CITY OF ARROYO GRANDE

APPENDICES

Community Profile
The City of Arroyo Grande is located five miles inland from the central California coastline. Incorporated in 1911, the City contains acres of agriculturally productive land in a valley created by the Arroyo Grande Creek. The fertile soil produces several crop harvests annually, including celery, lettuce, and strawberries. There are several wineries in the vicinity, designating the area as the Arroyo Grande wine region.

The City, locally known as one of the “five cities”, adjoins Pismo Beach and Grover Beach, and is neighbor to Avila Beach and Shell Beach. The economy of the five cities depends heavily on tourists and retail sales.

Many of the residents of Arroyo Grande commute to work in neighboring communities. Others are employed in the service industries of Arroyo Grande, such as retail, education, and health care. A small quantity of manufacturing is located within the City.

The heart of the City is the Village of Arroyo Grande, a unique section of the community from which the modern City derived its roots. Antique shops, an ice cream parlor, and turn of the century architecture are reminiscent of an earlier age. Within the Village is a swinging bridge that was originally constructed in 1875 to connect land divided by the Arroyo Grande Creek. The 171-foot bridge is the only one of its kind in California. When the bridge was donated to the City of Arroyo Grande in 1911, the City assumed responsibility for maintenance and care.

### California Department of Finance Population

<table>
<thead>
<tr>
<th>Total Population</th>
<th>2015</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arroyo Grande</td>
<td>17,428</td>
<td>.8%</td>
</tr>
<tr>
<td>San Luis Obispo County</td>
<td>274,283</td>
<td>.5%</td>
</tr>
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</table>
COMMUNITY PROFILE

Employment in San Luis Obispo County

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>46,900</td>
</tr>
<tr>
<td>Government</td>
<td>20,700</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>13,600</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,300</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1,800</td>
</tr>
<tr>
<td>Public Utilities</td>
<td>3,700</td>
</tr>
<tr>
<td>Construction</td>
<td>5,400</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6,400</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2,700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106,500</strong></td>
</tr>
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</table>

Labor Market

May 2015 Unemployment Rate 4.3%

Retail Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos &amp; Transportation</td>
<td>$45,571,000</td>
</tr>
<tr>
<td>Building &amp; Construction</td>
<td>18,545,400</td>
</tr>
<tr>
<td>Business &amp; Industry</td>
<td>26,133,200</td>
</tr>
<tr>
<td>Food &amp; Drugs</td>
<td>25,450,800</td>
</tr>
<tr>
<td>Fuel &amp; Service Stations</td>
<td>44,198,000</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>108,191,100</td>
</tr>
<tr>
<td>Restaurants &amp; Hotels</td>
<td>42,713,000</td>
</tr>
<tr>
<td>Pool Allocation/Other</td>
<td>33,777,500</td>
</tr>
<tr>
<td><strong>Total Retail Sales</strong></td>
<td><strong>$344,580,000</strong></td>
</tr>
</tbody>
</table>

Sales Tax Rate 8.00%
City Recreation Areas & Programs

The City has several parks with picnic, barbecue, and playground areas. Strother Community Park, located along the bank of the Arroyo Grande Creek, is ideal for reunions, picnics, and barbecues. Elm Street Park has volleyball standards and playground equipment for all ages. The Village Green Gazebo Park, connected to the Village area by the historical Swinging Bridge, is a favorite place for tourists and locals to enjoy lunchtime. The Hart-Collett Memorial Park, the Terra De Oro Park, and the Kiwanis Park are small parks with picnic tables and benches only. Rancho Grande Park is also ideal for family gatherings or special celebrations.

The twenty-six acre Soto Sports Complex serves the five City region by providing four lighted tennis courts, a Little League field, a lighted Babe Ruth field, four lighted softball fields, and two unlighted ball fields. The fields are converted to soccer and football use in the fall.

The James Way Oak Habitat and Wildlife Preserve has equestrian and jogging/walking trails for public use. The habitat, winding along a hillside in an oak preserve, has an abundant array of wildlife.

