

# **CITY OF SAN JUAN BAUTISTA**

## **INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS JUNE 30, 2014**

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29 – 30

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of San Juan Bautista, 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 San Juan Bautista, California, (the City) as of and for the 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.

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

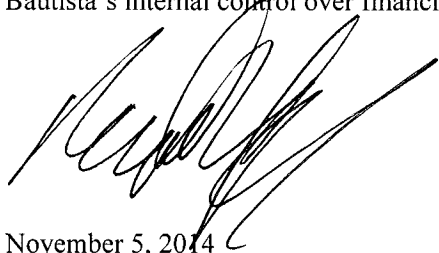
### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, on our consideration of the City of San Juan Bautista'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 City of San Juan Bautista's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'K. R. [unclear]', is written over the date.

November 5, 2014

# CITY OF SAN JUAN BAUTISTA

## 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	\$ 1,606,711	\$ 956,229	\$ 2,562,940
Restricted cash and investments	-	791,093	791,093
Accounts receivable, net	-	124,787	124,787
Interest receivable	-	8,591	8,591
Due from other governmental agencies	201,141	-	201,141
Internal balances	1,895,884	(1,895,884)	-
Prepaid expense and other assets	7,057	-	7,057
Deferred loan charges, net	-	316,395	316,395
Capital assets (net of allowance for depreciation)	883,972	14,357,940	15,241,912
Total assets	<u>4,594,765</u>	<u>14,659,151</u>	<u>19,253,916</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	238,599	84,070	322,669
Accrued interest	-	160,211	160,211
Deposits	500	92,910	93,410
Long-term liabilities			
Due within one year	-	194,312	194,312
Due in more than one year	-	10,648,526	10,648,526
Total liabilities	<u>239,099</u>	<u>11,180,029</u>	<u>11,419,128</u>
<b>NET POSITION</b>			
Net investment in capital assets	883,972	3,515,102	4,399,074
Restricted for debt service	-	791,093	791,093
Restricted for specific projects and programs	395,624	-	395,624
Unrestricted/(deficit)	3,076,070	(827,073)	2,248,997
Total net position	<u>\$ 4,355,666</u>	<u>\$ 3,479,122</u>	<u>\$ 7,834,788</u>

# CITY OF SAN JUAN BAUTISTA

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 365,206	\$ 10,985	\$ -	\$ -	\$ (354,221)	\$ -	\$ (354,221)
Public works	281,416	-	63,855	6,868	(210,693)	-	(210,693)
Parks and recreation	58,976	1,006	-	-	(57,970)	-	(57,970)
Public safety	429,115	1,902	152,567	6,172	(268,474)	-	(268,474)
Community development	188,637	68,633	-	23,256	(96,748)	-	(96,748)
Total governmental activities	1,323,350	82,526	216,422	36,296	(988,106)	-	(988,106)
Business-type activities							
Water	835,046	736,597	-	30,200	-	(68,249)	(68,249)
Sewer	877,811	841,769	-	20,960	-	(15,082)	(15,082)
Total business-type activities	1,712,857	1,578,366	-	51,160	-	(83,331)	(83,331)
<b>Total primary government</b>	<b>\$ 3,036,207</b>	<b>\$ 1,660,892</b>	<b>\$ 216,422</b>	<b>\$ 87,456</b>	<b>(988,106)</b>	<b>(83,331)</b>	<b>(1,071,437)</b>
<b>General Revenues</b>							
Property taxes and assessments					291,071	-	291,071
Sales taxes					417,486	-	417,486
Lodging taxes					52,707	-	52,707
Franchise taxes					56,161	-	56,161
Business licenses					19,598	-	19,598
Motor vehicle in-lieu					105,992	-	105,992
Interest and rent					44,360	49,280	93,640
Other					74,373	-	74,373
Total general revenue					1,061,748	49,280	1,111,028
<b>Change in Net Position</b>					73,642	(34,051)	39,591
<b>Net Position</b>							
Beginning of year					4,282,024	3,513,173	7,795,197
End of year					<u>4,355,666</u>	<u>\$ 3,479,122</u>	<u>\$ 7,834,788</u>

