

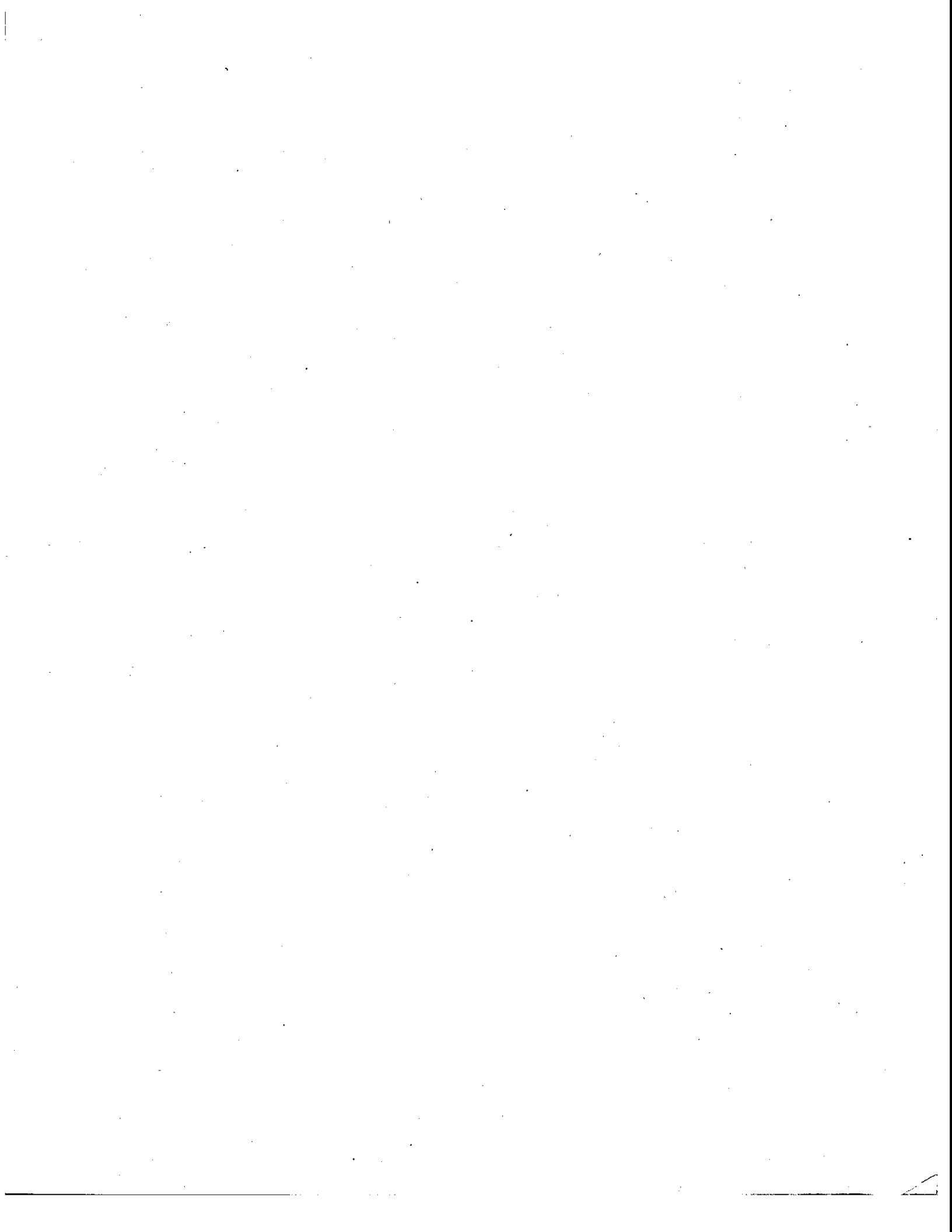
City of Lemon Grove

Lemon Grove, California

Basic Financial Statements

For the year ended June 30, 2013





City of Lemon Grove

For the year ended June 30, 2013

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City of Lemon Grove

For the year ended June 30, 2013

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BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Lemon Grove
Lemon Grove, 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 Lemon Grove, California (City) as of and for the year ended June 30, 2013, 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.

To the Honorable Mayor and Members of the City Council
of the City of Lemon Grove

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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 as of June 30, 2013, 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 management's discussion and analysis, budgetary comparison information, and schedules of funding progress for defined benefit pension plans and other post employment benefits on pages 5-10 and 77-78 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.

Other Information

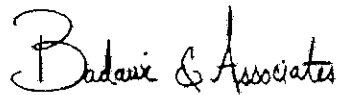
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 88-105 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 88-105 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 88-105 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Lemon Grove
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Other Reporting Required by Government Auditing Standards

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



Badawi & Associates, CPAs
Oakland, California
April 9, 2014

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Honorable Mayor and City Council
City of Lemon Grove
3232 Main Street
Lemon Grove, California

City Hall
619-825-3800

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2013. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify any material deviations from the approved budget.

Readers are encouraged to consider the information presented in this document, in conjunction with the City's financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$76.9 million.
- The net position value increased from the previous year by over \$2.3 million, or 3.11 percent.
- The City's governmental funds reported a combined ending fund balance of \$5.9 million, a decrease from the previous year of \$1.5 million, or -20.27 percent. This is due to several factors, including capital purchases (finance system, fire equipment), grant expenditures not yet offset by grant revenues, and capital street projects. These expenditures were partially offset by increases in sales tax and property tax.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

A major component of the Financial Section of the City's Annual Financial Report is the Basic Financial Statements, and is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community services, and development services. The business-type activity of the City is the Lemon Grove Sanitation District.

Also included in the government-wide financial statements are the Lemon Grove Sanitation District (Sanitation District), a blended component unit, and the Lemon Grove Lighting District (Lighting District), a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. While the Sanitation District and Lighting District are legally separate agencies, their governing board consists entirely of City Council members.

Statement of Net Position: This statement presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The following schedule displays a summary breakdown of the City's statement of net position:

Comparative Statements of Position

June 30, 2013 and 2012

(Amounts in Millions)

	Governmental Activities			Business-type Activities		
	2013	2012	Change	2013	2012	Change
Assets:						
Cash and investments	\$4.3	\$3.3	\$1.0	\$14.0	\$12.4	\$1.6
Other assets	14.4	14.5	(0.1)	-	-	-
Capital assets, net	42.9	41.8	1.1	5.3	5.5	(0.2)
Total Assets	61.6	59.6	2.0	19.3	17.9	1.4
Liabilities:						
Long-term liabilities	1.1	1.4	(0.3)	-	-	-
Other liabilities	2.8	1.4	1.4	0.2	-	0.2
Total Liabilities	3.9	2.8	1.1	0.2	-	0.2
Net Position:						
Net investment in capital assets	42.9	41.7	1.2	5.3	5.5	(0.2)
Restricted	9.0	9.7	(0.7)	-	-	-
Unrestricted	5.8	5.4	0.4	13.8	12.4	1.4
Total Net Position	\$57.7	\$56.8	\$0.9	\$19.1	\$17.9	\$1.2

The City's total net position increased by 3.1 percent over last year. Net position from governmental activities increased by 2 percent while net position from business activities increased by 7 percent. The City's assets exceeded its liabilities by approximately \$76.9 million.

Approximately 63 percent of the City's net position reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 12 percent of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, and laws or regulations of other governments.

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

The following schedule shows condensed financial information from the statement of activities:

Comparative Statements of Activities						
June 30, 2013 and 2012						
(Amounts in Millions)						
	Governmental Activities			Business-type Activities		
	2013	2012	Change	2013	2012	Change
Revenues:						
Program revenues:						
Charges for services	\$1.2	\$0.8	\$0.4	\$5.6	\$5.5	\$0.1
Operating grants and contributions	0.5	0.4	0.1	-	-	-
Capital grants and contributions	1.8	1.7	0.1	-	-	-
Total program revenues	3.5	2.9	0.6	5.6	5.5	0.1
General revenues:						
Taxes:						
General property taxes	4.1	5.5	(1.4)	-	-	-
Sales tax	3.9	3.7	0.2	-	-	-
Transient occupancy tax	-	-	-	-	-	-
Franchise tax	0.8	0.9	(0.1)	-	-	-
Other local taxes	-	-	-	-	-	-
Investment earnings	0.4	0.7	(0.3)	-	0.1	(0.1)
Other	0.1	-	0.1	-	-	-
Transfers	-	1.4	(1.40)	-	(1.4)	1.40
Total general revenues	9.3	12.2	(2.9)	-	(1.3)	1.3
Total Revenues	12.8	15.1	(2.3)	5.6	4.2	1.4
Expenses:						
General government	0.9	1.3	(0.4)	-	-	-
Public safety	8.7	8.4	0.3	-	-	-
Public works	1.8	3.6	(1.8)	-	-	-
Community development	0.5	3.6	(3.1)	-	-	-
Sanitation	-	-	-	4.4	3.0	1.4
Interest on long-term debt	-	0.3	(0.3)	-	-	-
Total Expenses	11.9	17.2	(5.3)	4.4	3.0	1.4
Extraordinary item - RDA Dissolution	-	16.7	(16.7)	-	-	-
Increase (decrease) in net position	0.9	14.6	(13.7)	1.2	1.2	0.0
Net position - beginning	56.8	42.2	14.6	17.9	16.7	1.2
Net position - ending	\$57.7	\$56.8	\$0.9	\$19.1	\$17.9	\$1.2

The governmental activities increased the City's net position by \$0.9 million. Governmental program revenues offset 25.93 percent of program expenditures, a 20.7% increase over prior year. General revenues and transfers of \$9.3 million did not meet total expenditures. Net position was restated by \$7.3 million in relation to the recognition of revenue. Both of these resulted to a 16.8 percent increase to governmental activities net position.

The business-type activities increased the City's net position by \$1.2 million. Business-type program revenues exceeded expenditures, resulting in a 6.70 percent increase to business-type net position. This is the sixth year that the Lemon Grove Sanitation District has had staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs.

Fund Financial Statements

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

Unlike the government-wide financial statements, the fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year, and offer summary information for each major fund. Such information may be useful in evaluating a government's near-term financing requirements. In particular, *unassigned fund balance* serves as a useful measure of a government's net resources available for spending at fiscal year end.

Governmental Funds: *Governmental funds* are used to account for the functions reported as *governmental activities* in the government-wide financial statements.

As of June 30, 2013, the City's governmental funds reported a combined ending fund balance of \$5.9 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at negative \$1.5 million. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds; General, and Housing Fund. Data from the other eighteen governmental funds are combined into a single, aggregated presentation entitled Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the supplementary information section of this report.

The General Fund is the chief operating fund of the City. As of June 30, 2013, its unassigned fund balance is approximately 2.9 million.

Proprietary Funds: The City maintains two types of proprietary funds; an enterprise fund to account for the Lemon Grove Sanitation District and an internal service fund to account for the City's self insurance-function.

