

City of Lemon Grove

**Annual Financial Report
For the fiscal year ended June 30, 2010**

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The Honorable City Council
City of Lemon Grove
Lemon Grove, California

INDEPENDENT AUDITOR'S REPORT

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 fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lemon Grove, California's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purpose of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rogus Anderson Melody & Sons, LLC

October 29, 2010

Management's Discussion and Analysis

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, 2010. 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.

We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$50.8 million.
- The net asset value decreased from the previous year by over \$2.0 million, or -3.8 percent.
- The City's governmental funds reported a combined ending fund balance of \$11.3 million, a decrease from the previous year of \$8.8 million, or -44 percent. This is due to many factors, including a reduction in revenue (sales tax, property tax, motor vehicle license fees, interest, transnet revenues and other fees) and planned expenditures on street and redevelopment projects (using funds set aside in previous years).
- The General Reserve Fund balance includes a \$1.7 million in unreserved, undesignated fund balance, which is available to the General Fund to provide resources for economic adversity, or to fund future capital projects, if not otherwise needed.

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, parks and recreation, and community development. The business-type activity of the City is the Lemon Grove Sanitation District.

Also included in the government-wide financial statements is the Lemon Grove Community Development Agency (CDA), 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 CDA is a legally separate agency, its governing board consists entirely of City Council members.

Statement of Net Assets: This statement presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets:

	Governmental activities			Business-type activities		
	2010	2009	Change	2010	2009	Change
Cash and investments	\$ 10,090,301	\$ 21,775,893	\$ (11,685,592)	\$ 9,627,889	\$ 8,356,224	\$ 1,271,665
Other assets	17,087,328	12,306,258	4,781,070	61,508	50,174	11,334
Capital assets	47,303,634	43,574,845	3,728,789	6,011,885	6,041,979	(30,094)
Total assets	74,481,263	77,656,996	(3,175,733)	15,701,282	14,448,377	1,252,905
Current liabilities	11,215,329	10,453,898	761,431	14,646	180,406	(165,760)
Noncurrent liabilities	28,111,637	28,572,033	(460,396)	-	-	-
Total liabilities	39,326,966	39,025,931	301,035	14,646	180,406	(165,760)
Net assets						
Invested in capital assets, net of debt	36,969,751	32,982,741	3,987,010	6,011,885	6,041,979	(30,094)
Restricted	8,613,134	9,874,529	(1,261,395)	-	-	-
Unrestricted	(10,428,588)	(4,226,205)	(6,202,383)	9,674,751	8,225,992	1,448,759
Total net assets	\$ 35,154,297	\$ 38,631,065	\$ (3,476,768)	\$ 15,686,636	\$ 14,267,971	\$ 1,418,665

The City's total net assets decreased by 3.9 percent over last year. Net assets from governmental activities decreased by 9.0 percent while net assets from business activities increased by 9.9 percent. The City's assets exceeded its liabilities by approximately \$50.8 million.

Approximately 84 percent of the City's net assets 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 17 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, law or regulations of other governments.

Statement of Activities: This statement presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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:

	Governmental activities			Business-type activities		
	2010	2009	Change	2010	2009	Change
Revenues						
Program revenues:						
Charges for services and contributions	\$ 1,104,375	\$ 1,037,772	\$ 66,603	\$ 4,896,493	\$ 4,683,052	\$ 213,441
Operating grants	1,474,288	770,403	703,885	-	-	-
Capital grants and contributions	1,486,645	1,207,715	278,930	-	-	-
General revenues:						
Property taxes	6,960,057	7,360,253	(400,196)	-	-	-
Sales tax	3,192,883	3,592,985	(400,102)	-	-	-
Other taxes	782,316	799,596	(17,280)	-	-	-
Motor vehicle in lieu	75,588	87,060	(11,472)	-	-	-
Investment earnings	617,660	969,939	(352,279)	128,293	249,131	(120,838)
Other	210,926	337,778	(126,852)	190,162	332,969	(142,807)
Total revenues	15,904,738	16,163,501	(258,763)	5,214,948	5,265,152	(50,204)
Expenses						
General government	1,453,879	1,517,680	(63,801)	-	-	-
Public safety	8,025,826	8,590,186	(564,360)	-	-	-
Public works	4,970,454	4,202,929	767,525	-	-	-
Community development	3,282,521	6,827,905	(3,545,384)	-	-	-
Parks and recreation	1,344,979	1,208,851	136,128	-	-	-
Sanitation	-	-	-	2,668,983	2,432,657	236,326
Interest	1,431,147	1,513,717	(82,570)	-	-	-
Total expenses	20,508,806	23,861,268	(3,352,462)	2,668,983	2,432,657	236,326
Transfers	1,127,300	1,125,100	2,200	(1,127,300)	(1,125,100)	(2,200)
Change in net assets	(3,476,768)	(6,572,667)	3,095,899	1,418,665	1,707,395	(288,730)
Beginning net assets	38,631,065	45,203,732	(6,572,667)	14,267,971	12,560,576	1,707,395
Ending net assets	\$ 35,154,297	\$ 38,631,065	\$ (3,476,768)	\$ 15,686,636	\$ 14,267,971	\$ 1,418,665

The governmental activities decreased the City's net assets by \$3,476,768. Governmental program revenues offset 19.9 percent of program expenditures, a 7.3% increase over prior year. General revenues and transfers of \$13.0 million did not meet total expenditures, resulting in a 8.9 percent decrease to governmental net assets.

The business-type activities increased the City's net assets by \$1,418,665. Business-type program revenues exceeded expenditures, resulting in a 9.9 percent increase to business-type net assets. This is the fifth 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, *unreserved 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, with the exception of two funds, one proprietary and one fiduciary.

As of June 30, 2010, the City's governmental funds reported a combined ending fund balance of \$11.3 million. Approximately 50 percent of this amount, \$5.7 million, constitutes *unreserved, undesignated fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved 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 thirty-two 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, Community Development Agency (comprised of nine individual funds, combined to represent the following three categories: Housing Set-Aside, Debt Service, and Capital Projects), and General Fund Reserve. Data from the other twenty-one 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, 2010, its unreserved, undesignated fund balance totaled \$(288) thousand.

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 - workers' compensation function.

There are no restricted net assets for these funds, and the changes in net assets show a growth over last year for Sanitation of 9.9 percent and a decrease for the Internal Service fund of 11.2 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 3 – Cash and Investments: The City's total cash and investments at the end of the fiscal year totaled \$19.7 million. Approximately \$11.6 million was invested with the Local Agency Investment Fund and the San Diego County Pool (both money market type accounts). Approximately \$3.3 million was invested in longer term, higher yield, less liquid investments, managed by San Diego County. Approximately \$1.8 million was held and invested by bond trustees, and the balance was deposited in the City's three checking accounts.

Note 8 – Capital Assets: Capital assets for the City's governmental activities were valued at \$47.3 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$6.0 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

Capital asset events included \$4.8 million spent for land for the realignment project and \$381 thousand spent on construction in progress for infrastructure improvements.

Note 9 – Long-Term Liabilities: The City had a total long-term debt outstanding of \$28.1 million. The majority of this amount, \$27.3 million, is comprised of tax allocation bonds backed by pledged Community Development Agency tax revenues. The City's total non-current debt decreased this year by \$460 thousand, 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 Community Development Housing Set-Aside 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 2009.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a loss of expected revenues and transfers of \$953,908, while the expenditures were under what was expected by \$733,172. The final budget expected that a net loss of \$781,168 would occur. The actual revenues and expenditures resulted in a net loss of \$1,001,904. The difference between expected loss and actual is \$220,736.

Economic Factors and Next Year's Budget

Due to uncertainty surrounding the State of California budget, the State's continued borrowing of City revenue, and the continued slow economy in general, the City was conservative in the preparation of the fiscal year 2010-11 budget. Total General Fund revenues and other financing sources were budgeted at \$12.4 million, an increase of almost \$400 thousand over fiscal year 2008-09, or 3.2 percent more than the previous year. The actual revenue received was \$11.4 million, a decrease of almost \$1 million versus the fiscal year 2009-10 budget. The total General Fund expenditures were reduced to \$12.4 million, versus a budget of \$13.1 million in 2009-10, a decrease of approximately \$739,000, or 6 percent. The use of reserves (\$700 thousand in FY 10) continues to be a necessity in this difficult economy.

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@ci.lemon-grove.ca.us.

Government-wide Financial Statements

City of Lemon Grove

Statement of Net Assets
June 30, 2010

	Governmental activities	Business-type activities	Total
Assets			
Cash and investments	\$ 8,275,540	\$ 9,627,889	\$ 17,903,429
Cash and investments with fiscal agent - restricted	1,814,761	-	1,814,761
Receivables:			
Accounts, net	317,481	41,774	359,255
Notes	10,215,720	-	10,215,720
Interest	15,688	6,863	22,551
Due from other governments	2,459,281	-	2,459,281
Prepays	25,000	-	25,000
Deposits	2,496,074	12,871	2,508,945
Deferred charges, net	1,558,084	-	1,558,084
Capital assets, not being depreciated	12,715,194	209,335	12,924,529
Capital assets, depreciated, net	34,588,440	5,802,550	40,390,990
Total assets	74,481,263	15,701,282	90,182,545
Liabilities			
Accounts payable	1,324,906	14,646	1,339,552
Accrued expenses	170,105	-	170,105
Interest payable	558,049	-	558,049
Claims payable	100,000	-	100,000
Deposits payable	79,161	-	79,161
Deferred revenue	8,983,108	-	8,983,108
Noncurrent liabilities:			
Due within one year	640,678	-	640,678
Due in more than one year	27,470,959	-	27,470,959
Total liabilities	39,326,966	14,646	39,341,612
Net assets			
Invested in capital assets, net of related debt	36,969,751	6,011,885	42,981,636
Restricted:			
Construction of capital assets	6,022,726	-	6,022,726
Streets, highways, bikeways, public transit and other related purposes	2,570,832	-	2,570,832
Public safety	19,576	-	19,576
Unrestricted	(10,428,588)	9,674,751	(753,837)
Total net assets	\$ 35,154,297	\$ 15,686,636	\$ 50,840,933

The accompanying notes are an integral part of these financial statements.