# CITY OF SAN JUAN BAUTISTA

## BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2014

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,186,871	\$ 419,840	\$ 1,606,711
Due from other governmental agencies	169,391	31,750	201,141
Due from other funds	1,895,884	-	1,895,884
Prepaid expense and other assets	7,057	-	7,057
Total assets	<u>\$ 3,259,203</u>	<u>\$ 451,590</u>	<u>\$ 3,710,793</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued expense	\$ 177,287	\$ 61,312	\$ 238,599
Deposits	500	-	500
Total liabilities	<u>177,787</u>	<u>61,312</u>	<u>239,099</u>
<b>Fund Balance</b>			
Nonspendable			
Advances to other funds	1,895,884	-	1,895,884
Prepaid	7,057	-	7,057
Restricted			
Public safety	-	6,172	6,172
Capital improvement projects	-	128,317	128,317
Circulation improvements	-	207,670	207,670
Lighting and landscape maintenance	-	53,465	53,465
Unassigned	1,178,475	(5,346)	1,173,129
Total fund balance	<u>3,081,416</u>	<u>390,278</u>	<u>3,471,694</u>
Total liabilities and fund balance	<u>\$ 3,259,203</u>	<u>\$ 451,590</u>	<u>\$ 3,710,793</u>

# CITY OF SAN JUAN BAUTISTA

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2014

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Total governmental fund balances	\$ 3,471,694
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Amounts reported for governmental activities in the statement  
of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>883,972</u>
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Net position of governmental activities	<u>\$ 4,355,666</u>
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# CITY OF SAN JUAN BAUTISTA

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Taxes	\$ 912,514	\$ 30,501	\$ 943,015
Intergovernmental	52,567	163,855	216,422
Charges for services	31,251	-	31,251
Licenses, permits and impact fees	49,366	36,296	85,662
Fines and forfeitures	1,909	-	1,909
Interest and rent	44,360	-	44,360
Other	74,373	-	74,373
Total revenue	<u>1,166,340</u>	<u>230,652</u>	<u>1,396,992</u>
<b>Expenditures</b>			
Current			
General government	364,829	-	364,829
Public works	206,579	40,594	247,173
Parks and recreation	43,154	-	43,154
Public safety	293,493	121,770	415,263
Community development	188,637	-	188,637
Capital outlay	171,649	-	171,649
Total expenditures	<u>1,268,341</u>	<u>162,364</u>	<u>1,430,705</u>
Revenue over/(under) expenditures	(102,001)	68,288	(33,713)
<b>Other Financing Sources/(Uses)</b>			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	(102,001)	68,288	(33,713)
<b>Fund Balance</b>			
Beginning of year	3,183,417	321,990	3,505,407
End of year	<u>\$ 3,081,416</u>	<u>\$ 390,278</u>	<u>\$ 3,471,694</u>

## CITY OF SAN JUAN BAUTISTA

### RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2014

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Net change in fund balance - total governmental funds	\$ (33,713)
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Amounts reported for governmental activities in the statement of activities are different because:

Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds	(64,294)
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Governmental funds report capital outlays 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 capital outlay exceeded depreciation in the current period.	<u>171,649</u>
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Change in net position of governmental activities	<u>\$ 73,642</u>
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# CITY OF SAN JUAN BAUTISTA

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 448,328	\$ 507,901	\$ 956,229
Restricted cash and investments	435,102	355,991	791,093
Accounts receivable, net	52,752	72,035	124,787
Interest receivable	4,725	3,866	8,591
Total current assets	<u>940,907</u>	<u>939,793</u>	<u>1,880,700</u>
<b>Non-current assets</b>			
Deferred loan charges, net	174,017	142,378	316,395
Property, plant and equipment (net of allowance for depreciation)	<u>7,487,523</u>	<u>6,870,417</u>	<u>14,357,940</u>
Total noncurrent assets	<u>7,661,540</u>	<u>7,012,795</u>	<u>14,674,335</u>
Total assets	<u>8,602,447</u>	<u>7,952,588</u>	<u>16,555,035</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expense	42,203	41,867	84,070
Accrued interest	88,116	72,095	160,211
Due to other funds	1,042,736	853,148	1,895,884
Deposits	92,910	-	92,910
Current portion of long-term debt	<u>106,872</u>	<u>87,440</u>	<u>194,312</u>
Total current liabilities	<u>1,372,837</u>	<u>1,054,550</u>	<u>2,427,387</u>
<b>Noncurrent Liabilities</b>			
Long-term debt	<u>5,856,689</u>	<u>4,791,837</u>	<u>10,648,526</u>
Total liabilities	<u>7,229,526</u>	<u>5,846,387</u>	<u>13,075,913</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,523,962	1,991,140	3,515,102
Restricted for debt service	435,102	355,991	791,093
Unrestricted	<u>(586,143)</u>	<u>(240,930)</u>	<u>(827,073)</u>
Total net position	<u>\$ 1,372,921</u>	<u>\$ 2,106,201</u>	<u>\$ 3,479,122</u>

