

# CITY OF LEMON GROVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED JUNE 30, 2018**

**City of Lemon Grove  
Financial Statements  
June 30, 2018**

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## **Independent Auditor's Report**

The Honorable City Council  
City of Lemon Grove, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 8 to the financial statements, the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The schedules listed in the supplementary information section of the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the schedules listed in the supplementary information section are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2018 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* in considering the City's internal control over financial reporting and compliance.

*Van Lant & Fankhanel, LLP*

December 20, 2018

**CITY OF LEMON GROVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and attached notes.

**FINANCIAL HIGHLIGHTS**

- The assets plus deferred outflows of the City exceeded its liabilities and deferred inflows of the City by \$76.2 million (net position). Of this amount, \$13.6 million (unrestricted net position) may be used to meet the government's ongoing obligations to residents and creditors.
- The City's overall revenue was \$23.7 million compared to expenses of \$22 million.
- The net position value decreased from the previous year by \$2 million, or 2.5 percent. Although revenue surpassed expenses, the \$3.4 million increase in total liabilities resulted in an overall decrease in net position.
- The City's governmental funds reported a combined ending fund balance of \$13.2 million, a decrease from the previous year of \$0.4 million, or 3 percent.
- At the end of the current fiscal year, the General Fund unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$5.5 million, or approximately 39.2% of total General Fund expenditures.
- The City's capital assets (net of depreciation) increased by \$1.4 million.

**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) governmental fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition 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. They present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, which means the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Included in the government-wide financial statements are two blended component units, the Lemon Grove Sanitation District (Sanitation District) and the Lemon Grove Lighting District (Lighting District). Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. While the Sanitation

District and Lighting District are legally separate agencies, their governing board consists entirely of City Council members.

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

**Comparative Statements of Position**  
**June 30, 2018 and 2017**  
(In Thousands)

	Governmental Activities			Business-Type Activities			Citywide Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
<b>Assets:</b>									
Cash and investments	8,711	8,623	88	17,738	16,812	926	26,449	25,435	1,014
Other assets	11,273	11,789	(516)	657	64	594	11,930	11,853	77
Capital assets, net	44,605	43,781	824	7,057	6,590	467	51,662	50,371	1,291
<b>Total Assets</b>	<b>64,589</b>	<b>64,193</b>	<b>396</b>	<b>25,452</b>	<b>23,466</b>	<b>1,986</b>	<b>90,041</b>	<b>87,659</b>	<b>2,382</b>
<b>Deferred Outflows of Resources:</b>									
Deferred Outflows	1,949	3,625	(1,676)	532	953	(421)	2,480	4,578	(2,098)
<b>Total Deferred Outflows</b>	<b>1,949</b>	<b>3,625</b>	<b>(1,676)</b>	<b>532</b>	<b>953</b>	<b>(421)</b>	<b>2,480</b>	<b>4,578</b>	<b>(2,098)</b>
<b>Liabilities:</b>									
Long-term liabilities	10,150	7,114	3,037	3,095	1,891	1,204	13,245	9,004	4,241
Other Liabilities	2,299	3,161	(862)	127	97	30	2,426	3,258	(832)
<b>Total Liabilities</b>	<b>12,449</b>	<b>10,274</b>	<b>2,175</b>	<b>3,222</b>	<b>1,988</b>	<b>1,234</b>	<b>15,671</b>	<b>12,262</b>	<b>3,409</b>
<b>Deferred Inflows of Resources:</b>									
Deferred inflows	280	1,354	(1,075)	391	490	(99)	671	1,844	(1,173)
<b>Total Deferred Inflows</b>	<b>280</b>	<b>1,354</b>	<b>(1,075)</b>	<b>391</b>	<b>490</b>	<b>(99)</b>	<b>671</b>	<b>1,844</b>	<b>(1,173)</b>
<b>Net Position:</b>									
Net investment in capital assets	44,358	43,455	903	7,057	6,590	467	51,414	50,045	1,370
Restricted	11,151	10,630	521	-	-	-	11,151	10,630	521
Unrestricted	(1,701)	2,132	(3,833)	15,314	15,352	(38)	13,613	17,484	(3,871)
<b>Total Net Position</b>	<b>53,808</b>	<b>56,217</b>	<b>(2,409)</b>	<b>22,371</b>	<b>21,942</b>	<b>429</b>	<b>76,179</b>	<b>78,159</b>	<b>(1,980)</b>

The City’s total net position decreased by 2.5 percent from last year. Net position from governmental activities decreased by 4.3 percent while net position from business activities increased by 2 percent. The City’s assets exceeded its liabilities by approximately \$76.2 million.

Approximately 67 percent of the City’s net position reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City’s investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 17.9 percent of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, and laws or regulations of other governments.

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

**Comparative Statements of Activity**  
**June 30, 2018 and 2017**  
(In Thousands)

	Governmental Activities			Business-Type Activities			Citywide Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
<b>Revenues:</b>									
Program revenues:									
Charges for Services	2,304	1,857	447	6,471	6,122	349	8,775	7,979	796
Operating grants & contributions	1,191	713	478	-	-	-	1,191	713	478
Capital grants & contributions	1,851	4,992	(3,140)	-	-	-	1,851	4,992	(3,140)
<b>Total Program Revenues</b>	<b>5,345</b>	<b>7,561</b>	<b>(2,216)</b>	<b>6,471</b>	<b>6,122</b>	<b>349</b>	<b>11,816</b>	<b>13,683</b>	<b>(1,867)</b>
General revenues:									
Taxes:									
General property taxes	2,643	2,455	189	-	-	-	2,643	2,455	189
Sales tax	5,430	5,177	254	-	-	-	5,430	5,177	254
Franchise tax	994	939	56	-	-	-	994	939	56
Motor Vehicle in Lieu tax	2,443	2,272	171	-	-	-	2,443	2,272	171
Other	170	578	(408)	154	103	51	324	681	(357)
Transfers	589	652	(63)	(589)	(652)	63	-	-	-
<b>Total general revenues</b>	<b>12,270</b>	<b>12,072</b>	<b>198</b>	<b>(435)</b>	<b>(549)</b>	<b>114</b>	<b>11,835</b>	<b>11,523</b>	<b>312</b>
<b>Total Revenues</b>	<b>17,615</b>	<b>19,633</b>	<b>(2,018)</b>	<b>6,036</b>	<b>5,573</b>	<b>463</b>	<b>23,651</b>	<b>25,206</b>	<b>(1,555)</b>
<b>Expenses:</b>									
General government	2,788	1,543	1,245	-	-	-	2,788	1,543	1,245
Public safety	10,703	9,884	819	-	-	-	10,703	9,884	819
Public works	3,129	4,991	(1,861)	-	-	-	3,129	4,991	(1,861)
Community development	767	882	(115)	-	-	-	767	882	(115)
Sanitation	-	-	-	4,643	4,691	(48)	4,643	4,691	(48)
Interest on long-term debt	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>17,388</b>	<b>17,301</b>	<b>87</b>	<b>4,643</b>	<b>4,691</b>	<b>(48)</b>	<b>22,031</b>	<b>21,991</b>	<b>39</b>
Change in net position	227	2,332	(2,105)	1,393	882	511	1,620	3,214	(1,594)
Beginning net position	56,217	57,211	(994)	21,942	21,117	825	78,159	78,328	(169)
Restatement of net position	(2,636)	(3,326)	690	(964)	(57)	(907)	(3,600)	(3,383)	(217)
<b>Net Position, June 30, 2018</b>	<b>\$ 53,808</b>	<b>\$ 56,217</b>	<b>\$ (2,409)</b>	<b>\$ 22,371</b>	<b>\$ 21,942</b>	<b>\$ 429</b>	<b>\$ 76,180</b>	<b>\$ 78,159</b>	<b>\$ (1,980)</b>

**Governmental Activities:**

The governmental activities decreased the City's net position by \$2.4 million. Total revenues and transfers of \$17.6 million exceed total expenditures by \$227 thousand. Although governmental revenue surpassed expenditures, the \$3 million increase in long term liabilities resulted in the \$2.4 million net position



decline. The \$3 million increase in governmental liability is due to the restatement of net position to account for total other post-employment benefits (OPEB) liability (GASB 75).

Overall, revenues for year ending June 30, 2018, decreased by \$2 million, or 10%. The following is a list of notable changes compared to the prior year:

- ❖ Capital grants & contributions decreased by \$3.1 million due to some one-time capital grants the City received in fiscal year 2017.
- ❖ Total general revenue increased 1.6 percent, driven by a 7.7 percent increase in Property Tax revenue and a 5 percent increase in Sales Tax revenue.

Total expenditures increased by \$87 thousand, or 0.5 percent. The following are the notable changes compared to the prior year:

- ❖ General Government increased by \$1.2 million, or 81 percent primarily due to increased net pension and OPEB liability and changes in pension related deferred inflows/outflows.
- ❖ Public Safety increased by \$819 thousand, or 8.3 percent, due to the annual escalator in the City's contract with the San Diego County Sheriff's Department and the increasing cost of the animal control contract with the City of Chula Vista.
- ❖ Public Works decreased by \$1.9 million, or 37.3 percent, due to the expenditure of one-time grant funding in the prior year.
- ❖ Community Development decreased by \$115 thousand, or 13 percent, due to less building permit and plan revision/development activity.

#### **Business-type Activities:**

The business-type activities increased the City's net position by \$0.4 million. Business-type program revenues exceeded expenditures, resulting in a 2 percent increase to business-type net position. Business-type long-term liability grew by \$1.2 million, due to the implementation of GASB 75 and the addition of OPEB liability. Growth of \$2 million in business-type assets offset the increased liability, resulting in an overall increase to business-type net position. This is the eleventh 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. The \$2 million increase in assets was primarily due to:

- ❖ Total revenue exceeded expenses by \$1.4 million.
- ❖ Net investment in capital assets of \$467 thousand, growing capital assets 7.1 percent over the prior year.

#### **Fund Financial Statements**

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

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

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

As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of \$13.2 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$4 million. The remainder of fund balance is restricted to indicate that it is

not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

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

The General Fund is the chief operating fund of the City. At June 30, 2018, the total fund balance was \$5.5 million, of which \$5.5 million is considered unassigned fund balance and therefore available for discretionary use.