There are no restricted net position for these funds, and the changes in net position show a growth over last-year for Sanitation of 6.70 percent and a decrease for the Internal Service fund of 0.00 percent.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Below are three notes of particular interest.

Note 2 - Cash and Investments: The City's total cash and investments at the end of the fiscal year totaled \$22.4 million. Approximately \$20.5 million was invested with the Local Agency Investment Fund and the San Diego County Pool (both money market type accounts). Approximately \$1.8 million was held and invested by bond trustees, and the balance was deposited in the City's checking accounts.

Note 5 - Capital Assets: Capital assets for the City's governmental activities were valued at \$42.9 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$5.29 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

Capital asset events included \$1.22 million spent on the Promenade, all of which was funded by grants, and 1.6 million spent on pavement management and street improvements and repairs, of which \$529,000 was covered by grants.

Note 6 - Long-Term Liabilities: The City had a total long-term debt outstanding of \$3.2 million. The majority of this amount, \$774,000, is comprised of compensated absences. The City's total long-term debt decreased this year by \$232,000, due to regularly scheduled payments to reduce debt. The City's business-type activity does not have long-term debt.

Required Supplementary Information

The required supplementary information is comprised of budgetary comparisons for the General Fund and the Housing Fund.

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2012.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a loss of expected revenues and transfers of \$1,416, while the expenditures were under what was expected by \$333,942. The final budget expected that a net gain of \$183,835 would occur. The actual revenues and expenditures resulted in a net gain of \$516,361. The difference between expected gain and actual is \$332,526.

Economic Factors and Next Year's Budget

Due to the continued sluggish economy during the reporting fiscal year, as well as stock market uncertainty and new PERS rate calculation methodologies, the City continues to be cautious as it develops the budget. In fiscal year 2012-13, total General Fund revenues and other financing sources were budgeted at \$13.1 million, an increase of approximately \$555,000 over fiscal year 2011-12, or 4.4 percent more than the previous year. The actual revenue received was \$12.97 million, a decrease of approximately \$97,000 versus the fiscal year 2012-13 budget. The total General Fund expenditures were reduced to \$12.36 million, versus a budget of \$12.67 million in 2012-13, a decrease of approximately \$314,000, or 2 percent. Overall the City had a surplus of \$610,000 versus a budgeted surplus of \$393,000, an increase of \$217,000.

REQUESTS FOR INFORMATION

The Annual Financial Report is designed to provide a general view of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at the City of Lemon Grove, 3232 Main Street, Lemon Grove, CA 91945, (619) 825-3800, or ctill@lemongrove.ca.gov.

**BASIC
FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

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City of Lemon Grove
Statement of Net Position
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 4,305,754	\$ 13,980,799	\$ 18,286,553
Receivables:			
Accounts, net	202,759	44,971	247,730
Due from other governments	2,872,236	-	2,872,236
Prepays	30,311	344	30,655
Total current assets	<u>7,411,060</u>	<u>14,026,114</u>	<u>21,437,174</u>
Noncurrent assets:			
Restricted cash and investments	25,000	-	25,000
Notes receivable	7,706,250	-	7,706,250
Due from Successor Agency	3,160,741	-	3,160,741
Property held for resale	325,000	-	325,000
Capital assets:			
Capital assets, not being depreciated	9,863,256	118,377	9,981,633
Capital assets, depreciated, net	33,083,369	5,169,417	38,252,786
Total capital assets	<u>42,946,625</u>	<u>5,287,794</u>	<u>48,234,419</u>
Total noncurrent assets	<u>54,163,616</u>	<u>5,287,794</u>	<u>59,451,410</u>
Total assets	<u>61,574,676</u>	<u>19,313,908</u>	<u>80,888,584</u>
LIABILITIES			
Accounts payable	1,739,480	176,995	1,916,475
Accrued expenses	155,782	-	155,782
Interest payable	1,250	-	1,250
Deposits payable	146,669	-	146,669
Unearned revenue	376,840	-	376,840
Claims payable, due within one year	100,000	-	100,000
Compensated absences, due within one year	232,215	-	232,215
Capital lease payable, due within one year	19,856	-	19,856
Total current liabilities	<u>2,772,092</u>	<u>176,995</u>	<u>2,949,087</u>
Noncurrent liabilities:			
Net OPEB obligation	208,908	-	208,908
Claims payable, due in more than one year	293,999	-	293,999
Compensated absences, due in more than one year	541,836	-	541,836
Capital lease payable, due in more than one year	42,644	-	42,644
Total noncurrent liabilities	<u>1,087,387</u>	<u>-</u>	<u>1,087,387</u>
Total liabilities	<u>3,859,479</u>	<u>176,995</u>	<u>4,036,474</u>
NET POSITION			
Net investment in capital assets	<u>42,884,125</u>	<u>5,287,794</u>	<u>48,171,919</u>
Restricted:			
Construction of capital assets	3,421	-	3,421
Streets, highways, bikeways, public transit and other related purposes	929,972	-	929,972
Community development	8,080,791	-	8,080,791
Public safety	34,479	-	34,479
Unrestricted	<u>5,782,409</u>	<u>13,849,119</u>	<u>19,631,528</u>
Total net position	<u>\$ 57,715,197</u>	<u>\$ 19,136,913</u>	<u>\$ 76,852,110</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Activities
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 922,962	\$ 87,334	\$ -	\$ -	\$ 87,334
Public safety	8,681,889	406,164	300,650	-	706,814
Public works	1,821,778	334,038	235,135	1,511,637	2,080,810
Community development	495,097	399,475	-	293,643	693,118
Interest on long-term debt	3,133	-	-	-	-
Total governmental activities	11,924,859	1,227,011	535,785	1,805,280	3,568,076
Business-type activities:					
Sanitation	4,364,996	5,571,705	-	-	5,571,705
Total business-type activities	4,364,996	5,571,705	-	-	5,571,705
Total primary government	\$ 16,289,855	\$ 6,798,716	\$ 535,785	\$ 1,805,280	\$ 9,139,781

General Revenues:

Taxes:

Property tax

Sales tax

Transient occupancy tax

Franchise tax

Motor vehicle in lieu tax - unrestricted

Total taxes

Investment earnings

Other

Total general revenues and transfers

Change in net position

Net position - beginning of year (as restated)

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (835,628)	\$ -	\$ (835,628)
(7,975,075)	-	(7,975,075)
259,032	-	259,032
198,021	-	198,021
(3,133)	-	(3,133)
<u>(8,356,783)</u>	<u>-</u>	<u>(8,356,783)</u>
-	1,206,709	1,206,709
-	1,206,709	1,206,709
<u>\$ (8,356,783)</u>	<u>\$ 1,206,709</u>	<u>\$ (7,150,074)</u>
4,082,435	-	4,082,435
3,897,070	-	3,897,070
36,756	-	36,756
889,320	-	889,320
13,395	-	13,395
<u>8,918,976</u>	<u>-</u>	<u>8,918,976</u>
374,463	33,710	408,173
144,389	-	144,389
<u>9,437,828</u>	<u>33,710</u>	<u>9,471,538</u>
1,081,045	1,240,419	2,321,464
56,634,152	17,896,494	74,530,646
<u>\$ 57,715,197</u>	<u>\$ 19,136,913</u>	<u>\$ 76,852,110</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Funds Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

Housing Fund accounts for the housing assets transferred from the former redevelopment agency, and the revenues and expenditures for the project area related to low and moderate income housing.

City of Lemon Grove
Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue Housing	Total Nonmajor Government Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,609,047	\$ -	\$ 1,536,941	\$ 3,145,988
Receivables, net:				
Due from other governments	607,180	957,011	1,308,045	2,872,236
Accounts	153,475	-	18,645	172,120
Notes	-	7,706,250	-	7,706,250
Due from other funds	1,836,622	-	-	1,836,622
Prepaid expenses	30,311	-	-	30,311
Property held for resale	-	325,000	-	325,000
Due from Successor Agency	3,160,741	-	-	3,160,741
Total assets	\$ 7,397,376	\$ 8,988,261	\$ 2,863,631	\$ 19,249,268
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 985,099	\$ 87,339	\$ 527,179	\$ 1,599,617
Accrued expenditures	155,782	-	-	155,782
Due to other funds	-	871,091	965,531	1,836,622
Deposits payable	146,669	-	-	146,669
Unearned and unavailable revenue	24,751	8,661,660	890,399	9,576,810
Total liabilities	1,312,301	9,620,090	2,383,109	13,315,500
Fund Balances:				
Nonspendable:				
Prepaid expenses	30,311	-	-	30,311
Advances to Successor Agency	3,160,741	-	-	3,160,741
Restricted:				
Public safety	-	-	34,522	34,522
Community	-	-	136,439	136,439
Public works	-	-	1,057,645	1,057,645
Unassigned	2,894,023	(631,829)	(748,084)	1,514,110
Total fund balances	6,085,075	(631,829)	480,522	5,933,768
Total liabilities and fund balances	\$ 7,397,376	\$ 8,988,261	\$ 2,863,631	\$ 19,249,268

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Position
 June 30, 2013

Total Fund Balances - Total Governmental Funds \$ 5,933,768

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

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

Non-depreciable	\$ 9,863,256
Depreciable, net	33,083,369
Total capital assets	42,946,625

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 9,199,970

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (1,250)

Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position. 681,543

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Government- Wide Statement of Net Position	Internal Service Funds	Total
Claims and judgments payable - due within one year	\$ (100,000)	\$ 100,000	\$ -
Compensated leave payable - due within one year	(232,215)	-	(232,215)
Capital lease payable - due within one year	(19,856)	-	(19,856)
Long term liabilities - due in more than one year	(1,087,387)	293,999	(793,388)
Total long-term liabilities	\$ (1,439,458)	\$ 393,999	(1,045,459)

Net Position of Governmental Activities \$ 57,715,197

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2013

	General Fund	Special Revenue Housing Fund	Total Nonmajor Government Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 8,783,622	\$ -	\$ 194,228	\$ 8,977,850
Licenses and permits	405,363	-	-	405,363
Fines, forfeitures and penalties	60,056	-	12,025	72,081
Intergovernmental	22,913	-	2,066,152	2,089,065
Charges for services	668,346	-	282,952	951,298
Use of money and property	332,565	-	4,662	337,227
Other	131,448	3,000	10,848	145,296
Total revenues	<u>10,404,313</u>	<u>3,000</u>	<u>2,570,867</u>	<u>12,978,180</u>
EXPENDITURES:				
Current:				
General government	588,359	-	279,700	868,059
Public safety	8,151,351	-	457,034	8,608,385
Public works	607,344	-	1,283,651	1,890,995
Community development	469,880	960,581	654,073	2,084,534
Capital outlay	48,397	-	893,225	941,622
Debt service:				
Principal	18,946	-	-	18,946
Interest and fiscal charges	3,675	-	-	3,675
Total expenditures	<u>9,887,952</u>	<u>960,581</u>	<u>3,567,683</u>	<u>14,416,216</u>
Net change in fund balances	516,361	(957,581)	(996,816)	(1,438,036)
FUND BALANCES:				
Beginning of year, as restated	5,568,714	325,752	1,477,338	7,371,804
End of year	<u>\$ 6,085,075</u>	<u>\$ (631,829)</u>	<u>\$ 480,522</u>	<u>\$ 5,933,768</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (1,438,036)
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	2,716,718
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds	(1,551,924)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(106,031)
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(46,732)
Long term debt proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Long-term debt repayments	18,946
Loan and other revenues that did not meet the revenue recognition criteria in the governmental funds but were recognized as revenue in the Government-Wide Financial Statements.	1,487,241
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.	542
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	321
Change in Net Position of Governmental Activities	<u>\$ 1,081,045</u>

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Sanitation Enterprise Fund accounts for the activities of the Sanitation District

Internal Service Funds are used to account for the financial transactions related to the City's risk management program.