# CITY OF SAN JUAN BAUTISTA

## STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenue</b>			
Charges for services	\$ 723,186	\$ 841,769	\$ 1,564,955
Other fees	13,411	-	13,411
Total operating revenue	<u>736,597</u>	<u>841,769</u>	<u>1,578,366</u>
<b>Operating Expense</b>			
Contractual services and utilities	103,112	230,435	333,547
Personnel	14,912	16,710	31,622
Supplies, materials and repairs	39,232	33,487	72,719
Depreciation and amortization expense	311,431	297,431	608,862
Total operating expense	<u>468,687</u>	<u>578,063</u>	<u>1,046,750</u>
Operating income/(loss)	<u>267,910</u>	<u>263,706</u>	<u>531,616</u>
<b>Nonoperating Revenue/(Expense)</b>			
Development impact fees	30,200	20,960	51,160
Interest income	24,640	24,640	49,280
Interest expense	(366,359)	(299,748)	(666,107)
Total nonoperating revenue/(expense)	<u>(311,519)</u>	<u>(254,148)</u>	<u>(565,667)</u>
Net income/(loss) before transfers	(43,609)	9,558	(34,051)
<b>Operating Transfers In/(Out)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>(43,609)</u>	<u>9,558</u>	<u>(34,051)</u>
<b>Net Position</b>			
Beginning of year	1,416,530	2,096,643	3,513,173
End of year	<u>\$ 1,372,921</u>	<u>\$ 2,106,201</u>	<u>\$ 3,479,122</u>

# CITY OF SAN JUAN BAUTISTA

## STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Funds</b>
<b>Operating Activities</b>			
Receipts from customers and users	\$ 762,178	\$ 852,755	\$ 1,614,933
Payments for contractual services and utilities	(60,015)	(192,767)	(252,782)
Payments to employees	(14,912)	(16,710)	(31,622)
Payments to suppliers	(39,232)	(33,487)	(72,719)
Net cash provided by operating activities	<u>648,019</u>	<u>609,791</u>	<u>1,257,810</u>
<b>Capital and Related Financing Activities</b>			
Payments from developers	30,200	20,960	51,160
Purchase of property, plant and equipment	(79,372)	(169)	(79,541)
Principal paid on long-term debt	(219,345)	(179,464)	(398,809)
Interest paid on long-term debt	(367,074)	(300,333)	(667,407)
Net cash used by capital and related financing activities	<u>(635,591)</u>	<u>(459,006)</u>	<u>(1,094,597)</u>
<b>Investing Activities</b>			
Interest received	<u>24,640</u>	<u>24,640</u>	<u>49,280</u>
Net cash provided by investing activities	<u>24,640</u>	<u>24,640</u>	<u>49,280</u>
<b>Net Increase in Cash</b>	37,069	175,424	212,493
<b>Cash</b>			
Beginning of year	<u>846,361</u>	<u>688,468</u>	<u>1,534,829</u>
End of year	<u>\$ 883,430</u>	<u>\$ 863,892</u>	<u>\$ 1,747,322</u>
<b>Cash Flows from Operating Activities</b>			
Operating income (loss)	\$ 267,910	\$ 263,706	\$ 531,616
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	311,431	297,431	608,862
(Increase) Decrease in Accounts Receivable	25,581	10,986	36,567
Increase (Decrease) in Accounts Payable and Accrued Liabilities	43,097	37,668	80,765
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 648,019</u>	<u>\$ 609,791</u>	<u>\$ 1,257,810</u>

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of San Juan Bautista (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **Reporting Entity**

The City of San Juan Bautista, State of California (the "City"), was incorporated in 1869. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; sewer and water; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

#### **Basis of Presentation – Fund Accounting**

**Government-Wide Financial Statements** - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net Position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

**Governmental Fund Financial Statements** - The Governmental Fund Financial Statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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

The City reports the following major governmental fund:

*General Fund* – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

The City reports the following major enterprise funds:

*Water Fund* – The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

*Sewer Fund* – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

### **Basis of Accounting**

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

#### **Financial Statement Amounts**

*Cash and Investments* - Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

*Accounts Receivable* - Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. An allowance for doubtful accounts is provided to account for potentially uncollectible amounts.