**Proprietary Funds:** The City maintains two types of proprietary funds; an enterprise fund to account for the Lemon Grove Sanitation District and an internal service fund to account for the City's self-insurance - function. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide services to the City's other programs and activities and are reported with Governmental activities in the government-wide financial statements.

There are no restricted net position for these funds, and the changes in net position show a growth over last year for Sanitation of 2 percent and a decrease of the Internal Service fund of 10.4 percent.

**Fiduciary Funds:** The City is the trustee, or fiduciary, for certain funds held on behalf of other agencies or organizations. The City maintains one type of fiduciary fund, a private purpose trust fund, which was established with the dissolution of the former Lemon Grove Redevelopment Agency to report the Successor Agency activity. Fiduciary activity is reported in a separate statement of net position and is excluded from the City's other financial statements because the City cannot use these assets to finance its operations.

### **Notes to the Basic Financial Statements**

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

**Note 2 – Cash and Investments:** The City's total cash and investments at the end of the fiscal year totaled \$30.1 million. Approximately \$22.9 million was invested with the Local Agency Investment Fund. Approximately \$4.3 million was invested in Certificates of Deposits, \$1.8 million was held and invested by bond trustees, and the balance was deposited in the City's checking accounts.

**Note 5 – Capital Assets:** Capital assets for the City's governmental activities were valued at \$44.6 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$7.1 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

**Note 6 – Long-Term Liabilities:** The City had a total long-term debt outstanding of \$13.2 million. The majority of this amount, \$7.7 million is comprised of net pension liability. The City's total long-term debt increased by \$4.2 million from the prior year. This is the first year of GASB 75 implementation, which means the \$3.9 million of Net OPEB Liability was included in the City's financial statements and long-term debt, an increase of \$3.5 million over the prior year. In addition, the City's net pension liability went up by \$1 million over prior year due to the reduction in the discount rate from 7.65% to 7.15% between fiscal year 2017 and 2018.

## **Required Supplementary Information**

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

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2017. Due to finance staff turn-over, no mid-year budget modifications were made during the 2017-2018 fiscal year.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund revenues and transfers exceeded projections by \$1.2 million, while the expenditures exceeded projections by \$722,472. The actual revenues and expenditures resulted in a net surplus of \$178,881.

## **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 Manager at the City of Lemon Grove, 3232 Main Street, Lemon Grove, CA 91945, (619) 825-3800, or [mbrennan@lemongrove.ca.gov](mailto:mbrennan@lemongrove.ca.gov).

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## **BASIC FINANCIAL STATEMENTS**

**City of Lemon Grove  
Statement of Net Position  
June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and Investments	\$ 8,711,456	\$ 17,738,261	\$ 26,449,717
Receivables:			
Accounts	2,734,831	655,934	3,390,765
Interest	1,732,202	-	1,732,202
Notes and Loans Receivable	6,693,062	-	6,693,062
Prepaid Items	25,654	6,678	32,332
Internal Balances	5,262	(5,262)	-
Cash and Investments with Fiscal Agent	81,031	-	81,031
Capital Assets, Not Being Depreciated	12,852,027	769,850	13,621,877
Capital Assets, Net of Accumulated Depreciation	31,752,998	6,286,856	38,039,854
<b>Total Assets</b>	<b>64,588,523</b>	<b>25,452,317</b>	<b>90,040,840</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Amounts	1,948,718	531,753	2,480,471
<b>LIABILITIES</b>			
Accounts Payable	1,876,319	100,934	1,977,253
Accrued Liabilities	65,567	26,326	91,893
Deposits Payable	357,134	-	357,134
Unearned Revenue	-	-	-
Noncurrent Liabilities:			
Due Within One Year	191,938	49,599	241,537
Due in More Than One Year	9,958,344	3,045,265	13,003,609
<b>Total Liabilities</b>	<b>12,449,302</b>	<b>3,222,124</b>	<b>15,671,426</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB Related Amounts	89,242	28,182	117,424
Pension Related Amounts	190,457	363,011	553,468
<b>Total Deferred Inflows of Resources</b>	<b>279,699</b>	<b>391,193</b>	<b>670,892</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	44,357,536	7,056,706	51,414,242
Restricted for:			
Transportation	1,072,403	-	1,072,403
Community Development	168,352	-	168,352
Public Safety	614,190	-	614,190
Housing	9,028,731	-	9,028,731
Public-access Television	267,809	-	267,809
Unrestricted	(1,700,781)	15,314,047	13,613,266
<b>Total Net Position</b>	<b>\$ 53,808,240</b>	<b>\$ 22,370,753</b>	<b>\$ 76,178,993</b>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Activities  
Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 2,788,081	329,566	\$ 12,839	\$ -
Public Safety	10,703,373	1,080,647	206,990	7,200
Public Works	3,129,413	114,917	755,408	1,843,865
Community Development	767,367	778,438	215,307	-
<b>Total Governmental Activities</b>	<b>17,388,234</b>	<b>2,303,568</b>	<b>1,190,544</b>	<b>1,851,065</b>
<b>Business-type Activities:</b>				
Sanitation	4,642,513	6,470,933	-	-
<b>Total Business-type Activities</b>	<b>4,642,513</b>	<b>6,470,933</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 22,030,747</b>	<b>\$ 8,774,501</b>	<b>\$ 1,190,544</b>	<b>\$ 1,851,065</b>

General Revenues:  
Taxes:  
Property Taxes  
Sales Taxes  
Transient Occupancy Taxes  
Franchise Taxes  
Motor Vehicle in Lieu Taxes (Unrestricted)  
Investment Earnings  
Miscellaneous  
Transfers  
  
Total General Revenues and Transfers  
  
Change in Net Position  
  
Net Position, Beginning of Year (Restated)  
  
Net Position, End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activites	Business-type Activities	Totals
\$ (2,445,676)	\$ -	\$ (2,445,676)
(9,408,536)	-	(9,408,536)
(415,223)	-	(415,223)
226,378	-	226,378
(12,043,057)	-	(12,043,057)
-	1,828,420	1,828,420
-	1,828,420	1,828,420
(12,043,057)	1,828,420	(10,214,637)
2,643,372	-	2,643,372
5,430,108	-	5,430,108
53,413	-	53,413
994,365	-	994,365
2,443,116	-	2,443,116
51,876	154,186	206,062
64,370	-	64,370
589,294	(589,294)	-
12,269,914	(435,108)	11,834,806
226,857	1,393,312	1,620,169
53,581,383	20,977,441	74,558,824
<u>\$ 53,808,240</u>	<u>\$ 22,370,753</u>	<u>\$ 76,178,993</u>



**City of Lemon Grove  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	General Fund	Special Revenue		Total Non-major Governmental Funds	Totals
		Housing Fund	Transnet Fund		
<b>ASSETS</b>					
Cash and Investments	\$ 5,110,202	\$ 618,814	\$ -	\$ 2,013,682	\$ 7,742,698
Accounts Receivable	963,121	49,975	1,512,659	205,591	2,731,346
Interest Receivable	-	1,732,202	-	-	1,732,202
Notes and Loans	-	6,693,062	-	-	6,693,062
Due from Other Funds	1,020,436	-	-	-	1,020,436
Prepaid Items	20,828	-	-	3,583	24,411
Property Held for Resale	-	-	-	-	-
Due from Successor Agency	-	-	-	-	-
Cash and Investments with Fiscal Agents	2,996	-	-	-	2,996
<b>Total Assets</b>	<b>\$ 7,117,583</b>	<b>\$ 9,094,053</b>	<b>\$ 1,512,659</b>	<b>\$ 2,222,856</b>	<b>\$ 19,947,151</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,280,955	\$ 65,322	\$ 493,647	\$ 35,756	\$ 1,875,680
Accrued Liabilities	52,274	-	1,042	12,251	65,567
Due to Other Funds	-	-	1,020,436	-	1,020,436
Deposits Payable	307,505	-	-	49,629	357,134
Unearned Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,640,734</b>	<b>65,322</b>	<b>1,515,125</b>	<b>97,636</b>	<b>3,318,817</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	850	1,782,177	1,488,050	121,170	3,392,247
<b>Total Deferred Inflows of Resources</b>	<b>850</b>	<b>1,782,177</b>	<b>1,488,050</b>	<b>121,170</b>	<b>3,392,247</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	20,828	-	-	-	20,828
Restricted	-	7,246,554	-	2,004,050	9,250,604
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	5,455,171	-	(1,490,516)	-	3,964,655
<b>Total Fund Balances (Deficits)</b>	<b>5,475,999</b>	<b>7,246,554</b>	<b>(1,490,516)</b>	<b>2,004,050</b>	<b>13,236,087</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,117,583</b>	<b>\$ 9,094,053</b>	<b>\$ 1,512,659</b>	<b>\$ 2,222,856</b>	<b>\$ 19,947,151</b>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2018**

Fund Balances of Governmental Funds \$ 13,236,087

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets	\$ 84,502,853	
Accumulated Depreciation	<u>(39,897,828)</u>	44,605,025

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 3,392,247

Internal service funds are used by management to charge the cost of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 612,754

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Lease Payable		(247,489)
Compensated Absences		(763,164)
Net OPEB Liability		(2,969,639)
Net Pension Liability		(5,726,600)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

Deferred Outflows - Pension Related Amounts		1,948,718
Deferred Inflows - OPEB Related Amounts		(89,242)
Deferred Inflows - Pension Related Amounts		<u>(190,457)</u>