City of Lemon Grove
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Cash and investments	13,980,799	1,159,766
Accounts receivable, net	44,971	30,639
Prepays	344	-
Total current assets	<u>14,026,114</u>	<u>1,190,405</u>
Noncurrent assets:		
Restricted cash and investments	-	25,000
Capital assets:		
Land	3,724	-
Construction in progress	114,653	-
Depreciable infrastructure	11,751,936	-
Depreciable equipment	787,239	-
Accumulated depreciation	<u>(7,369,758)</u>	<u>-</u>
Total capital assets	<u>5,287,794</u>	<u>-</u>
Total noncurrent assets	<u>5,287,794</u>	<u>25,000</u>
Total assets	<u>19,313,908</u>	<u>1,215,405</u>
LIABILITIES		
Current liabilities:		
Accounts payable	176,995	139,863
Claims payable, due within one year	-	100,000
Total current liabilities	<u>176,995</u>	<u>239,863</u>
Noncurrent liabilities:		
Claims payable, due in more than one year	-	293,999
Total noncurrent liabilities	<u>-</u>	<u>293,999</u>
Total liabilities	<u>176,995</u>	<u>533,862</u>
NET POSITION		
Net investment in capital assets	5,287,794	-
Unrestricted	13,849,119	681,543
Total net position	<u>19,136,913</u>	<u>681,543</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2013

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
OPERATING REVENUES:		
Charges for services	\$ 5,571,705	\$ 115,000
Total operating revenues	<u>5,571,705</u>	<u>115,000</u>
OPERATING EXPENSES:		
Personnel costs	1,175,300	-
Contractual services	35,280	-
Materials and supplies	381,833	-
Repairs and maintenance	103,325	-
Dump fees	2,319,667	-
Utilities	43,176	-
Insurance and claims	72,173	142,403
Depreciation	234,242	-
Total operating expenses	<u>4,364,996</u>	<u>142,403</u>
OPERATING INCOME	<u>1,206,709</u>	<u>(27,403)</u>
NONOPERATING REVENUES:		
Investment earnings	33,710	27,724
Total nonoperating revenues	<u>33,710</u>	<u>27,724</u>
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	1,240,419	321
Transfers out	-	-
Total transfers	<u>-</u>	<u>-</u>
Change in net position	1,240,419	321
NET POSITION		
Beginning of year	17,896,494	681,222
End of year	<u>\$ 19,136,913</u>	<u>\$ 681,543</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 5,587,303	\$ -
Cash received from user departments	-	85,173
Cash payments to employees	(1,175,300)	-
Cash payments to suppliers for goods and services	(2,795,993)	(129,131)
Net cash provided by (used in) operating activities	<u>1,616,010</u>	<u>(43,958)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(41,007)	-
Net cash provided by (used in) capital and related financing activities	<u>(41,007)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	33,709	27,724
Net cash provided by investing activities	<u>33,709</u>	<u>27,724</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,608,712</u>	<u>(16,234)</u>
CASH AND CASH EQUIVALENTS - Beginning of year	<u>12,372,087</u>	<u>1,201,000</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 13,980,799</u>	<u>\$ 1,184,766</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash and investments	\$ 13,980,799	\$ 1,159,766
Restricted cash and investments with fiscal agents	-	25,000
Total	<u>\$ 13,980,799</u>	<u>\$ 1,184,766</u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ 1,206,709	\$ (27,403)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	234,242	-
Changes in assets and liabilities:		
Accounts receivable	15,598	(29,827)
Prepays	(344)	-
Accounts payable	159,805	117,273
Claims payable	-	(104,001)
Total adjustments	<u>409,301</u>	<u>(16,555)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,616,010</u>	<u>\$ (43,958)</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

Successor Agency to the Lemon Grove Community Development Agency Private-Purpose Trust Fund
accounts for assets and liabilities transferred from the City to the Successor Agency Trust Fund.

City of Lemon Grove
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund
ASSETS	
Cash and investments	2,298,084
Cash and investments with fiscal agent - restricted	1,813,564
Interest receivable	1,564
Notes receivable	3,501,548
Property held for resale	689,910
Bond issuance costs, net of accumulated amortization	1,288,456
Capital assets:	
Land	5,845,452
Construction in progress	180,921
Total assets	<u><u>15,619,499</u></u>
LIABILITIES	
Liabilities:	
Accounts payable	57,530
Interest payable	494,069
Due to City of Lemon Grove	3,160,741
Bonds payable	25,688,101
Total liabilities	<u><u>29,400,441</u></u>
NET POSITION	
Net position:	
Net position held for dissolution of the Community Development Agency	<u>(13,780,942)</u>
Total net position	<u><u>(13,780,942)</u></u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund
ADDITIONS:	
Investment income	\$ 104,094
RDA property tax trust fund distribution	2,035,394
Other	140,640
Total additions	<u>2,280,128</u>
DEDUCTIONS:	
Administration	348,521
Interest expense	1,265,538
Total Deductions	<u>1,614,059</u>
Change in net position	666,069
NET POSITION:	
Beginning of year, as restated	<u>(14,447,011)</u>
End of year	<u>\$ (13,780,942)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Lemon Grove, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. *Financial Reporting Entity*

The City of Lemon Grove was incorporated in 1977, under the laws of the State of California.

The accompanying basic financial statements present the financial activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City had no discretely presented component units. The blended component units have a June 30 year end. The following entities are reported as blended component units:

The Lemon Grove Sanitation District (Sanitation District) was established on June 10, 1982 as part of an annexation/detachment change of organization. The Sanitation District provides sewer services within the City of Lemon Grove. The City Council acts as the Sanitation District's governing board and exerts significant influence over its operations.

The Lemon Grove Landscape and Lighting District (Landscape and Lighting District) was established on May 1st, 1978 to provide for establishing various street lighting improvements and maintenance for property within the City of Lemon Grove. The City Council acts as the Landscape and Lighting District's governing board and exerts significant influence over its operations.

Separate financial statements for the Sanitation District and Landscape and Lighting District are not available.

B. *Basis of Accounting and Measurement Focus*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting and Measurement Focus, Continued*

Government-Wide Financial Statements, Continued

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting and Measurement Focus, Continued*

Governmental Fund Financial Statements, Continued

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

The City reports the following funds as major governmental funds of the City.

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Housing Special Revenue Fund accounts for the housing assets transferred from the former Redevelopment Agency, and the revenues and expenditures for the project area related to low and moderate income housing.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting and Measurement Focus, Continued*

Proprietary Fund Financial Statements, Continued

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

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

The City reports the Sanitation Enterprise Fund and Self Insurance Internal Service Funds as proprietary funds of the City.

Sanitation Enterprise Fund accounts for the operation and maintenance of the wastewater system within the City's boundaries.

Internal service fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements, and are comprised of the following funds:

Self Insurance Internal Service Fund accounts for all financial transactions related to the City's self-insurance program. The service is provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has two types of fiduciary funds, an agency fund and a private-purpose trust fund. Agency funds are used to account for the assets held for distribution by the City as an agent for another entity for which the City has custodial responsibility and accounts for the flow of assets. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting and Measurement Focus, Continued*

Fiduciary Fund Financial Statements

The City reports the following fiduciary funds:

Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund - accounts for the activities of the former Agency, except those accounting for in the housing Special Revenue Fund of the City. This fund's primary purpose is to expedite the dissolution of the former Agency's net position (except for the low and moderate housing fund net position) in accordance with AB 1X26 and AB 1484.

C. *Cash, Cash Equivalents, and Investments*

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

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

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in *Structured Notes* and *Asset-Backed Securities*. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these *Structured Notes* and *Asset-Backed Securities* are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *Cash, Cash Equivalents, and Investments, Continued*

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

D. *Restricted Cash and Investments*

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

E. *Compensated Absences*

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than two times their regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Unused sick leave at termination is lost, unless eligible for conversion to retirement credit as provided by the City contract with CalPERS. For safety employees, upon retirement or termination of employment, suppression employees shall be paid for all accrued unfrozen sick leave at the rate of one-half the accumulated time. Pay shall be based upon vested amounts at the employee's pay rate at the time the hours were earned. Upon retirement, employees have the option to apply sick leave time toward retirement credit. Upon retirement, employees shall have the option to apply sick leave toward retirement credit on an hour-for-hour basis. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

F. *Property Taxes*

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of the County of San Diego for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. *Property Taxes, Continued*

Tax levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation. The City's share of the \$1.00 varies depending on the tax rate area and it ranges from \$0.0730 to \$0.125.

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exist at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Levy Apportionments - due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 1990-91 Budget Act authorized counties to collect an administration fee for collection and distribution of property taxes. Property taxes are recorded as net of administration fees withheld during the fiscal year.

The following are the important dates relating to the City's property taxes:

Lien date	March 1
Levy date	June 30
Due date	November 1 and February 1
Collection dates	December 10 and April 10

G. *Capital Assets*

Capital assets, which include property, plant, equipment, fine art, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 (\$100,000 for infrastructure) or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

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 is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2013.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Structures and improvements	40
Public domain infrastructure	50
System infrastructure	30
Vehicles	3 to 15
Other equipment and furnishings	3 to 20
Computer equipment	3 to 10

H. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, proprietary fund types recognize the interest payable when the liability is incurred.

I. Unavailable and unearned revenue

In the Government-Wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are prepaid charges for services.

In the Fund Financial Statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable and unearned revenues for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unearned and unavailable revenues are recorded are grants received but not yet earned or available, long-term loans receivables, and prepaid charges for services.