San Benito County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

*Interfund Receivables/Payables* - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

*Capital Assets* - Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings, structures and improvements	40
Infrastructure	40
Equipment	5 - 10

*Compensated Absences* - It is the City's policy to permit all employees to accumulate earned but unused vacation and compensatory time benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

Sick leave can be accumulated, but vesting is limited and will not be paid upon termination. For this reason, the City does not accrue any costs relating to sick leave.

*Long-Term Obligations* - In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Non-Current Governmental Assets/Liabilities* - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

*Net Position* - The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Net Investment in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* - This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - This category represents net position of the City, not restricted for any project or other purpose.

*Fund Equity* – In the fund financial statements, governmental fund balance is made up of the following components:

- *Nonspendable fund balance* typically includes inventories, prepaid items, long-term portion of loans receivable, nonfinancial assets held for resale and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- *Restricted fund balance* category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- *Committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- *Assigned fund balance* are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 1 – Summary of Significant Accounting Policies (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

*Use of 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

*Implementation of New GASB Pronouncement* – For the year ended June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Upon implementation, there was no effect on the City's accounting or financial reporting.

*New GASB Pronouncements Not Yet Adopted* - In June 30, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for the fiscal year ended June 30, 2015.

In January 2014, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for the fiscal year ended June 30, 2015.

In April 2014, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of GASB Statement No. 70 are effective for the fiscal year ended June 30, 2015.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the San Juan Bautista Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

### Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

#### Statement of Net Position:

Cash and Investments	\$ 2,562,940
Restricted Cash and Investments	<u>791,093</u>
Total Cash and Investments	<u>\$ 3,354,033</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 200
Deposits with Financial Institutions	2,499,493
Local Agency Investment Fund	63,247
Held by Fiscal Agent:	
Money Market Mutual Funds	15,311
Private Debt Obligations	<u>775,782</u>
Total Cash and Investments	<u>\$ 3,354,033</u>

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 3 – Cash and Investments (Continued)

#### 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 (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Banker's Acceptances	180 days	None	20%	10% or \$5 million
Commercial Paper	180 days	A	15%	10%
Negotiable Certificates of Deposit	2 years	None	30%	None
Medium-Term Notes	5 years	AA	20%	10%
Money Market Mutual Funds	N/A	AAA	20%	10%
Repurchase Agreements	1 year	None	None	None
Time Deposits	2 years	None	10%	None
County Pooled Investment Funds	N/A	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million	None

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 3 – Cash and Investments (Continued)

#### 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. As of June 30, 2014 the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>
Local Agency Investment Fund	\$ 63,247	N/A
Held by Fiscal Agent:		
Money Market Mutual Funds	15,311	N/A
Private Debt Obligations	<u>775,782</u>	10/1/2018
Total	<u>\$ 854,340</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 a 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 year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End Not Rated</u>
Local Agency Investment Fund	\$ 63,247	N/A	\$ 63,247
Held by Fiscal Agent:			
Money Market Mutual Funds	15,311	N/A	15,311
Private Debt Obligations	<u>775,782</u>	N/A	<u>775,782</u>
Total	<u>\$ 854,340</u>		<u>\$ 854,340</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. At times, the City's bank accounts may exceed federally insured limits. The City has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 3 – Cash and Investments (Continued)

#### **Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As of June 30, 2014, the carrying amount of the City's bank deposits was \$2,499,493, and the respective bank balances totaled \$2,551,363, of the total bank balance. Of the bank balances, only \$688,349 is insured through the Federal Depository Insurance Company. The remaining balance is to be collateralized by the bank.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty 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 financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

### Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 22,610	\$ -	\$ -	\$ 22,610
Construction in progress	10,000	-	(10,000)	-
Total capital assets, not being depreciated	32,610	-	(10,000)	22,610
Capital assets, being depreciated				
Buildings and improvements	939,164	154,579	-	1,093,743
Infrastructure	559,200	-	-	559,200
Machinery and equipment	782,138	27,070	-	809,208
Total capital assets, being depreciated	2,280,502	181,649	-	2,462,151
Less accumulated depreciation for:				
Buildings and improvements	(620,528)	(21,443)	-	(641,971)
Infrastructure	(156,835)	(26,955)	-	(183,790)
Machinery and equipment	(759,132)	(15,896)	-	(775,028)
Total accumulated depreciation	(1,536,495)	(64,294)	-	(1,600,789)
Total capital assets, being depreciated, net	744,007	117,355	-	861,362
Governmental activities capital assets, net	<u>\$ 776,617</u>	<u>\$ 117,355</u>	<u>\$ (10,000)</u>	<u>\$ 883,972</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 234,783	\$ -	\$ -	\$ 234,783
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	234,783	-	-	234,783
Capital assets, being depreciated				
Building	323,861	-	-	323,861
Improvements other than buildings	17,787,637	78,799	-	17,866,436
Machinery and equipment	423,095	-	(7,268)	415,827
Total capital assets, being depreciated	18,534,593	78,799	(7,268)	18,606,124
Less: accumulated depreciation	(3,892,052)	(598,183)	7,268	(4,482,967)
Total capital assets, being depreciated, net	14,642,541	(519,384)	-	14,123,157
Business-type activities capital assets, net	<u>\$ 14,877,324</u>	<u>\$ (519,384)</u>	<u>\$ -</u>	<u>\$ 14,357,940</u>



# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 4 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

**Governmental Functions:**

General Government	\$	377
Public Works		34,243
Parks and Recreation		15,822
Public Safety		13,852
	\$	<u>64,294</u>

**Business-Type Functions:**

Water	\$	305,558
Sewer		292,624
	\$	<u>598,182</u>

### Note 5 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

In governmental fund types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred in proprietary funds are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method. The City's debt transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion</u>
<b><u>Business-Type Activity Long Term Debt</u></b>					
2008 Water and Sewer COP	\$ 10,670,000	\$ -	\$ 130,000	\$ 10,540,000	\$ 135,000
Pavex Note Payable	<u>571,647</u>	<u>-</u>	<u>268,809</u>	<u>302,838</u>	<u>59,312</u>
Total Business-Type Activity Debt	<u>\$ 11,241,647</u>	<u>\$ -</u>	<u>\$ 398,809</u>	<u>\$ 10,842,838</u>	<u>\$ 194,312</u>

Long-term debt payable at June 30, 2014 was comprised of the following individual issues:

**2008 Water and Sewer COP** – In October 2008, the city issued \$11,145,000 in water and wastewater revenue certificates of participation to fund major improvements to the city water and sewer facilities. As the project is a joint water and sewer undertaking, upon project completion, the debt was allocated 55% to the Water Fund and 45% to the Sewer Fund. The bonds require semi-annual interest payments with rates ranging from 3% to 6.25% per annum through 2044.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 5 – Long-Term Debt (Continued)

**Pavex Note Payable** – In June 2011, the city entered into a note payable to fund major improvements to the city water and sewer facilities. As the project is a joint water and sewer undertaking, upon project completion, the debt was allocated 55% to the Water Fund and 45% to the Sewer Fund. Interest and principal payments are payable monthly, with interest at 6.0 percent through July 2016. Subsequent to the fiscal year ending June 30, 2013, the City made a principal payment of \$200,000 and renegotiated the terms of the note with interest at 5.0 percent and interest and principal payments payable monthly through April 2018.

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2014, were as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>
2015	194,312	648,275
2016	222,615	642,249
2017	236,842	631,475
2018	229,069	619,913
2019	165,000	610,507
2020-2024	960,000	2,901,498
2025-2029	1,305,000	2,562,610
2030-2034	1,780,000	2,088,126
2035-2039	2,430,000	1,436,564
2040-2044	3,320,000	544,690
	<u>\$ 10,842,838</u>	<u>\$ 12,685,907</u>

### Note 6 – Deferred Compensation Plan

On October 1, 1999, the City established a deferred compensation plan for its employees which provides them an opportunity to save for retirement. The plan meets the requirements of Internal Revenue Code Section 457. Under the plan, employees make tax deferred contributions up to the limits established by the Internal Revenue Service. The contributions made to the plan may be withdrawn only upon retirement separation from service, death or unforeseeable emergency. Employees are 100% vested in their contributions from the first date of participation. The plan provides for varying matching contributions.

The plan is administered by the City. The participants are offered a choice of investment options and make their own investment decisions. The City has fiduciary obligation for due care in the administration of the plan, but is not responsible for the investments or performance results of the investment products offered under the plan, therefore, the City is not required to report these funds on the City's financial statements.

