,601	156,191
Accrued payroll	14,158	158	5,355	19,671
Deposits	95,218			95,218
Early retirement payable	4,920		2,160	7,080
Total current liabilities	<u>158,145</u>	<u>2,899</u>	<u>117,116</u>	<u>278,160</u>
Noncurrent liabilities:				
Compensated absences	80,780	2,609	29,455	112,844
Early retirement payable	25,300		11,400	36,700
Total noncurrent liabilities	<u>106,080</u>	<u>2,609</u>	<u>40,855</u>	<u>149,544</u>
Total liabilities	<u>264,225</u>	<u>5,508</u>	<u>157,971</u>	<u>427,704</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,206,960	884,299	2,310,689	5,401,948
Unrestricted	2,515,978	158,930	3,995,016	6,669,924
Total net position	<u>\$ 4,722,938</u>	<u>\$ 1,043,229</u>	<u>\$ 6,305,705</u>	<u>\$ 12,071,872</u>

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

**CITY OF GROVER BEACH**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended June 30, 2014

	Water Fund	Water Conservation Fund	Wastewater Fund	Totals
<b>Operating Revenues:</b>				
Charges for services	\$ 3,177,876	\$ 41,625	\$ 2,190,405	\$ 5,409,906
Other operating revenues	145,875			145,875
<b>Total operating revenues</b>	<b>3,323,751</b>	<b>41,625</b>	<b>2,190,405</b>	<b>5,555,781</b>
<b>Operating Expenses:</b>				
Salaries and benefits	831,360	6,492	337,441	1,175,293
Supplies and services	1,578,861	476	1,477,420	3,056,757
Non-capitalized equipment	145,956	9,105	30,076	185,137
Depreciation	83,152	26,348	88,510	198,010
<b>Total operating expenses</b>	<b>2,639,329</b>	<b>42,421</b>	<b>1,933,447</b>	<b>4,615,197</b>
<b>Operating income (loss)</b>	<b>684,422</b>	<b>(796)</b>	<b>256,958</b>	<b>940,584</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest income	2,089	320	5,835	8,244
<b>Total non-operating revenues (expenses)</b>	<b>2,089</b>	<b>320</b>	<b>5,835</b>	<b>8,244</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>686,511</b>	<b>(476)</b>	<b>262,793</b>	<b>948,828</b>
<b>Transfers:</b>				
Transfers in (out)	(305,303)	(13,754)	(146,414)	(465,471)
<b>Total transfers</b>	<b>(305,303)</b>	<b>(13,754)</b>	<b>(146,414)</b>	<b>(465,471)</b>
<b>Change in net position</b>	<b>381,208</b>	<b>(14,230)</b>	<b>116,379</b>	<b>483,357</b>
<b>Net position - July 1</b>	<b>4,341,730</b>	<b>1,057,459</b>	<b>6,189,326</b>	<b>11,588,515</b>
<b>Net position - June 30</b>	<b>\$ 4,722,938</b>	<b>\$ 1,043,229</b>	<b>\$ 6,305,705</b>	<b>\$ 12,071,872</b>

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

**CITY OF GROVER BEACH**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2014

	Water Fund	Water Conservation Fund	Wastewater Fund	Totals
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 3,347,341	\$ 41,625	\$ 2,193,336	\$ 5,582,302
Payments to suppliers	(1,784,496)	(7,180)	(1,496,567)	(3,288,243)
Payments to employees	(842,557)	(6,679)	(344,174)	(1,193,410)
Other receipts	145,875			145,875
Net cash provided (used) by operating activities	866,163	27,766	352,595	1,246,524
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Interest paid on long-term debt	(89,602)			(89,602)
Net cash provided (used) by capital and related financing activities	(89,602)			(89,602)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Advances to/from other funds			(25,000)	(25,000)
Transfers to/from other funds	(305,303)	(13,754)	(146,414)	(465,471)
Net cash provided (used) by noncapital financing activities	(305,303)	(13,754)	(171,414)	(490,471)
<b>Cash Flows From Investing Activities:</b>				
Interest income	1,822	301	5,545	7,668
Net cash provided (used) by investing activities	1,822	301	5,545	7,668
Net increase (decrease) in cash and cash equivalents	473,080	14,313	186,726	674,119
Cash and cash equivalents - July 1	710,508	150,048	2,728,159	3,588,715
Cash and cash equivalents - June 30	\$ 1,183,588	\$ 164,361	\$ 2,914,885	\$ 4,262,834

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

**CITY OF GROVER BEACH**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
For the Fiscal Year Ended June 30, 2014

	Water Fund	Water Conservation Fund	Wastewater Fund	Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 684,422	\$ (796)	\$ 256,958	\$ 940,584
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	83,152	26,348	88,510	198,010
Change in assets and liabilities:				
Receivables, net	74,247		2,931	77,178
Inventories	(39,314)			(39,314)
Accounts payable	(20,365)	2,401	10,929	(7,035)
Accrued payroll	1,055	116	(2,004)	(833)
Deposits	95,218			95,218
Compensated absences	(7,212)	(303)	(2,809)	(10,324)
Early retirement	(5,040)		(1,920)	(6,960)
Net cash provided (used) by operating activities	<u>\$ 866,163</u>	<u>\$ 27,766</u>	<u>\$ 352,595</u>	<u>\$ 1,246,524</u>

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

**CITY OF GROVER BEACH**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 217,692	\$ 184,957
Cash with fiscal agent	290,112	
Interest receivable		3
Land held for projects	<u>680,000</u>	
Total assets	<u>1,187,804</u>	<u>\$ 184,960</u>
<b>Liabilities</b>		
Accounts payable		13,439
Accrued interest payable	76,048	
Refundable deposits and accruals		171,521
Noncurrent liabilities:		
Due within one year	100,000	
Due in more than one year	<u>5,253,010</u>	
Total liabilities	<u>5,429,058</u>	<u>\$ 184,960</u>
<b>Net Position</b>		
Held in trust	<u>\$ (4,241,254)</u>	

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

**CITY OF GROVER BEACH**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
For the Fiscal Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
	<u>Successor Agency</u>
<b>Additions:</b>	
Taxes	\$ 148,958
Interest	<u>8</u>
Total additions	<u>148,966</u>
<b>Deductions:</b>	
Community development	18,902
Interest expense	<u>185,126</u>
Total deductions	<u>204,028</u>
Change in net position	<u>(55,062)</u>
Total net position-beginning	(3,987,080)
Restatement	<u>(199,112)</u>
Total net position-beginning, restated	<u>(4,186,192)</u>
Total net position-ending	<u><u>\$ (4,241,254)</u></u>

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

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Grover Beach. There are no component units included in this report which meet the criteria of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39 and No. 61.