Net Position of Governmental Activities \$ 53,808,240

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	General Fund	Special Revenue		Total Non-major Governmental Funds	Totals
		Housing Fund	Transnet Fund		
<b>REVENUES</b>					
Taxes and Special Assessments	\$ 11,550,270	\$ -	\$ -	\$ 332,092	\$ 11,882,362
Licenses and Permits	549,632	-	-	-	549,632
Fines, Forfeitures and Penalties	277,486	-	-	-	277,486
Intergovernmental Revenues	36,745	-	667,972	1,280,210	1,984,927
Charges for Services	820,937	-	-	192,908	1,013,845
Use of Money and Property	297,225	-	-	20,303	317,528
Other Revenues	64,370	11,096	-	13,700	89,166
<b>Total Revenues</b>	<b>13,596,665</b>	<b>11,096</b>	<b>667,972</b>	<b>1,839,213</b>	<b>16,114,946</b>
<b>EXPENDITURES</b>					
Current:					
General Government	1,376,439	-	90,563	74,963	1,541,965
Public Safety	10,531,627	-	-	37,983	10,569,610
Public Works	1,404,950	-	-	1,125,707	2,530,657
Community Development	584,253	-	-	44,175	628,428
Capital Outlay	-	-	1,368,259	362,096	1,730,355
Debt Service:					
Principal	78,474	-	-	-	78,474
Interest	8,214	-	-	-	8,214
<b>Total Expenditures</b>	<b>13,983,957</b>	<b>-</b>	<b>1,458,822</b>	<b>1,644,924</b>	<b>17,087,703</b>
Excess (Deficiency) of Revenues Over Expenditures	(387,292)	11,096	(790,850)	194,289	(972,757)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	653,566	-	28,630	187,393	869,589
Transfers Out	(87,393)	-	-	(192,902)	(280,295)
<b>Total Other Financing Sources (Uses)</b>	<b>566,173</b>	<b>-</b>	<b>28,630</b>	<b>(5,509)</b>	<b>589,294</b>
<b>Net Change in Fund Balances</b>	<b>178,881</b>	<b>11,096</b>	<b>(762,220)</b>	<b>188,780</b>	<b>(383,463)</b>
Fund Balances, Beginning of Year	5,297,118	7,235,458	(728,296)	1,815,270	13,619,550
Fund Balances, End of Year	\$ 5,475,999	\$ 7,246,554	\$ (1,490,516)	\$ 2,004,050	\$ 13,236,087

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (383,463)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current year.

Capital outlay	\$ 2,410,638	
Depreciation expense	<u>(1,548,942)</u>	861,696

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		910,851
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The amounts below included in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Capital Lease		78,474
Compensated Absences		52,584
OPEB Liability		83,606
Net Pension Liability		(666,549)
Claims Payable		-
Loss on Disposal of Capital Assets		(37,347)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability and Net OPEB Liability are not reported in the funds. This is the net change in deferred outflows/inflows related to the Net Pension and OPEB liability.

Deferred Outflows - Pension Related Amounts		(1,676,164)
Deferred Inflows - OPEB Related Amounts		(89,242)
Deferred Inflows - Pension Related Amounts		1,163,912

Internal service funds are used by management to charge the cost of certain activities, such as risk management, to individual funds. The net revenue (expense) of the internal service funds is recorded with governmental activities.		<u>(71,501)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 226,857</u></u>
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The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Net Position  
Proprietary Funds  
June 30, 2018**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 17,738,261	\$ 968,758
Accounts Receivable	655,934	3,485
Due from Other Funds	-	5,262
Prepays	6,678	1,243
Total Current Assets	<u>18,400,873</u>	<u>978,748</u>
Noncurrent Assets:		
Restricted Cash and Investments	-	78,035
Capital Assets, Not being depreciated	769,850	-
Capital Assets, Net of Accumulated Depreciation	6,286,856	-
Total Noncurrent Assets	<u>7,056,706</u>	<u>78,035</u>
Total Assets	<u>25,457,579</u>	<u>1,056,783</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	531,753	-
Total Deferred Outflows of Resources	<u>531,753</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	100,934	639
Accrued Liabilities	26,326	-
Due to Other Funds	5,262	-
Compensated Absences	38,499	-
Claims Payable	11,100	44,500
Total Current Liabilities	<u>182,121</u>	<u>45,139</u>
Noncurrent Liabilities:		
Compensated Absences, Noncurrent	49,276	-
Claims Payable, Noncurrent	99,747	398,890
Net OPEB Liability	937,781	-
Net Pension Liability	1,958,461	-
Total Noncurrent Liabilities	<u>3,045,265</u>	<u>398,890</u>
Total Liabilities	<u>3,227,386</u>	<u>444,029</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB Related Amounts	28,182	-
Pension Related Amounts	363,011	-
Total Deferred Inflows of Resources	<u>391,193</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,056,706	-
Unrestricted	15,314,047	612,754
Total Net Position	<u>\$ 22,370,753</u>	<u>\$ 612,754</u>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for Sales and Services	\$ 6,391,165	\$ -
Other Revenues	79,768	1,846
	<u>6,470,933</u>	<u>1,846</u>
Total Operating Revenue		
<b>OPERATING EXPENSES</b>		
Personnel Costs	1,717,857	-
Contractual Services	275,777	25,530
Materials and Supplies	88,292	-
Repairs and Maintenance	56,906	-
Capacity and Treatment	2,265,065	-
Utilities	7,760	-
Insurance and Claims	16,396	58,936
Depreciation	214,460	-
	<u>4,642,513</u>	<u>84,466</u>
Total Operating Expenses		
Operating Income (Loss)	<u>1,828,420</u>	<u>(82,620)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	154,186	11,119
	<u>154,186</u>	<u>11,119</u>
Total Nonoperating Revenues (Expenses)		
Income (Loss) Before Transfers and Capital Contributions	<u>1,982,606</u>	<u>(71,501)</u>
Transfers Out	<u>(589,294)</u>	<u>-</u>
Total Transfers	<u>(589,294)</u>	<u>-</u>
Change in Net Position	1,393,312	(71,501)
Net Position - Beginning of Year (Restated)	<u>20,977,441</u>	<u>684,255</u>
Net Position - End of Year	<u>\$ 22,370,753</u>	<u>\$ 612,754</u>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2018**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 6,395,348	\$ 226
Payments to Suppliers for Goods and Services	(3,287,837)	(139,822)
Payments to Employees for Services	(1,070,515)	-
Net Cash Provided (Used) by Operating Activities	2,036,996	(139,596)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Paid to/Received from Other Funds	(584,032)	(5,262)
Net Cash Provided (Used) by Noncapital Financing Activities	(584,032)	(5,262)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(681,337)	-
Capital Grants	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(681,337)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income Received	154,186	11,119
Net Cash Provided (Used) by Investing Activities	154,186	11,119
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	925,813	(133,739)
Cash and Cash Equivalents - Beginning of the Year	16,812,448	1,180,532
Cash and Cash Equivalents - End of the Year	\$ 17,738,261	\$ 1,046,793
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and Investments	\$ 17,738,261	\$ 968,758
Restricted Cash and Investments	-	78,035
Total Cash and Cash Equivalents	\$ 17,738,261	\$ 1,046,793
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 1,828,420	\$ (82,620)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	214,460	-
(Increase) Decrease in Accounts Receivable	(592,464)	(1,620)
(Increase) Decrease in Prepaids	(6,420)	(1,243)
(Increase) Decrease in Deferred Outflows - Pension Actuarial	421,475	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	30,043	(3,340)
Increase (Decrease) in Net OPEB Liability	(26,401)	-
Increase (Decrease) in Net Pension Liability	345,956	-
Increase (Decrease) in Deferred Inflows	(98,593)	-
Increase (Decrease) in Claims Payable	(84,385)	(50,773)
Increase (Decrease) in Compensated Absences Payable	4,905	-
<b>Net Cash Provided by Operating Activities</b>	\$ 2,036,996	\$ (139,596)

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Net Position  
Fiduciary Funds  
June 30, 2018**

	Successor Agency Private-purpose Trust Fund
<b>ASSETS</b>	
Cash and Investments	\$ 1,804,343
Cash and Investments with Fiscal Agent	1,801,339
Accounts Receivable	1,842
Interest Receivable	1,008,475
Notes Receivable	3,200,230
Property Held for Resale	6,535,362
	14,351,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Loss on Refunding	279,211
	279,211
<b>LIABILITIES</b>	
Interest Payable	426,917
Accounts Payable	443,406
Due to the City of Lemon Grove	3,719,687
Bonds Payable, Short-term Portion	740,000
Bonds Payable, Long-term Portion	22,355,000
	27,685,010
<b>NET POSITION</b>	
Net Position Held in Trust for Successor Agency	\$ (13,054,208)

The accompanying notes are an integral part of this statement.



**City of Lemon Grove  
Statement of Changes in Net Position  
Fiduciary Funds  
Year Ended June 30, 2018**

	Successor Agency Private-purpose Trust Fund
<b>ADDITIONS</b>	
Property Taxes	\$ 2,148,571
Interest Revenue	180,250
Total Additions	2,328,821
<b>DEDUCTIONS</b>	
Administration	56,517
Project Costs	1,422,231
Interest Expense	1,028,644
Total Deductions	2,507,392
Change in Net Position	(178,571)
Net Position - Beginning of Year (Restated)	(12,875,637)
Net Position - End of Year	\$ (13,054,208)

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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

**Government-wide Financial Statements**

The City's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column. These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

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

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

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

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

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

**Governmental Fund Financial Statements**

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

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

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

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

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

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-wide Financial Statements.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

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

The City reports the following proprietary funds:

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

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

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

**Fiduciary Fund Financial Statements**

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

The City reports the following fiduciary fund:

Successor Agency to the Lemon Grove Community Development Agency Private-purpose Trust Fund accounts for the balances and activities relating to the dissolution of the former Community Development Agency (Agency), except those accounted for in the Housing Special Revenue Fund of the City.

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

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

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

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

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

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

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

**D. Restricted Cash and Investments**

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

**E. Compensated Absences**

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

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

**F. Property Taxes**

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls, as follows:

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

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Tax Levies are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation. The City's share of the \$1.00 varies depending on the tax rate area and it ranges from \$0.0730 to \$0.125. Tax Levy Dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it 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.

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

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

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

**G. Capital Assets**

Capital assets, which include property, plant, equipment, 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 received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for 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, 2017.

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

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**H. Interest Payable**

In the Government-wide and Proprietary Funds Financial Statements, interest payable on long-term debt is recognized as the liability is incurred.

**I. Unavailable and unearned revenue**

Unearned revenue is reported for transactions for which revenue has not yet been earned. In the governmental fund financial statements, unavailable revenue is recorded when transactions have not met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable and unearned revenues for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unearned and unavailable revenues are recorded are grants received but not yet earned or available.