The City offers a wide variety of recreational opportunities for local residents and visitors. From youth and adult sports leagues, child care programs, and special events to classes for seniors and summer youth camps, there are programs available for nearly every age.
CITY OF ARROYO GRANDE

APPENDICES

Significant Accounting Policies
CITY OF ARROYO GRANDE

Significant Accounting Policies

Reporting Entity

The City of Arroyo Grande was incorporated on July 10, 1911 under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. An elected five-member board governs the City. The City operates under a Council-Manager form of government, and currently provides a wide variety of services to its citizens, including police, public services, community development, general administrative and other services.

Description of Funds

Fund Accounting Systems

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The City maintains the following fund types and account groups:

Types of Funds

Governmental Fund Types

General Fund – is the general operating fund of the City and accounts for all unrestricted financial resources except those required to be accounted for in another fund.
**Significant Accounting Policies**

**Special Revenue Funds** – to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or capital projects) that are restricted by law or administrative action to expenditures for specific purposes.

**Debt Service Funds** – to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt and related costs. The City currently does not have general long-term debt that would be obligated to use a debt service fund.

**Capital Project Funds** – to account for financial resources segregated for the acquisition of major capital projects or facilities (other than those financed by proprietary fund types).

Proprietary Fund Types

**Enterprise Funds** – to account for operations in a manner similar to private business enterprises where the intent is to have the costs (expenses, including depreciation) of providing goods or services to the general public to be financed or recovered primarily through user charges.

Fiduciary Fund Types

**Agency Funds** – to account for assets held by the City as trustee or agent for individuals, private organizations, or other governmental units, and/or other funds. These funds are custodial in nature (assets correspond with liabilities) and do not involve measurement of results of operations.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement. All governmental funds and Agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. In those funds where revenue is recognized on a modified
accrual basis the following revenues may be accrued: property and sales taxes, revenue from the use of money and property, interfund transfers, unbilled service receivables and intergovernmental revenue. Licenses, permits, fines and forfeitures and similar items are, for the most part, not accrued and consequently are not recorded until received. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The assets and liabilities are accounted for on a modified accrual basis with the exception of the City’s Deferred Compensation Plan, which is accounted for on a market value basis in accordance with Statement No. 2 of the Governmental Accounting Standards Board (GASB).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available, in accordance with National Council of Governmental Accounting GASB 33. In this context, available means when receivable and due, when payment is expected within the current period, or within sixty (60) days of year end, and thus available to pay debts of the current period.

Grants, entitlements, or shared revenues recorded in governmental funds are recognized as revenue in the accounting period when they become susceptible to accrual, i.e. both measurable and available (modified accrual basis).

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and become measurable, expenses are recognized when they are incurred if measurable.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgetary Process
Significant Accounting Policies

The City uses the following procedures in establishing the budgetary data reflected in the financial statements: after January 1, Department Directors prepare estimates for required appropriations for the fiscal year commencing the following July 1. The departmental estimates are presented to the City Manager for review. A Preliminary Budget is prepared that includes estimated expenditures and forecasted revenues for the fiscal year. Prior to July 1, the City Manager submits a Preliminary Budget for the upcoming fiscal year to the City Council. The Preliminary Budget includes a summary of the proposed expenditures and financial resources of the City, as well as historical data for preceding fiscal periods. Public meetings are conducted to obtain citizens’ comments. The City Council adopts the budget by June 30. Budgets are legally adopted for the general, special revenue, enterprise funds, agency funds and all capital projects programs during the fiscal year ended June 30. The appropriated budget covers substantially all City expenditures. All appropriated amounts shown are as originally adopted or as amended by the City Council. During the year, supplementary appropriations may be approved. Unexpended appropriations lapse at the year-end, unless approved for carryover by the City Manager to address multi-year projects or initiatives.