### B. Basis of Presentation

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

#### 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. Governmental 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 nonmajor 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 noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which 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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary 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. Assets equal liabilities and the measurement of operations is not a focus of the Agency Funds. Fiduciary Funds use the full accrual basis of accounting for reporting receivables and payables. Fiduciary funds are reported in the fund financial statements but are not included for government-wide reporting purposes.

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Major Funds

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

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to 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 fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

#### Local Transportation Fund

This fund is used to account for appropriations by the State and are restricted in use to acquisition of rights of way, construction, maintenance, engineering and administrative costs associated with the public street system, as well as transit related costs.

The City reported the following major proprietary funds:

#### Water Fund

This fund accounts for the activities of providing water to residents of the City.

#### Waste Water Fund

This fund accounts for the activities associated with the sewage treatment plant, pumping stations, and collection systems.

#### Water Conservation Fund

This fund accounts for water conservation fees and is restricted to improving water conservation within the City.

### D. Basis of Accounting

The government-wide, proprietary funds, and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the full *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.

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

Non-exchange transactions, 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, revenues 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.

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Basis of Accounting (Continued)

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

### E. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental type funds, the current liability appears in the respective funds. All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for the current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Sick leave is only payable to employees participating in the Public Employees' Retirement System. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

### F. 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 voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The 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 Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

### G. Capital Assets

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. The City's policy is to capitalize all capital assets with costs exceeding certain minimum thresholds, \$5,000, with the exception of infrastructure at \$25,000 and with useful lives exceeding one year.

With the implementation of GASB Statement No. 34, the City was not required to record infrastructure assets existing or acquired prior to July 1, 2001. The City elected not to record such infrastructure assets. The City may elect to record such infrastructure assets in the future.

The purpose of depreciation is to spread the cost of capital assets equitably 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 below to capital assets.

Structures and Improvements	50 years
Equipment	5-25 years
Infrastructure	15-50 years

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has no items which qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has one item which qualify for reporting in this category; refer to Note 6 for a detailed listing of the deferred inflows of resources the City has recognized.

### I. 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.

### J. Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

### K. Fund Balances

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the City's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Net Position

GASB 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 as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislations. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

### M. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement impacted the City's financial statements and is explained in Note 1 – H and Note 6.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

## NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that by June 1<sup>st</sup> each year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. 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 the next fiscal year. 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 between funds; increases or decreases to a fund's overall budget; transfers between general fund departments; or transfers that affect capital projects, 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 budget. Encumbrances outstanding at fiscal year end are automatically rebudgeted in the following fiscal year.

### B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

Major Fund:			
General		\$	63,264
Nonmajor Funds:			
Special Revenue Funds:			
Public Safety Grants		\$	31,929
Community Development Block Grant		\$	10,008
Special Event		\$	12,190
Transit		\$	2,583
CDBG NonEntitlement		\$	29,763

### C. Deficit Fund Balances/Net Position

#### Nonmajor Fund

A deficit fund balance of \$29,763 exists in the CDBG Non-Entitlement Fund. This fund balance deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$14,978 exists in the Special Event Fund. This fund balance is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$1,235 exists in the Transit Fund. This fund balance is due to the City incurring costs in advance of receiving revenue.

## NOTE 3 – CASH AND INVESTMENTS

The composition of cash and investments as of June 30, 2014, by fund is as follows:

	Available for Operations	Restricted	Total
General Fund	\$ 2,466,683	\$ -	\$ 2,466,683
Special Revenue Funds	1,808,085		1,808,085
Capital Projects Funds	199,198		199,198
Proprietary Funds	4,262,834		4,262,834
Fiduciary Funds		692,761	692,761
	<u>\$ 8,736,800</u>	<u>\$ 692,761</u>	<u>\$ 9,429,561</u>

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Classification

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	\$ 8,736,800
Total cash and investments, statement of net position	<u>8,736,800</u>
Cash and investments, statement of fiduciary net position	402,649
Cash and investments with fiscal agents, statement of fiduciary net position	290,112
Total cash and investments	<u>\$ 9,429,561</u>

On June 30, 2014, the City had the following cash and investments on hand:

Cash on hand	\$ 1,450
Pooled cash	1,007,390
Pooled investments	8,420,721
Total cash and investments	<u>\$ 9,429,561</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	1 year	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%
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Guaranteed Investment Contracts	15 months	None	None
Canadian Government Obligations	5 years	None	None

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Investments Authorized by Debt Agreements

Investment 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 below 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</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 flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
LAIF	\$ 8,130,609	\$ 8,130,609	\$ -	\$ -	\$ -
Held by bond trustees:					
Money market funds	290,112	290,112			
	<u>\$ 8,420,721</u>	<u>\$ 8,420,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### 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>
LAIF	\$ 8,130,609	N/A	\$ -	\$ -	\$ -	\$ 8,130,609
Held by bond trustees:						
Money market funds	290,112	N/A				290,112
	<u>\$ 8,420,721</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,420,721</u>

### 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 waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Custodial Credit Risk (Continued)

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 government 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.

## NOTE 4 – CAPITAL ASSETS

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
<b>Governmental Activities</b>					
Nondepreciable capital assets:					
Land	\$ 1,470,203	\$ -	\$ -	\$ -	\$ 1,470,203
Construction in progress	1,373,105	557,198		(1,550,233)	380,070
<b>Total nondepreciable capital assets</b>	<b>\$ 2,843,308</b>	<b>\$ 557,198</b>	<b>\$ -</b>	<b>\$ (1,550,233)</b>	<b>\$ 1,850,273</b>
Depreciable capital assets:					
Equipment	\$ 1,405,815	\$ 74,410	\$ (170,545)	\$ -	\$ 1,309,680
Infrastructure	16,707,554			1,550,233	18,257,787
<b>Total depreciable capital assets</b>	<b>18,113,369</b>	<b>74,410</b>	<b>(170,545)</b>	<b>1,550,233</b>	<b>19,567,467</b>
Less accumulated depreciation	4,561,188	526,839	170,545		4,917,482
<b>Net depreciable capital assets</b>	<b>13,552,181</b>	<b>\$ (452,429)</b>	<b>\$ -</b>	<b>\$ 1,550,233</b>	<b>\$ 14,649,985</b>
<b>Net capital assets</b>	<b>\$ 16,395,489</b>	<b>\$ 104,769</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,500,258</b>