City of Lemon Grove

Statement of Activities
For the year ended June 30, 2010

	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities:				
General government	\$ 1,453,879	\$ 15,266	\$ -	\$ -
Public safety	8,025,826	484,516	177,710	43,135
Public works	4,970,454	232,880	1,047,289	680,170
Community development	3,282,521	257,581	249,289	763,340
Parks and recreation	1,344,979	114,132	-	-
Interest on long-term debt	1,431,147	-	-	-
Total governmental activities	<u>20,508,806</u>	<u>1,104,375</u>	<u>1,474,288</u>	<u>1,486,645</u>
Business-type activities:				
Sanitation	<u>2,668,983</u>	<u>4,896,493</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,668,983</u>	<u>4,896,493</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,177,789</u>	<u>\$ 6,000,868</u>	<u>\$ 1,474,288</u>	<u>\$ 1,486,645</u>

General revenues:

- Taxes
 - Property tax
 - Sales tax
 - Transient occupancy tax
 - Franchise tax
 - Motor vehicle in lieu tax - unrestricted
- Unrestricted investment earnings
- Other
- Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
\$ (1,438,613)	\$ -	\$ (1,438,613)
(7,320,465)	-	(7,320,465)
(3,010,115)	-	(3,010,115)
(2,012,311)	-	(2,012,311)
(1,230,847)	-	(1,230,847)
(1,431,147)	-	(1,431,147)
<u>(16,443,498)</u>	<u>-</u>	<u>(16,443,498)</u>
-	2,227,510	2,227,510
-	2,227,510	2,227,510
<u>(16,443,498)</u>	<u>2,227,510</u>	<u>(14,215,988)</u>
6,960,057	-	6,960,057
3,192,883	-	3,192,883
30,139	-	30,139
752,177	-	752,177
75,588	-	75,588
617,660	128,293	745,953
210,926	190,162	401,088
1,127,300	(1,127,300)	-
<u>12,966,730</u>	<u>(808,845)</u>	<u>12,157,885</u>
(3,476,768)	1,418,665	(2,058,103)
<u>38,631,065</u>	<u>14,267,971</u>	<u>52,899,036</u>
<u>\$ 35,154,297</u>	<u>\$ 15,686,636</u>	<u>\$ 50,840,933</u>

Fund Financial Statements

City of Lemon Grove

**Balance Sheet
Governmental Funds
June 30, 2010**

	General	Community Development Housing Set-aside	Community Development Debt Service
Assets			
Cash and investments	\$ 188,652	\$ -	\$ 66,166
Cash and investments with fiscal agent - restricted	-	-	1,814,761
Receivables, net:			
Due from other governments	423,281	10,912	43,649
Accounts	253,261	55,735	-
Interest	-	554	414
Notes	-	7,672,437	-
Due from other funds	-	-	-
Deposits	-	-	-
Advances to other funds	-	-	-
Total assets	\$ 865,194	\$ 7,739,638	\$ 1,924,990
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 647,555	\$ 31,506	\$ 61,373
Accrued expenditures	170,105	-	-
Claims payable	-	-	-
Due to other funds	250,501	485,833	-
Deposits payable	79,161	-	-
Advances from other funds	-	-	3,917,741
Deferred revenue	6,046	7,672,437	-
Total liabilities	1,153,368	8,189,776	3,979,114
Fund balances (deficit):			
Reserved for:			
Long-term advances	-	-	-
Unreserved:			
Undesignated, reported in:			
General fund	(288,174)	-	-
Special revenue funds	-	(450,138)	-
Debt service fund	-	-	(2,054,124)
Capital projects fund	-	-	-
Total fund balances	(288,174)	(450,138)	(2,054,124)
Total liabilities and fund balances	\$ 865,194	\$ 7,739,638	\$ 1,924,990

The accompanying notes are an integral part of these financial statements.

Community Development Capital Projects	General Reserve	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,330,240	\$ 992,470	\$ 2,476,824	\$ 7,054,352
-	-	-	1,814,761
-	-	1,981,439	2,459,281
-	5,841	2,644	317,481
7,126	449	6,232	14,775
2,543,283	-	-	10,215,720
736,334	846,175	-	1,582,509
2,496,074	-	-	2,496,074
-	3,917,741	-	3,917,741
<u>\$ 9,113,057</u>	<u>\$ 5,762,676</u>	<u>\$ 4,467,139</u>	<u>\$ 29,872,694</u>
\$ 97,389	\$ 2,734	\$ 471,490	\$ 1,312,047
-	-	-	170,105
-	100,000	-	100,000
-	-	821,175	1,557,509
-	-	-	79,161
-	-	-	3,917,741
2,543,283	-	1,197,681	11,419,447
<u>2,640,672</u>	<u>102,734</u>	<u>2,490,346</u>	<u>18,556,010</u>
-	3,917,741	-	3,917,741
-	-	-	(288,174)
-	1,742,201	797,445	2,089,508
-	-	-	(2,054,124)
6,472,385	-	1,179,348	7,651,733
<u>6,472,385</u>	<u>5,659,942</u>	<u>1,976,793</u>	<u>11,316,684</u>
<u>\$ 9,113,057</u>	<u>\$ 5,762,676</u>	<u>\$ 4,467,139</u>	<u>\$ 29,872,694</u>

City of Lemon Grove

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2010**

Fund balances of governmental funds	\$ 11,316,684
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	75,615,503
Accumulated depreciation	(28,311,869)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds:	
1998 Tax allocation refunding bonds	(7,890,000)
2004 Tax allocation bonds	(5,700,000)
2007 Tax allocation bonds	(13,700,000)
Lease payable	(116,728)
Compensated absences	(633,825)
Other Post Employment Benefits	(71,084)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(558,049)
Notes and interest receivable are offset with deferred revenue in the governmental funds but not in the statement of net assets.	1,324,104
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,112,235
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Deferred charges, net	1,558,084
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>1,209,242</u>
Net assets of governmental activities	<u>\$ 35,154,297</u>

The accompanying notes are an integral part of these financial statements.

City of Lemon Grove

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010**

	General	Community Development Housing Set-aside	Community Development Debt Service
Revenues			
Taxes	\$ 7,681,298	\$ 633,080	\$ 2,532,320
Licenses and permits	356,007	-	-
Fines, forfeitures and penalties	215,227	-	-
Intergovernmental	95,588	-	-
Charges for services	286,194	-	-
Investment earnings	255,079	2,014	6,899
Other	130,464	-	15,760
	<u>9,019,857</u>	<u>635,094</u>	<u>2,554,979</u>
Total revenues			
	9,019,857	635,094	2,554,979
Expenditures			
Current:			
General government	1,190,333	-	-
Public safety	7,759,645	-	-
Public works	1,835,749	-	-
Community development	618,865	1,418,640	47,912
Parks and recreation	902,621	-	-
Capital outlay	-	-	-
Debt service:			
Principal	87,474	-	415,000
Interest and fiscal charges	9,316	-	1,371,733
Pass-through payments	-	-	1,735,441
	<u>12,404,003</u>	<u>1,418,640</u>	<u>3,570,086</u>
Total expenditures			
	12,404,003	1,418,640	3,570,086
Deficiency of revenues over expenditures	<u>(3,384,146)</u>	<u>(783,546)</u>	<u>(1,015,107)</u>
Other financing sources (uses)			
Transfers in	2,382,242	-	489,494
Transfers out	-	(577,894)	(269,400)
	<u>2,382,242</u>	<u>(577,894)</u>	<u>220,094</u>
Total other financing sources (uses)			
	2,382,242	(577,894)	220,094
Net change in fund balances	(1,001,904)	(1,361,440)	(795,013)
Fund balances (deficit), beginning of year	<u>713,730</u>	<u>911,302</u>	<u>(1,259,111)</u>
Fund balances (deficit), end of year	<u>\$ (288,174)</u>	<u>\$ (450,138)</u>	<u>\$ (2,054,124)</u>

The accompanying notes are an integral part of these financial statements.

Community Development Capital Projects	General Reserve	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 177,411	\$ 11,024,109
-	-	-	356,007
-	-	24,395	239,622
-	-	1,733,852	1,829,440
-	-	232,880	519,074
59,814	14,507	41,740	380,053
16,925	-	11,153	174,302
<u>76,739</u>	<u>14,507</u>	<u>2,221,431</u>	<u>14,522,607</u>
-	183,426	-	1,373,759
-	8,700	85,063	7,853,408
-	462	1,156,639	2,992,850
4,285,383	-	9,069	6,379,869
-	78,614	291,161	1,272,396
-	-	1,003,408	1,003,408
-	-	-	502,474
-	-	-	1,381,049
-	-	-	1,735,441
<u>4,285,383</u>	<u>271,202</u>	<u>2,545,340</u>	<u>24,494,654</u>
<u>(4,208,644)</u>	<u>(256,695)</u>	<u>(323,909)</u>	<u>(9,972,047)</u>
269,400	-	94,100	3,235,236
(269,400)	(149,200)	(842,042)	(2,107,936)
-	(149,200)	(747,942)	1,127,300
(4,208,644)	(405,895)	(1,071,851)	(8,844,747)
<u>10,681,029</u>	<u>6,065,837</u>	<u>3,048,644</u>	<u>20,161,431</u>
<u>\$ 6,472,385</u>	<u>\$ 5,659,942</u>	<u>\$ 1,976,793</u>	<u>\$ 11,316,684</u>

City of Lemon Grove

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2010**

Net change in fund balances - total governmental funds \$ (8,844,747)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized, less the net book value of disposals	5,325,094
Depreciation expense	(1,596,305)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however this transaction has no affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This activity is reconciled as follows:

Principal payments on debt:	
1998 Tax allocation refunding bonds	225,000
2004 Tax allocation bonds	60,000
2007 Tax allocation bonds	130,000
Capital lease	87,474
Amortization of deferred charges	(64,513)

Accrued interest on the note receivables are deferred in the fund financial statements but recognized in the statement of net assets.	269,896
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Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest expense	14,415
Decrease in compensated absences	29,006
Increase in OPEB obligation	(71,084)

Revenues that are measureable but not available are recorded as deferred revenue under the modified accrual basis of accounting.	1,112,235
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Internal service funds are used by management to charge the costs of certain activities, including insurance claims and expenses, to individual funds. The net revenues/(expenses) of the internal service fund are reported with governmental activities on the statement of activities.	(153,239)
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Change in net assets of governmental activities \$ (3,476,768)

The accompanying notes are an integral part of these financial statements.