Department Directors are authorized to transfer budgeted amounts within their departments, within the same fund, with the approval of the City Manager. The City Manager has authority to make transfers of appropriations between departments, provided those changes do not impact budgeted year-end fund balances. Only the City Council may authorize transfers of appropriations between funds. Formal budgetary integration is employed as a management control device during the fiscal year for all governmental funds.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in all funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Amounts encumbered at year-end are reappropriated in the following year.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
Significant Accounting Policies

Cash and Investments

Cash includes amounts in demand deposits. Investments, including accrued interest, are stated at fair market value.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Inventories

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method for accounting for inventories.

Fixed Assets

All purchased fixed assets are valued at cost where historical records are available, and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated, as applicable, over the remaining useful lives of the related fixed assets.

In accordance with GASB 34 all Public domain (“infrastructure”) fixed assets are now capitalized. Examples of infrastructure assets are: roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems.

Depreciation of fixed assets is computed using the straight-line method. The estimated useful lives are as follow:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>40 – 55 years</td>
</tr>
<tr>
<td>Machinery</td>
<td>3 – 10 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>5 – 20 years</td>
</tr>
</tbody>
</table>
Significant Accounting Policies

Compensated Absences

Vested or accumulated personal leave of employees, that is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated personal leave not expected to be liquidated with expendable available financial resources are reported in the City’s financial statements as long-term debt. No expenditure is reported for those amounts. Vested or accumulated personal leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Property Taxes

The San Luis Obispo County Assessor and Tax Collector perform the duties of assessing and collecting property tax, respectively. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on the first day in March proceeding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as of March 1.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

Grants

Federal and state grant revenues are accrued to the extent expenditures are incurred. All such grants are subject to audit and adjustment by the grantor.

Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. Other long-term obligations to be financed from expendable available financial
resources are reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the financial statements. Long-term liabilities to be financed from proprietary fund operations are accounted for in those funds.

**Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These reserves represent those portions of fund equity not available for expenditure or that are legally segregated for a specific future use of financial resources. Fund designations are established to indicate tentative plans for the use of current financial resources in the future.
CITY OF ARROYO GRANDE

APPENDICES

Glossary
**Account:** A subdivision within a fund for the purpose of classifying transactions.

**Account Number:** A numeric identification of the account. Typically a unique number or series of numbers. The City of Arroyo Grande’s number structure is comprised of three (3) fields of characters. The first field is three (3) characters wide and identifies the various FUNDS within the account system. The next field contains four (4) characters and identified the PROGRAMS and/or DIVISIONS within the City. The final field contains four (4) characters and identified the OBJECT CODE of the account number. The combination of the three fields makes up the account number.

**Accrual Basis or Accrual Method:** Accounting method whereby income and expense items are recognized as they are earned or incurred, even though they may not have been received or actually paid in cash. The alternative is Cash Basis. The City of Arroyo Grande uses the method of “Modified Accrual” basis of accounting for governmental and agency funds. All proprietary funds are accounted for using the accrual basis of accounting.

**Actual:** The recorded revenue or expenditure for a specific account number. The actual columns, referenced in this document, report the revenues or expenditures as audited by an independent auditor.

**Adopted Budget:** A budget which typically has been reviewed by the public and “Adopted” (approved) by the City Council prior to the start of the fiscal year. The adopted budget is the legal authority to expend money for specified purposes in the fiscal year time period.

**AGPOA:** Arroyo Grande Police Officers Association. This union represents sworn and non-sworn police employees working for the City.

**AGTBID:** Arroyo Grande Tourism Business Improvement District. Established in May 2013 by Ordinance, the district exists to provide projects, programs and activities that benefit lodging businesses located and operating with the boundaries of the City. Assessments are levied on all lodging businesses and are subject to annual review by the City Council in accordance with the
requirements contained in the Parking and Business Improvement Area Law of 1989 (Streets and Highways Code Sections 36500 et seq.).

**Appropriate**: Set apart for, or assign to, a particular purpose or use.

** Appropriated Expenditure**: A budget amount set-aside for a specific acquisition or purpose.

** Appropriation**: An authorization by the City Council to make expenditures and to incur obligation for specific amounts and purposes. For most local governments, the adopted budget document is the source for all or most appropriations.