J. Claims and Judgments

The short-term and long-term workers' compensation claims liability is reported in the Workers' Compensation Insurance Internal Service Fund. The short-term and long-term general claims liability is reported in the Self Insurance Internal Service Fund. The short-term liability which will be liquidated with current financial resources is the amount of settlement reached, but unpaid, related to claims and judgments entered.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), require management to make 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

L. Inventory

Inventories of materials and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

M. Long-term Obligations

In the government-wide financial statements and proprietary 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. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discount are reported as bond issuance costs, net of accumulated amortization. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense in the Statement of Activities.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts 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 Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. *Net Position*

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This category is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This category is all other amounts that do not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

O. *Fund Balances*

Fund Financial Statements

Nonspendable Fund Balances

These include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, e.g., the principal of an endowment fund. Examples of "not in spendable form" include inventory, prepaid amounts, long-term notes and loans, property held for resale and other items not expected to be converted to cash. However, if the proceeds from the eventual sale or liquidation of the items would be considered restricted, committed or assigned (as defined further on) then these amounts would be included in the restricted, committed or assigned instead of the nonspendable classification. A debt service reserve fund held by a trustee is an example of fund balance in nonspendable form that is classified as restricted instead of nonspendable since the reserve is eventually liquidated to make the final debt service principal payment.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. *Fund Balances, Continued*

Restricted Fund Balances

Restricted fund balances have externally enforceable limitations on use. The limitations on use can be imposed by creditors, grantors, or contributors as well as by constitutional provisions, City charter, enabling legislation, laws and government regulations.

Committed Fund Balances

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (Ordinance) of the City Council are classified as committed fund balances.

Assigned Fund Balances

Fund balance amounts for which the City Council has expressed intent for use but not taken formal action to commit are reported as assigned under GASB 54.

Unassigned Fund Balance

The residual classification for the general fund is unassigned fund balance. The general fund is the only fund that may report a positive unassigned balance. Negative fund balance reported in special revenue funds are classified as unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then followed by unrestricted resources in the following order; committed, assigned, and unassigned, as they are needed.

P. *New Accounting Pronouncements*

In 2013, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. There was no effect on net position by the City implementing this new accounting standard.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. *New Accounting Pronouncements, Continued*

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* - The requirements of this statement result in financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. There was no effect on net position by the City implementing this new accounting standard.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - The requirements of this statement improve financial reporting by contributing to the Governmental Accounting Standards Board's (GASB) efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. There was no effect on net position by the City implementing this new accounting standard.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosure.

2. CASH AND INVESTMENTS

A. *Summary of Cash and Investments*

Cash and investments within the basic financial statements are reported as:

<u>Government-Wide Statement of Net Position</u>				
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	4,305,754	13,980,799	2,298,084	20,584,637
Restricted cash and investments	25,000	-	1,813,564	1,838,564
Total cash and investments	\$ 4,330,754	\$ 13,980,799	\$ 4,111,648	\$ 22,423,201

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, CONTINUED

Cash and investment as of June 30, 2013 consist of the following:

Cash on hand	\$ 2,173
Deposits with financial institution	120,321
Total cash on hand and deposits	<u>122,494</u>
Local Agency Investment funds	13,395,576
San Diego County Pool	7,066,567
Total investments	<u>20,462,143</u>
Total City Treasury	<u>20,584,637</u>
Cash with fiscal agent	<u>1,838,564</u>
Total cash and investments	<u>\$ 22,423,201</u>

B. Deposits

The carrying amount of the City's cash deposit was a positive amount of \$120,321 at June 30, 2013. Bank balances before reconciling items amounted to \$173,935 at June 30, 2013. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institutions in the City's name.

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, CONTINUED

C. *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 of Lemon Grove 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. 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	Maximum Percentage/Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$40,000,000*
Certificates of deposits	5 years	30%	None
San Diego County Investment Pool	N/A	None	None

* Maximum allowed by LAIF

D. *Investments Authorized by Debt Agreements*

Investments of debt proceeds held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

E. *Disclosures Relating to Interest Rate Risk*

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

E. *Disclosures Relating to Interest Rate Risk, Continued*

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

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Local Agency Investment Fund	\$ 13,395,576	\$ 13,395,576	\$ -	\$ -	\$ -
San Diego County Pool	7,066,567	7,066,567	-	-	-
Held by fiscal agents:					
US Bank money market	1,838,564	1,838,564	-	-	-
	<u>\$ 22,300,707</u>	<u>\$ 22,300,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. *Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations*

The City's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations.

G. *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 on the following page is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

G. Disclosures Relating to Credit Risk. Continued

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End		
			Aa1	Aa3	Not Rated
Local Agency Investment Fund	\$ 13,395,576	N/A	\$ -	\$ -	\$ 13,395,576
San Diego County Pool	7,066,567	N/A	7,066,567	-	-
Held by fiscal agents:					
US Bank money market	1,838,564	N/A	-	1,838,564	-
Total	\$ 22,300,707		\$ 7,066,567	\$ 1,838,564	\$ 13,395,576

H. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. The City has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.)

I. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

J. External Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2013, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

J. *External Investment Pools, Continued*

As of June 30, 2013, the City had \$13,395,576 invested in LAIF, which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 3.47% in the previous year. The LAIF fair value factor as of June 30, 2013 was 1.000273207 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Diego County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor to calculate the fair value of the investments in the County Pool is not available.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

3. NOTES RECEIVABLE

Notes receivable as of June 30, 2013, totaled \$10,864,397 and were recorded in the financial statements as follows

Description	Balance June 30, 2013
<p>During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (the Developer) for the development of several projects within the City's project area. In addition, the City entered into promissory notes with the Developers with amounts not to exceed (excluding accrued interest) \$2,763,292 for Citronica One, \$2,500,000 for Citronica Two and \$765,000 for Citronica Three, all at 3.0% interest secured by a deed of trust for each note creating a valid lien upon the developer's interest in the development parcels. The funds are being used to construct a 54 unit mixed-use affordable housing, including 3,650 square feet of commercial space (Citronica One) and a 75-100 unit mixed use affordable housing, including 4,700 square feet of commercial space (Citronica Two). The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs. During the fiscal year ended June 30, 2013, the City entered into another promissory note with the Developer with amount not to exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable on the earliest of the following:</p> <p>1) 270 days from the date of the notes 2) two (2) years from the date of the execution of the notes or rolled over as additional assistance into the development and disposition agreement. As of June 30, 2013, the City had advanced \$4,263,292 and \$2,500,000 (Citronica One and Two, respectively) to the borrower. In addition \$427,684 and \$335,249 (Citronica One and Two, respectively) of accrued interest was incurred.</p>	7,526,225
<p>Note to Community Collective with an amount not to exceed \$3,130,000 at 3.0% interest secured by a deed of trust, assignment of rents, security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use multi-family residential housing project for extremely low, very low, and low income persons. The note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note) from the project, Community Collective shall pay the City one-half of the available surplus cash. As of June 30, 2013, the City had advanced \$3,130,000 to the borrower. In addition, \$551,573 of accrued interest was incurred.</p>	3,681,573
<p>Total notes receivable</p>	11,207,798
<p>As of June 30, 2013, notes receivable is reported as follow:</p>	
<p>Primary Government</p>	7,706,250
<p>Successor Agency to the Lemon Grove Community Development Agency</p>	3,501,548
	\$ 11,207,798

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

3. LOANS RECEIVABLE, Continued

In addition, the City had a note receivable from Lemon Grove Builders, LLC with 6.25% interest, and is secured by a deed of trust. Payments were due in varying annual installments starting July 20, 2007 and maturing June 20, 2009. As of June 30, 2009, \$68,713 of accrued interest was incurred. During 2009, the City extended the note to allow Lemon Grove Builders, LLC to seek financing to pay off the note. Also, the City suspended any additional interest accruals on the note. Due to Lemon Grove Builders, LLC's default on the note, the promissory note, along with the accrued interest, was exchanged for land during fiscal year 2012. Management's estimate of the fair value of the land is \$325,000.

4. INTERFUND ACTIVITY

The following represents interfund activity of the City for the fiscal year ended June 30, 2013:

A. *Due To/From Other Funds*

The amounts due to the General Fund from other funds represent reclassified temporary negative cash balances pending grant reimbursements or other receivables. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

B. *Advances Due from Successor Agency*

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, after the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Private-purpose trust fund - Successor Agency to the Lemon Grove Community Development Agency. The repayment of this amount is uncertain as of June 30, 2013, and is subject to the approval of the State Department of Finance as an enforceable obligation of the Successor Agency under redevelopment agency dissolution law under AB 1484.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

5. CAPITAL ASSETS

A. *Governmental Activities*

Capital asset activity for governmental activities for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Land and improvements	\$ 7,520,853	\$ -	\$ -	\$ -	\$ 7,520,853
Construction in progress	1,092,132	1,406,596	-	(156,325)	2,342,403
Total capital assets, not being depreciated	8,612,985	1,406,596	-	(156,325)	9,863,256
Capital assets, being depreciated:					
Buildings and improvements	9,219,426	-	-	-	9,219,426
Vehicles and equipment	2,583,670	-	-	-	2,583,670
Infrastructure	52,384,634	1,310,122	-	156,325	53,851,081
Total capital assets, being depreciated	64,187,730	1,310,122	-	156,325	65,654,177
Less accumulated depreciation for:					
Buildings and improvements	(5,375,497)	(230,134)	-	-	(5,605,631)
Vehicles and equipment	(1,953,712)	(90,540)	-	-	(2,044,252)
Infrastructure	(23,689,675)	(1,231,250)	-	-	(24,920,925)
Total accumulated depreciation	(31,018,884)	(1,551,924)	-	-	(32,570,808)
Total capital assets, being depreciated, net	33,168,846	(241,802)	-	156,325	33,083,369
Governmental activities, capital assets, net	\$ 41,781,831	\$ 1,164,794	\$ -	\$ -	\$ 42,946,625

Depreciation expense by program for capital assets for the year ended June 30, 2013 was as follows:

General government	\$ 47,267
Public safety	75,612
Public works	1,300,492
Community development	128,553
Total depreciation expense	\$ 1,551,924

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

5. CAPITAL ASSETS, Continued

A. *Business-type Activities*

Capital asset activity for business-type activities for the fiscal year ended June 30, 2013, was as follows:

Business-type Activities	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 3,724	\$ -	\$ -	\$ -	\$ 3,724
Construction in progress	91,672	22,981	-	-	114,653
Total capital assets, not being depreciated	95,396	22,981	-	-	118,377
Capital assets, being depreciated:					
Machinery and equipment	787,239	-	-	-	787,239
Infrastructure	11,733,910	18,026	-	-	11,751,936
Total capital assets, being depreciated	12,521,149	18,026	-	-	12,539,175
Less accumulated depreciation	(7,135,516)	(234,242)	-	-	(7,369,758)
Total capital assets, being depreciated, net	5,385,633	(216,216)	-	-	5,169,417
Business-type activities, capital assets, net	\$ 5,481,029	\$ (193,235)	\$ -	\$ -	\$ 5,287,794

6. LONG-TERM DEBT

A. *Governmental activities*

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2013:

	July 1, 2012 Balance	Additions	Reductions	June 30, 2013 Balance	Due Within One Year
Governmental activities:					
Capital lease payable	\$ 81,446	\$ -	\$ (18,946)	\$ 62,500	\$ 19,856
Compensated absences	667,911	306,513	(200,373)	774,051	232,215
OPEB liability	162,285	176,082	(129,459)	208,908	-
Governmental activities Long-term liabilities	\$ 3,481,642	\$ 1,986,468	\$ (2,218,778)	\$ 3,249,332	\$ 382,108

For governmental activities, leases and notes payable as well as compensated absences are generally liquidated by the general fund.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

A. *Governmental activities, Continued*

For governmental activities, leases and notes payable as well as compensated absences are generally liquidated by the general fund.