# CITY OF SAN JUAN BAUTISTA

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### Note 7 – Risk Management

The City of San Juan Bautista is insured under the Public Agency Risk Sharing Authority of California (PARSAC) liability program. Protection is afforded for “bodily injury, property damage, personal injury and public officials’ errors and omissions, subject to certain limitations”.

Limit of protection - \$995,000 ultimate net loss as the result of any occurrence because of bodily injury, property damage, personal injury or public officials’ errors and omissions or any combination thereof in excess of the retained limit.

Retained limit - \$5,000 ultimate net loss as the result of any occurrence because of bodily injury, property damage, personal injury or public officials’ errors and omissions or any combination thereof.

Complete audited financial statements for PARSAC can be obtained from PARSAC’s office at 1525 Response Road, Suite One, Sacramento, CA 95815.

### Note 8 – Interfund Receivables, Payables and Transfers

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Major Governmental Funds:</b>		
General Fund	\$ 1,895,884	\$ -
<b>Proprietary Funds:</b>		
Water Fund	-	1,042,736
Sewer Fund	-	853,148
	<u>\$ 1,895,884</u>	<u>\$ 1,895,884</u>

### Note 9 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through November 5, 2014, the date which these financial statements were available to be issued. With exception to the principal payment discussed in Note 6, management concluded that no material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in such financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF SAN JUAN BAUTISTA

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenue</b>				
Taxes	\$ 837,500	\$ 837,500	\$ 912,514	\$ 75,014
Intergovernmental	76,961	76,961	52,567	(24,394)
Charges for services	25,910	25,910	31,251	5,341
Licenses, permits and impact fees	21,700	21,700	49,366	27,666
Fines and forfeitures	3,800	3,800	1,909	(1,891)
Interest and rent	34,000	34,000	44,360	10,360
Other	27,150	27,150	74,373	47,223
Total revenue	<u>1,027,021</u>	<u>1,027,021</u>	<u>1,166,340</u>	<u>139,319</u>
<b>Expenditures</b>				
Current				
General government	357,597	357,597	364,829	(7,232)
Public works	209,786	209,786	206,579	3,207
Parks and recreation	47,625	47,625	43,154	4,471
Public safety	327,934	327,934	293,493	34,441
Community development	117,343	117,343	188,637	(71,294)
Capital outlay	<u>175,900</u>	<u>175,900</u>	<u>171,649</u>	<u>4,251</u>
Total expenditures	<u>1,236,185</u>	<u>1,236,185</u>	<u>1,268,341</u>	<u>(32,156)</u>
Revenue over (under) expenditures	(209,164)	(209,164)	(102,001)	107,163
<b>Other Financing Sources</b>				
Transfers in (out) - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (209,164)</u>	<u>\$ (209,164)</u>	(102,001)	<u>\$ 107,163</u>
<b>Fund Balance</b>				
Beginning of year			3,183,417	
End of year			<u>\$ 3,081,416</u>	

## **SUPPLEMENTAL ONLY INFORMATION**

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# CITY OF SAN JUAN BAUTISTA

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2014

	Special Revenue Funds						
	COPS Grant	Impact Fees	Public Parking Fund	Gas Tax Fund	Roads & Restrooms Fund	Valley Vista Lighting & Landscaping Assessment District	Non-major Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 25,004	\$ 36,296	\$ 17,447	\$ 200,014	\$ 87,614	\$ 53,465	\$ 419,840
Due from other governmental agencies	25,000	-	-	6,750	-	-	31,750
Total assets	<u>\$ 50,004</u>	<u>\$ 36,296</u>	<u>\$ 17,447</u>	<u>\$ 206,764</u>	<u>\$ 87,614</u>	<u>\$ 53,465</u>	<u>\$ 451,590</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable and accrued expense	\$ 55,350	\$ -	\$ -	\$ 5,962	\$ -	\$ -	\$ 61,312
Total liabilities	<u>55,350</u>	<u>-</u>	<u>-</u>	<u>5,962</u>	<u>-</u>	<u>-</u>	<u>61,312</u>
<b>Fund Balance</b>							
Restricted							
Public safety	-	6,172	-	-	-	-	6,172
Capital improvement projects	-	23,256	17,447	-	87,614	-	128,317
Circulation improvements	-	6,868	-	200,802	-	-	207,670
Lighting and landscape maintenance	-	-	-	-	-	53,465	53,465
Unassigned	(5,346)	-	-	-	-	-	(5,346)
Total fund balance	<u>(5,346)</u>	<u>36,296</u>	<u>17,447</u>	<u>200,802</u>	<u>87,614</u>	<u>53,465</u>	<u>390,278</u>
Total liabilities and fund balance	<u>\$ 50,004</u>	<u>\$ 36,296</u>	<u>\$ 17,447</u>	<u>\$ 206,764</u>	<u>\$ 87,614</u>	<u>\$ 53,465</u>	<u>\$ 451,590</u>