**Assessed Valuation**: An official value established for real estate or other property as a basis for levying property taxes.

**Assessments**: Charges made to parties for actual services or benefits received.

** Assets**: Property owned by the City which has book or appraised monetary value.

** Audit**: A review of the accounting system and financial records to verify that government funds were spent and received in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with the legislative body’s appropriations.

** Authorized Positions**: Employee positions, which are authorized in the adopted budget, to be filled during the year.

** Available (Undesignated) Fund Balance**: Funds remaining from prior years, which are available for appropriation and expenditure in the current year.

** Balance Sheet**: A statement presenting the financial position of an entity or fund by disclosing the value of its assets, liabilities, and equities as of a specified date.

** Balanced Budget**: Budgeted resources, including revenue, transfers from other funds, and unallocated fund balance from previous years meet or exceed the budgeted use of resources, including expenditures and transfers to other funds.

** Base Budget**: The ongoing expense level necessary to maintain service levels previously authorized by the City Council.
Beginning Balance: Unencumbered resources available in a fund from the prior fiscal year after payment of prior fiscal year expenditures.

Bond: A written promise from a local government to repay a sum of money on a specific date at a specified interest rate. Bonds are most frequently used to finance capital improvement projects such as buildings, streets, and bridges.

Budget: A plan of financial operation, for a set time period, which identifies specific types and levels of services to be provided, proposed appropriations or expenses, and the recommended means of financing them.

Budget Amendments: The City Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption by majority vote. The City Manager and Administrative Services Director have joint authority to approve line item budgetary transfers between expenditure objects of the budget, as long as transfers do not affect ending fund balances.

Budgetary Basis: The basis of accounting used to estimate financing sources and uses in the budget.

Budget Message: The opening section of the budget, which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from previous years, and presents recommendations made by the City Manager.

Budget Year: Is the FISCAL YEAR for which the budget is being considered.

Budgetary Unit: An organizational component budgeted separately, usually a department or a division.

CAFR: Comprehensive Annual Financial Report which is an audited and printed copy of the City's financial statement at the end of a given fiscal year.

Capital Expenditures: An acquisition or an improvement (as distinguished from a repair) that will have a life of more than one year.

Capital Improvement Budget: A financial plan or authorized expenditures for tangible, long-term construction of, or improvement to, public physical facilities.
Operating Budget – Glossary

**Capital Improvement Program (CIP):** A long-term plan for multi-year projects such as street or park improvements, building construction, and various kinds of major facility maintenance. The projects set out in the plan usually require funding beyond the one-year period of the annual budget and the plan details funding sources and expenditure amounts.

**Capital Outlay:** Expenditures that result in the acquisition of or addition to, fixed assets. A capital item is tangible, durable, and non-consumable, and has a useful life of more than one year.

**Carryover:** Unspent funds, either encumbered, reserved, or unobligated, brought forward from prior fiscal years.

**Cash Basis:** A basis of accounting in which transactions are recognized only when cash is increased or decreased.

**Consumer Price Index (CPI):** Measure of change in consumer prices as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Many pension and employment contracts are tied to changes in consumer prices as protection against inflation and reduced purchasing power. Among the CPI components are the costs of housing, transportation, and electricity. Also known as the Cost-of-Living Index.

**Contingency:** A budgetary reserve set-aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Contractual Services:** Services rendered to a government by private firms, individuals, or other governmental agencies. Examples include maintenance agreements, professional contracts, and tree trimming agreements.

**Debt Service:** The City’s obligation to pay the principal and interest of all bonds and other debt instruments according to a predetermined payment schedule.

**Deficit:** The excess of an entity’s liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period.

**Department:** A basic organizational unit of government that is functionally unique in its delivery of services. The components are hierarchically arranged as follows: Department (such as Public Works): and Division (such as Sewer Maintenance).
**Depreciation:** The loss in value of an asset, due to physical changes, obsolescence, or factors outside of the asset.