**City of Grover Beach**

Notes to Basic Financial Statements

June 30, 2014

**NOTE 4 – CAPITAL ASSETS (Continued)**

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
<b>Business-Type Activities</b>					
Nondepreciable capital assets:					
Land	\$ 60,125	\$ -	\$ -	\$ -	\$ 60,125
Total nondepreciable capital assets	<u>\$ 60,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,125</u>
Depreciable capital assets:					
Capacity rights	\$ 1,598,578	\$ -	\$ -	\$ -	1,598,578
Equipment	338,852				338,852
Infrastructure	9,184,945				9,184,945
Total depreciable capital assets	11,122,375				11,122,375
Less accumulated depreciation	5,582,542	198,010			5,780,552
Net depreciable capital assets	<u>\$ 5,539,833</u>	<u>\$ (198,010)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,341,823</u>
Net capital assets	<u>\$ 5,599,958</u>	<u>\$ (198,010)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,401,948</u>

**Governmental Activities:**

General government	\$ 115,905
Public safety	47,416
Community development	52,684
Parks and recreation	31,610
Public works	279,224
Total depreciation expense-governmental activities	<u>\$ 526,839</u>

**Business-type Activities:**

Water	\$ 83,152
Water Conservation	26,348
Wastewater	88,510
Total depreciation expense-business-type activities	<u>\$ 198,010</u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 490,189	\$ 30,000
Local Transportation		2,000
Nonmajor Governmental Funds:		
Gas Tax		3,000
Park Construction		500
Community Access Channel	15,000	
Special Event	15,000	
Transportation Impact Fees		16,587
Fire Protection Impact Fees		2,631
Proprietary Funds:		
Water		305,303
Water Conservation		13,754
Wastewater		146,414
	<u>\$ 520,189</u>	<u>\$ 520,189</u>

Advances Receivable and Payable

Advances receivable and payable constitute long-term borrowing between funds. Each advance carries a stated interest rate and has scheduled debt service payments. Interfund advances receivable and payable balances at June 30, 2014, are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$ -	\$ 51,149
Local Transportation Fund		449,576
Waste Water Fund	541,058	
CDBG Non Entitlement Fund		27,795
Special Event Fund		12,538
	<u>\$ 541,058</u>	<u>\$ 541,058</u>
Total		

**NOTE 6 – DEFERRED INFLOWS OF RESOURCES**

At June 30, 2014, deferred inflows of resources, reported in the governmental fund financial statements, consisted of the following:

	<u>General Fund</u>
Unavailable loans receivable	<u>\$ 366,464</u>
	<u>\$ 366,464</u>

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

## NOTE 7 – LONG-TERM DEBT

### Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits which can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2014, total \$375,655 for governmental activities and \$112,844 for business-type activities.

### State Loan

The City entered into a loan agreement with the California Energy Resources Conservation and Development commission for an energy savings project. Loan funds were disbursed on a reimbursement basis. The project was completed on December 31, 2011. Loan payments began on December 22, 2012 and terminates December 22, 2026, with an annual interest rate of 1.00% payable on a semi-annual basis. Future minimum payment obligations for the loan payable at June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 22,673	\$ 2,947	\$ 25,620
2016	22,893	2,727	25,620
2017	23,130	2,490	25,620
2018	23,361	2,258	25,619
2019	23,596	2,024	25,620
2020-2024	121,567	6,531	128,098
2025-2027	63,098	951	64,049
	<u>\$ 300,318</u>	<u>\$ 19,928</u>	<u>\$ 320,246</u>

### Public Employees Retirement System Side Fund

At the time the City joined the Public Employees Retirement Systems (PERS) Risk Pool, a side fund was required to be created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing plan's unfunded liability. The side fund will be credited, in an annual basis, with the actuarial investment return assumption which was 7.75% prior to July 1, 2012 and 7.5% after that date. A side fund liability will cause the City's required PERS employer contribution rate to increase by the amortization of the side fund. The side fund liability for the City's Safety plan as of June 30, 2014 was \$1,245,916.

### Capital Lease

The City entered into a lease agreement with Ford Motor Credit for the purchase of a vehicle valued at \$43,970. The term of the lease began August 27, 2010, and terminates on August 27, 2014, with an annual interest rate of 6.75% payable on an annual basis. The lease was paid in full during the fiscal year.

**City of Grover Beach**

Notes to Basic Financial Statements

June 30, 2014

**NOTE 7 – LONG-TERM DEBT (Continued)**

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2014	Due Within One Year
<b>Governmental activities:</b>						
Capital lease	\$ 11,241	\$ -	\$ 11,241	\$ -	\$ -	\$ -
State loan	322,766		22,448		300,318	22,673
CalPERS side-fund		92,190	148,292	1,302,018	1,245,916	152,659
Early retirement incentive	174,760		21,708		153,052	22,920
Compensated absences	382,247	173,414	180,006		375,655	
	<u>\$ 891,014</u>	<u>\$ 265,604</u>	<u>\$ 383,695</u>	<u>\$ 1,302,018</u>	<u>\$ 2,074,941</u>	<u>\$ 198,252</u>
<b>Business-type activities:</b>						
Early retirement incentive	\$ 50,740	\$ -	\$ 6,960	\$ -	\$ 43,780	\$ 7,080
Compensated absences	123,168	50,485	60,809		112,844	
	<u>\$ 173,908</u>	<u>\$ 50,485</u>	<u>\$ 67,769</u>	<u>\$ -</u>	<u>\$ 156,624</u>	<u>\$ 7,080</u>

**NOTE 8 - CITY EMPLOYEES' RETIREMENT PLAN**

Plan Description

The City of Grover Beach's defined benefit 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 select 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.

Funding Policy

The City contributes the employer share for the Miscellaneous Plan and the Safety Plan. The City of Grover Beach 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 rate for the fiscal year 2013/2014, were 16.461% for miscellaneous employees, 25.412 % for police safety employees, and 17.043% for fire safety employees. The contribution requirements of the plan members are established by State statutes and the employer contribution rate is established and may be amended by CalPERS. The City's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$ 275,934, and \$720,034, respectively, and equal 100% of the required contributions for each fiscal year.

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS**

The City provided an early retirement incentive under extremely specific criteria. Five employees qualified and opted to take the early retirement incentive. The City is refunding the employee's medical costs up to \$500 per month until eligible for medicare. The maximum potential liability as of June 30, 2014, was \$196,832.

# City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

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## NOTE 10- LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE

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

The City of Grover Beach is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq.. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

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

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

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

#### Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer includes incurred costs up to \$30,000 for each occurrence and is evaluated as percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$40,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

#### Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposure. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layers of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layers. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limit are paid under a reinsurance policy. Protection is provided per statutory liability under California Worker's Compensation Law.

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

## City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

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### NOTE 10– LIABILITY, WORKERS’ COMPENSATION, AND PURCHASED INSURANCE (Continued)

#### C. Purchased Insurance

##### Pollution Legal Liability Insurance

The City of Grover Beach participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, street, and storm drains owned by the City of Grover Beach. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3 year term of the policy.