# CITY OF SAN JUAN BAUTISTA

## COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	Special Revenue Funds						
	COPS Grant	Impact Fees	Public Parking Fund	Gas Tax Fund	Roads & Restrooms Fund	Valley Vista Lighting & Landscaping Assessment District	Non-major Governmental Funds
<b>Revenue</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,786	\$ 21,715	\$ 30,501
Intergovernmental	100,000	-	-	63,855	-	-	163,855
Licenses, permits and impact fees	-	36,296	-	-	-	-	36,296
Total revenue	<u>100,000</u>	<u>36,296</u>	<u>-</u>	<u>63,855</u>	<u>8,786</u>	<u>21,715</u>	<u>230,652</u>
<b>Expenditures</b>							
Current							
Public works	-	-	-	26,780	-	13,814	40,594
Public safety	121,770	-	-	-	-	-	121,770
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>121,770</u>	<u>-</u>	<u>-</u>	<u>26,780</u>	<u>-</u>	<u>13,814</u>	<u>162,364</u>
Revenue over (under) expenditures	(21,770)	36,296	-	37,075	8,786	7,901	68,288
<b>Other financing sources/(uses)</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	(21,770)	36,296	-	37,075	8,786	7,901	68,288
<b>Fund Balance</b>							
Beginning of year	16,424	-	17,447	163,727	78,828	45,564	321,990
End of year	<u>\$ (5,346)</u>	<u>\$ 36,296</u>	<u>\$ 17,447</u>	<u>\$ 200,802</u>	<u>\$ 87,614</u>	<u>\$ 53,465</u>	<u>\$ 390,278</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council  
City of San Juan Bautista, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Juan Bautista, California, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated November 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

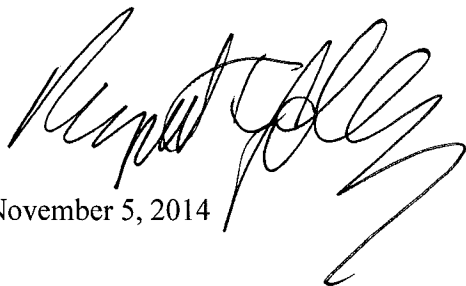
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "K. J. Kelly", is written over the date.

November 5, 2014

**CITY OF SAN JUAN BAUTISTA**

**MANAGEMENT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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To the Honorable Mayor and City Council  
City of San Juan Bautista, California

In planning and performing our audit of the basic financial statements of the City of San Juan Bautista (City) for the year ended June 30, 2014, in accordance with generally accepted auditing standards in the United States, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the use of management, the City Council, and others within the organization, and it's not intended to be and should not be used by anyone other than these specified parties. We thank the City's staff for its cooperation during our audit.



November 5, 2014

To the Honorable Mayor and City Council  
City of San Juan Bautista, California

We have audited the financial statements of the City of San Juan Bautista, California (City) for the year ended June 30, 2014, and have issued our report thereon dated November 5, 2014. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles of the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal controls of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements.

We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance and consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements.

### Corrected and Uncorrected Misstatements

For purposes of this letter, professional standards define significant audit adjustments as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). We did not identify any significant audit adjustments.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. Our professional standards require a consulting accountant to check with us if a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements. This is to ensure that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

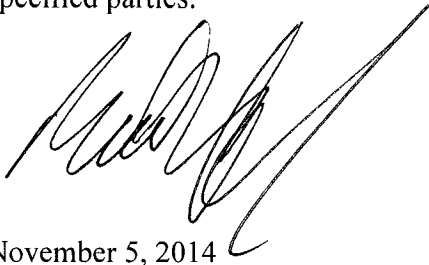
### Management Representations

We have requested certain representations from management that are included in the management representation letter.

### Other Audit Findings and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended for the use of management, the City Council, and others within the organization, and it's not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', written over the date.

November 5, 2014