**Development-related Fees:** Fees and charges generated by building, development, and growth in a community. Included in development-related fees are building permits, development review fees, and zoning and subdivision fees.

**Disbursement:** The expenditure of monies from an account.

**Division:** An organizational component of a department.

**Encumbrance:** The commitment of appropriated funds to purchase goods or services. An encumbrance is not an expenditure. An encumbrance reserves funds to be expended on a specific item or service.

**Enterprise Fund:** A proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of enterprise funds is to have the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The rate schedule for these services is established to ensure that revenues are adequate to meet all necessary expenditures.

**Expenditure/Expense:** The outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expenditure is actually paid. The term expenditure applies to Governmental Funds, while the term expense is used for Enterprise and Internal Service Funds.

**Expenditure Object Code:** Unique identification number and title for a minor expenditure category. Represents the most detailed level of budgeting and recording of expenditures, also referred to as a “line item.”

**Fiscal Policy:** A government’s policies with respect to revenues, spending, and debt management as these relate to government services, programs and capital investment. Fiscal policy provides an agreed-upon set of principles for the planning and programming of government budgets and their funding.

**Fiscal Year (FY):** The 12-month period for recording financial transactions. The City of Arroyo Grande has specified the fiscal year to begin July 1st and end June 30th.
**Operating Budget – Glossary**

**Fixed Assets:** Assets of long-term character such as land, buildings, machinery, equipment, and furniture.

**Franchise Fee:** A franchise fee is charged for the privilege of using public rights-of-way and property within the City for public or private purposes. The City currently assesses franchise fees on utilities such as electricity, gas and solid waste collection.

**Full-time Equivalent Position (FTE):** Positions or fractions thereof based on full-time definition of forty hours of work per week.

**Fund:** A separate accounting entity with a self-balancing set of accounts to record all financial transactions (revenues and expenditures) for specific activities or government functions. Funds are classified into three categories: governmental, proprietary, and fiduciary. Commonly used funds in governmental accounting are General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Agency Funds, and Special Assessment Funds.

**Fund Accounting:** The basis of accounting used particularly by governments. Since there is no profit motive, accountability is measured instead of profitability. The main purpose is stewardship of financial resources received and expended in compliance with legal requirements. Financial reporting is directed at the public rather than investors.

**Fund Balance:** The excess of assets over liabilities of a fund.

**GANN Limit:** State of California legislation that limits a City’s total appropriations from tax revenues.

**Gas Tax Fund:** A fund to account for receipts and expenditures of money apportioned under Street and Highway Code section 2105, 2106, 2107, and 2107.5 of the State of California.

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

**Generally Accepted Accounting Principles (GAAP):** Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.
**Operating Budget – Glossary**

**General Obligation Bond:** Bonds that are usually limited by state law as to the amount as well as the length of indebtedness that a government can have. These “Full Faith and Credit” bonds are secured by all of the financial assets of the local government, including property taxes.

**Goal:** A general statement of broad direction, purpose, or intent that describes the essential reason for existence and which is not limited to a one-year time frame. Generally, a goal does not change from year to year.

**Grant:** Contributions of gifts or cash or other assets from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant awarded by the federal government.

**Indirect Cost:** Costs that cannot be easily seen in the product or service. Electricity, insurance, and data processing costs are examples of indirect costs.

**Infrastructure:** The physical assets of the City, i.e. streets, water, sewer, public buildings, and parks, and the support structures within a development.

**Interfund Transfers:** The movement of monies between funds to assist in financing the services for the recipient fund.

**Intergovernmental Revenue:** Funds received from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes.

**JPA:** Joint Powers Agreement. An entity created by two or more public authorities to jointly exercise any power common to all of them. The City of Arroyo Grande joined in a JPA, California Joint Powers Insurance Association, for the purpose of jointly managing liability and workers compensation issues. The City is also a member of the Five Cities Fire Authority, a JPA for fire services with the City of Grover Beach and Oceano Community Services District.