##### Property Insurance

The City of Grover Beach participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Grover Beach property is currently insured according to a schedule of covered property submitted by the City of Grover Beach to the Authority. City of Grover Beach property currently has all-risk property insurance protection in the amount of \$21,706,233. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

##### Crime Insurance

The City of Grover Beach purchases crime insurance coverage in the amount of Non Participant with a Non Participant deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

##### Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insurance liability coverage in 2013-14.

### NOTE 11 – CONTINGENCIES AND COMMITMENTS

The City is involved in various litigations. In the opinion of management and legal counsel, the disposition of all litigations 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 terms of the grants, it is believed that any required reimbursements will not be material. The City had no construction contract commitments at June 30, 2014.

### NOTE 12 – 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 voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

### NOTE 13 – JOINT OPERATING AGREEMENTS

*Wastewater operations.* The City does not own and operate a separate waste water treatment plant facility. Pursuant to a purchase agreement with the South San Luis Obispo County Sanitation District, the City’s waste is transported through City-owned and City maintained lines for processing at the District’s plant. The City purchased up to 30 percent of the District’s treatment plant capacity. The cost of this purchased capacity is recorded as a capital asset of the wastewater enterprise, and this cost is being amortized to expense over 20 years using the straight-line method. The City is also obligated to pay to the District the costs of maintaining and operating the District’s plant, based upon the number of City’s customers, times certain rates, and such operating costs are to be paid monthly by the City. The City records such operating costs as expenses in its waste water enterprise.

*Water operations.* The San Luis Obispo County Flood Control and Water Conservation District, a county-wide agency, issued voter-approved general obligation bonds for the purpose of building Lopez Dam, a storage reservoir, water treatment plant, and other facilities to provide a primary municipal water supply. The City has entered into a water supply agreement wherein the City has agreed to pay annually, regardless of water deliveries, a prorated percentage of certain costs. In addition, the City also pays the District a prorate share of operating, maintenance, pumping, and related operating costs which are charged to expense in the City’s water enterprise fund.

## City of Grover Beach

Notes to Basic Financial Statements

June 30, 2014

### NOTE 14 – FIVE CITIES FIRE AUTHORITY

The City of Grover Beach 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 rate 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 and shall be appointed as determined by the respective City Council or Board of Directors. All financial decisions are made by this three-member board. The City of Grover Beach contributed \$1,206,660, to FCFA during the fiscal year ended June 30, 2014 for fire protections services. Separate financial statements may be obtained from the Five Cities Fire Authority at 140 Traffic Way in Arroyo Grande, California.

### NOTE 15 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$(10,275) was made to the government-wide and governmental funds for agency fund revenue posted in error to the Parks Construction Fund in the previous fiscal year.

A prior period adjustment was made between the general fund and the local transportation fund of \$50,000 to apply the payment to inter-fund loan previously reported as a transfer in the previous fiscal year.

A prior period adjustment of \$(1,302,018) was made to the government-wide statements for the unrecorded CalPERS side fund liability.

A prior period adjustment was made between the Local Transportation Fund and Transit Fund of \$397 to restate beginning fund balances.

### NOTE 16 – SUCCESSOR AGENCY

#### Bonds Payable

On December 8, 2005, the former Improvement Agency issued \$4,390,000 of 2005 tax allocation bonds to refund the outstanding balance of the 2001 tax allocation notes and pay the costs of redevelopment activities within the Agency's Improvement Project. The bonds are secured by a pledge of the Agency's tax increment revenues excluding to be paid to other taxing authorities, pursuant to pass-through agreements, bear interest from 3.25 to 5.00 percent, and mature on August 1, 2035. On February 1, 2014, the Successor Agency assumed the tax allocation bonds previously held by the former Improvement Agency. As of June 30, 2014, the principal balance was \$3,765,000.

The future minimum payment obligations for the bonds payable at June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 100,000	\$ 182,637	\$ 282,637
2016	105,000	178,215	283,215
2017	110,000	173,443	283,443
2018	115,000	168,309	283,309
2019	120,000	162,875	282,875
2020-2024	690,000	719,601	1,409,601
2024-2029	880,000	525,750	1,405,750
2030-2034	1,115,000	277,625	1,392,625
2035-2036	530,000	26,750	556,750
	<u>\$ 3,765,000</u>	<u>\$ 2,415,205</u>	<u>\$ 6,180,205</u>

#### Loans Payable

On February 1, 2014, the Successor Agency assumed loans due to the City of Grover Beach previously held by the former Improvement Agency. The amount due to the City of Grover Beach as of June 30, 2014 was \$1,588,010.

**City of Grover Beach**

Notes to Basic Financial Statements

June 30, 2014

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**NOTE 16 – SUCCESSOR AGENCY (Continued)**

Changes in Long-Term Liabilities

Long term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Tax allocation bonds	\$ 3,865,000	\$ -	\$ 100,000	\$ 3,765,000	\$ 100,000
Loans payable	1,588,010			1,588,010	
	<u>\$ 5,453,010</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 5,353,010</u>	<u>\$ 100,000</u>

Restatement

A restatement of \$(199,112) was made in the Successor Agency Fund to remove unamortized bond issuance costs in accordance with the implementation of GASB Statement No. 65.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were available for issuance which is December 9, 2014.

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**



**CITY OF GROVER BEACH**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 5,998,529	\$ 5,998,529	\$ 6,409,204	\$ 410,675
Licenses, permits, and fees	184,619	184,619	216,006	31,387
Intergovernmental	32,514	32,514	38,104	5,590
Charges for services	331,467	331,467	382,949	51,482
Fines and forfeitures	53,200	53,200	60,053	6,853
Use of money and property	140,146	140,146	169,484	29,338
Total revenues	<u>6,740,475</u>	<u>6,740,475</u>	<u>7,275,800</u>	<u>535,325</u>
<b>Expenditures:</b>				
General government	955,223	1,002,223	1,108,034	(105,811)
Public safety	4,511,984	4,511,984	4,470,611	41,373
Community development	478,775	478,775	343,735	135,040
Public works	774,605	812,605	795,531	17,074
Cultural and leisure	318,645	318,195	335,880	(17,685)
Capital outlay	100,400	144,400	266,794	(122,394)
Debt service:				
Principal	22,000	17,000	33,689	(16,689)
Interest	48,000	9,000	3,172	5,828
Total expenditures	<u>7,209,632</u>	<u>7,294,182</u>	<u>7,357,446</u>	<u>(63,264)</u>
Excess of revenues over (under) expenditures	<u>(469,157)</u>	<u>(553,707)</u>	<u>(81,646)</u>	<u>472,061</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	618,241	618,241	490,189	(128,052)
Transfers out	<u>(94,500)</u>	<u>(94,500)</u>	<u>(30,000)</u>	<u>64,500</u>
Total other financing sources (uses)	<u>523,741</u>	<u>523,741</u>	<u>460,189</u>	<u>(63,552)</u>
Net change in fund balance	<u>54,584</u>	<u>(29,966)</u>	<u>378,543</u>	<u>408,509</u>
Fund balance - July 1	2,011,231	2,011,231	2,011,231	
Prior period adjustment			<u>(50,000)</u>	<u>(50,000)</u>
Fund balance - July 1, restated	<u>2,011,231</u>	<u>2,011,231</u>	<u>1,961,231</u>	<u>(50,000)</u>
Fund balance - June 30	<u>\$ 2,065,815</u>	<u>\$ 1,981,265</u>	<u>\$ 2,339,774</u>	<u>\$ 358,509</u>