**J. Claims and Judgments**

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

**K. Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**L. 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 funds statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when bonds are issued.

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.

**M. Net Position**

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

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

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

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



**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**N. Fund Balances**

**Non-spendable Fund Balances**

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

**Restricted Fund Balances**

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

**Committed Fund Balances**

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

**Assigned Fund Balances**

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

**Unassigned Fund Balance**

The residual classification for the General Fund is unassigned fund balance. The General Fund is the only fund that may report a positive unassigned fund balance. Negative fund balance reported in Special Revenue Funds is classified as unassigned fund balance.

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

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports an unamortized deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price, and deferred employer pension contributions as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports two items in this category: unavailable revenues and amounts related to changes in the City’s net pension liability that are deferred and amortized over a stated number of years. Unavailable revenues arise only under the modified accrual basis of accounting and, accordingly, are reported only in the governmental funds. The governmental funds report unavailable revenue from grants, sales tax revenues, and other applicable revenues.



**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

These amounts are deferred and will be recognized as inflows of resources in the period that the amounts become available. The City also reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**P. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Lemon Grove's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Q. New Accounting Pronouncements**

The Governmental Accounting Standards Board has issued the following Pronouncements, which may affect the City's financial reporting requirements in the future:

*GASB 83 - Certain Asset Retirement Obligations:* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*GASB 84 - Fiduciary Activities:* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB 87 - Leases:* This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB 88 - Certain Disclosures Related to Debt:* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period:* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB 90 - Majority Equity Interests:* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In addition, the City implemented the following GASB pronouncements as of June 30, 2018 (see Note 8):

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:* This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

**2. CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

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

	Government-wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and Investments	\$ 8,711,456	\$ 17,738,261	\$ 1,804,343	\$ 28,254,060
Restricted Cash and Investments	81,031	-	1,801,339	1,882,370
<b>Total Cash and Investments</b>	<b>\$ 8,792,487</b>	<b>\$ 17,738,261</b>	<b>\$ 3,605,682</b>	<b>\$ 30,136,430</b>

Cash and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$ 1,700
Deposits with Financial Institutions	1,056,356
Deposits with Fiscal Agent	81,031
Total Cash on Hand and Deposits	1,139,087
Local Agency Investment Fund	22,852,002
Certificates of Deposit	4,344,002
Total Investments	27,196,004
Investments with Fiscal Agent:	
Money Market	3,640
U.S. Treasury Note	619,693
FHLB	600,084
Corporate Issues	577,922
Total Fiscal Agent Investments	1,801,339
Total Cash and Investments	<b>\$ 30,136,430</b>

**B. Deposits**

The carrying amount of the City's deposits was \$1,137,387 at June 30, 2018. Bank balances before reconciling items amounted to \$1,623,208 at June 30, 2018. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institution in the City's name.

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**2. CASH AND INVESTMENTS – Continued**

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

**C. Investments Authorized by the California Government Code and the City’s Investment Policy**

The table below identifies the investment types that are authorized for the City of Lemon Grove by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposits	5 Years	30%	None

**D. Investments Authorized by Debt Agreements**

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

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

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

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

Investment Type	Remaining Maturity (in Months)			
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 22,852,002	\$ 22,852,002	\$ -	\$ -
Certificate of Deposits	4,344,002	247,241	726,309	3,370,452
Held by Fiscal Agents:				
US Bank Money Market	3,640	3,640	-	-
U.S. Treasury Note	619,693	-	-	619,693
Federal Home Loan Bank	600,084	-	-	600,084
Private Export Funding Corp.	577,922	-	-	577,922
	<u>\$ 28,997,343</u>	<u>\$ 23,102,883</u>	<u>\$ 726,309</u>	<u>\$ 5,168,151</u>

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**2. CASH AND INVESTMENTS – Continued**

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

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

**G. Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	AA+	Aaa	Unrated
Local Agency Investment Fund	\$ 22,852,002	N/A	\$ -	\$ -	\$ 22,852,002
Cerificates of Deposits	4,344,002	N/A	-	-	4,344,002
Held by Fiscal Agents:					
US Bank Money Market	3,640	AAA	-	-	3,640
U.S. Treasury Note	619,693	N/A	-	619,693	-
Federal Home Loan Bank	600,084	N/A	600,084	-	-
Private Export Funding Corp.	577,922	A-1+	-	577,922	-
<b>Total</b>	<b>\$ 28,997,343</b>		<b>\$ 600,084</b>	<b>\$ 1,197,615</b>	<b>\$ 27,199,644</b>

**H. Concentration of Credit Risk**

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

**I. Custodial Credit Risk**

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

**J. External Investment Pools**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The 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.

**K. Investment Valuation**

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**2. CASH AND INVESTMENTS – Continued**

Restricted cash and investments included money market accounts and guaranteed investment contracts which are not subject to fair value measurement. The City has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury Securities of \$619,693 are valued using quoted market prices (Level 1 inputs).
- Federal Agency Securities of \$600,084 are valued using a matrix pricing model (Level 2 inputs).
- Certificates of Deposit of \$4,344,002 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Securities of \$577,922 are valued using quoted market prices (Level 1 inputs).

The City's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) is based on the fair market value factors provided by LAIF that are calculated based on the total fair market value of the pool. LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets, and investments categorized as Level 2, such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices derived principally from, or corroborated by, observable market data by correlation to other means.

**3. NOTES RECEIVABLE**

As of June 30, 2018, Notes Receivable of \$9,893,292 consisted of the following:

Hitzke Development Corporation

During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (Developer) for the development of several projects within the City's project area. In addition, the City executed 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 \$1,500,000 for Citronica Three, all at 3.0% interest and 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 project. The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs.

During the fiscal year ended June 30, 2013, the City executed another promissory note with the Developer in an amount not-to-exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable two (2) years from the date of the execution of the notes or rolled over as additional assistance into the development and disposition agreement. As of June 30, 2018, the City had advanced \$4,263,292 and \$2,500,000 (Citronica One and Two, respectively) to the borrower. In addition, \$1,067,528 and \$710,249 (Citronica One and Two, respectively) of cumulative interest is accrued as of June 30, 2018.

Community Collective

The City issued a Note to Community Collective in an amount not-to-exceed \$3,130,000 at 3.0% interest secured by a deed of trust, assignment of rents, a 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), Community Collective shall pay the City one-half of the available surplus cash.

As of June 30, 2018, the City had advanced \$3,130,000 to the borrower. In addition, \$973,994 of cumulative interest is accrued as of June 30, 2018.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**4. DUE FROM SUCCESSOR AGENCY**

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, following the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Private-purpose Trust Fund - Successor Agency to the Lemon Grove Community Development Agency. The repayment of this amount is uncertain as of June 30, 2018, and is subject to approval by the State Department of Finance as an enforceable obligation of the Successor Agency under applicable redevelopment agency dissolution law. As of June 30, 2018, the amount due from the Successor Agency was \$3,719,687, and is offset by an allowance for doubtful accounts.

**5. CAPITAL ASSETS**

**A. Governmental Activities**

Capital asset activity for governmental activities for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Beginning of Year	Additions	Deletions	End of Year
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 7,520,853	\$ -	\$ -	\$ 7,520,853
Construction in Progress	3,330,550	2,069,146	(68,522)	5,331,174
Total Capital Assets, Not Being Depreciated	<u>10,851,403</u>	<u>2,069,146</u>	<u>(68,522)</u>	<u>12,852,027</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,672,999	177,715	-	9,850,714
Vehicles and Equipment	2,530,509	72,670	(33,109)	2,570,070
Infrastructure	59,100,541	129,501	-	59,230,042
Total Capital Assets, Being Depreciated	<u>71,304,049</u>	<u>379,886</u>	<u>(33,109)</u>	<u>71,650,826</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,552,291)	(234,339)	-	(6,786,630)
Vehicles and Equipment	(1,531,623)	(155,344)	25,890	(1,661,077)
Infrastructure	(30,290,862)	(1,159,259)	-	(31,450,121)
Total Accumulated Depreciation	<u>(38,374,776)</u>	<u>(1,548,942)</u>	<u>25,890</u>	<u>(39,897,828)</u>
Capital Assets Being Depreciated, Net	<u>32,929,273</u>	<u>(1,169,056)</u>	<u>(7,219)</u>	<u>31,752,998</u>
Total Capital Assets - Governmental Activities	<u>\$ 43,780,676</u>	<u>\$ 900,090</u>	<u>\$ (75,741)</u>	<u>\$ 44,605,025</u>

Depreciation expense was allocated to the various functions as follows:

General Government	\$ 42,240
Public Safety	125,549
Public Works	1,245,274
Community Development	135,879
Total Depreciation	<u>\$ 1,548,942</u>



**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**5. CAPITAL ASSETS – Continued**

**B. Business-type Activities**

Capital asset activity for business-type activities for the fiscal year ended June 30, 2018, was as follows:

Business-type Activities	Beginning of Year	Additions	Deletions	End of Year
<b>Capital Assets, Not Being Depreciated:</b>				
Land and Improvements	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in Progress	1,338,927	681,337	1,254,138	766,126
Total Capital Assets, Not Being Depreciated	<u>1,342,651</u>	<u>681,337</u>	<u>1,254,138</u>	<u>769,850</u>
<b>Capital Assets, Being Depreciated:</b>				
Machinery and Equipment	1,366,481	-	-	1,366,481
Infrastructure	12,174,611	1,254,138	-	13,428,749
Total Capital Assets, Being Depreciated	<u>13,541,092</u>	<u>1,254,138</u>	<u>-</u>	<u>14,795,230</u>
<b>Less Accumulated Depreciation:</b>				
Machinery and Equipment	(1,012,319)	(58,289)	-	(1,070,608)
Infrastructure	(7,281,595)	(156,171)	-	(7,437,766)
Total Accumulated Depreciation	<u>(8,293,914)</u>	<u>(214,460)</u>	<u>-</u>	<u>(8,508,374)</u>
Capital Assets Being Depreciated, Net	<u>5,247,178</u>	<u>1,039,678</u>	<u>-</u>	<u>6,286,856</u>
Total Capital Assets - Business-type Activities	<u>\$ 6,589,829</u>	<u>\$ 1,721,015</u>	<u>\$ 1,254,138</u>	<u>\$ 7,056,706</u>