**Jurisdiction:** Geographic or political entity governed by a particular legal system or body of laws.

**Liability:** Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed or refunded at some future date.
Local Use Tax Fund: Fund to account for the ½ local sales tax increase approved by the voters in November of 2006.

Long-term Debt: Debt with a maturity of more than one year after the date of issuance.

Modified Accrual Basis or Modified Accrual Method: Accounting method whereby income and expense items are recognized, as they are available and measurable.

Objective: Measurable statement of the intended beneficial and tangible effects of a program’s activities. An objective is a specific target toward which a manager can plan, schedule work activities, and make staff assignments. An objective is stated in quantifiable terms such that it is possible to know when it has been achieved. Examples are increase an activity by a specific amount by a certain date; maintain a service level; reduce the incidence of something by a specific amount by a given date, or eliminate a problem by a set date. The emphasis is on performance and its measurability.

Operating Expense: A series of object codes, which include expenditures for items, which primarily benefit the current period and not defined as personnel services, contractual services, or capital outlays.

Operating Revenues: Funds that the government receives as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for day-to-day services.

Organization Chart: A chart showing the interrelationships of positions within an organization in terms of authority and responsibilities. There are basically three patterns of organization: line organization, functional organization, and line and staff organization.

Performance Measures: Specific quantitative measures of work performed with a program (i.e. miles of streets cleaned). Also, specific quantitative measures of results obtained through a program (i.e. percent reduction in response time compared to previous year).

PERS: Public Employees Retirement System, which is the state retirement system for public employees that provides its members with benefits at retirement or upon disability or death.
**Operating Budget – Glossary**

**Program:** A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible.

**Proprietary Funds:** These funds account for records of operations similar to those found in a business, such as Enterprise funds and Internal Service funds.

**Redevelopment Agency (RDA):** A separate legal entity governed by the California Community Redevelopment Law. RDAs were officially dissolved by the California Legislature as of February 1, 2012. To facilitate the dissolution process, Successor Agencies were established to manage redevelopment projects underway, make payments on enforceable obligations, and dispose of redevelopment assets and properties.

**Redevelopment Fund:** A fund to account for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within specific project areas.

**Resolution:** A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

**Restricted Fund Balance:** The portion of a fund’s balance legally restricted for a specific purpose and, therefore, not available for general appropriations.

**Revenues:** Funds received from various sources and treated as income to the City that are used to finance expenditures. Examples are tax payments, fees for services, receipts from other governments, fines, grants, licenses, permits, shared revenue, and interest income.

**SEIU:** Service Employees International Union, Local 620. This union represents all full time employees other than police and management employees.

**Special Assessment Fund:** Contain moneys received from special charges levied on property owners who benefit from a particular capital improvement or service.
Special Revenue Fund: A governmental fund type used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Subvention: That portion of revenues collected by other government agencies on the City’s behalf.

Taxes: Compulsory charges levied by a government for the purpose of financing services performed for the common benefit of the people. This term does not include specific charges made against particular persons or property for current or permanent benefit, such as special assessments.

Transient Occupancy Tax: A tax imposed on travelers who stay in temporary lodging establishments in the City. The tax is collected by the operators of lodging establishments located within the City, on behalf of the City. This tax is then remitted to the City.

User Charges/Fees: The payment of a fee for the direct receipt of a public service by the party benefitting from the service.
CITY OF ARROYO GRANDE

APPENDICES

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

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

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

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

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

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

215 Recreation Community Center – This fund accounts for impact fees collected for recreation facilities in order to maintain the adopted level of service of recreation/community center facilities of 542 square feet.

216 Gracelane Assessment District - Fund to account for revenues derived from annual assessments of properties within the District, which are used to pay the cost incurred by the City for landscape maintenance.
Guide to Funds by Number

217 **Landscape Maintenance District** – This fund accounts for the landscape maintenance of parkways within two housing tracts. A special benefit assessment is levied on property owners to pay for landscape maintenance expenditures.