**CITY OF GROVER BEACH**  
**LOCAL TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 3,115,182	\$ 3,115,182	\$ 1,071,011	\$ (2,044,171)
Use of money and property			501	501
Total revenues	<u>3,115,182</u>	<u>3,115,182</u>	<u>1,071,512</u>	<u>(2,043,670)</u>
<b>Expenditures:</b>				
Community development	53,500	53,500	62,449	(8,949)
Capital outlay	<u>2,278,920</u>	<u>2,278,920</u>	<u>190,055</u>	<u>2,088,865</u>
Total expenditures	<u>2,332,420</u>	<u>2,332,420</u>	<u>252,504</u>	<u>2,079,916</u>
Excess of revenues over (under) expenditures	<u>782,762</u>	<u>782,762</u>	<u>819,008</u>	<u>36,246</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(102,000)</u>	<u>(102,000)</u>	<u>(2,000)</u>	<u>100,000</u>
Total other financing sources (uses)	<u>(102,000)</u>	<u>(102,000)</u>	<u>(2,000)</u>	<u>100,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>680,762</u>	<u>680,762</u>	<u>817,008</u>	<u>136,246</u>
Fund balance - July 1	(708,294)	(708,294)	(708,294)	
Prior period adjustment			49,653	49,653
Fund balance - July 1, restated	<u>(708,294)</u>	<u>(708,294)</u>	<u>(658,641)</u>	<u>49,653</u>
Fund balance - June 30	<u>\$ (27,532)</u>	<u>\$ (27,532)</u>	<u>\$ 158,367</u>	<u>\$ 185,899</u>

**SUPPLEMENTAL INFORMATION SECTION**



**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for revenue derived from specific taxes or other dedicated revenue sources (other than for major capital projects) that are restricted by law or administrative action for expenditures for specified purposes.

*Waste Water Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's waste water department.

*Transportation Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the development upon the City's transportation infrastructure.

*Transportation Grants*

This fund accounts for revenues received by the State per AB2938. Expenditures must be for street and road maintenance, rehabilitation, or reconstruction.

*Storm Water Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's storm water fund.

*Special Event*

This fund accounts for all revenues and expenditures associated with special events.

*Recreation Facilities Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's recreation department.

*Public Safety Grants*

This fund accounts for grants received for public safety related purposes in advance of any expenditures.

*Park Facilities Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's recreation department.

*Park Construction*

This fund accounts for all revenues and expenditures associated with the improvements of the City's parks and recreation facilities.

*Law Enforcement Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's police department.

*Gas Tax*

This fund accounts for the receipt and expenditures of gasoline tax revenues as provided by State law.

*Fire Protection Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's fire department.

*Community Development Block Grant*

This fund accounts for all revenues and expenditures associated with the federal community development block grant program.

*CDBG Non Entitlement*

This fund accounts for all revenues and expenditures with the federal non entitlement grant funds.

*Community Access Channel*

This fund accounts for all revenues and expenditures associated with the operation and maintenance of the City of Grover Beach's community access channel.

**City of Grover Beach**  
Nonmajor Governmental Funds  
Explanation of Funds  
June 30, 2014

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**SPECIAL REVENUE FUNDS (Continued)**

*Administrative Impact Fees*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of the City's administrative department.

*State Mandated ADA*

This fund accounts for the State Mandated Disability Access and Education Fee (SB 1186 Steinberg) Cities are required to collect an additional \$1.00 from every business license or equivalent instrument. Cities are required to transmit 30% of every dollar on a quarterly basis to the Division of State Architect (DSA). Cities keep 70% of every dollar to be used for ADA Certified Access Specialists Program.

**CAPITAL PROJECTS FUNDS**

*Underground Utilities*

This fund accounts for all revenues and expenditures associated with the imposition of fees to mitigate the impact of the operation of underground utilities.

CITY OF GROVER BEACH  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2014

Special Revenue Funds

	Gas Tax	Public Safety Grants	Transportation Grants	Park Construction	Community Development Block Grant	CDBG Non Entitlement	Community Access Channel	Special Event	Transportation Impact Fees	Law Enforcement Impact Fees	Administrative Impact Fees	Fire Protection Impact Fees
<b>ASSETS</b>												
Cash and investments	\$ 447,600	\$ 86,090	\$ 28,995	\$ 41,724	\$ 42,701	\$ -	\$ 54,808	\$ -	\$ -	\$ 8,190	\$ 1,963	\$ -
Accounts receivable	79,609	21,500										
Interest receivable	205	47	13	18			19	(3)		4	1	
<b>Total assets</b>	<b>\$ 527,414</b>	<b>\$ 107,637</b>	<b>\$ 29,008</b>	<b>\$ 41,742</b>	<b>\$ 42,701</b>	<b>\$ -</b>	<b>\$ 54,827</b>	<b>\$ (3)</b>	<b>\$ -</b>	<b>\$ 8,194</b>	<b>\$ 1,964</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Accounts payable	\$ 52,079	\$ 9,569	\$ -	\$ -	\$ -	\$ 1,968	\$ 2,865	\$ 2,147	\$ -	\$ 207	\$ -	\$ -
Accrued wages							20	290				
Advances payable						27,795		12,538				
<b>Total liabilities</b>	<b>52,079</b>	<b>9,569</b>				<b>29,763</b>	<b>2,885</b>	<b>14,975</b>		<b>207</b>		
<b>Fund Balances:</b>												
Restricted	475,335	98,068	29,008	41,742	42,701		51,942			7,987	1,964	
Unassigned						(29,763)		(14,978)				
<b>Total fund balances</b>	<b>475,335</b>	<b>98,068</b>	<b>29,008</b>	<b>41,742</b>	<b>42,701</b>	<b>(29,763)</b>	<b>51,942</b>	<b>(14,978)</b>		<b>7,987</b>	<b>1,964</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 527,414</b>	<b>\$ 107,637</b>	<b>\$ 29,008</b>	<b>\$ 41,742</b>	<b>\$ 42,701</b>	<b>\$ -</b>	<b>\$ 54,827</b>	<b>\$ (3)</b>	<b>\$ -</b>	<b>\$ 8,194</b>	<b>\$ 1,964</b>	<b>\$ -</b>