City of Lemon Grove

**Statement of Net Assets
Proprietary Funds
June 30, 2010**

	Business-type activities - Enterprise Fund Sanitation	Governmental activities - Internal Service Fund
Assets		
Current assets:		
Cash and investments	\$ 9,627,889	\$ 1,221,188
Prepays	-	25,000
Accounts receivable, net	41,774	-
Interest receivable	6,863	913
Deposit	12,871	-
Total current assets	<u>9,689,397</u>	<u>1,247,101</u>
Noncurrent assets:		
Capital assets		
Land	3,724	-
Construction in progress	205,611	-
Depreciable infrastructure	11,733,910	-
Depreciable equipment	614,643	-
Accumulated depreciation	<u>(6,546,003)</u>	<u>-</u>
Total noncurrent assets	<u>6,011,885</u>	<u>-</u>
Total assets	<u>15,701,282</u>	<u>1,247,101</u>
Liabilities		
Current liabilities:		
Accounts payable	14,646	12,859
Due to other funds	-	25,000
Total liabilities	<u>14,646</u>	<u>37,859</u>
Net assets		
Invested in capital assets	6,011,885	-
Unrestricted	<u>9,674,751</u>	<u>1,209,242</u>
Total net assets	<u>\$ 15,686,636</u>	<u>\$ 1,209,242</u>

The accompanying notes are an integral part of these financial statements.

City of Lemon Grove

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2010**

	Business-type activities - Enterprise Fund Sanitation	Governmental activities - Internal Service Fund
Operating revenues		
Charges for services	\$ 4,896,493	\$ -
Other	190,162	-
Total operating revenues	<u>5,086,655</u>	<u>-</u>
Operating expenses		
Contractual services	26,858	-
Materials and supplies	23,516	-
Repairs and maintenance	45,073	-
Dump fees	2,257,870	-
Utilities	1,316	-
Insurance	35,810	166,253
Depreciation	278,540	-
Total operating expenses	<u>2,668,983</u>	<u>166,253</u>
Operating income	2,417,672	(166,253)
Nonoperating revenues		
Investment earnings	<u>128,293</u>	<u>13,014</u>
Income before transfers	2,545,965	(153,239)
Transfers out	<u>(1,127,300)</u>	<u>-</u>
Total other financing uses	<u>(1,127,300)</u>	<u>-</u>
Change in net assets	1,418,665	(153,239)
Net assets, beginning of year	<u>14,267,971</u>	<u>1,362,481</u>
Net assets, end of year	<u>\$ 15,686,636</u>	<u>\$ 1,209,242</u>

The accompanying notes are an integral part of these financial statements.

City of Lemon Grove

**Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010**

	Business-type activities - Enterprise Fund Sanitation	Governmental activities - Internal Service Fund
Cash flows from operating activities		
Cash received from customers	\$ 5,062,576	\$ -
Cash payments to suppliers for goods and services	(2,556,203)	(154,486)
Net cash provided by (used for) operating activities	<u>2,506,373</u>	<u>(154,486)</u>
Cash flows from noncapital financing activities		
Transfers to other funds	(1,127,300)	-
Net cash used for noncapital financing activities	<u>(1,127,300)</u>	<u>-</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(248,446)	-
Net cash used for capital financing activities	<u>(248,446)</u>	<u>-</u>
Cash flows from investing activities		
Interest received	141,038	12,101
Net cash provided by investing activities	<u>141,038</u>	<u>12,101</u>
Net increase (decrease) in cash and cash equivalents	1,271,665	(142,385)
Cash and cash equivalents, beginning of year	8,356,224	1,363,573
Cash and cash equivalents, end of year	<u>\$ 9,627,889</u>	<u>\$ 1,221,188</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income (loss)	\$ 2,417,672	\$ (166,253)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	278,540	-
Increase in accounts receivable	(11,208)	-
Increase in deposits	(12,871)	-
Decrease in accounts payable	(165,760)	(13,233)
Increase in due to other funds	-	25,000
Net cash provided by (used for) by operating activities	<u>\$ 2,506,373</u>	<u>\$ (154,486)</u>
Noncash financing, capital and investing activities:		
None.		

The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 1: Summary of Significant Accounting Policies

The financial statements of the City of Lemon Grove (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. 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 government's accounting policies are described below.

a. Description of the Reporting Entity

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

The City of Lemon Grove is a reporting entity which includes the following component unit:

Lemon Grove Community Development Agency

The Lemon Grove Community Development Agency (Agency) was created under the provisions of the Redevelopment Law (California Health and Safety Code) to remove blight in the project area. The Redevelopment Project Area Plan was adopted to provide an improved physical, social, and economic environment in the Project Area. The City council serves as the governing body of the Agency and the City Administrator serves as the Executive Director.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e. it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationships with the City are such that their exclusions would cause the City's financial statements to be misleading or incomplete.

The City's component unit is considered to be a blended component unit because the City Council serves as the governing board for the Agency. The blended component unit, although legally separate entity, is, in substance, part of the City's operations, therefore data from the unit is reported with the interfund data of the primary government.

The Lemon Grove Community Development Agency issues separate component unit statements. Upon their completion, the financial statements of the component units can be obtained at City Hall.

Notes to the Basic Financial Statements
For the year ended June 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 1: Summary of Significant Accounting Policies (continued)

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, therefore they have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Lemon Grove Community Development Agency Housing Set-aside Fund – This fund accounts for revenues and expenditures for the project area related to low and moderate income housing.

Lemon Grove Community Development Agency Debt Service Fund – This fund accounts for the property tax increment received by the Agency and also for the repayment of the Agency's indebtedness.

Lemon Grove Community Development Capital Projects Fund – This fund accounts for expenditures of the City for major capital improvement projects financed using debt proceeds and tax increment.

General Reserve Fund – This fund accounts for expenditures of the City for major capital improvement projects not financed by other funds.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

Internal Service Fund – This fund accounts for 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. For enterprise fund activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

Note 1: Summary of Significant Accounting Policies (continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary fund function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including capital related special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund and of the Internal Service Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund and the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Liabilities, Net Assets or Equity

Cash and Cash Equivalents

For purpose of the statement of cash flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and funds for the Lemon Grove Community Development Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

Cash and Investments

Investments are reported in the accompanying financial statements at fair value, except for nonparticipating certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

The City pools cash and investments of all funds, except assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on each fund's average cash and investment balance.

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities, Net Assets or Equity (continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

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.

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 exists 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.

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities, Net Assets or Equity (continued)

Property Tax Administration Fees – The State of California FY 1990-91 Budget Act authorized counties to collect an administrative 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	
Levy date	March 1
Due date	June 30
Collection dates	November 1 and February 1 December 10 and April 10

Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

Restricted Assets

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

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.

Notes to the Basic Financial Statements
For the year ended June 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities, Net Assets or Equity (continued)

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, 2010.

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

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

Compensated Absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee can not 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 on an hour-for-hour basis.

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 assets. 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 the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense in the Statement of Activities.

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities, Net Assets or Equity (continued)

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.

Net Assets and Fund Equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets, restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

f. Implementation of New Pronouncements

Effective July 1, 2009, the City adopted a new accounting statement issued by the Governmental Accounting Standards Board (GASB):

Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, note disclosures, and if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 2: Stewardship, Compliance and Accountability

General Budget Policies

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 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.

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. Encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance. 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.

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. These commitments are reported as a reservation of fund balance.

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 (USGAAP).

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 2: Stewardship, Compliance and Accountability (continued)

Fund Deficits

The following funds contained a deficit of fund balance as of June 30, 2010:

Major Funds

General Fund	\$ (288,174)
Special Revenue Fund	
Housing Set - Aside	(450,138)
Debt Service Funds:	
Community Development Debt Service	(2,054,124)

Nonmajor Funds

Special Revenue Funds:	
CDBG	\$ (244,289)
Transnet	(153,872)
Storm Water	(26,796)

The deficits in the funds are due to expenditures being incurred before the revenue has been received.

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in departments/cost centers of individual funds are as follows:

Fund	Final appropriation	Expenditure	Excess
<i>Major Governmental Funds:</i>			
Community Development Debt Service	\$ 3,149,700	\$ 3,570,086	\$ 420,386
General Reserve	210,500	271,202	60,702
<i>Nonmajor Governmental Funds:</i>			
CDBG	\$ 11,000	\$ 244,289	\$ 233,289
Storm Water	67,000	101,009	34,009

Note 3: Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 17,903,429
Cash and investments with fiscal agent - restricted	<u>1,814,761</u>
Total cash and investments	<u>\$ 19,718,190</u>

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 3: Cash and Investments (continued)

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$	1,100
Deposits with financial institutions		364,872
Investments		<u>19,352,218</u>
Total cash and investments	\$	<u><u>19,718,190</u></u>

a. Investments Authorized by the California Government Code and the City's Investment Policy

Currently, the City of Lemon Grove's investment policy explicitly authorizes investments as listed in the table below. The policy also states explicitly that the City may invest in any investment that is or may become legal through the California Government Code, with prior approval of the City Council. The City has elected to invest in other investments than those explicitly authorized in the policy, but allowable under the California Government Code.