**6. LONG-TERM DEBT**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Payable	\$ 325,963	\$ -	\$ (78,474)	\$ 247,489	\$ 80,452
Compensated Absences	815,748	-	(52,584)	763,164	66,986
Net OPEB Obligation	417,695	-	(417,695)	-	-
Net OPEB Liability	-	2,969,639	-	2,969,639	-
Net Pension Liability	5,060,051	666,549	-	5,726,600	-
Claims Payable	494,163	132,539	(183,312)	443,390	44,500
Total	<u>\$ 7,113,620</u>	<u>\$ 3,768,727</u>	<u>\$ (732,065)</u>	<u>\$ 10,150,282</u>	<u>\$ 191,938</u>
<b>Business-type Activities:</b>					
Compensated Absences	\$ 82,870	\$ 4,905	\$ -	\$ 87,775	\$ 38,499
Net OPEB Liability	-	937,781	-	937,781	-
Net Pension Liability	1,612,505	345,956	-	1,958,461	-
Claims Payable	195,232	33,134	(117,519)	110,847	11,100
Total	<u>\$ 1,890,607</u>	<u>\$ 1,321,776</u>	<u>\$ (117,519)</u>	<u>\$ 3,094,864</u>	<u>\$ 49,599</u>

For governmental activities, leases payable, compensated absences, the OPEB liability and the net pension liability are generally liquidated by the General Fund.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**6. LONG-TERM DEBT – Continued**

Capital Lease Payable: In 2013, the City entered into a capital lease for the purchase of a pumper, at a price of \$550,000. Annual payments are to be made on July 5 of each year, with the final payment on July 5, 2020. The payments include interest of approximately 2.5%. The following represents the future debt service requirements for this lease:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 80,452	\$ 6,236	\$ 86,688
2020	82,479	4,209	86,688
2021	84,558	2,131	86,689
Total	<u>\$ 247,489</u>	<u>\$ 12,576</u>	<u>\$ 260,065</u>

**Fiduciary Fund Long-term Debt**

A summary of the Successor Agency Fiduciary Fund long-term debt for the 2017-18 fiscal year is as follows:

Tax Allocation Bonds:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Series 2007	\$12,400,000	\$ -	\$ (215,000)	\$12,185,000	\$ 225,000
Series 2010, Refunding	5,880,000	-	(380,000)	5,500,000	395,000
Series 2014, Refunding	5,525,000	-	(115,000)	5,410,000	120,000
Total	<u>\$23,805,000</u>	<u>\$ -</u>	<u>\$ (710,000)</u>	<u>\$23,095,000</u>	<u>\$ 740,000</u>

2007 Tax Allocation Bonds: In June 2007, the former Redevelopment 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, through 2037. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bonds were issued to finance redevelopment activities within or for the benefit of the Agency's project area, and to finance low- and moderate-income housing activities within the geographic boundaries of the City of Lemon Grove. Future debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 225,000	\$ 538,412	\$ 763,412
2020	230,000	529,084	759,084
2021	230,000	519,540	749,540
2022	240,000	509,668	749,668
2023	255,000	499,149	754,149
2024	260,000	488,010	748,010
2025	290,000	475,910	765,910
2026	300,000	462,930	762,930
2027	315,000	449,400	764,400
2028	330,000	435,210	765,210
2029	340,000	420,300	760,300
2030	360,000	404,550	764,550
2031	365,000	388,237	753,237
2032	385,000	371,363	756,363
2033	865,000	343,237	1,208,237
2034	1,085,000	299,363	1,384,363
2035	1,135,000	249,413	1,384,413
2036	1,585,000	188,212	1,773,212
2037	1,655,000	115,312	1,770,312
2038	1,735,000	39,037	1,774,037
Totals	<u>\$ 12,185,000</u>	<u>\$ 7,726,337</u>	<u>\$ 19,911,337</u>



**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**6. LONG-TERM DEBT – Continued**

2010 Tax Allocation Refunding Bonds: During fiscal year 2011, the former Redevelopment Agency issued \$8,000,000 of Tax Allocation Bonds with interest rates varying from 1.75% to 5.25%, payable semi-annually on February 1 and August 1 of each year, through August 1, 2028. The bonds are payable from and secured by incremental tax revenues. The Bond proceeds were used to refund the former Agency's 1998 Tax Allocation Bonds. The scheduled annual minimum debt service requirements at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 395,000	\$ 265,043	\$ 660,043
2020	410,000	248,430	658,430
2021	425,000	230,155	655,155
2022	445,000	209,690	654,690
2023	470,000	186,685	656,685
2024	490,000	161,965	651,965
2025	520,000	135,957	655,957
2026	545,000	108,534	653,534
2027	570,000	79,537	649,537
2028	600,000	48,825	648,825
2029	630,000	16,538	646,538
Totals	<u>\$ 5,500,000</u>	<u>\$ 1,691,359</u>	<u>\$ 7,191,359</u>

2014 Tax Allocation Refunding Bonds: In August 2014, the Successor Agency issued \$5,740,000 of Tax Allocation Bonds with interest rates varying from 2.00% 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, 2034. The Bond proceeds were used to refund previously outstanding Tax Allocation Bonds. The scheduled annual minimum debt service requirements at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 120,000	\$ 208,636	\$ 328,636
2020	125,000	204,961	329,961
2021	130,000	201,136	331,136
2022	135,000	196,993	331,993
2023	135,000	192,605	327,605
2024	145,000	186,786	331,786
2025	140,000	179,661	319,661
2026	150,000	172,411	322,411
2027	165,000	165,877	330,877
2028	165,000	160,205	325,205
2029	170,000	154,215	324,215
2030	835,000	135,456	970,456
2031	875,000	102,300	977,300
2032	910,000	66,600	976,600
2033	505,000	38,300	543,300
2034	345,000	21,300	366,300
2035	360,000	7,200	367,200
Totals	<u>\$ 5,410,000</u>	<u>\$ 2,394,642</u>	<u>\$ 7,804,642</u>

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN**

**General Information about the Defined Benefit Pension Plan**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (three miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 actuarial valuation report. This report is a publicly available valuation report that can be obtained at the CalPERS' website under Forms and Publications.

The rate plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPRA
	Prior to November 12, 2005	Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55 single highest year	2% @ 60 36 month average	2% @ 62 36 month average
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.5%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	7%	6.5%
Required employer contribution rates	10.110% + \$232,085	7.200% + \$127	6.533% + \$33
		Safety PEPRA	
	Safety	On or after	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	
Benefit formula	3% @ 55 single highest year	2.7% @ 57 36 month average	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	50	
Monthly benefits, as a % of eligible compensation	2.4% to 3%	2% to 2.7%	
Required employee contribution rates	9%	11.5%	
Required employer contribution rates	17.875% + \$131,377	11.990%	

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$363,622 in fiscal year 2018.

The City’s contributions to the Plan for the year ended June 30, 2018 were \$894,949.

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2018, the City reported a liability of \$7,685,061 for its proportionate share of the net pension liability. The City’s net pension liability for the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the Plan’s net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.077112%
Proportion - June 30, 2017	0.077492%
Change - Increase (Decrease)	0.000380%

For the year ended June 30, 2018, the City recognized pension expense of \$1,246,211. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 894,949	\$ -
Differences between actual and expected experience	-	82,427
Changes in assumptions	1,260,096	-
Change in employer’s proportion	-	471,041
Differences between the employer’s contributions and the employer’s proportionate share of contributions	20,160	-
Net differences between projected and actual earnings on plan investments	305,266	-
<b>Total</b>	<b>\$ 2,480,471</b>	<b>\$ 553,468</b>

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

The \$894,949 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2019	\$ 155,097
2020	513,957
2021	543,483
2022	(180,483)
2023	-
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

- (1) Depending on age, service and type of employment  
(2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS' website under the GASB 68 section.

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 12,185,196
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,685,061
1% Increase	8.15%
Net Pension Liability	\$ 3,972,367

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

**Pension Plan Fiduciary Net Position** – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2018, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2018.

**8. OTHER POST EMPLOYMENT BENEFITS**

**General Information About the OPEB Plan**

**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). The plan is a single-employer defined benefit post-employment healthcare benefits plan. The City’s health plan does not issue a publicly available financial report, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Benefits Provided** - Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of service (age 52 for Miscellaneous PEPR employees), and continue health insurance through a City-sponsored health insurance plan. The City will contribute set amounts (as required by CalPERS) towards the health insurance premiums (currently \$255 for Miscellaneous employees and \$350 for Safety employees).

**Employees Covered by Benefit Terms** – As of the July 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees	
currently receiving benefits	41
Active employees	63
	104

**Contributions** – The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contributions to the Plan are based on the costs to provide the benefits as described above on a pay as you go basis. For the fiscal year ended June 30, 2018, the City’s pay-as-you-go costs were \$219,256.

**Total OPEB Liability** - The City’s Total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation dated July 1, 2017, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry-age, Level Percent of Pay
Mortality	RP-2014 Employee Healthy Annuitant Mortality Tables
Age at Retirement	50
Health Care Trend Rate	8.00% initial, 5.0% ultimate
Inflation Rate	2.25%
Salary Changes	3.00%
Discount Rate	3.90%
Medical CPI	3.50%

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS - Continued**

**Discount Rate** – The discount rate used to measure the total OPEB liability was 3.90 percent and is based on the Bond Buyer 20-Bond GO index.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 4,017,427
Changes in the year:	
Service cost	111,460
Interest on the total OPEB liability	144,569
Differences between expected and actual experience	(6,897)
Changes in assumptions	(139,883)
Benefit payments, including implicit subsidy	(219,256)
Net changes	(110,007)
Balance at June 30, 2018	\$ 3,907,420

Changes of assumptions reflect a change in the discount rate from 3.60 percent at July 1, 2017 to 3.90 percent at June 30, 2018.