CITY OF GROVER BEACH  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2014

	Special Revenue Funds						Capital Projects Fund	Total
	Storm Water Impact Fees	Wastewater Impact Fees	Parks Facilities Impact Fees	Recreation Facilities Impact Fees	State Mandated ADA	Transit	Underground Utilities	
<b>ASSETS</b>								
Cash and investments	\$ 28,928	\$ 280,821	\$ 221,110	\$ 27,309	\$ 1,636	\$ 973	\$ 199,198	\$ 1,472,046
Accounts receivable						750		101,859
Interest receivable	13	125	98	12			91	643
<b>Total assets</b>	<u>\$ 28,941</u>	<u>\$ 280,946</u>	<u>\$ 221,208</u>	<u>\$ 27,321</u>	<u>\$ 1,636</u>	<u>\$ 1,723</u>	<u>\$ 199,289</u>	<u>\$ 1,574,548</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 199	\$ 2,958	\$ -	\$ 71,992
Accrued wages								310
Advances payable								40,333
<b>Total liabilities</b>					199	2,958		112,635
Fund Balances:								
Restricted	28,941	280,946	221,208	27,321	1,437		199,289	1,507,889
Unassigned						(1,235)		(45,976)
<b>Total fund balances</b>	<u>28,941</u>	<u>280,946</u>	<u>221,208</u>	<u>27,321</u>	<u>1,437</u>	<u>(1,235)</u>	<u>199,289</u>	<u>1,461,913</u>
<b>Total liabilities and fund balances</b>	<u>\$ 28,941</u>	<u>\$ 280,946</u>	<u>\$ 221,208</u>	<u>\$ 27,321</u>	<u>\$ 1,636</u>	<u>\$ 1,723</u>	<u>\$ 199,289</u>	<u>\$ 1,574,548</u>

CITY OF GROVER BEACH  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2014

Special Revenue Funds

	Gas Tax	Public Safety Grants	Transportation Grants	Park Construction	Community Development Block Grant	CDBG Non Entitlement	Community Access Channel	Special Event	Transportation Impact Fees	Law Enforcement Impact Fees	Administrative Impact Fees	Fire Protection Impact Fees
<b>Revenues:</b>												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	388,156	100,000			76,705							
Charges for services				57,271					16,587	1,517	1,465	2,631
Use of money and property	763	212	97	61			104	4		17	3	
Other		1,616						37,602				
<b>Total revenues</b>	<b>388,919</b>	<b>101,828</b>	<b>97</b>	<b>57,332</b>	<b>76,705</b>		<b>104</b>	<b>37,606</b>	<b>16,587</b>	<b>1,534</b>	<b>1,468</b>	<b>2,631</b>
<b>Expenditures:</b>												
General government							21,658					
Public safety												
Community development						29,763				111		
Public works	215,684	69,247										
Parks and recreation				8,441				48,330				
Capital outlay	46,115	42,332	65,348		66,724		3,119			895		
<b>Total expenditures</b>	<b>261,799</b>	<b>111,579</b>	<b>65,348</b>	<b>8,441</b>	<b>66,724</b>	<b>29,763</b>	<b>24,777</b>	<b>48,330</b>		<b>1,006</b>		
Excess of revenues over (under) expenditures	127,120	(9,751)	(65,251)	48,891	9,981	(29,763)	(24,673)	(10,724)	16,587	528	1,468	2,631
<b>Other Financing Sources (Uses):</b>												
Transfers in							15,000	15,000				
Transfers out	(3,000)			(500)					(16,587)			(2,631)
<b>Total other financing sources (uses)</b>	<b>(3,000)</b>			<b>(500)</b>			<b>15,000</b>	<b>15,000</b>	<b>(16,587)</b>			<b>(2,631)</b>
<b>Net change in fund balances</b>	<b>124,120</b>	<b>(9,751)</b>	<b>(65,251)</b>	<b>48,391</b>	<b>9,981</b>	<b>(29,763)</b>	<b>(9,673)</b>	<b>4,276</b>		<b>528</b>	<b>1,468</b>	
Fund balances - July 1	351,215	107,819	94,259	3,626	32,720		61,615	(19,254)		7,459	496	
Prior period adjustment				(10,275)								
Fund balances - July 1, restated	351,215	107,819	94,259	(6,649)	32,720		61,615	(19,254)		7,459	496	
<b>Fund balances - June 30</b>	<b>\$ 475,335</b>	<b>\$ 98,068</b>	<b>\$ 29,008</b>	<b>\$ 41,742</b>	<b>\$ 42,701</b>	<b>\$ (29,763)</b>	<b>\$ 51,942</b>	<b>\$ (14,978)</b>	<b>\$ -</b>	<b>\$ 7,987</b>	<b>\$ 1,964</b>	<b>\$ -</b>

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CITY OF GROVER BEACH  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds						Capital Projects Fund	Total
	Storm Water Impact Fees	Wastewater Impact Fees	Parks Facilities Impact Fees	Recreation Facilities Impact Fees	State Mandated ADA	Transit	Underground Utilities	
<b>Revenues:</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental						4,000		568,861
Charges for services	7,338	39,168	45,640	8,159	1,140			180,916
Use of money and property	49	514	389	46		1	398	2,658
Other								39,218
<b>Total revenues</b>	<b>7,387</b>	<b>39,682</b>	<b>46,029</b>	<b>8,205</b>	<b>1,140</b>	<b>4,001</b>	<b>398</b>	<b>791,653</b>
<b>Expenditures:</b>								
General government								21,658
Community development								29,874
Public works						5,583		290,514
Parks and recreation								56,771
Capital outlay								224,533
<b>Total expenditures</b>						<b>5,583</b>		<b>623,350</b>
Excess of revenues over (under) expenditures	7,387	39,682	46,029	8,205	1,140	(1,582)	398	168,303
<b>Other Financing Sources (Uses):</b>								
Transfers in								30,000
Transfers out								(22,718)
<b>Total other financing sources (uses)</b>								<b>7,282</b>
<b>Net change in fund balances</b>	<b>7,387</b>	<b>39,682</b>	<b>46,029</b>	<b>8,205</b>	<b>1,140</b>	<b>(1,582)</b>	<b>398</b>	<b>175,585</b>
Fund balances - July 1	21,554	241,264	175,179	19,116	297		198,891	1,296,256
Prior period adjustment						347		(9,928)
Fund balances - July 1, restated	21,554	241,264	175,179	19,116	297	347	198,891	1,286,328
<b>Fund balances - June 30</b>	<b>\$ 28,941</b>	<b>\$ 280,946</b>	<b>\$ 221,208</b>	<b>\$ 27,321</b>	<b>\$ 1,437</b>	<b>\$ (1,235)</b>	<b>\$ 199,289</b>	<b>\$ 1,461,913</b>