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 held by bond trustees.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in one issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	None
San Diego County Investment Pool	N/A	None	None

b. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond 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. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 3: Cash and Investments (continued)

b. Investments Authorized by Debt Agreements (continued)

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$ 250,000
Certificates of Deposit	1 year	None	\$ 250,000
Bankers Acceptances	180 days	40%	5%
Commercial Paper	N/A	None	None
Medium Term Notes	5 years	30%	5%
San Diego County Investment Pool	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the trustee.

c. Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) 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 or less	13 to 24	25 to 60	More than 60
Local Agency Investment Fund	\$ 11,620,869	\$ 11,620,869	\$ -	\$ -	\$ -
Farm Credit Systems Bank	3,301,082	-	-	3,301,082	-
Federal Home Loan Mortgage	499,366	499,366	-	-	-
Medium term notes	499,122	499,122	-	-	-
San Diego County Pool	1,617,018	1,617,018	-	-	-
Held by bond trustee:					
US Bank money market	1,814,761	1,814,761	-	-	-
Total investments	\$ 19,352,218	\$ 16,051,136	\$ -	\$ 3,301,082	\$ -

Notes to the Basic Financial Statements
For the year ended June 30, 2010

Note 3: Cash and Investments (continued)

d. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

e. Disclosures Relating to Credit Risk

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

Investment type	Amount	Minimum legal rating	Ratings at fiscal year end		
			Aaa	Aa2	Not rated
Local Agency Investment Fund	\$ 11,620,869	N/A	\$ -	\$ -	\$ 11,620,869
Farm Credit Systems Bank	3,301,082	N/A	3,301,082	-	-
Federal Home Loan Mortgage	499,366	N/A	499,366	-	-
Medium term notes	499,122	N/A	-	499,122	-
San Diego County Pool	1,617,018	N/A	-	-	1,617,018
Held by bond trustee:	-				
US Bank money market	1,814,761	N/A	1,814,761	-	-
Total investments	\$ 19,352,218		\$ 5,615,209	\$ 499,122	\$ 13,237,887

f. 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 represents 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.).

g. Custodial Credit Risk

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

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 3: Cash and Investments (continued)

g. Custodial Credit Risk (continued)

As of June 30, 2010, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2010, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment type</u>	<u>Reported amount</u>
Farm Credit Systems Bank	\$ 3,301,082
Federal Home Loan Mortgage Co.	499,366
Medium term notes	499,122

h. Investment in State Investment Pool

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

Note 4: Notes Receivable

Notes receivable as of June 30, 2010, totaled \$10,215,720 and were recorded in the Fund Financial Statements as follows:

During the fiscal year ended June 30, 2009, the Agency entered into Owner Participation Agreements with Hitzke Development Corporation (the Developer) for the development of several projects within the Agency's project area. In addition, the Agency entered into promissory notes with the Developer 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. The notes are due and payable on the earliest of the following:

1) 270 days from the date of the notes, or 2) two 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, 2010 the Agency had advanced \$2,724,516, \$2,500,000 and \$765,000 (Citronica One, Two and Three, respectively) to the borrower. In addition, \$103,548, \$107,863 and \$43,952 (Citronica One, Two and Three, respectively) of accrued interest was incurred.

\$ 6,244,879

Notes to the Basic Financial Statements
For the year ended June 30, 2010

Note 4: Notes Receivable (continued)

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 Agency ½ of the available surplus cash. As of June 30, 2010, the Agency had advances \$3,130,000 to the borrower. In addition, \$222,279 of accrued interest was incurred.

3,352,279

Note to Lemon Grove Builders, LLC at 6.25% interest secured by a deed of trust. Due in varying annual installment starting July 20, 2007 and maturing June 20, 2010. 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.

618,562

Total

\$ 10,215,720

Note 5: Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Lemon Grove was \$424,808.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the state had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value, and as a result, no gain or loss was recorded.

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 6: Deferred Charges

Deferred charges consist of issuance costs and discounts for debt issues. The following is the list of deferred charges at June 30, 2010:

	Amortization period in months	Deferred charges	Accumulated amortization	Amortization for the fiscal year
1998 Tax Allocation Refunding Bonds	364	\$ 427,962	\$ 171,657	\$ 14,109
2004 Tax Allocation Bonds	360	564,979	112,995	18,833
2007 Tax Allocation Bonds	360	947,139	97,344	31,571
Totals		<u>\$1,940,080</u>	<u>\$ 381,996</u>	<u>\$ 64,513</u>

Note 7: Interfund Activity

The following represents the interfund activity of the City for the fiscal year ended June 30, 2010:

a. Transfers

Fund	Transfers in	Transfers out
<i>Major funds:</i>		
General	\$ 2,382,242	\$ -
Community Development Agency Housing Set-aside	-	(577,894)
Community Development Agency Capital Projects	269,400	(269,400)
Community Development Agency Debt Service	489,494	(269,400)
General Reserve	-	(149,200)
<i>Major enterprise fund:</i>		
Sanitation	-	(1,127,300)
<i>Nonmajor governmental funds:</i>		
Gas Tax	94,100	(524,856)
Supplemental Law Enforcement Service	-	(100,000)
TDA	-	(69,000)
Lighting District	-	(13,000)
Transnet	-	(65,006)
Storm Water	-	(67,300)
Wild Flower Assessment	-	(680)
Serious Traffic Offender Program	-	(2,200)
Total transfers	<u>\$ 3,235,236</u>	<u>\$ (3,235,236)</u>

Transfers to/from other funds have been made in the normal course of business to assist the receiving fund in covering costs incurred by the receiving fund. Disbursing funds receive money which are to be used to fund expenditures in other funds.

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 7: Interfund Activity (continued)

b. Due To/From Other Funds

Receivable fund	Payable fund	Amount
General Reserve	Gas Tax	\$ 43,520
	Supplemental Law Enforcement	25,000
	Sundry Grants	432,867
	CDBG	241,539
	Transnet	51,737
	Storm Water	26,512
	Internal Service fund	25,000
 Community Development Agency Capital Projects	 General Fund	 250,501
 Community Development Agency Capital Projects	 Community Development Agency Housing Set-aside	 <u>485,833</u>
 Totals		 <u><u>\$ 1,582,509</u></u>

Amounts due to/from other funds represent short-term loans between funds to assist funds in covering current fiscal year expenditures.

c. Advances

At June 30, 2010, the funds below have made/received advances that were not expected to be repaid within one year.

Fund	Advances to	Advances from
Major Funds:		
Community Development Debt Service Fund	\$ -	\$ 3,917,741
General Reserve Fund	<u>3,917,741</u>	<u>-</u>
 Totals	 <u><u>\$ 3,917,741</u></u>	 <u><u>\$ 3,917,741</u></u>

The advances payable have no stated interest rate. Interest expense is computed monthly using the rate currently being paid by the Local Agency Investment Fund. This resulted in an average rate of .7675% for the fiscal year resulting in a total interest expense of \$22,525. This advance will be repaid based on a schedule to be agreed upon by the City and the Agency. There is no future minimum debt service requirement as repayment will be made when funds are available.

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 8: Capital Assets

a. Governmental Activities

Capital assets for governmental activities for the fiscal year ended June 30, 2010 were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 7,520,853	\$ 4,813,398	\$ -	\$ 12,334,251
Construction in progress	-	380,943	-	380,943
	<u>7,520,853</u>	<u>5,194,341</u>	<u>-</u>	<u>12,715,194</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Building and improvements	9,127,284	78,050	-	9,205,334
Vehicle and equipment	3,046,774	13,441	-	3,060,215
Infrastructure	50,595,498	39,262	-	50,634,760
	<u>62,769,556</u>	<u>130,753</u>	<u>-</u>	<u>62,900,309</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Building and improvements	(4,686,343)	(228,183)	-	(4,914,526)
Vehicle and equipment	(1,926,496)	(180,666)	-	(2,107,162)
Infrastructure	(20,102,725)	(1,187,456)	-	(21,290,181)
	<u>(26,715,564)</u>	<u>(1,596,305)</u>	<u>-</u>	<u>(28,311,869)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>36,053,992</u>	<u>(1,465,552)</u>	<u>-</u>	<u>34,588,440</u>
Governmental activities capital assets, net	<u>\$ 43,574,845</u>	<u>\$ 3,728,789</u>	<u>\$ -</u>	<u>\$ 47,303,634</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

	<u>Governmental activities</u>
General government	\$ 57,728
Public safety	104,998
Public works	1,300,540
Parks and recreation	123,169
Community development	9,870
	<u>1,596,305</u>
Total depreciation expense	<u>\$ 1,596,305</u>

City of Lemon Grove

Notes to the Basic Financial Statements
For the year ended June 30, 2010

Note 8: Capital Assets (continued)

Capital assets for business-type activities for the fiscal year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in progress	134,283	71,328	-	205,611
Total capital assets, not being depreciated	138,007	71,328	-	209,335
Capital assets, being depreciated:				
Infrastructure	11,556,792	177,118	-	11,733,910
Machinery and equipment	614,643	-	-	614,643
Total capital assets, being depreciated	12,171,435	177,118	-	12,348,553
Less accumulated depreciation	(6,267,463)	(278,540)	-	(6,546,003)
Total capital assets, being depreciated, net	5,903,972	(101,422)	-	5,802,550
Business-type activities capital assets, net	<u>\$ 6,041,979</u>	<u>\$ (30,094)</u>	<u>\$ -</u>	<u>\$ 6,011,885</u>

Note 9: Long-Term Liabilities

a. *The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2010:*

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Governmental activities:					
1998 TABS	\$ 8,115,000	\$ -	\$ (225,000)	\$ 7,890,000	\$ 240,000
2004 TABS	5,760,000	-	(60,000)	5,700,000	60,000
2007 TABS	13,830,000	-	(130,000)	13,700,000	165,000
Subtotal bonds	27,705,000	-	(415,000)	27,290,000	465,000
Lease payable	204,202	-	(87,474)	116,728	17,222
Compensated absences	662,831	257,837	(286,843)	633,825	158,456
OPEB liability	-	71,084	-	71,084	-
Subtotal other	867,033	328,921	(374,317)	821,637	175,678
Total	<u>\$ 28,572,033</u>	<u>\$ 328,921</u>	<u>\$ (789,317)</u>	<u>\$ 28,111,637</u>	<u>\$ 640,678</u>

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 the Basic Financial Statements
For the year ended June 30, 2010**

Note 9: Long-Term Liabilities (continued)

b. Governmental long-term debt at June 30, 2010 consisted of the following:

A. 1998 Tax Allocation Refunding Bonds

In May 1998, the Agency issued \$9,420,000 in tax allocation refunding bonds with interest rates varying from 5.00% to 5.75% to advance refund \$7,895,000 of outstanding Series 1992 Lemon Grove Development Project Tax Allocation Bonds with interest rates ranging from 5.00% to 6.90%. The refunding bonds were also issued to retire Disposition and Developer Agreements with Coral Ford and Land Grant Development Company. The net proceeds (after original issuance discount of \$180,805 and underwriter fees and other issuance costs of \$198,402) were deposited into an escrow fund. Of the proceeds, \$672,338 was set aside to immediately retire the Disposition and Development Agreements. Pursuant to the escrow agreement, \$8,307,194 was deposited into the Lemon Grove Community Development Agency 1998 Escrow Fund and invested in direct obligations of the United States such that the principal amount of the securities, together with the scheduled interest thereon, is sufficient to assure that the funds available in the escrow fund will be sufficient to pay when due the scheduled payments of principal and interest on the refunded bonds through August 1, 2002 and to fully redeem all outstanding refunded bonds on August 1, 2002. As a result, the Series 1992 Lemon Grove Redevelopment Project Tax Allocation Bonds are considered defeased and the liability for those bonds and the Disposition and Development Agreement has been removed from the long-term debt.