**Sensitivity of the Total OPEB Liability to changes in the Discount Rate** - The following presents the Total OPEB liability of the City if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
Total OPEB liability	\$ 4,408,677	\$ 3,907,420	\$ 3,496,033

**Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates** - The following presents the Total OPEB liability, as well as what the City's Total OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (7.0% decreasing to 4.0%)	Current Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB liability	\$ 3,799,475	\$ 3,907,420	\$ 4,034,681

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB** - For the year ended June 30, 2018, the City recognized OPEB expense of \$226,673. As of June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 5,518
Changes in assumptions	-	111,906
Total	\$ -	\$ 117,424

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS – Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2019	\$	29,356
2020		29,356
2021		29,356
2022		29,356
2023		-
Thereafter		-

**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance as of the 2017-18 fiscal year. In years prior to the 2016-17 fiscal year the City was a member of an insurance pool (San Diego Pooled Insurance Program Authority) which provided various levels of pooled liability coverage and property insurance, subject to self-insured retention levels and deductibles. The City's current insurance coverage is provided through the CSAC Excess Insurance Authority, as follows:

Program	Limits	SIR/ Deductible
Excess Workers' Compensation	Statutory	\$ 125,000
General Liability	\$ 25,000,000	100,000
Property	Various	5,000
Crime	15,000,000	2,500
Cyber Liability	Various	50,000
Excess Liability	25,000,000	25,000
Pollution	10M/100M	75,000

Claims liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and pay-out amounts), and other economic and social factors. Settlements have not exceeded coverage for each of the past three fiscal years. The City's claims activity is reported in internal service funds. The following is a summary of changes in claims liabilities for the past three years:

	Fiscal Year Ending June 30,		
	2018	2017	2016
Beginning of Year	\$ 689,395	\$ 188,787	\$ 225,895
Incurred Claims	165,673	528,750	94,846
Claim Payments	(300,831)	(28,142)	(131,954)
End of Year	<u>\$ 554,237</u>	<u>\$ 689,395</u>	<u>\$ 188,787</u>

The estimated Claims Liability at June 30, 2018 of \$554,237 is reported in the City's Governmental Activities and Business-type Activities in the following amounts: \$443,390 and \$110,847, respectively.



**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**10. FUND BALANCES**

The details of fund balances as of June 30, 2018 are as follows:

	General Fund	Housing Fund	Transnet Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 20,828	\$ -	\$ -	\$ -	\$ 20,828
Restricted for:					
Housing	-	7,246,554	-	-	7,246,554
Public Safety	-	-	-	614,190	614,190
Streets and Transportation	-	-	-	953,699	953,699
Community Development	-	-	-	370,445	370,445
Parks and Recreation	-	-	-	65,716	65,716
Unassigned	5,455,171	-	(1,490,516)	-	3,964,655
<b>Total Fund Balances</b>	<b>\$ 5,475,999</b>	<b>\$ 7,246,554</b>	<b>\$ (1,490,516)</b>	<b>\$ 2,004,050</b>	<b>\$ 13,236,087</b>

**11. 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, 2018.

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

**12. SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY**

**A. Background**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X126 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City since the City had previously reported its redevelopment agency as a blended component unit in the City's financial statements.

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

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

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

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**12. SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY - Continued**

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

The California Department of Finance has approved the Lemon Grove Successor Agency's Long-range Management Plan and has also issued a Finding of Completion. The State continues to monitor the Recognized Obligation Payment Schedule (ROPS) that is filed annually by the Successor Agency.

**13. COMMITMENTS AND CONTINGENCIES**

**A. Grants**

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

**B. Successor Agency**

Amounts paid and accrued for the year ended June 30, 2018 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the fiduciary for the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

**C. Other Commitments and Contingencies**

At June 30, 2018, the City had outstanding construction contracts of approximately \$1.47 million. In addition, the City is a defendant in various pending lawsuits of a nature common to many similar jurisdictions. City management and legal counsel estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the City's financial statements.

**14. PRIOR PERIOD ADJUSTMENTS**

Beginning Net Position for Governmental Activities was decreased by \$2,635,550 due to the implementation of GASB Statement No. 75 (see Note 8). Beginning Net Position for Business-type Activities and the Sanitation Enterprise Fund were decreased by \$964,182 due to the implementation of GASB Statement No. 75.

**15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The \$1,020,436 reported in the General Fund as due from other funds consists of \$1,020,436 due from the Transnet Special Revenue Fund. This represents a temporary, interfund borrowing resulting from routine cash flows and are expected to be repaid within the next fiscal year.

Transfers of \$489,294 and \$100,000 were made from the Sanitation Fund to the General Fund and the Gas Tax Fund, respectively, in accordance with the adopted budget for administrative costs. Additional transfers of \$164,272 were made from non-major governmental funds to the general fund for various costs, including public safety, also in accordance with the adopted budget. The General fund transferred \$87,393 to non-major governmental funds for various project costs. Other significant transfers included amounts transferred between non-major funds to cover various allowable project costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Special Assessments	\$ 11,082,000	\$ 11,077,000	\$ 11,550,270	\$ 473,270
Licenses, Fees, and Permits	440,000	428,000	549,632	121,632
Fines and Forfeitures	208,500	183,500	277,486	93,986
Intergovernmental Revenues	15,000	17,000	36,745	19,745
Charges for Services	370,000	374,000	820,937	446,937
Use of Money and Property	212,000	212,000	297,225	85,225
Other Revenues	140,520	121,020	64,370	(56,650)
<b>Total Revenues</b>	<b>12,468,020</b>	<b>12,412,520</b>	<b>13,596,665</b>	<b>1,184,145</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,074,430	1,182,425	1,376,439	(194,014)
Public Safety	10,056,180	10,056,180	10,531,627	(475,447)
Public Works	1,353,980	1,353,980	1,404,950	(50,970)
Community Development	582,200	582,200	584,253	(2,053)
Debt Service	86,700	86,700	86,688	12
<b>Total Expenditures</b>	<b>13,153,490</b>	<b>13,261,485</b>	<b>13,983,957</b>	<b>(722,472)</b>
Excess (Deficiency) of Revenues over Expenditures	(685,470)	(848,965)	(387,292)	461,673
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	844,500	653,566	653,566	-
Transfers Out	(154,030)	(87,393)	(87,393)	-
<b>Total Other Financing Sources (Uses)</b>	<b>690,470</b>	<b>566,173</b>	<b>566,173</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>5,000</b>	<b>(282,792)</b>	<b>178,881</b>	<b>461,673</b>
Fund Balance, Beginning of Year	5,297,118	5,297,118	5,297,118	-
<b>Fund Balance, End of Year</b>	<b>\$ 5,302,118</b>	<b>\$ 5,014,326</b>	<b>\$ 5,475,999</b>	<b>\$ 461,673</b>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Housing Special Revenue Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ 11,096	\$ 11,096
Total Revenues	-	-	11,096	11,096
<b>EXPENDITURES</b>				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	11,096	11,096
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	11,096	11,096
Fund Balance, Beginning of Year	7,235,458	7,235,458	7,235,458	-
Fund Balance, End of Year	<u>\$ 7,235,458</u>	<u>\$ 7,235,458</u>	<u>\$ 7,246,554</u>	<u>\$ 11,096</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Transnet Special Revenue Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,346,700	\$ 2,346,700	\$ 667,972	\$ (1,678,728)
Other	-	45,279	-	(45,279)
Total Revenues	<u>2,346,700</u>	<u>2,391,979</u>	<u>667,972</u>	<u>(1,724,007)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	136,140	136,140	90,563	45,577
Capital Outlay	<u>1,928,000</u>	<u>1,470,701</u>	<u>1,368,259</u>	<u>102,442</u>
Total Expenditures	<u>2,064,140</u>	<u>1,606,841</u>	<u>1,458,822</u>	<u>148,019</u>
Excess (Deficiency) of Revenues over Expenditures	<u>282,560</u>	<u>785,138</u>	<u>(790,850)</u>	<u>(1,575,988)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	28,630	28,630
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>28,630</u>	<u>28,630</u>
Net Change in Fund Balances	282,560	785,138	(762,220)	(1,547,358)
Fund Balance, Beginning of Year	<u>(728,296)</u>	<u>(728,296)</u>	<u>(728,296)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (445,736)</u>	<u>\$ 56,842</u>	<u>\$ (1,490,516)</u>	<u>\$ (1,547,358)</u>

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**Schedule of the City's Proportionate Share of the Net Pension Liability  
Last 10 Years\***

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2017	0.077492%	\$ 7,685,061	\$ 4,129,783	186.09%	74.55%
2016	0.077112%	6,672,556	3,966,818	168.21%	74.06%
2015	0.102377%	7,027,037	4,140,577	169.71%	78.40%
2014	0.101819%	6,335,672	3,916,214	161.78%	79.82%

\*Fiscal year 2015 was the first year of implementation; therefore, not all 10 years of information are available.

**Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability**

**Benefit Changes:** None

**Changes in Assumptions:** In 2017, the accounting discount rate changed from 7.65% to 7.15%

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**Schedule of Plan Contributions  
Last 10 Years\***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 894,949	\$ (894,949)	\$ -	\$ 4,285,339	20.88%
2017	813,911	(813,911)	-	4,129,783	19.71%
2016	909,279	(2,737,595)	(1,828,316)	3,966,818	69.01%
2015	929,245	(1,194,245)	(265,000)	3,854,444	30.98%

\*Fiscal year 2015 was the first year of implementation; therefore, not all 10 years of information are available.

**Notes to the Schedule of Plan Contributions**

Valuation Date: 6/30/13, 6/30/14, 6/30/15, and 6/30/16



**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**Schedule of Changes in the City's  
Total OPEB Liability and Related Ratios  
Last Ten Years (or years for which information is available)**

	Measurement Period
	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 111,460
Interest on total OPEB liability	144,569
Changes in benefit terms	-
Differences between expected and actual experience	(6,897)
Changes of assumptions	(139,883)
Benefit payments	(219,256)
Net change in total OPEB liability	(110,007)
Total OPEB liability - beginning	4,017,427
Total OPEB liability - ending (a)	\$ 3,907,420
Covered-employee payroll	\$ 4,220,545
Total OPEB liability as a percentage of covered employee payroll	92.58%

**Notes to the schedule:**

No assets are accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4, to pay related benefits.