Capital Lease Payable

On November 1, 2005, the City entered into a lease purchase agreement for a facility extension of a fire station in the amount of \$178,000. The City will make 20 payments of \$11,311 semi-annually on January 1 and July 1 with accrued interest at 4.8% per annum. The future minimum lease obligations and the present value of these minimum lease payments as of June 30, 2013 were as follows:

Fiscal Year Ended June 30,	Total
2014	\$ 22,622
2015	22,622
2016	22,622
Total requirements	67,866
Less: interest	(5,366)
Present value of remaining payments	<u>\$ 62,500</u>

Accumulated depreciation on assets purchased through the lease purchase agreement are as follows:

	Governmental Activities
Asset:	
Buildings and improvements	\$ 178,000
Less: accumulated depreciation	(35,600)
Total	<u>\$ 142,400</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

B. Governmental activities, Continued

Claims Payable

The City's claims activity is recorded in its internal service funds. Estimated liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates. A summary of changes in claims liabilities for the past three years follows:

	2013	2012	2011
Liability, July 1	\$ 498,000	\$ 177,170	\$ -
Incurred claims and changes in estimates	25,130	496,802	254,478
Claim payments	(129,131)	(175,972)	(77,308)
Liability, June 30	<u>\$ 393,999</u>	<u>\$ 498,000</u>	<u>\$ 177,170</u>
Due within one year	100,000	-	-
Due in more than one year	293,999	498,000	177,170
	<u>\$ 393,999</u>	<u>\$ 498,000</u>	<u>\$ 177,170</u>

The City is one member of the San Diego Pooled Insurance Program Authority (SANDPIPA). This organization was created as a joint powers authority to provide liability, property, and casualty coverage to its members. Under the joint powers agreement, SANDPIPA provides liability insurance coverage for the City for the difference between \$2,000,000 and the individual self insured retention of \$125,000 each occurrence. Commercial excess liability insurance is provided from \$2,000,000 up to \$45,000,000 per occurrence through three excess policies with separate companies. The premiums billed by the JPA to member cities are planned to match the expenses of the self insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

Property insurance is also through SANDPIPA. There is a deductible of \$5,000 and the coverage is at replacement value.

SANDPIPA also provides "Fidelity & Deposit" insurance coverage. There are deductibles ranging from \$5,000 to \$25,000 and the amount of coverage is \$10,000,000 per occurrence.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

A. Governmental activities, Continued

Claims Payable, Continued

Segmented information for the fiscal year ended June 30, 2013 taken from the audited financial statements of SANDPIPA are as follows:

	<u>2013</u>
Statement of Net Position	
Assets:	
Cash and investments	\$ 29,180,090
Other assets	<u>391,461</u>
Total assets	<u>29,571,551</u>
Liabilities:	
Claims payable	7,555,109
Other liabilities	<u>621,685</u>
Total liabilities	<u>8,176,794</u>
Net position	<u>21,394,757</u>
Total Revenues	\$ 8,344,121
Total Expenses	<u>8,421,967</u>
Net Increase/(Decrease)	<u>\$ (77,846)</u>

The City also maintains excess workers' compensation insurance through the California Association of Counties (CSAC). Coverage through CSAC is up to \$5,000,000 per claim with a self-insured retention of \$125,000. Claims in excess of \$5,000,000, up to \$95,000,000 (reinsured layer) are covered by policies purchased by CSAC through third parties.

Numerous claims and suits have been filed against the City in the normal course of business. The City's estimated claims liability of \$498,000 reported at June 30, 2013 is based on requirements of Governmental Accounting Standards Board Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The City has not had claims settlements exceeding insurance coverage for each of the past three fiscal years.

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Lemon Grove contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. All full time, miscellaneous employees are in the 2.5% at age 55 plan, or the Public Employee Pension Reform Act (PEPRA) 2% at age 62 plan. All full time, safety employees are in the 3% at age 55 plan, or the Public Employee Pension Reform Act (PEPRA) 2.7% at age 57 plan. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute a set percentage of their annual covered salary; eight percent for miscellaneous employees and nine percent for safety employees. The City is required to contribute (the employer share) at an actuarially determined rate established each year by PERS; the current rate is 19.553% for miscellaneous employees and 23.869% for safety employees, of annual covered payroll. Benefit provisions and all other requirements are established by state statute agreements between any City unions and the City and City Council actions.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. This State law applies to employees hired after January 1, 2013 who are new to PERS. These employees are termed PEPRA members and employees that were enrolled in PERS (without significant separation) prior to January 1, 2013 are now referred to as classic members. PEPRA miscellaneous members will be enrolled in a 2% at 62 plan and PEPRA safety members will be enrolled in a 2.7% at 57 plan. PEPRA members will be required to pay half the normal cost of their plans.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

7. DEFINED BENEFIT PENSION PLAN, Continued

Annual Pension Cost

For the fiscal year ending June 30, 2013, the City's annual pension cost of \$808,459 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees and from 3.55% to 14.45% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010, was 19 years for miscellaneous and 17 years for safety employees for prior and current service unfunded liability.

Three-Year Trend Information For PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	723,387	100%	-
6/30/2012	821,232	100%	-
6/30/2013	808,459	100%	-

Funding Status as of the Most Recent Actuarial Date

The City retirement plans for safety and miscellaneous employees are part of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's safety and miscellaneous employees are no longer available.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides medical coverage for retirees and their spouses. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS), which is age 50 or older with at least five years of State public agency service. The healthcare coverage provided by PERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

Medical plan benefits are provided through PERS, as permitted by the Public Employees' Medical and Hospital and Care Act (PEMHCA). As a PEMHCA employer, the City has elected the equal contribution method, where the contribution will remain the same annually.

Funding Policy

The contribution requirement of the City are established and may be amended by the City Council. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2012-13, the City contributed \$129,459 to the plan, which was 100% of the total current premiums.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the retiree health plan:

Annual required contribution	\$ 178,441
Interest on net OPEB obligation	2,588
Amortization of net OPEB obligation	<u>(4,947)</u>
Annual OPEB cost	176,082
Payments made	<u>(129,459)</u>
Decrease in net OPEB obligation	46,623
Net OPEB obligation - beginning of the year	<u>162,285</u>
Net OPEB obligation - ending of year	<u>\$ 208,908</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

8. OTHER POSTEMPLOYMENT BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net Pension Obligation
6/30/2011	179,133	76%	112,513
6/30/2012	176,082	72%	162,285
6/30/2013	176,082	74%	208,908

Funded Status and Funding Progress

As of the most recent valuation, June 30, 2012, the actuarial accrued liability for benefits was \$2,697,679, all of which was unfunded, and a funded ratio of 0.0%.

The projections of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

The following simplifying assumptions were made:

Retirement for active employees – Based on the historical average retirement age for the covered group, active safety plan members were assumed to retire at age 56 and active miscellaneous plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

8. OTHER POSTEMPLOYMENT BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the U.S. Census Bureau.

Health insurance premiums – 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal 2.30%.

Based on the historical and expected returns, a discount rate of 3.5 percent was used. In addition, as simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was thirty years.

9. JOINT POWERS AUTHORITY

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participants proportionate share of fund equity as of June 30, 2013.

Complete financial statements may be obtained at the City of El Cajon, Finance Department, 200 E. Main Street, El Cajon, CA 92020.

10. SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

A. *Background*

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

The Bill provides that upon dissolution of the redevelopment agency, either the City or another unit of local government will agree to serve as the "Successor Agency" to hold the assets of the dissolved redevelopment agency until they are distributed to other units of state and local government. On January 17, 2012, the City Council adopted Resolution No. 3071, electing to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California were prohibited from entering into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

10. SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

B. Successor Agency Trust Long Term Debt

The following is a summary of long-term debt transactions including amortization for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Redevelopment Tax Allocation Bonds:					
Series 2004	\$ 5,575,000	\$ -	\$ (70,000)	\$ 5,505,000	\$ 70,000
Series 2007	13,365,000	-	(180,000)	13,185,000	185,000
Series 2010, Refunding	7,615,000	-	(330,000)	7,285,000	340,000
Less deferred amounts:					
For issuance discounts	(77,878)	-	4,780	(73,098)	-
Loss on refunding	(227,976)	-	14,175	(213,801)	-
Total long term debt	\$ 26,249,146	\$ -	\$ (580,000)	\$ 25,668,101	\$ 595,000

2004 Tax Allocation Bonds

On August 1, 2004, the Agency issued \$6,330,000 of Tax Allocation Bonds bearing interest between 2.25% to 5.40% and payable semi-annually on February 1 and August 1. The bonds mature annually in various amounts through August 1, 2034. The bonds are payable from and secured by incremental tax revenue (Pledged Tax Revenues). The bond proceeds were used to finance certain projects within the Agency's project area including low and moderate income housing.

The scheduled annual minimum debt service requirements at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 70,000	\$ 273,375	\$ 343,375
2015	75,000	270,428	345,428
2016	75,000	267,269	342,269
2017	80,000	263,896	343,896
2018	80,000	260,336	340,336
2019-2023	485,000	1,237,281	1,722,281
2024-2028	605,000	1,100,891	1,705,891
2029-2033	3,305,000	647,873	3,952,873
2034-2035	730,000	28,395	758,395
Total	\$ 5,505,000	\$ 4,349,744	\$ 9,854,744

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

10. SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

B. Successor Agency Trust Long Term Debt, Continued

2007 Tax Allocation Bonds

In June 2007, the Agency issued \$13,830,000 of Tax Allocation Bonds with interest rates varying from 4.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2037. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bond proceeds are to be used to (i) finance redevelopment activities within or for the benefit of the Agency's project area, (ii) finance low and moderate income housing activities within the geographic boundaries of the City of Lemon Grove, (iii) fund an Escrowed Proceeds Fund the monies which, upon evidence of increased tax revenues, will be released to the Agency for additional redevelopment and low and moderate income housing activities and a proportionate increase in the Reserve Account to meet the reserve requirement, (iv) fund capitalized interest with respect to the Escrowed Bonds through August 1, 2010, (v) make a deposit to the Reserve Account, and (vi) provide for the costs of issuing the bonds.