CITY OF GROVER BEACH  
 BUDGETED NONMAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds														
	Gas Tax			Public Safety Grants			Transportation Grants			Park Construction			Community Development Block Grant		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>															
Intergovernmental	\$ 315,197	\$ 388,156	\$ 72,959	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 74,900	\$ -	\$ (74,900)	\$ 56,716	\$ 76,705	\$ 19,989
Charges for services										13,755	57,271	43,516			
Use of money and property	1,000	763	(237)	300	212	(88)		97	97		61	61			
Other					1,616	1,616									
Total revenues	<u>316,197</u>	<u>388,919</u>	<u>72,722</u>	<u>100,300</u>	<u>101,828</u>	<u>1,528</u>		<u>97</u>	<u>97</u>	<u>88,655</u>	<u>57,332</u>	<u>(31,323)</u>	<u>56,716</u>	<u>76,705</u>	<u>19,989</u>
<b>Expenditures</b>															
General government															
Community development															
Public works	189,500	215,684	(26,184)	37,150	69,247	(32,097)									
Parks and recreation										8,800	8,441	359			
Capital outlay	200,000	46,115	153,885	42,500	42,332	168	94,288	65,348	28,940	74,900	74,900		56,716	66,724	(10,008)
Total expenditures	<u>389,500</u>	<u>261,799</u>	<u>127,701</u>	<u>79,650</u>	<u>111,579</u>	<u>(31,929)</u>	<u>94,288</u>	<u>65,348</u>	<u>28,940</u>	<u>83,700</u>	<u>8,441</u>	<u>75,259</u>	<u>56,716</u>	<u>66,724</u>	<u>(10,008)</u>
Excess of revenues over (under) expenditures	<u>(73,303)</u>	<u>127,120</u>	<u>200,423</u>	<u>20,650</u>	<u>(9,751)</u>	<u>(30,401)</u>	<u>(94,288)</u>	<u>(65,251)</u>	<u>29,037</u>	<u>4,955</u>	<u>48,891</u>	<u>43,936</u>		<u>9,981</u>	<u>9,981</u>
<b>Other Financing Sources (Uses)</b>															
Transfers in															
Transfers out	(3,000)	(3,000)								(5,000)	(500)	4,500			
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>								<u>(5,000)</u>	<u>(500)</u>	<u>4,500</u>			
Net change in fund balances	<u>\$ (76,303)</u>	<u>124,120</u>	<u>\$ 200,423</u>	<u>\$ 20,650</u>	<u>(9,751)</u>	<u>\$ (30,401)</u>	<u>\$ (94,288)</u>	<u>(65,251)</u>	<u>\$ 29,037</u>	<u>\$ (45)</u>	<u>48,391</u>	<u>\$ 48,436</u>	<u>\$ -</u>	<u>9,981</u>	<u>\$ 9,981</u>
Fund balances - July 1		351,215			107,819			94,259			3,626			32,720	
Prior period adjustment											(10,275)				
Fund balances - July 1, restated		<u>351,215</u>			<u>107,819</u>			<u>94,259</u>			<u>(6,649)</u>			<u>32,720</u>	
Fund balances - June 30		<u>\$ 475,335</u>			<u>\$ 98,068</u>			<u>\$ 29,008</u>			<u>\$ 41,742</u>			<u>\$ 42,701</u>	

CITY OF GROVER BEACH  
 BUDGETED NONMAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2014

Special Revenue Funds

	CDBG Non Entitlement		Community Access Channel			Special Event			Transportation Impact Fees			Law Enforcement Impact Fees				
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>																
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Charges for services																
Use of money and property					104	104		4	4		18,746	16,587	(2,159)	24,676	1,517	(23,159)
Other								37,602	37,602						17	17
<b>Total revenues</b>					<u>104</u>	<u>104</u>		<u>37,606</u>	<u>37,606</u>		<u>18,746</u>	<u>16,587</u>	<u>(2,159)</u>	<u>24,676</u>	<u>1,534</u>	<u>(23,142)</u>
<b>Expenditures</b>																
General government				33,400	21,658	11,742										
Community development		29,763	(29,763)												111	(111)
Public works																
Parks and recreation							36,140	48,330	(12,190)							
Capital outlay				20,000	3,119	16,881								3,500	895	2,605
<b>Total expenditures</b>		<u>29,763</u>	<u>(29,763)</u>	<u>53,400</u>	<u>24,777</u>	<u>28,623</u>	<u>36,140</u>	<u>48,330</u>	<u>(12,190)</u>					<u>3,500</u>	<u>1,006</u>	<u>2,494</u>
Excess of revenues over (under) expenditures		<u>(29,763)</u>	<u>(29,763)</u>	<u>(53,400)</u>	<u>(24,673)</u>	<u>28,727</u>	<u>(36,140)</u>	<u>(10,724)</u>	<u>25,416</u>	<u>18,746</u>	<u>16,587</u>	<u>(2,159)</u>	<u>21,176</u>	<u>528</u>	<u>(20,648)</u>	
<b>Other Financing Sources (Uses)</b>																
Transfers in					15,000	15,000	15,000	15,000								
Transfers out										(18,746)	(16,587)	2,159				
<b>Total other financing sources (uses)</b>					<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>		<u>(18,746)</u>	<u>(16,587)</u>	<u>2,159</u>				
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>(29,763)</u>	<u>\$ (29,763)</u>	<u>\$ (53,400)</u>	<u>(9,673)</u>	<u>\$ 43,727</u>	<u>\$ (21,140)</u>	<u>4,276</u>	<u>\$ 25,416</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ 21,176</u>	<u>528</u>	<u>\$ (20,648)</u>	
Fund balances - July 1					61,615			(19,254)						7,459		
Prior period adjustment																
Fund balances - July 1, restated					<u>61,615</u>			<u>(19,254)</u>						<u>7,459</u>		
Fund balances - June 30		<u>\$ (29,763)</u>			<u>\$ 51,942</u>			<u>\$ (14,978)</u>		<u>\$ -</u>				<u>\$ 7,987</u>		

CITY OF GROVER BEACH  
 BUDGETED NONMAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2014