Agency tax increment revenue is pledged for the repayment of these bonds. Interest is payable semi-annually each August 1 and February 1 through 2029.

The scheduled annual minimum debt service requirements at June 30, 2010 are as follows:

Fiscal years ended June 30,	Principal	Interest	Total
2011	\$ 240,000	\$ 446,775	\$ 686,775
2012	255,000	432,543	687,543
2013	265,000	417,594	682,594
2014	285,000	401,781	686,781
2015	300,000	384,963	684,963
2016-2020	1,775,000	1,638,031	3,413,031
2021-2025	2,355,000	1,047,794	3,402,794
2026-2029	2,415,000	287,356	2,702,356
Totals	<u>\$ 7,890,000</u>	<u>\$ 5,056,837</u>	<u>\$ 12,946,837</u>

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 9: Long-Term Liabilities (continued)

B. 2004 Tax Allocation Bonds

On August 1, 2004, the Agency issued \$6,330,000 of Tax Allocation Bonds bearing interest rates 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, 2010 are as follows:

<u>Fiscal years ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 60,000	\$ 280,804	\$ 340,804
2012	65,000	278,613	343,613
2013	70,000	276,105	346,105
2014	70,000	273,375	343,375
2015	75,000	270,428	345,428
2016-2020	410,000	1,300,594	1,710,594
2021-2025	535,000	1,186,606	1,721,606
2026-2030	1,355,000	1,019,516	2,374,516
2031-2035	<u>3,060,000</u>	<u>299,225</u>	<u>3,359,225</u>
Totals	<u>\$ 5,700,000</u>	<u>\$ 5,185,266</u>	<u>\$ 10,885,266</u>

C. 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.

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 9: Long-Term Liabilities (continued)

The scheduled annual minimum debt service requirements at June 30, 2010 are as follows:

Fiscal years ended June 30,	Principal	Interest	Total
2011	\$ 165,000	\$ 597,103	\$ 762,103
2012	170,000	590,286	760,286
2013	180,000	583,068	763,068
2014	185,000	575,648	760,648
2015	190,000	568,028	758,028
2016-2020	1,080,000	2,712,532	3,792,532
2021-2025	1,275,000	2,464,886	3,739,886
2026-2030	1,645,000	2,135,850	3,780,850
2031-2035	3,835,000	1,565,325	5,400,325
2036-2038	4,975,000	230,625	5,205,625
Totals	\$ 13,700,000	\$ 12,023,351	\$ 25,723,351

D. Leases payable

On August 4, 2004, the City entered into a *Lease-Purchase Agreement* for a fire truck for \$326,599. The City made five annual payments of \$74,169 each with accrued interest at 4.39% per annum. As of June 30, 2010 this lease was paid in full.

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.

Fiscal year ended June 30,	Principal	Interest	Total
2011	\$ 17,222	\$ 5,399	\$ 22,621
2012	18,059	4,562	22,621
2013	18,936	3,685	22,621
2014	19,856	2,765	22,621
2015	20,821	1,801	22,622
2016	21,834	789	22,623
Totals	\$ 116,728	\$ 19,001	\$ 135,729

City of Lemon Grove

Notes to the Basic Financial Statements
For the year ended June 30, 2010

Note 9: Long-Term Liabilities (continued)

Accumulated depreciation on assets purchased through the *Lease-Purchase Agreement* are as follows:

	Governmental activities
Asset:	
Buildings and improvements	\$ 178,000
Vehicles and equipment	326,599
Less: accumulated depreciation	(131,115)
Total	\$ 373,484

E. Claims payable

The City is one member of the San Diego Pooled Insurance Program Authority (SANDPIPA). This organization was created by 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, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,000,000 up to \$30,000,000 per occurrence. 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.

Segmented information for the fiscal year ended June 30, 2010 taken from the audited financial statements of JPA are as follows:

<i>Operations</i>	
Total revenues	\$ 8,454,692
Total expenses	9,781,614
Change in net assets	\$ (1,326,922)
<i>Statement of net assets</i>	
Assets:	
Cash and investments	\$ 27,462,407
Other assets	394,213
Total assets	\$ 27,856,620
Liabilities:	
Claims payable	\$ 12,869,439
Other liabilities	1,924,769
Total liabilities	14,794,208
Net assets	\$ 13,062,412

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.

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 9: Long-Term Liabilities (continued)

Numerous claims and suits have been filed against the City in the normal course of business. The City's estimated claims liability of \$100,000 reported at June 30, 2010 is based on the 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.

Note 10: 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. All full time, safety employees are in the 3% at age 55 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 pays seven of the eight percent on behalf of the miscellaneous employees, and the entire nine percent on behalf of safety employees. In addition, the safety employees benefit from employer paid member contributions conversion (EPMC). This was established by resolution and the Memorandum of Understanding between the City and the Local 2728-IAFF, requiring the City to report the nine percent paid by the City on behalf of safety members as special compensation, thus increasing reported salary, and requiring the City to pay the employer share on this nine percent as well. The City is required to contribute (the employer share) at an actuarially determined rate established each year by PERS; the current rate is 14.952% for miscellaneous employees and 18.702% 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.

THREE-YEAR TREND INFORMATION

<u>Fiscal year</u>	<u>Annual pension cost (employer contribution)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/2008	\$ 693,369	100%	\$ -
6/30/2009	722,514	100%	-
6/30/2010	703,348	100%	-

City of Lemon Grove

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 11: 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 requirements 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 2009-10, the City contributed \$108,049 to the plan, which was 100% of the total current premiums.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) 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:

	<u>June 30, 2010</u>
Annual required contribution	\$ 179,133
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>179,133</u>
Contributions made	<u>(108,049)</u>
Increase in net OPEB obligation	71,084
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u><u>\$ 71,084</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2008	N/A	N/A	N/A
June 30, 2009	N/A	N/A	N/A
June 30, 2010	\$ 179,133	60.31%	\$ 71,084

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 11: Other Post Employment Benefits (continued)

Funded Status and Progress

As of March 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$968,973, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,347,323 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0.0%. Actuarial valuations of an ongoing plan involve 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 past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost method. The actuarial assumptions included a 4.0 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date.

Note 12: Fund Balance Reservation/Designations

The City has established certain fund balance reserve and designation accounts to report amounts which represent resources not available for appropriation.

Note 13: Litigation

The City is a defendant in eminent domain and other personal injury lawsuits of a nature common to many similar jurisdictions. City management believes that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

Note 14: Net Assets Restricted by Enabling Legislation

Net assets restricted by enabling legislation in the governmental activities statement of net assets total \$678,238.

Amounts reserved for long-term advances indicate that the advances are not available as a resource to meet expenditures of the current year.

Designations

The designations for special purposes represent a government's self-imposed limitations on the use of otherwise available current financial resources.

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 15: Supplemental Educational Revenue Augmentation Fund

On July 24, 2009, the State Legislature passed Assembly Bill (AB)X4-26, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The City's (Agency's) share of this revenue shift was \$1,025,546 for fiscal year 2009-2010 and \$210,938 for fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to ABX4-26, the Agency funded the SERAF payment due in May 2010 with the Low/Mod Housing Fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate ABX4-26, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed the lawsuit on October 20, 2009. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract and gift of public funds arguments. While the State made adjustments in ABX4-26 to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional. In May 2010, the Superior Court upheld the legality of ABX4-26. In August 2010, the CRA filed an appeal with the Third District Court.

Note 16: Financial Condition

The City has a deficit in total unrestricted net assets of \$(753,837) at June 30, 2010. The City projects that future resources will be sufficient to cover this deficit and any long-term obligations as they become due.

The City's fund balance in the General Fund, the Community Development Housing Set-aside Fund and the Community Development Debt Service Fund have been slowly decreasing over the past three years due to expenditures in excess of revenues. Since June 30, 2008, the General Fund, the Community Development Housing Set-aside Fund and the Community Development Debt Service Fund's fund balances have decreased \$1,955,488, \$4,777,631 and \$2,564,583, respectively.

Note 17: 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 participant's proportionate share of fund equity as of June 30, 2010. Upon dissolution, all surplus money and property of HCFA will be conveyed or distributed to each member in proportion to all funds provided to HCFA by that member on behalf of that member during its membership.

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

**Notes to the Basic Financial Statements
For the year ended June 30, 2010**

Note 18: Subsequent Event

In September 2010, the Agency issued \$8,000,000 of Tax Allocation Refunding Bonds with interest rates varying from 1.75% to 5.25% 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 special obligations of the Agency and payable solely from and secured by a pledge incremented 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 and low and moderate income housing activities within the geographic boundaries of the City of Lemon Grove, (ii) refund the Agency's outstanding Lemon Grove Community Development Agency Tax Allocation Bonds (1998 Refunding) and (iii) provide for the costs of issuing the Bonds.