The scheduled annual minimum debt service requirements at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 185,000	\$ 579,358	\$ 764,358
2015	190,000	571,838	761,838
2016	205,000	563,919	768,919
2017	205,000	555,699	760,699
2018	215,000	547,278	762,278
2019-2023	1,180,000	2,595,852	3,775,852
2024-2028	1,495,000	2,311,460	3,806,460
2029-2033	2,315,000	1,927,688	4,242,688
2034-2038	7,195,000	891,338	8,086,338
Total	\$ 13,185,000	\$ 10,544,430	\$ 23,729,430

2010 Tax Allocation Bonds

During fiscal year 2011, the Agency issued \$8,000,000 of Tax Allocation Bonds with interest rates varying from 1.75% to 5.25% and payable semi-annually on February 1 and August 1 of each year. The Bonds mature annually at various amounts through August 1, 2028. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The Bond proceeds are to be used to (i) refund the Agency's outstanding Tax Allocation Bonds (1998 Refund) and (ii) provide for the costs of issuing the Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$252,191. This amount is being netted against the new debt and being amortized over the remaining life of the new debt. The advance refunding resulted in a decrease in debt service payments of \$273,792 and resulted in an economic gain of \$332,243.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

10. SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

B. *Successor Agency Trust Long Term Debt, Continued*

2010 Tax Allocation Bonds

The scheduled annual minimum debt service requirements at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 340,000	\$ 324,098	\$ 664,098
2015	345,000	315,529	660,529
2016	355,000	305,194	660,194
2017	365,000	293,398	658,398
2018	380,000	280,068	660,068
2019-2023	2,145,000	1,140,003	3,285,003
2024-2028	2,725,000	534,819	3,259,819
2029	630,000	16,538	646,538
Total	<u>\$ 7,285,000</u>	<u>\$ 3,209,647</u>	<u>\$ 10,494,647</u>

C. *Successor Agency Trust Bond Issuance Costs*

The following is the list of bond issuance costs reported in the Successor Agency at June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Successor Agency to Redevelopment Agency Trust Fund				
2004 Tax Allocation Bonds	\$ 414,316	\$ -	\$ (18,833)	\$ 395,483
2007 Tax Allocation Bonds	786,653	-	(31,571)	755,082
2010 Tax Allocation Refunding Bonds	146,889	-	(8,998)	137,891
Total	<u>\$ 1,347,858</u>	<u>\$ -</u>	<u>\$ (59,402)</u>	<u>\$ 1,288,456</u>

D. *Capital Assets*

The following is a summary of changes in the capital assets for the Successor Agency during the fiscal year:

	Balance July 1, 2012	Additions	Retirements	Reclassification	Balance June 30, 2013
Non-depreciable assets:					
Land	\$ 5,845,452	\$ -	\$ -	\$ -	\$ 5,845,452
Construction in progress	58,500	122,421	-	-	180,921
Total capital assets	<u>\$ 5,903,952</u>	<u>\$ 122,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,026,373</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

11. RISKS AND UNCERTANTITIES

A. *Grants*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that maybe disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

B. *Successor Agency*

Amounts paid and accrued for the year ended June 30, 2013 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

12. FUND DEFICITS

The following funds have negative fund balance/net position as of June 30, 2013:

Housing Special Revenue Fund	\$ 690,669
<ul style="list-style-type: none">The deficit fund balance is due to the City expending funds for projects in excess of revenues received. The City expects to recover fund balance by repayments that are due on outstanding loan receivables that are currently offset by unavailable revenue.	
Supplemental Law Enforcement Service Special Revenue Fund	\$43
<ul style="list-style-type: none">The City budgeted transfers in excess of amounts available to be spent which resulted in the fund deficit. The City will recover the deficit by adjusting future budgeted appropriations.	
Sundry Grants Special Revenue Fund	\$637,427
<ul style="list-style-type: none">The fund deficit is a result of the City incurring certain eligible grant expenditures, for which reimbursement is expected to be collected outside the City's availability period. The City expects to recover the fund deficit when the revenues are recognized when collected.	
CDBG Special Revenue Fund	\$439
<ul style="list-style-type: none">The City expects to recover the fund deficit by adjusting future appropriations.	
Transnet Special Revenue Fund	\$110,175
<ul style="list-style-type: none">The fund deficit is a result of the City incurring eligible reimbursable expenditures, for which reimbursement is expected to be collected outside the City's availability period. The City expects to recover the fund deficit when the revenues are recognized when collected.	

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds have expenditures in excess of appropriations:

CDBG Special Revenue Fund	\$ 43
• Excess was due to expenditures on projects were slightly higher than anticipated.	
TDA Special Revenue Fund	\$ 1,194
• Excess was due to expenditures on projects were slightly higher than anticipated.	
Transnet Special Revenue Fund	\$ 333,647
• This approximate amount was budgeted for fiscal year 2014, however the related work was performed in FY 12-13 as resources become available earlier than expected.	
Household Hazardous Waste Special Revenue Fund	\$ 7,343
• Excess was due to overall expenditures were higher than anticipated.	
Wild Flower Assessment Special Revenue Fund	\$ 249
• Excess was due to overall expenditures were higher than anticipated.	

14. PRIOR PERIOD ADJUSTMENTS

The City recorded prior period adjustments to adjust unearned revenues to recognize revenues that were earned in prior years. Previously these amounts were recorded as unearned revenues as they were considered to be unavailable financial resources. The City also recorded a prior period adjustment to correctly record expenditures for the Sundry Grants Special Revenue Fund that was incorrectly recorded in the Housing Fund.

Government-wide Statements

	Net Position, as Previously Reported	Prior Period Adjustment Unearned revenues	Net Position, as Restated
Government-Wide Statements			
Governmental Activities	\$ 49,362,513	\$ 7,271,639	\$ 56,634,152

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2013

14. PRIOR PERIOD ADJUSTMENTS, CONTINUED

Fund Statements

	Fund Balance, as		Fund Balance, as	
	Previously Reported	Prior Period Adjustments		Restated
		Cash and investments	Unearned revenues	
Fund Statements				
<i>Governmental funds</i>				
Housing Special Revenue Fund	\$ 193,427	\$ 132,325	\$ -	\$ 325,752
Sundry Grants Special Revenue Fund	\$ (26,432)	\$ (132,325)	\$ -	\$ (158,757)
<i>Fiduciary Funds</i>				
Private purpose trust fund - Successor Agency to former Lemon Grove Community Development Agency	\$ (17,647,240)	\$ -	\$ 3,200,229	\$ (14,447,011)

The effect on prior year's Statement of Activities for Governmental Activities was understated Investment Income of \$442,196, and understated Extraordinary Gain of \$7,271,639. The effect on prior year's governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance was that expenditures were overstated in the Sundry Grants fund by \$132,325 and were overstated in the Housing Fund by \$132,325. The effect on prior year's Statement of Changes in Fiduciary Net Position for the Private purpose trust fund - Successor Agency to former Lemon Grove Community Development Agency was understated Extraordinary Loss of \$7,271,639.

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2013

1. BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgetary Control and Budgetary Accounting*

The City Council approves each fiscal year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the council. Supplemental appropriations, where required during the period, are also approved by the Council. Budget transfers that affect the total appropriations for any fund require City Council approval. Budget transfers within a budget code with no change in appropriation within the budget code are approved by the City Manager only and do not require approval by the City Council. A budget code could be a program, or a division of a department, or a department. In most cases, expenditures may not legally exceed appropriations at the budget code level for the General fund, and fund level for Special Revenue, Capital Projects, and Debt Service Funds.

At fiscal year-end, all operating budget appropriations lapse with the exception of encumbered and continuing appropriations.

Budgets are adopted for all funds.

B. *Encumbrances*

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and Capital Projects funds. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at fiscal year-end are completed. They do not constitute expenditures or estimated liabilities.

C. *Continuing Appropriations*

The unexpected and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year.

D. *Budget Basis of Accounting*

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP).

City of Lemon Grove
 Required Supplementary Information, Continued
 For the year ended June 30, 2013

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

E. Budgetary Comparison Schedules

The following are the budget comparison schedules for all major Governmental Funds.

Budgetary Comparison Schedule General Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 8,498,400	\$ 8,786,900	\$ 8,783,622	\$ (3,278)
Licenses and permits	102,000	103,300	405,363	302,063
Fines, forfeitures and penalties	112,100	93,300	60,056	(33,244)
Intergovernmental	13,000	13,400	22,913	9,513
Charges for services	628,000	920,700	668,346	(252,354)
Use of money and property	326,900	325,400	332,565	7,165
Other revenues	74,000	59,400	131,448	72,048
Total revenues	9,754,400	10,302,400	10,404,313	101,913
EXPENDITURES:				
Current:				
General government:				
City council	45,206	51,506	61,917	(10,411)
City manager	168,400	165,300	223,808	(58,508)
City attorney	142,000	143,000	60,932	82,068
Finance	131,794	137,994	241,702	(103,708)
Total general government	487,400	497,800	588,359	(90,559)
Public safety:				
Sherriff	4,504,800	4,509,000	4,474,687	34,313
Animal control	197,200	201,300	193,814	7,486
Fire	3,660,800	3,668,600	3,482,850	185,750
Total public safety	8,362,800	8,378,900	8,151,351	227,549
Public works:				
Grounds maintenance	58,886	96,986	114,588	(17,602)
Street maintenance	191,334	199,634	223,754	(24,120)
Public works administration	87,411	84,211	94,439	(10,228)
Facilities	56,286	61,586	88,867	(27,281)
Community services	96,348	50,148	85,696	(35,548)
Total public works	490,265	492,565	607,344	(114,779)
Community development	370,335	549,935	469,880	80,055
Capital outlay	-	-	48,397	(48,397)
Debt service:				
Principal	-	-	18,946	(18,946)
Interest	-	-	3,675	(3,675)
Total expenditures	9,710,800	9,919,200	9,887,952	31,248
Net change in fund balance	\$ 43,600	\$ 383,200	516,361	\$ 133,161
FUND BALANCE:				
Beginning of year			5,568,714	
End of year			\$ 6,085,075	

City of Lemon Grove
 Required Supplementary Information, Continued
 For the year ended June 30, 2013

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

D. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ -	\$ 3,000	\$ 3,000	\$ -
Total revenues	-	3,000	3,000	-
EXPENDITURES:				
Community development	-	1,054,000	960,581	93,419
Total expenditures	-	1,054,000	960,581	93,419
Net change in fund balance	\$ -	\$ (1,051,000)	(957,581)	\$ 93,419
FUND BALANCE:				
Beginning of year, as restated			325,752	
End of year			\$ (631,829)	

City of Lemon Grove
 Required Supplementary Information, Continued
 For the year ended June 30, 2013

2. DEFINED BENEFIT PENSION PLAN

The City retirement plans for safety and miscellaneous employees are part of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's safety and miscellaneous employees are no longer available.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A schedule of funding progress for the actuarial valuation of June 30, 2012 is presented below.