**Changes of assumptions** - Changes of assumptions reflect a change in the discount rate from 3.60 percent at July 1, 2017 to 3.90 percent at June 30, 2018.

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgetary Control and Budgetary Accounting***

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

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

Budgets are adopted for all funds.

**B. *Encumbrances***

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

**C. *Continuing Appropriations***

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

**D. *Budget Basis of Accounting***

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

## **SUPPLEMENTARY INFORMATION**

**City of Lemon Grove  
Non-major Governmental Funds  
Year Ended June 30, 2017**

**Special Revenue Funds**

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

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

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

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

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

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

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

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

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

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

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

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

**Capital Project Funds**

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

**Sidewalk Reserve Fund** accounts for amounts restricted for larger sidewalk projects.

**Main Street Promenade CFD Fund** accounts for voter-approved assessments for capital improvements.

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

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

**City of Lemon Grove  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2018**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>ASSETS</b>				
Cash and Investments	\$ 11,046	\$ 65,483	\$ 68,715	\$ 71,255
Accounts Receivable	57,105	233	-	546
Prepays	17	-	-	-
<b>Total Assets</b>	<b>\$ 68,168</b>	<b>\$ 65,716</b>	<b>\$ 68,715</b>	<b>\$ 71,801</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,008	\$ -	\$ -	\$ 442
Accrued Liabilities	11,262	-	-	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>14,270</b>	<b>-</b>	<b>-</b>	<b>442</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants Receivable	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	53,898	65,716	68,715	71,359
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>53,898</b>	<b>65,716</b>	<b>68,715</b>	<b>71,359</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 68,168</b>	<b>\$ 65,716</b>	<b>\$ 68,715</b>	<b>\$ 71,801</b>

Special Revenue

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ 200,073	\$ 340,952	\$ 461	\$ 177,090	\$ 2,615
-	121,834	4,559	-	1,869	10
-	-	1	3,562	3	-
<u>\$ -</u>	<u>\$ 321,907</u>	<u>\$ 345,512</u>	<u>\$ 4,023</u>	<u>\$ 178,962</u>	<u>\$ 2,625</u>
\$ -	\$ 6,833	\$ 18,457	\$ 3,731	\$ 1,455	\$ 739
-	199	652	6	62	46
-	405	1,240	21	47,826	100
-	-	-	-	-	-
-	-	-	-	-	-
-	7,437	20,349	3,758	49,343	885
-	121,170	-	-	-	-
-	121,170	-	-	-	-
-	193,300	325,163	265	129,619	1,740
-	-	-	-	-	-
-	-	-	-	-	-
-	193,300	325,163	265	129,619	1,740
<u>\$ -</u>	<u>\$ 321,907</u>	<u>\$ 345,512</u>	<u>\$ 4,023</u>	<u>\$ 178,962</u>	<u>\$ 2,625</u>

Continued

**City of Lemon Grove  
Combining Balance Sheet  
Non-major Governmental Funds - Continued  
June 30, 2018**

	Special Revenue		Capital Projects	
	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Street Construction	Sidewalk Reserve
<b>ASSETS</b>				
Cash and Investments	\$ 252,057	\$ 32,204	\$ 131,728	\$ 23,426
Accounts Receivable	15,752	960	573	83
Prepays	-	-	-	-
<b>Total Assets</b>	<b>\$ 267,809</b>	<b>\$ 33,164</b>	<b>\$ 132,301</b>	<b>\$ 23,509</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	24	-	-
Deposits	-	37	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants Receivable	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	267,809	33,103	132,301	23,509
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>267,809</b>	<b>33,103</b>	<b>132,301</b>	<b>23,509</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 267,809</b>	<b>\$ 33,164</b>	<b>\$ 132,301</b>	<b>\$ 23,509</b>

Capital Projects			Total
Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Non-major Governmental Funds
\$ 6,199	\$ 58,225	\$ 572,153	\$ 2,013,682
20	-	2,047	205,591
-	-	-	3,583
<u>\$ 6,219</u>	<u>\$ 58,225</u>	<u>\$ 574,200</u>	<u>\$ 2,222,856</u>
\$ 191	\$ 900	\$ -	\$ 35,756
-	-	-	12,251
-	-	-	49,629
-	-	-	-
-	-	-	-
<u>191</u>	<u>900</u>	<u>-</u>	<u>97,636</u>
-	-	-	121,170
-	-	-	121,170
6,028	57,325	574,200	2,004,050
-	-	-	-
-	-	-	-
<u>6,028</u>	<u>57,325</u>	<u>574,200</u>	<u>2,004,050</u>
<u>\$ 6,219</u>	<u>\$ 58,225</u>	<u>\$ 574,200</u>	<u>\$ 2,222,856</u>



**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2018**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	734,772	-	139,416	53,651
Charges for Services	-	17,451	-	-
Use of Money and Property	350	914	-	489
Other	-	-	-	-
Total Revenues	<u>735,122</u>	<u>18,365</u>	<u>139,416</u>	<u>54,140</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	30,736
Public Works	584,189	-	-	-
Community Development	-	-	-	31,794
Capital Outlay	<u>153,000</u>	<u>39,249</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>737,189</u>	<u>39,249</u>	<u>-</u>	<u>62,530</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,067)</u>	<u>(20,884)</u>	<u>139,416</u>	<u>(8,390)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	100,000	-	-	-
Transfers Out	<u>(22,250)</u>	<u>-</u>	<u>(114,600)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>77,750</u>	<u>-</u>	<u>(114,600)</u>	<u>-</u>
Net Change in Fund Balances	75,683	(20,884)	24,816	(8,390)
Fund Balances, Beginning of Year	<u>(21,785)</u>	<u>86,600</u>	<u>43,899</u>	<u>79,749</u>
Fund Balances, End of Year	<u>\$ 53,898</u>	<u>\$ 65,716</u>	<u>\$ 68,715</u>	<u>\$ 71,359</u>

Special Revenue

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 286,045	\$ -	\$ 24,540	\$ 9,758
-	345,171	-	-	-	-
-	-	-	64,433	-	-
-	662	5,237	-	1,870	26
-	-	-	-	8,500	-
-	345,833	291,282	64,433	34,910	9,784
-	-	-	-	36,300	-
-	-	-	-	-	-
-	28,844	328,430	145,259	-	-
-	-	-	-	-	12,381
-	78,957	-	-	-	-
-	107,801	328,430	145,259	36,300	12,381
-	238,032	(37,148)	(80,826)	(1,390)	(2,597)
-	-	-	87,393	-	-
-	(13,050)	(13,072)	-	(1,200)	(100)
-	(13,050)	(13,072)	87,393	(1,200)	(100)
-	224,982	(50,220)	6,567	(2,590)	(2,697)
-	(31,682)	375,383	(6,302)	132,209	4,437
\$ -	\$ 193,300	\$ 325,163	\$ 265	\$ 129,619	\$ 1,740

Continued

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2018**

	Special Revenue		Capital Projects	
	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Street Construction	Sidewalk Reserve
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Charges for Services	60,539	-	-	-
Use of Money and Property	2,548	333	1,701	248
Other	-	5,200	-	-
	<u>-</u>	<u>5,200</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>63,087</u>	<u>5,533</u>	<u>1,701</u>	<u>248</u>
<b>EXPENDITURES</b>				
Current:				
General Government	38,663	-	-	-
Public Safety	-	2,925	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>38,663</u>	<u>2,925</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,424</u>	<u>2,608</u>	<u>1,701</u>	<u>248</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	(28,630)	-
	<u>-</u>	<u>-</u>	<u>(28,630)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(28,630)</u>	<u>-</u>
Net Change in Fund Balances	24,424	2,608	(26,929)	248
Fund Balances, Beginning of Year	<u>243,385</u>	<u>30,495</u>	<u>159,230</u>	<u>23,261</u>
Fund Balances, End of Year	<u>\$ 267,809</u>	<u>\$ 33,103</u>	<u>\$ 132,301</u>	<u>\$ 23,509</u>

Capital Projects			
Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Non-major Governmental Funds
\$ 11,749	\$ -	\$ -	\$ 332,092
-	7,200	-	1,280,210
-	-	50,485	192,908
16	-	5,909	20,303
-	-	-	13,700
<u>11,765</u>	<u>7,200</u>	<u>56,394</u>	<u>1,839,213</u>
-	-	-	74,963
4,322	-	-	37,983
-	38,985	-	1,125,707
-	-	-	44,175
-	90,890	-	362,096
<u>4,322</u>	<u>129,875</u>	<u>-</u>	<u>1,644,924</u>
<u>7,443</u>	<u>(122,675)</u>	<u>56,394</u>	<u>194,289</u>
-	-	-	187,393
-	-	-	(192,902)
-	-	-	(5,509)
7,443	(122,675)	56,394	188,780
(1,415)	180,000	517,806	1,815,270
<u>\$ 6,028</u>	<u>\$ 57,325</u>	<u>\$ 574,200</u>	<u>\$ 2,004,050</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gas Tax Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 748,800	\$ 734,772	\$ (14,028)
Use of Money and Property	-	350	350
Other	-	-	-
Total Revenues	<u>748,800</u>	<u>735,122</u>	<u>(13,678)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	677,400	584,189	93,211
Capital Outlay	-	153,000	(153,000)
Total Expenditures	<u>677,400</u>	<u>737,189</u>	<u>(59,789)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>71,400</u>	<u>(2,067)</u>	<u>(73,467)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	100,000	100,000	-
Transfers Out	(100,000)	(22,250)	77,750
Total Other Financing Sources (Uses)	<u>-</u>	<u>77,750</u>	<u>77,750</u>
Net Change in Fund Balances	71,400	75,683	4,283
Fund Balance, Beginning of Year	<u>(21,785)</u>	<u>(21,785)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 49,615</u>	<u>\$ 53,898</u>	<u>\$ 4,283</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Parkland Dedication**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 10,000	\$ 17,451	\$ 7,451
Use of Money and Property	-	914	914
Total Revenues	<u>10,000</u>	<u>18,365</u>	<u>8,365</u>
<b>EXPENDITURES</b>			
Capital Outlay	<u>86,500</u>	<u>39,249</u>	<u>47,251</u>
Total Expenditures	<u>86,500</u>	<u>39,249</u>	<u>47,251</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(76,500)</u>	<u>(20,884)</u>	<u>55,616</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(76,500)	(20,884)	55,616
Fund Balance, Beginning of Year	<u>86,600</u>	<u>86,600</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 10,100</u></u>	<u><u>\$ 65,716</u></u>	<u><u>\$ 55,616</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Supplemental Law Enforcement Services Special Revenue**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 100,000	\$ 139,416	\$ 39,416
Total Revenues	100,000	139,416	39,416
<b>EXPENDITURES</b>			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	100,000	139,416	39,416
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(114,600)	(114,600)	-
Total Other Financing Sources (Uses)	(114,600)	(114,600)	-
Net Change in Fund Balances	(14,600)	24,816	39,416
Fund Balance, Beginning of Year	43,899	43,899	-
Fund Balance, End of Year	\$ 29,299	\$ 68,715	\$ 39,416