Special Revenue Funds

	Administrative Impact Fees			Fire Protection Impact Fees			Storm Water Impact Fees			Wastewater Impact Fees			Parks Facilities Impact Fees		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	<b>Revenues</b>														
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	770	1,465	695	3,524	2,631	(893)	11,518	7,338	(4,180)	15,448	39,168	23,720	16,360	45,640	29,280
Use of money and property		3	3				40	49	9	600	514	(86)	400	389	(11)
Other															
<b>Total revenues</b>	<u>770</u>	<u>1,468</u>	<u>698</u>	<u>3,524</u>	<u>2,631</u>	<u>(893)</u>	<u>11,558</u>	<u>7,387</u>	<u>(4,171)</u>	<u>16,048</u>	<u>39,682</u>	<u>23,634</u>	<u>16,760</u>	<u>46,029</u>	<u>29,269</u>
<b>Expenditures</b>															
General government															
Community development															
Public works															
Parks and recreation															
Capital outlay													20,000		20,000
<b>Total expenditures</b>													<u>20,000</u>		<u>20,000</u>
<b>Excess of revenues over (under) expenditures</b>	<u>770</u>	<u>1,468</u>	<u>698</u>	<u>3,524</u>	<u>2,631</u>	<u>(893)</u>	<u>11,558</u>	<u>7,387</u>	<u>(4,171)</u>	<u>16,048</u>	<u>39,682</u>	<u>23,634</u>	<u>(3,240)</u>	<u>46,029</u>	<u>49,269</u>
<b>Other Financing Sources (Uses)</b>															
Transfers in															
Transfers out				(3,524)	(2,631)	893									
<b>Total other financing sources (uses)</b>				<u>(3,524)</u>	<u>(2,631)</u>	<u>893</u>									
<b>Net change in fund balances</b>	<u>\$ 770</u>	<u>1,468</u>	<u>\$ 698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,558</u>	<u>7,387</u>	<u>\$ (4,171)</u>	<u>\$ 16,048</u>	<u>39,682</u>	<u>\$ 23,634</u>	<u>\$ (3,240)</u>	<u>46,029</u>	<u>\$ 49,269</u>
Fund balances - July 1		496						21,554			241,264			175,179	
Prior period adjustment															
Fund balances - July 1, restated		<u>496</u>						<u>21,554</u>			<u>241,264</u>			<u>175,179</u>	
Fund balances - June 30		<u>\$ 1,964</u>		<u>\$ -</u>	<u>\$ -</u>		<u>\$ 28,941</u>			<u>\$ 280,946</u>			<u>\$ 221,208</u>		

CITY OF GROVER BEACH  
 BUDGETED NONMAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds						Capital Projects Fund						Total		
	Recreation Facilities Impact Fees			State Mandated ADA			Transit			Underground Utilities					
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>															
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 4,000	\$ 1,000	\$ -	\$ -	\$ -	\$ 549,813	\$ 568,861	\$ 19,048
Charges for services	2,925	8,159	5,234		1,140	1,140							107,722	180,916	73,194
Use of money and property	40	46	6					1	1	1,200	398	(802)	3,580	2,658	(922)
Other														39,218	39,218
<b>Total revenues</b>	<b>2,965</b>	<b>8,205</b>	<b>5,240</b>		<b>1,140</b>	<b>1,140</b>	<b>3,000</b>	<b>4,001</b>	<b>1,001</b>	<b>1,200</b>	<b>398</b>	<b>(802)</b>	<b>661,115</b>	<b>791,653</b>	<b>130,538</b>
<b>Expenditures</b>															
General government													33,400	21,658	11,742
Community development														29,874	(29,874)
Public works							3,000	5,583	(2,583)				229,650	290,514	(60,864)
Parks and recreation													44,940	56,771	(11,831)
Capital outlay										197,970	197,970		709,874	224,533	485,341
<b>Total expenditures</b>							<b>3,000</b>	<b>5,583</b>	<b>(2,583)</b>	<b>197,970</b>	<b>197,970</b>		<b>1,017,864</b>	<b>623,350</b>	<b>394,514</b>
Excess of revenues over (under) expenditures	2,965	8,205	5,240		1,140	1,140		(1,582)	(1,582)	(196,770)	398	197,168	(356,749)	168,303	525,052
<b>Other Financing Sources (Uses)</b>															
Transfers in													15,000	30,000	15,000
Transfers out													(30,270)	(22,718)	7,552
<b>Total other financing sources (uses)</b>													<b>(15,270)</b>	<b>7,282</b>	<b>22,552</b>
<b>Net change in fund balances</b>	<b>\$ 2,965</b>	<b>8,205</b>	<b>\$ 5,240</b>	<b>\$ -</b>	<b>1,140</b>	<b>\$ 1,140</b>	<b>\$ -</b>	<b>(1,582)</b>	<b>\$ (1,582)</b>	<b>\$ (196,770)</b>	<b>398</b>	<b>\$ 197,168</b>	<b>\$ (372,019)</b>	<b>175,585</b>	<b>\$ 547,604</b>
Fund balances - July 1		19,116			297						198,891			1,296,256	
Prior period adjustment								347						(9,928)	
Fund balances - July 1, restated		19,116			297			347			198,891			1,286,328	
Fund balances - June 30		<u>\$ 27,321</u>			<u>\$ 1,437</u>			<u>\$ (1,235)</u>			<u>\$ 199,289</u>			<u>\$ 1,461,913</u>	

**CITY OF GROVER BEACH**  
**COMBINING SCHEDULE OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2014

	<u>Housing Successor Agency</u>	<u>RDA Successor Agency</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,190	\$ 214,502	\$ 217,692
Cash with fiscal agent		290,112	290,112
Due from other funds	227,568		227,568
Land held for projects	<u>680,000</u>		<u>680,000</u>
Total assets	<u>910,758</u>	<u>504,614</u>	<u>1,415,372</u>
<b>Liabilities</b>			
Accounts payable			
Due to other funds		227,568	227,568
Accrued interest payable		76,048	76,048
Noncurrent liabilities:			
Due within one year		100,000	100,000
Due in more than one year		<u>5,253,010</u>	<u>5,253,010</u>
Total liabilities		<u>5,656,626</u>	<u>5,656,626</u>
<b>Net Position</b>			
Held in trust	<u>\$ 910,758</u>	<u>\$ (5,152,012)</u>	<u>\$ (4,241,254)</u>

**CITY OF GROVER BEACH**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
For the Fiscal Year Ended June 30, 2014

	Housing Successor Agency	RDA Successor Agency	Total
<b>Additions:</b>			
Taxes	\$ -	\$ 148,958	\$ 148,958
Interest		8	8
Total additions		148,966	148,966
<b>Deductions:</b>			
Community development		18,902	18,902
Interest expense		185,126	185,126
Total deductions		204,028	204,028
Change in net position		(55,062)	(55,062)
Total net position-beginning	910,758	(4,897,838)	(3,987,080)
Restatement		(199,112)	(199,112)
Total net position-beginning, restated	910,758	(5,096,950)	(4,186,192)
Total net position-ending	<u>\$ 910,758</u>	<u>\$ (5,152,012)</u>	<u>\$ (4,241,254)</u>