Valuation Date *	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
3/1/2010	\$ -	\$ 2,347,323	0.0%	\$ 3,827,541	61.3%
7/11/2012	\$ -	\$ 2,697,679	0.0%	\$ 3,544,217	76.1%

* Based on the most recent valuation available

** Annual payroll of active employees covered by the plan

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Gas Tax Fund is supported by revenue from the State gas tax fund. Fund proceeds may be used to research, plan, construct, improve, maintain and operate local streets.

Parkland Dedication Fund accounts for fees in-lieu of dedicating park land that are to be used for the purchase of park land, the development of new parks, or the major rehabilitation of existing parks.

Supplemental Law Enforcement Service Fund accounts for State grant proceeds to be used to augment the staffing level of Sheriff deputies.

Sundry Grants Fund accounts for grants currently being administered by the City.

CDBG Fund accounts for grant proceeds from the Community Development Block Grant program. Funds are expended and then reimbursed by the County of San Diego.

TDA Fund accounts for transit proceeds allocated from MTS for maintenance of landscaping along the trolley corridor and maintenance of trolley stations and bus shelters throughout the City.

Lighting District Fund accounts for activities relating to the Roadway Lighting District which provides for street light benefits and enhanced lighting benefits.

Transnet Fund accounts for Transnet allocation and street related projects eligible for Transnet funding. This fund is specifically used to finance significant right-of-way improvements (streets and sidewalks), storm drain, and traffic related projects.

Storm Water Fund accounts for designated storm water program fees and support the City's storm water program - a State and Federal mandated program.

Household Hazardous Waste Fund accounts for the City's household hazardous waste disposal program. This program is supported by AB 939 funds which are collected for this and recycling related programs. The City relies on this fund for contractual services to provide household hazardous waste events and to promote a higher level of recycling within the City.

Wild Flower Assessment Fund accounts for the Wildflower Landscaping Maintenance Assessment District.

PEG (Public/Education/Government) Fund accounts for designated monies from cable franchisees that operate within the City. The use of these monies is restricted to capital items that enhance or facilitate public access to government information.

Serious Traffic Offender Fund accounts for impound fees to pay for Sherrif traffic division overtime and other traffic related expenses.

CAPITAL PROJECT FUND

Street Construction Fund accounts for amounts which are restricted for larger street projects.

Prop 1B Fund accounts for monies related to the State proposition passed by the voters in 2007. The balance of \$378,000 was spent on street rehabilitation in FY12-13.

Sidewalk Reserve Fund accounts for amounts restricted for larger sidewalk projects

Safety Capital Purchases Fund accounts for one-time "SAFE" program monies restricted for public safety capital expenditures.

Transportation Mitigation Fund accounts for fees related to the passage of the Transnet extension. These fees represent per housing unit fees for new residential development. Expenditures from this fund are to be used to initiate street improvement projects on a major arterial within the City.

City of Lemon Grove
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
ASSETS				
Cash and investments	\$ -	\$ 23,614	\$ -	\$ -
Due from other governments	55,038	-	25,000	373,117
Accounts receivable	-	13	-	-
Total assets	<u>\$ 55,038</u>	<u>\$ 23,627</u>	<u>\$ 25,000</u>	<u>\$ 373,117</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 131,651
Unearned and unavailable revenue	-	-	-	302,832
Due to other funds	55,038	-	25,043	576,061
Total liabilities	<u>55,038</u>	<u>-</u>	<u>25,043</u>	<u>1,010,544</u>
Fund Balances:				
Restricted:				
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	23,627	-	-
Unassigned	-	-	(43)	(637,427)
Total fund balances	<u>-</u>	<u>23,627</u>	<u>(43)</u>	<u>(637,427)</u>
Total liabilities and fund balances	<u>\$ 55,038</u>	<u>\$ 23,627</u>	<u>\$ 25,000</u>	<u>\$ 373,117</u>

Special Revenue

CDBG	TDA	Lighting District	Transnet	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ 87,745	\$ 571,933	\$ -	\$ 50,261	\$ 141,959	\$ 4,731
-	121,224	1,529	732,137	-	-	-
-	-	-	-	-	1,150	4
<u>\$ -</u>	<u>\$ 208,969</u>	<u>\$ 573,462</u>	<u>\$ 732,137</u>	<u>\$ 50,261</u>	<u>\$ 143,109</u>	<u>\$ 4,735</u>
\$ -	\$ 4,501	\$ 11,236	\$ 286,933	\$ 46,840	\$ 44,250	\$ 393
-	204,468	-	246,579	-	-	-
439	-	-	308,800	-	-	-
<u>439</u>	<u>208,969</u>	<u>11,236</u>	<u>842,312</u>	<u>46,840</u>	<u>44,250</u>	<u>393</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	4,342
-	-	562,226	-	3,421	98,859	-
(439)	-	-	(110,175)	-	-	-
<u>(439)</u>	<u>-</u>	<u>562,226</u>	<u>(110,175)</u>	<u>3,421</u>	<u>98,859</u>	<u>4,342</u>
<u>\$ -</u>	<u>\$ 208,969</u>	<u>\$ 573,462</u>	<u>\$ 732,137</u>	<u>\$ 50,261</u>	<u>\$ 143,109</u>	<u>\$ 4,735</u>

City of Lemon Grove
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue			Capital Projects
	PEG (Public/Education/ Government)	Serious Traffic Offender Program	Total Special Revenue Funds	Street Construction
ASSETS				
Cash and investments	\$ 134,063	\$ 32,229	\$ 1,046,535	\$ 346,490
Due from other governments	-	-	1,308,045	-
Accounts receivable	14,803	2,293	18,263	200
Total assets	\$ 148,866	\$ 34,522	\$ 2,372,843	\$ 346,690
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,375	\$ -	527,179	\$ -
Unearned and unavailable revenue	15,394	-	769,273	-
Due to other funds	-	-	965,381	-
Total liabilities	16,769	-	2,261,833	-
Fund Balances:				
Restricted:				
Public safety	-	34,522	34,522	-
Community development	132,097	-	136,439	-
Public works	-	-	688,133	346,690
Unassigned	-	-	(748,084)	-
Total fund balances	132,097	34,522	111,010	346,690
Total liabilities and fund balances	\$ 148,866	\$ 34,522	\$ 2,372,843	\$ 346,690

Capital Projects

Prop 1B	Sidewalk Reserve	Safety Capital Purchases	Transportation Mitigation	Total Capital Projects Funds	Total
\$ -	\$ 22,809	\$ 87,288	\$ 33,819	\$ 490,406	\$ 1,536,941
-	-	-	-	-	1,308,045
150	13	-	19	382	18,645
<u>\$ 150</u>	<u>\$ 22,822</u>	<u>\$ 87,288</u>	<u>\$ 33,838</u>	<u>\$ 490,788</u>	<u>\$ 2,863,631</u>
\$ -	\$ -	\$ -	\$ -	-	\$ 527,179
-	-	87,288	33,838	121,126	890,399
150	-	-	-	150	965,531
<u>150</u>	<u>-</u>	<u>87,288</u>	<u>33,838</u>	<u>121,276</u>	<u>2,383,109</u>
-	-	-	-	-	34,522
-	-	-	-	-	136,439
-	22,822	-	-	369,512	1,057,645
-	-	-	-	-	(748,084)
<u>-</u>	<u>22,822</u>	<u>-</u>	<u>-</u>	<u>369,512</u>	<u>480,522</u>
<u>\$ 150</u>	<u>\$ 22,822</u>	<u>\$ 87,288</u>	<u>\$ 33,838</u>	<u>\$ 490,788</u>	<u>\$ 2,863,631</u>

City of Lemon Grove
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2013

	Special Revenue			
	Gas Tax	Parkland Dediation	Supplemental Law Enforcement Service	Sundry Grants
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-
Intergovernmental	603,013	-	100,000	160,872
Charges for services	-	4,127	-	-
Use of money and property	-	55	-	240
Other	-	-	-	-
Total revenues	603,013	4,182	100,000	161,112
EXPENDITURES:				
Current:				
General government	217,200	-	-	-
Public safety	-	-	100,100	351,421
Public works	332,754	-	-	269,013
Community development	180,200	-	-	19,348
Capital outlay	-	-	-	-
Total expenditures	730,154	-	100,100	639,782
Net change in fund balances	(127,141)	4,182	(100)	(478,670)
FUND BALANCES:				
Beginning of the year, as restated	127,141	19,445	57	(158,757)
End of the year	\$ -	\$ 23,627	\$ (43)	\$ (637,427)

Special Revenue

CDBG	TDA	Lighting District	Transnet	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 151,414	\$ -	\$ -	\$ 34,297	\$ 8,517
-	-	-	-	-	-	-
293,643	116,199	-	792,425	-	-	-
-	-	85,063	-	60,478	-	-
-	295	1,492	-	-	387	15
-	-	-	-	-	-	-
<u>293,643</u>	<u>116,494</u>	<u>237,969</u>	<u>792,425</u>	<u>60,478</u>	<u>34,684</u>	<u>8,532</u>
-	7,800	36,000	13,300	-	5,400	-
-	-	-	-	-	-	-
-	39,667	196,410	15,721	20,232	15,232	5,478
293,643	12,800	30,500	55,300	36,825	21,111	2,971
-	56,227	-	830,626	-	-	-
<u>293,643</u>	<u>116,494</u>	<u>262,910</u>	<u>914,947</u>	<u>57,057</u>	<u>41,743</u>	<u>8,449</u>
-	-	(24,941)	(122,522)	3,421	(7,059)	83
(439)	-	587,167	12,347	-	105,918	4,259
<u>\$ (439)</u>	<u>\$ -</u>	<u>\$ 562,226</u>	<u>\$ (110,175)</u>	<u>\$ 3,421</u>	<u>\$ 98,859</u>	<u>\$ 4,342</u>

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2013

	Special Revenue		Capital Projects	
	PEG (Public/Education/ Government)	Serious Traffic Offender Program	Total Special Revenue Funds	Street Construction
REVENUES:				
Taxes	\$ -	\$ -	\$ 194,228	\$ -
Fines, forfeitures and penalties	-	12,025	12,025	-
Intergovernmental	-	-	2,066,152	-
Charges for services	133,284	-	282,952	-
Use of money and property	188	57	2,729	924
Other	-	-	-	10,848
Total revenues	133,472	12,082	2,558,086	11,772
EXPENDITURES:				
Current:				
General government	-	-	279,700	-
Public safety	-	5,513	457,034	-
Public works	-	-	894,507	-
Community development	1,375	-	654,073	-
Capital outlay	-	-	886,853	6,372
Total expenditures	1,375	5,513	3,172,167	6,372
Net change in fund balances	132,097	6,569	(614,081)	5,400
FUND BALANCES:				
Beginning of the year	-	27,953	725,091	341,290
End of the year	\$ 132,097	\$ 34,522	\$ 111,010	\$ 346,690