Required Supplementary Information

City of Lemon Grove

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2010

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 8,239,852	\$ 8,239,852	\$ 7,681,298	\$ (558,554)
Licenses and permits	550,000	550,000	356,007	(193,993)
Fines, forfeitures and penalties	253,000	253,000	215,227	(37,773)
Intergovernmental	100,000	120,000	95,588	(24,412)
Charges for services	401,600	381,600	286,194	(95,406)
Investment earnings	299,575	299,575	255,079	(44,496)
Other	135,200	135,200	130,464	(4,736)
Total revenues	9,979,227	9,979,227	9,019,857	(959,370)
Expenditures				
Current:				
General government				
City council	143,200	143,200	128,525	14,675
City manager	499,000	499,000	480,677	18,323
City attorney	133,800	133,800	145,630	(11,830)
Finance	465,500	465,500	435,501	29,999
Total general government	1,241,500	1,241,500	1,190,333	51,167
Public safety:				
Sheriff	4,450,700	4,453,700	4,443,535	10,165
Animal control	177,000	174,000	170,153	3,847
Fire	3,515,525	3,409,325	3,145,957	263,368
Total public safety	8,143,225	8,037,025	7,759,645	277,380
Public works:				
Grounds maintenance	392,950	392,950	345,480	47,470
Street maintenance	714,100	714,100	658,374	55,726
Sanitation	193,900	193,900	185,465	8,435
Engineering and other	647,900	647,900	646,430	1,470
Total public works	1,948,850	1,948,850	1,835,749	113,101
Community development	774,300	774,300	618,865	155,435
Parks and recreation:				
Recreation	733,600	733,600	629,630	103,970
Facilities	295,700	295,700	272,991	22,709
Total parks and recreation	1,029,300	1,029,300	902,621	126,679
Debt service:				
Principal	-	106,200	87,474	18,726
Interest	-	-	9,316	(9,316)
Total debt service	-	106,200	96,790	9,410
Total expenditures	13,137,175	13,137,175	12,404,003	733,172
Deficiency of revenues over expenditures	(3,157,948)	(3,157,948)	(3,384,146)	(226,198)

Required Supplementary Information
 Budgetary Comparison Schedule (continued)
 General Fund
 For the year ended June 30, 2010

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Other financing sources				
Transfers in	<u>2,377,000</u>	<u>2,376,780</u>	<u>2,382,242</u>	<u>5,462</u>
Total other financing sources	<u>2,377,000</u>	<u>2,376,780</u>	<u>2,382,242</u>	<u>5,462</u>
Net change in fund balance	(780,948)	(781,168)	(1,001,904)	(220,736)
Fund balance, beginning of year	<u>713,730</u>	<u>713,730</u>	<u>713,730</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (67,218)</u>	<u>\$ (67,438)</u>	<u>\$ (288,174)</u>	<u>\$ (220,736)</u>

City of Lemon Grove

**Required Supplementary Information
Budgetary Comparison Schedule
Community Development Housing Set-Aside Fund
For the year ended June 30, 2010**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 624,800	\$ 624,800	\$ 633,080	\$ 8,280
Investment earnings	32,800	32,800	2,014	(30,786)
Intergovernmental	5,000,000	5,000,000	-	(5,000,000)
Total revenues	5,657,600	5,657,600	635,094	(5,022,506)
Expenditures				
Current:				
Community development	4,238,400	4,238,400	1,418,640	2,819,760
Total expenditures	4,238,400	4,238,400	1,418,640	2,819,760
Excess of revenues over (under) expenditures	1,419,200	1,419,200	(783,546)	(2,202,746)
Other financing uses				
Transfers out	(501,600)	(501,600)	(577,894)	(76,294)
Total other financing uses	(501,600)	(501,600)	(577,894)	(76,294)
Net change in fund balance	917,600	917,600	(1,361,440)	(2,279,040)
Fund balance, beginning of year	911,302	911,302	911,302	-
Fund balance (deficit), end of year	\$ 1,828,902	\$ 1,828,902	\$ (450,138)	\$ (2,279,040)

Other Supplementary Information

City of Lemon Grove

**Combining Balance Sheet
Nonmajor Funds
June 30, 2010**

	Special Revenue		
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service
Assets			
Cash and investments	\$ -	\$ 13,452	\$ -
Due from other governments	43,520	-	25,000
Accounts receivable	-	-	-
Interest receivable	-	10	-
Total assets	\$ 43,520	\$ 13,462	\$ 25,000
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Due to other funds	43,520	-	25,000
Total liabilities	43,520	-	25,000
Fund balances (deficit):			
Unreserved:			
Undesignated	-	13,462	-
Total fund balances (deficit)	-	13,462	-
Total liabilities and fund balances	\$ 43,520	\$ 13,462	\$ 25,000

Special Revenue

Sundry Grants	CDBG	TDA	Lighting District	Transnet
\$ -	\$ -	\$ 117,593	\$ 636,995	\$ -
889,132	244,289	121,170	1,921	590,966
-	-	-	-	-
41	-	96	471	54
<u>\$ 889,173</u>	<u>\$ 244,289</u>	<u>\$ 238,859</u>	<u>\$ 639,387</u>	<u>\$ 591,020</u>

\$ 305,900	\$ 2,750	\$ 4,380	\$ 23,784	\$ 102,189
115,718	244,289	234,383	-	590,966
432,867	241,539	-	-	51,737
<u>854,485</u>	<u>488,578</u>	<u>238,763</u>	<u>23,784</u>	<u>744,892</u>

<u>34,688</u>	<u>(244,289)</u>	<u>96</u>	<u>615,603</u>	<u>(153,872)</u>
<u>34,688</u>	<u>(244,289)</u>	<u>96</u>	<u>615,603</u>	<u>(153,872)</u>
<u>\$ 889,173</u>	<u>\$ 244,289</u>	<u>\$ 238,859</u>	<u>\$ 639,387</u>	<u>\$ 591,020</u>

City of Lemon Grove

**Combining Balance Sheet (continued)
Nonmajor Funds
June 30, 2010**

	Special Revenue		
	Traffic Congestion Relief	Storm Water	Household Hazardous Waste
Assets			
Cash and investments	\$ 400,261	\$ -	\$ 99,872
Due from other governments	65,441	-	-
Accounts receivable	-	1,489	1,155
Interest receivable	244	-	70
Total assets	\$ 465,946	\$ 1,489	\$ 101,097
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 16,400	\$ 1,773	\$ 13,507
Deferred revenue	-	-	-
Due to other funds	-	26,512	-
Total liabilities	16,400	28,285	13,507
Fund balances (deficit):			
Unreserved:			
Undesignated	449,546	(26,796)	87,590
Total fund balances (deficit)	449,546	(26,796)	87,590
Total liabilities and fund balances	\$ 465,946	\$ 1,489	\$ 101,097

Special Revenue			Capital Projects	
Wild Flower Assessment	Serious Traffic Offender Program	Total Special Revenue Funds	Street Construction	Prop 1b
\$ 2,427	\$ 15,432	\$ 1,286,032	\$ 340,034	\$ 815,961
-	-	1,981,439	-	-
-	-	2,644	-	-
88	4,277	5,351	252	603
<u>\$ 2,515</u>	<u>\$ 19,709</u>	<u>\$ 3,275,466</u>	<u>\$ 340,286</u>	<u>\$ 816,564</u>
\$ 674	\$ 133	\$ 471,490	\$ -	\$ -
-	-	1,185,356	-	-
-	-	821,175	-	-
<u>674</u>	<u>133</u>	<u>2,478,021</u>	<u>-</u>	<u>-</u>
<u>1,841</u>	<u>19,576</u>	<u>797,445</u>	<u>340,286</u>	<u>816,564</u>
<u>1,841</u>	<u>19,576</u>	<u>797,445</u>	<u>340,286</u>	<u>816,564</u>
<u>\$ 2,515</u>	<u>\$ 19,709</u>	<u>\$ 3,275,466</u>	<u>\$ 340,286</u>	<u>\$ 816,564</u>

City of Lemon Grove

Combining Balance Sheet (continued)
 Nonmajor Funds
 June 30, 2010

	Capital Projects			Total
	Sidewalk Reserve	Transportation Mitigation	Total Capital Projects Funds	
Assets				
Cash and investments	\$ 22,460	\$ 12,337	\$ 1,190,792	\$ 2,476,824
Due from other governments	-	-	-	1,981,439
Accounts receivable	-	-	-	2,644
Interest receivable	17	9	881	6,232
Total assets	\$ 22,477	\$ 12,346	\$ 1,191,673	\$ 4,467,139
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 471,490
Deferred revenue	-	12,325	12,325	1,197,681
Due to other funds	-	-	-	821,175
Total liabilities	-	12,325	12,325	2,490,346
Fund balances (deficit):				
Unreserved:				
Undesignated	22,477	21	1,179,348	1,976,793
Total fund balances (deficit)	22,477	21	1,179,348	1,976,793
Total liabilities and fund balances	\$ 22,477	\$ 12,346	\$ 1,191,673	\$ 4,467,139

City of Lemon Grove

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
For the year ended June 30, 2010**

	Special Revenue		
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service
Revenues			
Taxes	\$ -	\$ 7,200	\$ -
Fines, fees and forfeitures	-	-	-
Intergovernmental	430,756	-	100,000
Charges for services	-	-	-
Investment earnings	-	212	-
Other	-	-	-
Total revenues	<u>430,756</u>	<u>7,412</u>	<u>100,000</u>
Expenditures			
Current:			
Public safety	-	-	-
Public works	-	-	-
Community development	-	-	-
Parks and recreation	-	9,082	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>9,082</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>430,756</u>	<u>(1,670)</u>	<u>100,000</u>
Other financing sources (uses)			
Transfers in	94,100	-	-
Transfers out	<u>(524,856)</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>(430,756)</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	-	(1,670)	-
Fund balances, beginning of year	<u>-</u>	<u>15,132</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ 13,462</u>	<u>\$ -</u>

Special Revenue

Sundry Grants	CDBG	TDA	Lighting District	Transnet
\$ -	\$ -	\$ -	\$ 146,222	\$ -
-	-	-	-	-
839,423	-	130,513	-	-
-	-	-	85,616	-
867	-	3,059	9,220	4,887
-	-	-	922	-
<u>840,290</u>	<u>-</u>	<u>133,572</u>	<u>241,980</u>	<u>4,887</u>
74,045	-	-	-	-
518,740	233,289	63,540	200,359	-
-	-	-	-	-
271,079	11,000	-	-	-
-	-	-	-	1,003,408
<u>863,864</u>	<u>244,289</u>	<u>63,540</u>	<u>200,359</u>	<u>1,003,408</u>
<u>(23,574)</u>	<u>(244,289)</u>	<u>70,032</u>	<u>41,621</u>	<u>(998,521)</u>
-	-	-	-	-
-	-	(69,000)	(13,000)	(65,006)
-	-	(69,000)	(13,000)	(65,006)
<u>(23,574)</u>	<u>(244,289)</u>	<u>1,032</u>	<u>28,621</u>	<u>(1,063,527)</u>
<u>58,262</u>	<u>-</u>	<u>(936)</u>	<u>586,982</u>	<u>909,655</u>
<u>\$ 34,688</u>	<u>\$ (244,289)</u>	<u>\$ 96</u>	<u>\$ 615,603</u>	<u>\$ (153,872)</u>