218 **Local Use Tax Fund** - Fund to account for the ½ local sales tax increase approved by the voters in November of 2006.

219 **Parkside Assessment District** - Fund to account for revenues derived from annual assessments of properties, which are used to pay the cost incurred by the City for landscape maintenance.

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

221 **Traffic Congestion Relief Fund** – This fund accounts for receipts and expenditures of money apportioned by the State under AB 2928 for street or road maintenance or reconstruction.

222 **Traffic Signalization** – This fund accounts for traffic signalization assessments levied against developments for the future cost of traffic signals.

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

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

225 **Transportation Fund** – The fund that accounts for revenues from the Local Transportation Fund (LTF), the South County Transit (SCT), and a senior taxi program administered by SCT. Expenditures are restricted to public transportation.

226 **Water Neutralization Impact Fund** – This fund accounts for mitigation fees collected from developers to neutralize projected water demand, of development projects, above historical usage amounts.
230 **Construction Tax** – The fund that accounts for the accumulation of tax revenues levied on construction of residential dwelling units, mobile home lots, and commercial buildings. Expenditures are restricted to public improvements, including but not limited to, facilities, fire stations, fire-fighting equipment, parks, street improvements, and equipment.

231 **Drainage Facility** – This fund accounts for development drainage fees restricted to improving drainage within the City.

232 **In-lieu Affordable Housing** – The fund accounts for monies paid by developers in meeting the City’s mandatory affordable housing requirements.

233 **In-lieu Underground Utilities** – The fund accounts for monies paid by developers in meeting the City’s underground utility requirements.

240 **Arroyo Grande Tourism Marketing Improvement District Fund** – The fund that accounts for assessments collected from lodging establishments, which are restricted for programs, projects and activities that benefit lodging businesses in the City.

241 **Water Availability Fund** – The fund that accounts for impact fees collected to mitigate future water requirements.

250 **CDBG Grant Fund** – The fund accounts for revenues and expenditures related to Community Development Block Grant Funds.

260 **Federal Fire Grant** - This fund accounts for revenues received from the Federal Government for the purpose of purchasing equipment for the Fire Department.

271 **State COPS Block Grant Fund** – The fund that accounts for the receipt of revenues from the State of California restricted to the purchase of police equipment and technology for crime prevention.

286 **Successor Agency to the Former Redevelopment Agency Administration** – Fund used to account for tax increment revenues to be used for Successor Agency administration and payment of the former Redevelopment Agency enforceable obligations.

287 **Successor Agency to the Former Redevelopment Agency Housing Function** – The fund accounting for tax increment revenues of the former Redevelopment Agency to be used for low and moderate housing within the City.
Guide to Funds by Number

350 **Capital Improvement Program** – Fund established to account for transfers from other City funds and grant revenues to be used for infrastructure improvements within the City. The Program is divided into six project types – Miscellaneous Projects, Park Projects, Street Projects, Drainage Projects, Water/Sewer/Street Projects, and Water Projects.

470 **Fire Station General Obligation Bond Debt Service** - This fund is used to account for the accumulation of resources and payment of long-term debt principal and interest for general obligation bonds issued by the City to finance the expansion of the City Fire Station.

471 **Redevelopment Agency Tax Allocation Bond Debt Service Fund** - This fund is used to account for the accumulation of resources and payment of long-term debt principal and interest for tax allocation bonds issued by the former RDA to finance the repayment of debt and future projects.

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

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

640 **Water Fund** – Fund used to account for the operation of water utility service to the community. Revenues are received from fees for service.

641 **Lopez Fund** – The Lopez Fund is responsible for the purchase of water, debt servicing, and the maintenance and operation of Lopez Dam. User Fee charges for water availability and utility billing are the major revenue sources of this fund.

642 **Water Facility Fund** - Fund used to account for the accumulation of revenues from charges for current services to be used for future water infrastructure improvements.

751 **Downtown Parking** - Agency Fund collecting assessments from Village merchants for the maintenance of Village parking for the Downtown Village Merchants Association.