Capital Projects

Prob 1B	Sidewalk Reserve	Safety Capital Purchases	Transportation Mitigation	Total Capital Projects Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194,228
-	-	-	-	-	12,025
-	-	-	-	-	2,066,152
-	-	-	-	-	282,952
949	60	-	-	1,933	4,662
-	-	-	-	10,848	10,848
949	60	-	-	12,781	2,570,867
-	-	-	-	-	279,700
-	-	-	-	-	457,034
389,144	-	-	-	389,144	1,283,651
-	-	-	-	-	654,073
-	-	-	-	6,372	893,225
389,144	-	-	-	395,516	3,567,683
(388,195)	60	-	-	(382,735)	(996,816)
388,195	22,762	-	-	752,247	1,477,338
\$ -	\$ 22,822	\$ -	\$ -	\$ 369,512	\$ 480,522

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 672,000	\$ 742,600	\$ 603,013	\$ (139,587)
Total revenues	672,000	742,600	603,013	(139,587)
EXPENSES:				
Current:				
General government	217,200	217,200	217,200	-
Public works	274,600	472,400	332,754	139,646
Community Development	180,200	180,200	180,200	-
Total expenses	672,000	869,800	730,154	139,646
Net change in fund balance	\$ -	\$ (127,200)	127,141	\$ 59
FUND BALANCE:				
Beginning of year			127,141	
End of year			\$ 254,282	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Parkland Dedication Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 3,600	\$ 2,700	\$ 4,127	\$ 1,427
Use of money and property	-	100	55	(45)
Total revenues	<u>3,600</u>	<u>2,800</u>	<u>4,182</u>	<u>1,382</u>
EXPENDITURES:				
Current:				
Community development	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (20,400)</u>	<u>\$ 2,800</u>	<u>4,182</u>	<u>\$ 1,382</u>
FUND BALANCE:				
Beginning of year			<u>19,445</u>	
End of year			<u>\$ 23,627</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Supplemental Law Enforcement Service Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Total revenues	100,000	100,000	100,000	-
REVENUE OVER (UNDER) EXPENDITURES	100,000	100,000	100,000	-
EXPENSES:				
Current:				
Public Safety	100,000	100,100	100,100	-
Total expenses	100,000	100,100	100,100	-
Net change in fund balance	\$ -	\$ 100	(100)	\$ -
FUND BALANCE:				
Beginning of year			57	
End of year			\$ (43)	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sundry Grants Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,674,600	\$ 823,600	\$ 160,872	\$ (662,728)
Investment earnings	-	-	240	240
Total revenues	<u>1,674,600</u>	<u>823,600</u>	<u>161,112</u>	<u>(662,488)</u>
EXPENDITURES:				
Current:				
Public safety	624,600	511,200	351,421	159,779
Public works	1,050,000	350,100	269,013	81,087
Community development	-	300	19,348	(19,048)
Total expenditures	<u>1,674,600</u>	<u>861,600</u>	<u>639,782</u>	<u>221,818</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (38,000)</u>	<u>(478,670)</u>	<u>\$ (440,670)</u>
FUND BALANCE:				
Beginning of year			<u>(158,757)</u>	
End of year			<u>\$ (637,427)</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

CDBG Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 289,300	\$ 293,600	\$ 293,643	\$ 43
Total revenues	<u>289,300</u>	<u>293,600</u>	<u>293,643</u>	<u>43</u>
EXPENDITURES:				
Current:				
Community development	<u>289,300</u>	<u>293,600</u>	<u>293,643</u>	<u>(43)</u>
Total expenditures	<u>289,300</u>	<u>293,600</u>	<u>293,643</u>	<u>(43)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>(439)</u>	
End of year			<u>\$ (439)</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

TDA Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 125,000	\$ 121,200	\$ 116,199	\$ (5,001)
Investment earnings	400	500	295	(205)
Total revenues	<u>125,400</u>	<u>121,700</u>	<u>116,494</u>	<u>(5,206)</u>
EXPENDITURES:				
Current:				
General government	7,800	7,800	7,800	-
Public works	59,200	39,700	39,667	33
Community development	12,800	12,800	12,800	-
Capital outlay	221,500	55,000	56,227	(1,227)
Total expenditures	<u>301,300</u>	<u>115,300</u>	<u>116,494</u>	<u>(1,194)</u>
Net change in fund balance	<u>\$ (175,900)</u>	<u>\$ 6,400</u>	-	<u>\$ (6,400)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Lighting District Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 144,300	\$ 147,300	\$ 151,414	\$ 4,114
Charges for services	85,000	88,900	85,063	(3,837)
Use of money and property	2,900	1,500	1,492	(8)
Other	4,800	-	-	-
Total revenues	<u>237,000</u>	<u>237,700</u>	<u>237,969</u>	<u>269</u>
EXPENDITURES:				
Current:				
General government	36,000	36,000	36,000	-
Public works	531,400	204,700	196,410	8,290
Community Development	49,161	42,900	30,500	12,400
Total expenditures	<u>616,561</u>	<u>283,600</u>	<u>262,910</u>	<u>20,690</u>
Net change in fund balance	<u>\$ (379,561)</u>	<u>\$ (45,900)</u>	<u>(24,941)</u>	<u>\$ 20,959</u>
FUND BALANCE:				
Beginning of year			<u>587,167</u>	
End of year			<u>\$ 562,226</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Transnet Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,067,800	\$ 581,300	\$ 792,425	\$ 211,125
Total revenues	1,067,800	581,300	792,425	211,125
EXPENDITURES:				
Current				
General government	13,300	13,300	13,300	-
Public works	16,200	15,700	15,721	(21)
Community development	55,300	55,300	55,300	-
Capital outlay	983,000	497,000	830,626	(333,626)
Total expenditures	1,067,800	581,300	914,947	(333,647)
Net change in fund balance	\$ -	\$ -	(122,522)	\$ (122,522)
FUND BALANCE:				
Beginning of year			12,347	
End of year			\$ (110,175)	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Storm Water Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 55,900	\$ 58,000	\$ 60,478	\$ 2,478
Total revenues	55,900	58,000	60,478	2,478
EXPENDITURES:				
Current:				
Public works	6,600	22,200	20,232	1,968
Community development	49,300	36,800	36,825	(25)
Total expenditures	55,900	59,000	57,057	1,943
Net change in fund balance	\$ -	\$ (1,000)	3,421	\$ 4,421
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 3,421	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Household Hazardous Waste Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 25,000	\$ 20,400	\$ 34,297	\$ 13,897
Use of money and property	1,000	400	387	(13)
Total revenues	<u>26,000</u>	<u>20,800</u>	<u>34,684</u>	<u>13,884</u>
EXPENDITURES:				
Current:				
General government	5,400	5,400	5,400	-
Public works	25,000	7,900	15,232	(7,332)
Community development	17,000	21,100	21,111	(11)
Total expenditures	<u>47,400</u>	<u>34,400</u>	<u>41,743</u>	<u>(7,343)</u>
Net change in fund balance	<u>\$ (21,400)</u>	<u>\$ (13,600)</u>	<u>(7,059)</u>	<u>\$ 6,541</u>
FUND BALANCE:				
Beginning of year			<u>105,918</u>	
End of year			<u>\$ 98,859</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Wild Flower Assessment Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 8,400	\$ 8,400	\$ 8,517	\$ 117
Investment earnings	-	-	15	15
Total revenues	<u>8,400</u>	<u>8,400</u>	<u>8,532</u>	<u>132</u>
EXPENDITURES:				
Current:				
Public works	-	5,500	5,478	22
Community development	9,500	2,700	2,971	(271)
Total expenditures	<u>9,500</u>	<u>8,200</u>	<u>8,449</u>	<u>(249)</u>
Net change in fund balance	<u>\$ (1,100)</u>	<u>\$ 200</u>	83	<u>\$ (117)</u>
FUND BALANCE:				
Beginning of year			<u>4,259</u>	
End of year			<u>\$ 4,342</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

PEG (Public/Education/Government) Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ 146,000	\$ 133,284	\$ (12,716)
Use of money and property	-	100	188	88
Total revenues	-	146,100	133,472	(12,628)
EXPENDITURES:				
Current:				
Community development	-	5,000	1,375	3,625
Total expenditures	-	5,000	1,375	3,625
REVENUE OVER (UNDER) EXPENDITURES	-	141,100	132,097	(9,003)
Net change in fund balance	\$ -	\$ 141,100	132,097	\$ (9,003)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 132,097	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Serious Traffic Offender Program Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 15,000	\$ 10,000	\$ 12,025	\$ 2,025
Use of money and property	100	-	57	57
Total revenues	<u>15,100</u>	<u>10,000</u>	<u>12,082</u>	<u>2,082</u>
EXPENDITURES:				
Current:				
Public safety	<u>12,000</u>	<u>6,000</u>	<u>5,513</u>	<u>487</u>
Total expenditures	<u>12,000</u>	<u>6,000</u>	<u>5,513</u>	<u>487</u>
Net change in fund balance	<u>\$ 3,100</u>	<u>\$ 4,000</u>	6,569	<u>\$ 2,569</u>
FUND BALANCE:				
Beginning of year			<u>27,953</u>	
End of year			<u>\$ 34,522</u>	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Street Construction Capital Projects Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,500	\$ 1,000	\$ 924	\$ (76)
Other	-	10,800	10,848	48
Total revenues	1,500	11,800	11,772	(28)
EXPENDITURES:				
Capital outlay	21,800	6,400	6,372	28
Total expenditures	21,800	6,400	6,372	28
Net change in fund balance	\$ (20,300)	\$ 5,400	5,400	\$ -
FUND BALANCE:				
Beginning of year			341,290	
End of year			\$ 346,690	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Prop 1B Capital Projects Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 1,000	\$ 949	\$ (51)
Total revenues	-	1,000	949	(51)
EXPENDITURES:				
Current:				
Public works	378,000	389,200	389,144	56
Total expenditures	378,000	389,200	389,144	56
Net change in fund balance	\$ (378,000)	\$ (388,200)	(388,195)	\$ 5
FUND BALANCE:				
Beginning of year			388,195	
End of year			\$ -	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sidewalk Reserve Capital Projects Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 100	\$ 60	\$ (40)
Total revenues	-	100	60	(40)
EXPENDITURES:				
Capital outlay	22,200	-	-	-
Total expenditures	22,200	-	-	-
Net change in fund balance	\$ (22,200)	\$ 100	60	\$ (40)
FUND BALANCE:				
Beginning of year			22,762	
End of year			\$ 22,822	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Safety Capital Purchases Capital Projects Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ -	\$ 87,300	\$ -	\$ (87,300)
Total revenues	-	87,300	-	(87,300)
Net change in fund balance	\$ -	\$ 87,300	-	\$ (87,300)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Transportation Mitigation Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 4,200	\$ -	\$ -	\$ -
Total revenues	4,200	-	-	-
Net change in fund balance	\$ 4,200	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