City of Lemon Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Nonmajor Funds
For the year ended June 30, 2010

	Special Revenue		
	Traffic Congestion Relief	Storm Water	Household Hazardous Waste
Revenues			
Taxes	\$ -	\$ -	\$ 23,989
Fines, fees and forfeitures	-	-	-
Intergovernmental	233,160	-	-
Charges for services	-	138,726	-
Investment earnings	3,753	-	1,347
Other	-	-	231
Total revenues	<u>236,913</u>	<u>138,726</u>	<u>25,567</u>
Expenditures			
Current:			
Public safety	-	-	-
Public works	16,400	101,009	16,773
Community development	-	-	-
Parks and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>16,400</u>	<u>101,009</u>	<u>16,773</u>
Excess (deficiency) of revenues over expenditures	<u>220,513</u>	<u>37,717</u>	<u>8,794</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	(67,300)	-
Total other financing sources (uses)	<u>-</u>	<u>(67,300)</u>	<u>-</u>
Net change in fund balances	<u>220,513</u>	<u>(29,583)</u>	<u>8,794</u>
Fund balances, beginning of year	<u>229,033</u>	<u>2,787</u>	<u>78,796</u>
Fund balances (deficit), end of year	<u>\$ 449,546</u>	<u>\$ (26,796)</u>	<u>\$ 87,590</u>

Special Revenue			Capital Projects	
Wild Flower Assessment	Serious Traffic Offender Program	Total Special Revenue Funds	Street Construction	Prop 1b
\$ -	\$ -	\$ 177,411	\$ -	\$ -
-	24,395	24,395	-	-
-	-	1,733,852	-	-
8,538	-	232,880	-	-
31	200	23,576	5,227	12,569
-	-	1,153	10,000	-
<u>8,569</u>	<u>24,595</u>	<u>2,193,267</u>	<u>15,227</u>	<u>12,569</u>
-	11,018	85,063	-	-
-	-	1,150,110	6,529	-
9,069	-	9,069	-	-
-	-	291,161	-	-
-	-	1,003,408	-	-
<u>9,069</u>	<u>11,018</u>	<u>2,538,811</u>	<u>6,529</u>	<u>-</u>
(500)	13,577	(345,544)	8,698	12,569
-	-	94,100	-	-
(680)	(2,200)	(842,042)	-	-
(680)	(2,200)	(747,942)	-	-
(1,180)	11,377	(1,093,486)	8,698	12,569
3,021	8,199	1,890,931	331,588	803,995
<u>\$ 1,841</u>	<u>\$ 19,576</u>	<u>\$ 797,445</u>	<u>\$ 340,286</u>	<u>\$ 816,564</u>

City of Lemon Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Nonmajor Funds
For the year ended June 30, 2010

	Capital Projects			Total
	Sidewalk Reserve	Transportation Mitigation	Total Capital Projects Funds	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 177,411
Fines, fees and forfeitures	-	-	-	24,395
Intergovernmental	-	-	-	1,733,852
Charges for services	-	-	-	232,880
Investment earnings	347	21	18,164	41,740
Other	-	-	10,000	11,153
Total revenues	347	21	28,164	2,221,431
Expenditures				
Current:				
Public safety	-	-	-	85,063
Public works	-	-	6,529	1,156,639
Community development	-	-	-	9,069
Parks and recreation	-	-	-	291,161
Capital outlay	-	-	-	1,003,408
Total expenditures	-	-	6,529	2,545,340
Excess (deficiency) of revenues over expenditures	347	21	21,635	(323,909)
Other financing sources (uses)				
Transfers in	-	-	-	94,100
Transfers out	-	-	-	(842,042)
Total other financing sources (uses)	-	-	-	(747,942)
Net change in fund balances	347	21	21,635	(1,071,851)
Fund balances, beginning of year	22,130	-	1,157,713	3,048,644
Fund balances (deficit), end of year	\$ 22,477	\$ 21	\$ 1,179,348	\$ 1,976,793

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ 424,000	\$ 430,756	\$ 6,756
Total revenues	<u>424,000</u>	<u>430,756</u>	<u>6,756</u>
Other financing sources (uses)			
Transfer in	94,100	94,100	-
Transfers out	<u>(518,100)</u>	<u>(524,856)</u>	<u>(6,756)</u>
Total other financing sources (uses)	<u>(424,000)</u>	<u>(430,756)</u>	<u>(6,756)</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Parkland Dedication Special Revenue Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Taxes	\$ 37,000	\$ 7,200	\$ (29,800)
Investment earnings	-	212	212
Total revenues	<u>37,000</u>	<u>7,412</u>	<u>(29,588)</u>
Expenditures			
Current:			
Parks and recreation	<u>37,000</u>	<u>9,082</u>	<u>27,918</u>
Total expenditures	<u>37,000</u>	<u>9,082</u>	<u>27,918</u>
Net change in fund balance	-	(1,670)	(1,670)
Fund balance, beginning of year	<u>15,132</u>	<u>15,132</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 15,132</u></u>	<u><u>\$ 13,462</u></u>	<u><u>\$ (1,670)</u></u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Supplemental Law Enforcement Service Special Revenue Fund
 For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Investment earnings	1,000	-	(1,000)
	<u>101,000</u>	<u>100,000</u>	<u>(1,000)</u>
Total revenues	<u>101,000</u>	<u>100,000</u>	<u>(1,000)</u>
Other financing uses			
Transfers out	(101,000)	(100,000)	1,000
	<u>(101,000)</u>	<u>(100,000)</u>	<u>1,000</u>
Total other financing uses	<u>(101,000)</u>	<u>(100,000)</u>	<u>1,000</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Sundry Grants Special Revenue Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ 2,217,100	\$ 839,423	\$ (1,377,677)
Investment earnings	300	867	567
Total revenues	<u>2,217,400</u>	<u>840,290</u>	<u>(1,377,110)</u>
Expenditures			
Current:			
Public safety	858,500	74,045	784,455
Public works	1,070,000	518,740	551,260
Parks and recreation	288,600	271,079	17,521
Total expenditures	<u>2,217,100</u>	<u>863,864</u>	<u>1,353,236</u>
Net change in fund balance	300	(23,574)	(23,874)
Fund balance, beginning of year	<u>58,262</u>	<u>58,262</u>	<u>-</u>
Fund balance, end of year	<u>\$ 58,562</u>	<u>\$ 34,688</u>	<u>\$ (23,874)</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
CDBG Special Revenue Fund
For the year ended June 30, 2010**

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Intergovernmental	\$ 11,000	\$ -	\$ (11,000)
Total revenues	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>
Expenditures			
Current:			
Parks and recreation	11,000	11,000	-
Public works	<u>-</u>	<u>233,289</u>	<u>(233,289)</u>
Total expenditures	<u>11,000</u>	<u>244,289</u>	<u>(233,289)</u>
Net change in fund balance	-	(244,289)	(244,289)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ (244,289)</u>	<u>\$ (244,289)</u>

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
TDA Special Revenue Fund
For the year ended June 30, 2010

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ 121,200	\$ 130,513	\$ 9,313
Investment earnings	2,900	3,059	159
	<u>124,100</u>	<u>133,572</u>	<u>9,472</u>
Total revenues			
Expenditures			
Current:			
Public works	<u>257,000</u>	<u>63,540</u>	<u>193,460</u>
Excess (deficiency) of revenues over expenditures	<u>(132,900)</u>	<u>70,032</u>	<u>202,932</u>
Other financing uses			
Transfers out	<u>(69,000)</u>	<u>(69,000)</u>	<u>-</u>
Total other financing uses	<u>(69,000)</u>	<u>(69,000)</u>	<u>-</u>
Net change in fund balance	<u>(201,900)</u>	<u>1,032</u>	<u>202,932</u>
Fund balance (deficit), beginning of year	<u>(936)</u>	<u>(936)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (202,836)</u></u>	<u><u>\$ 96</u></u>	<u><u>\$ 202,932</u></u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Lighting District Special Revenue Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Taxes	\$ 170,000	\$ 146,222	\$ (23,778)
Charges for services	85,000	85,616	616
Investment earnings	9,300	9,220	(80)
Other	300	922	622
	<u>264,600</u>	<u>241,980</u>	<u>(22,620)</u>
Expenditures			
Current:			
Public works	<u>214,000</u>	<u>200,359</u>	<u>13,641</u>
Excess of revenues over expenditures	<u>50,600</u>	<u>41,621</u>	<u>(8,979)</u>
Other financing uses			
Transfers out	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
Total other financing uses	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
Net change in fund balance	37,600	28,621	(8,979)
Fund balance, beginning of year	<u>586,982</u>	<u>586,982</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 624,582</u></u>	<u><u>\$ 615,603</u></u>	<u><u>\$ (8,979)</u></u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Transnet Special Revenue Fund
For the year ended June 30, 2010**

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Investment earnings	\$ 23,600	\$ 4,887	\$ (18,713)
Other	<u>1,069,000</u>	<u>-</u>	<u>(1,069,000)</u>
Total revenues	<u>1,092,600</u>	<u>4,887</u>	<u>(1,087,713)</u>
Expenditures			
Capital outlay	<u>1,972,500</u>	<u>1,003,408</u>	<u>969,092</u>
Total expenditures	<u>1,972,500</u>	<u>1,003,408</u>	<u>969,092</u>
Deficiency of revenues over expenditures	<u>(879,900)</u>	<u>(998,521)</u>	<u>(118,621)</u>
Other financing uses			
Transfers out	<u>(66,000)</u>	<u>(65,006)</u>	<u>994</u>
Total other financing uses	<u>(66,000)</u>	<u>(65,006)</u>	<u>994</u>
Net change in fund balance	(945,900)	(1,063,527)	(117,627)
Fund balance, beginning of year	<u>909,655</u>	<u>909,655</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (36,245)</u>	<u>\$ (153,872)</u>	<u>\$ (117,627)</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Congestion Relief Special Revenue Fund
For the year ended June 30, 2010**