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sundry Grants Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 50,730	\$ 53,651	\$ 2,921
Use of Money and Property	-	489	489
<b>Total Revenues</b>	<b>50,730</b>	<b>54,140</b>	<b>3,410</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	30,730	30,736	6
Community Development	45,550	31,794	(13,756)
<b>Total Expenditures</b>	<b>76,280</b>	<b>62,530</b>	<b>13,750</b>
Excess (Deficiency) of Revenues over Expenditures	(25,550)	(8,390)	17,160
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(25,550)	(8,390)	17,160
Fund Balance, Beginning of Year	79,749	79,749	-
Fund Balance, End of Year	<u>\$ 54,199</u>	<u>\$ 71,359</u>	<u>\$ 17,160</u>



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - CDBG Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<b>EXPENDITURES</b>			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - TDA Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 121,200	\$ 345,171	\$ 223,971
Use of Money and Property	100	662	562
Other	237,400	-	(237,400)
<b>Total Revenues</b>	<b>358,700</b>	<b>345,833</b>	<b>(12,867)</b>
<b>EXPENDITURES</b>			
Current:			
Public Works	82,160	28,844	53,316
Capital Outlay	290,100	78,957	211,143
<b>Total Expenditures</b>	<b>372,260</b>	<b>107,801</b>	<b>264,459</b>
Excess (Deficiency) of Revenues over Expenditures	(13,560)	238,032	251,592
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(17,400)	(13,050)	4,350
<b>Total Other Financing Sources (Uses)</b>	<b>(17,400)</b>	<b>(13,050)</b>	<b>4,350</b>
Net Change in Fund Balances	(30,960)	224,982	255,942
Fund Balance, Beginning of Year	(31,682)	(31,682)	-
Fund Balance, End of Year	<u>\$ (62,642)</u>	<u>\$ 193,300</u>	<u>\$ 255,942</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Lighting District Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 252,800	\$ 286,045	\$ 33,245
Use of Money and Property	900	5,237	4,337
Total Revenues	<u>253,700</u>	<u>291,282</u>	<u>37,582</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	<u>318,000</u>	<u>328,430</u>	<u>(10,430)</u>
Total Expenditures	<u>318,000</u>	<u>328,430</u>	<u>(10,430)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(64,300)</u>	<u>(37,148)</u>	<u>27,152</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>(14,300)</u>	<u>(13,072)</u>	<u>1,228</u>
Total Other Financing Sources (Uses)	<u>(14,300)</u>	<u>(13,072)</u>	<u>1,228</u>
Net Change in Fund Balances	(78,600)	(50,220)	28,380
Fund Balance, Beginning of Year	<u>375,383</u>	<u>375,383</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 296,783</u>	<u>\$ 325,163</u>	<u>\$ 28,380</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Storm Water Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 57,000	\$ 64,433	\$ 7,433
Total Revenues	57,000	64,433	7,433
<b>EXPENDITURES</b>			
Current:			
Public Works	211,030	145,259	65,771
Total Expenditures	211,030	145,259	65,771
Excess (Deficiency) of Revenues over Expenditures	(154,030)	(80,826)	73,204
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	154,030	87,393	(66,637)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	154,030	87,393	(66,637)
Net Change in Fund Balances	-	6,567	6,567
Fund Balance, Beginning of Year	(6,302)	(6,302)	-
Fund Balance, End of Year	\$ (6,302)	\$ 265	\$ 6,567

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Household Hazardous Waste Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 23,000	\$ 24,540	\$ 1,540
Use of Money and Property	800	1,870	1,070
Other	-	8,500	8,500
	<u>23,800</u>	<u>34,910</u>	<u>11,110</u>
<b>EXPENDITURES</b>			
Current:			
General Government	43,180	36,300	6,880
	<u>43,180</u>	<u>36,300</u>	<u>6,880</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(19,380)</u>	<u>(1,390)</u>	<u>17,990</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(1,200)	(1,200)	-
	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net Change in Fund Balances	(20,580)	(2,590)	17,990
Fund Balance, Beginning of Year	<u>132,209</u>	<u>132,209</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 111,629</u></u>	<u><u>\$ 129,619</u></u>	<u><u>\$ 17,990</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Wildflower Assessment Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 9,650	\$ 9,758	\$ 108
Use of Money and Property	-	26	26
Total Revenues	<u>9,650</u>	<u>9,784</u>	<u>134</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	<u>7,240</u>	<u>12,381</u>	<u>(5,141)</u>
Total Expenditures	<u>7,240</u>	<u>12,381</u>	<u>(5,141)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,410</u>	<u>(2,597)</u>	<u>(5,007)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Net Change in Fund Balances	2,310	(2,697)	(5,007)
Fund Balance, Beginning of Year	<u>4,437</u>	<u>4,437</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 6,747</u></u>	<u><u>\$ 1,740</u></u>	<u><u>\$ (5,007)</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - PEG Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 60,000	\$ 60,539	\$ 539
Use of Money and Property	500	2,548	2,048
Total Revenues	<u>60,500</u>	<u>63,087</u>	<u>2,587</u>
<b>EXPENDITURES</b>			
Current:			
General Government	<u>37,000</u>	<u>38,663</u>	<u>(1,663)</u>
Total Expenditures	<u>37,000</u>	<u>38,663</u>	<u>(1,663)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,500</u>	<u>24,424</u>	<u>924</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,500	24,424	924
Fund Balance, Beginning of Year	<u>243,385</u>	<u>243,385</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 266,885</u>	<u>\$ 267,809</u>	<u>\$ 924</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Serious Traffic Offender Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of Money and Property	\$ 100	\$ 333	\$ 233
Other	7,000	5,200	(1,800)
Total Revenues	<u>7,100</u>	<u>5,533</u>	<u>(1,567)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	<u>2,550</u>	<u>2,925</u>	<u>(375)</u>
Total Expenditures	<u>2,550</u>	<u>2,925</u>	<u>(375)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,550</u>	<u>2,608</u>	<u>(1,942)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,550	2,608	(1,942)
Fund Balance, Beginning of Year	<u>30,495</u>	<u>30,495</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 35,045</u></u>	<u><u>\$ 33,103</u></u>	<u><u>\$ (1,942)</u></u>



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Street Construction Capital Projects Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of Money and Property	\$ 400	\$ 1,701	\$ 1,301
Total Revenues	400	1,701	1,301
<b>EXPENDITURES</b>			
Capital Outlay	159,000	-	159,000
Total Expenditures	159,000	-	159,000
Excess (Deficiency) of Revenues over Expenditures	(158,600)	1,701	160,301
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	(28,630)	(28,630)
Total Other Financing Sources (Uses)	-	(28,630)	(28,630)
Net Change in Fund Balances	(158,600)	(26,929)	131,671
Fund Balance, Beginning of Year	159,230	159,230	-
Fund Balance, End of Year	\$ 630	\$ 132,301	\$ 131,671

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sidewalk Reserve Capital Projects Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of Money and Property	\$ 100	\$ 248	\$ 148
Total Revenues	100	248	148
<b>EXPENDITURES</b>			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	100	248	148
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	100	248	148
Fund Balance, Beginning of Year	23,261	23,261	-
Fund Balance, End of Year	\$ 23,361	\$ 23,509	\$ 148

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Main Street Promenade Community Facilities District**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 8,700	\$ 11,749	\$ 3,049
Use of Money and Property	-	16	16
Total Revenues	<u>8,700</u>	<u>11,765</u>	<u>3,065</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	<u>14,000</u>	<u>4,322</u>	<u>9,678</u>
Total Expenditures	<u>14,000</u>	<u>4,322</u>	<u>9,678</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,300)</u>	<u>7,443</u>	<u>12,743</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,300)	7,443	12,743
Fund Balance, Beginning of Year	<u>(1,415)</u>	<u>(1,415)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (6,715)</u>	<u>\$ 6,028</u>	<u>\$ 12,743</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Safety Capital Purchases Capital Projects Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ 7,200	\$ 7,200
Total Revenues	-	7,200	7,200
<b>EXPENDITURES</b>			
Public Works	-	38,985	
Capital Outlay	180,000	90,890	89,110
Total Expenditures	180,000	129,875	50,125
Excess (Deficiency) of Revenues over Expenditures	(180,000)	(122,675)	57,325
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(180,000)	(122,675)	57,325
Fund Balance, Beginning of Year	180,000	180,000	-
Fund Balance, End of Year	\$ -	\$ 57,325	\$ 57,325

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Transportation Mitigation Capital Project Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 50,000	\$ 50,485	\$ 485
Use of Money and Property	-	5,909	5,909
Total Revenues	<u>50,000</u>	<u>56,394</u>	<u>6,394</u>
<b>EXPENDITURES</b>			
Capital Outlay	<u>516,700</u>	-	<u>516,700</u>
Total Expenditures	<u>516,700</u>	-	<u>516,700</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(466,700)</u>	<u>56,394</u>	<u>523,094</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(466,700)	56,394	523,094
Fund Balance, Beginning of Year	<u>517,806</u>	<u>517,806</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 51,106</u>	<u>\$ 574,200</u>	<u>\$ 523,094</u>