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Intergovernmental	\$ 62,500	\$ 233,160	\$ 170,660
Investment earnings	1,600	3,753	2,153
	<u>64,100</u>	<u>236,913</u>	<u>172,813</u>
Expenditures			
Current:			
Public works	<u>238,300</u>	<u>16,400</u>	<u>221,900</u>
	<u>238,300</u>	<u>16,400</u>	<u>221,900</u>
Net change in fund balance	(174,200)	220,513	394,713
Fund balance, beginning of year	<u>229,033</u>	<u>229,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 54,833</u>	<u>\$ 449,546</u>	<u>\$ 394,713</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Storm Water Special Revenue Fund
For the year ended June 30, 2010**

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Charges for services	\$ 140,000	\$ 138,726	\$ (1,274)
Total revenues	<u>140,000</u>	<u>138,726</u>	<u>(1,274)</u>
Expenditures			
Current:			
Public works	<u>67,000</u>	<u>101,009</u>	<u>(34,009)</u>
Total expenditures	<u>67,000</u>	<u>101,009</u>	<u>(34,009)</u>
Excess of revenues over expenditures	<u>73,000</u>	<u>37,717</u>	<u>(35,283)</u>
Other financing uses			
Transfers out	<u>(67,300)</u>	<u>(67,300)</u>	<u>-</u>
Total other financing uses	<u>(67,300)</u>	<u>(67,300)</u>	<u>-</u>
Net change in fund balance	5,700	(29,583)	(35,283)
Fund balance, beginning of year	<u>2,787</u>	<u>2,787</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 8,487</u>	<u>\$ (26,796)</u>	<u>\$ (35,283)</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Household Hazardous Waste Special Revenue Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Taxes	\$ 25,000	\$ 23,989	\$ (1,011)
Investment earnings	2,100	1,347	(753)
Other	-	231	231
	<u>27,100</u>	<u>25,567</u>	<u>(1,533)</u>
Expenditures			
Current:			
Public works	<u>30,000</u>	<u>16,773</u>	<u>13,227</u>
	<u>30,000</u>	<u>16,773</u>	<u>13,227</u>
Net change in fund balance	(2,900)	8,794	11,694
Fund balance, beginning of year	<u>78,796</u>	<u>78,796</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,896</u>	<u>\$ 87,590</u>	<u>\$ 11,694</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Wild Flower Assessment Special Revenue Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Charges for services	\$ 7,900	\$ 8,538	\$ 638
Investment earnings	80	31	(49)
	<u>7,980</u>	<u>8,569</u>	<u>589</u>
Expenditures			
Current:			
Community development	9,500	9,069	431
Deficiency of revenues over expenditures	(1,520)	(500)	1,020
Other financing uses			
Transfers out	(680)	(680)	-
Total other financing uses	(680)	(680)	-
Net change in fund balance	(2,200)	(1,180)	1,020
Fund balance, beginning of year	3,021	3,021	-
Fund balance, end of year	<u>\$ 821</u>	<u>\$ 1,841</u>	<u>\$ 1,020</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Serious Traffic Offender Program Special Revenue Fund
 For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Fines, fees and forfeitures	\$ 20,000	\$ 24,395	\$ 4,395
Investment earnings	300	200	(100)
	<u>20,300</u>	<u>24,595</u>	<u>4,295</u>
Total revenues	<u>20,300</u>	<u>24,595</u>	<u>4,295</u>
Expenditures			
Current:			
Public safety	20,000	11,018	8,982
	<u>20,000</u>	<u>11,018</u>	<u>8,982</u>
Excess of revenues over expenditures	<u>300</u>	<u>13,577</u>	<u>13,277</u>
Other financing uses			
Transfers out	(2,200)	(2,200)	-
	<u>(2,200)</u>	<u>(2,200)</u>	<u>-</u>
Total other financing uses	<u>(2,200)</u>	<u>(2,200)</u>	<u>-</u>
Net change in fund balance	<u>(1,900)</u>	<u>11,377</u>	<u>13,277</u>
Fund balance, beginning of year	<u>8,199</u>	<u>8,199</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,299</u>	<u>\$ 19,576</u>	<u>\$ 13,277</u>

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Street Construction Capital Projects Fund
 For the year ended June 30, 2010

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Investment earnings			
Other	\$ 4,900	\$ 5,227	\$ 327
	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total revenues	<u>4,900</u>	<u>15,227</u>	<u>10,327</u>
Expenditures			
Current:			
Public works	<u>135,500</u>	<u>6,529</u>	<u>128,971</u>
Total expenditures	<u>135,500</u>	<u>6,529</u>	<u>128,971</u>
Net change in fund balance	(130,600)	8,698	139,298
Fund balance, beginning of year	<u>331,588</u>	<u>331,588</u>	<u>-</u>
Fund balance, end of year	<u>\$ 200,988</u>	<u>\$ 340,286</u>	<u>\$ 139,298</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Prop 1b Capital Projects Fund
For the year ended June 30, 2010**

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Intergovernmental	\$ 378,000	\$ -	\$ (378,000)
Investment earnings	4,700	12,569	7,869
Total revenues	<u>382,700</u>	<u>12,569</u>	<u>(370,131)</u>
Expenditures			
Current:			
Public works	<u>417,500</u>	<u>-</u>	<u>417,500</u>
Total expenditures	<u>417,500</u>	<u>-</u>	<u>417,500</u>
Net change in fund balance	(34,800)	12,569	47,369
Fund balance, beginning of year	<u>803,995</u>	<u>803,995</u>	<u>-</u>
Fund balance, end of year	<u>\$ 769,195</u>	<u>\$ 816,564</u>	<u>\$ 47,369</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Sidewalk Reserve Capital Projects Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Investment earnings	\$ -	\$ 347	\$ 347
Total revenues	<u>-</u>	<u>347</u>	<u>347</u>
Expenditures			
Current:			
Public works	<u>21,900</u>	<u>-</u>	<u>21,900</u>
Total expenditures	<u>21,900</u>	<u>-</u>	<u>21,900</u>
Net change in fund balance	(21,900)	347	22,247
Fund balance, beginning of year	<u>22,130</u>	<u>22,130</u>	<u>-</u>
Fund balance, end of year	<u>\$ 230</u>	<u>\$ 22,477</u>	<u>\$ 22,247</u>

City of Lemon Grove

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Transportation Mitigation Capital Projects Fund
For the year ended June 30, 2010

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Investment earnings	\$ 500	\$ 21	\$ (479)
Other	(10,000)	-	10,000
Total revenues	<u>(9,500)</u>	<u>21</u>	<u>9,521</u>
Net change in fund balance	(9,500)	21	9,521
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (9,500)</u>	<u>\$ 21</u>	<u>\$ 9,521</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Fund
Community Development Debt Service Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Taxes	\$ 2,499,000	\$ 2,532,320	\$ 33,320
Investment earnings	22,900	6,899	(16,001)
Other	332,100	15,760	(316,340)
Total revenues	<u>2,854,000</u>	<u>2,554,979</u>	<u>(299,021)</u>
Expenditures			
Current:			
Community development	36,000	47,912	(11,912)
Debt service:			
Principal	747,100	415,000	332,100
Interest	1,539,200	1,371,733	167,467
Pass-through payments	827,400	1,735,441	(908,041)
Total expenditures	<u>3,149,700</u>	<u>3,570,086</u>	<u>(420,386)</u>
Deficiency of revenues over expenditures	<u>(295,700)</u>	<u>(1,015,107)</u>	<u>(719,407)</u>
Other financing sources (uses)			
Transfers in	501,600	489,494	(12,106)
Transfers out	(942,100)	(269,400)	672,700
Total other financial sources (uses)	<u>(440,500)</u>	<u>220,094</u>	<u>660,594</u>
Net change in fund balance	(736,200)	(795,013)	(58,813)
Fund balance (deficit), beginning of year	<u>(1,259,111)</u>	<u>(1,259,111)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,995,311)</u>	<u>\$ (2,054,124)</u>	<u>\$ (58,813)</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Fund
Community Development Capital Projects Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Investment earnings	\$ 121,100	\$ 59,814	\$ (61,286)
Other	-	16,925	16,925
Total revenues	<u>121,100</u>	<u>76,739</u>	<u>(44,361)</u>
Expenditures			
Current:			
Community development	<u>5,919,800</u>	<u>4,285,383</u>	<u>1,634,417</u>
Total expenditures	<u>5,919,800</u>	<u>4,285,383</u>	<u>1,634,417</u>
Deficiency of revenues over expenditures	<u>(5,798,700)</u>	<u>(4,208,644)</u>	<u>1,590,056</u>
Other financing sources (uses)			
Transfers in	875,700	269,400	(606,300)
Transfers out	<u>(265,700)</u>	<u>(269,400)</u>	<u>(3,700)</u>
Total other financial sources (uses)	<u>610,000</u>	<u>-</u>	<u>(610,000)</u>
Net change in fund balance	(5,188,700)	(4,208,644)	980,056
Fund balance, beginning of year	<u>10,681,029</u>	<u>10,681,029</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,492,329</u>	<u>\$ 6,472,385</u>	<u>\$ 980,056</u>

City of Lemon Grove

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Fund
General Reserve Fund
For the year ended June 30, 2010**

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Investment earnings	\$ 236,500	\$ 14,507	\$ (221,993)
Other	5,000	-	(5,000)
Total revenues	<u>241,500</u>	<u>14,507</u>	<u>(226,993)</u>
Expenditures			
Current:			
General government	100,000	183,426	(83,426)
Public safety	37,500	8,700	28,800
Public works	500	462	38
Parks and recreation	72,500	78,614	(6,114)
Total expenditures	<u>210,500</u>	<u>271,202</u>	<u>(60,702)</u>
Excess of revenues over (under) expenditures	<u>31,000</u>	<u>(256,695)</u>	<u>(287,695)</u>
Other financing uses			
Transfers out	<u>(149,200)</u>	<u>(149,200)</u>	-
Total other financial uses	<u>(149,200)</u>	<u>(149,200)</u>	-
Net change in fund balance	(118,200)	(405,895)	(287,695)
Fund balance, beginning of year	<u>6,065,837</u>	<u>6,065,837</u>	-
Fund balance, end of year	<u>\$ 5,947,637</u>	<u>\$ 5,659,942</u>	<u>\$ (287,695)</u>