

# City of Lemon Grove

Lemon Grove, California

*Basic Financial Statements*

*For the year ended June 30, 2015*

# City of Lemon Grove

For the year ended June 30, 2015

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For the year ended June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

To the Honorable Mayor and Members of the City Council  
of the City of Lemon Grove  
Lemon Grove, CA  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, defined benefit pension plan information, and other post employment benefits on pages 5-9 and 76-83, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 88-118 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council  
of the City of Lemon Grove  
Lemon Grove, CA  
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The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 88-118 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 88-118 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs  
Oakland, California  
February 1, 2016

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# CITY OF LEMON GROVE

"Best Climate On Earth"

## Office of the City Manager

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

City Hall  
619-825-3800

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2015. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify any material deviations from the approved budget.

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

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources by \$75.5 million.
- The net position value increased from the previous year by \$4.4 million, or 6.26 percent.
- The City's governmental funds reported a combined ending fund balance of \$16.0 million, an increase from the previous year of \$2.9 million, or 22 percent. This is due to several factors, including revenue increases as well as grant revenues due from prior year projects. These increases were partially offset by capital expenditures.

### OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

#### Government-wide Financial Statements

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

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



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

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

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

**Comparative Statements of Position**  
**June 30, 2015 and 2014**  
**(Amounts in Millions)**

	Governmental Activities			Business-type Activities		
	2015	2014	Change	2015	2014	Change
<b>Assets:</b>						
Cash and investments	\$6.9	\$4.9	\$2.0	\$16.1	\$14.6	\$1.5
Other assets	13.7	14.5	(0.8)	0.7	-	0.7
Capital assets, net	41.9	42.6	(0.7)	5.6	5.9	(0.3)
<b>Total Assets</b>	<b>62.5</b>	<b>62.0</b>	<b>0.5</b>	<b>22.4</b>	<b>20.5</b>	<b>1.9</b>
<b>Deferred outflow of resources:</b>						
Deferred outflows	0.8	-	0.8	0.2	-	0.2
<b>Total deferred outflow</b>	<b>0.8</b>	<b>-</b>	<b>0.8</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>
<b>Liabilities:</b>						
Long-term liabilities	5.4	1.2	4.2	0.1	-	0.1
Other liabilities	2.1	3.8	(1.7)	1.6	0.1	1.5
<b>Total Liabilities</b>	<b>7.5</b>	<b>5.0</b>	<b>2.5</b>	<b>1.7</b>	<b>0.1</b>	<b>1.6</b>
<b>Deferred inflow of resources:</b>						
Deferred inflows	0.9	-	0.9	0.3	-	0.3
<b>Total deferred inflows</b>	<b>0.9</b>	<b>-</b>	<b>0.9</b>	<b>0.3</b>	<b>-</b>	<b>0.3</b>
<b>Net Position:</b>						
Net investment in capital assets	41.8	42.7	(0.9)	5.7	5.9	(0.2)
Restricted	16.1	8.0	8.1	-	-	-
Unrestricted	(3.0)	6.3	(9.3)	14.9	14.5	0.4
<b>Total Net Position</b>	<b>\$54.9</b>	<b>\$57.0</b>	<b>(\$2.1)</b>	<b>\$20.6</b>	<b>\$20.4</b>	<b>\$0.2</b>

The City's total net position increased by 6.26 percent over last year. Net position from governmental activities increased by 4.6 percent while net position from business activities increased by 10 percent. The City's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by approximately \$75.5 million.

Approximately 64 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 18 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:

<b>Comparative Statements of Activities</b>						
<b>June 30, 2015 and 2014</b>						
<b>(Amounts in Millions)</b>						
	Governmental Activities			Business-type Activities		
	2015	2014	Change	2015	2014	Change
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$2.3	\$1.5	\$0.8	\$6.6	\$5.9	\$0.7
Operating grants and contributions	2.3	1.5	0.8	-	-	-
Capital grants and contributions	1.5	1.6	(0.1)	-	-	-
<b>Total program revenues</b>	<b>6.1</b>	<b>4.6</b>	<b>1.5</b>	<b>6.6</b>	<b>5.9</b>	<b>0.7</b>
General revenues:						
Taxes:						
General property taxes	3.7	4.0	(0.3)	-	-	-
Sales tax	3.8	4.3	(0.5)	-	-	-
Franchise tax	1.0	1.0	-	-	-	-
Investment earnings	-	-	-	-	-	-
Other	2.1	-	2.1	-	-	-
Transfers	0.7	1.5	(0.8)	(0.7)	-	(0.7)
<b>Total general revenues</b>	<b>11.3</b>	<b>10.8</b>	<b>0.5</b>	<b>(0.7)</b>	<b>-</b>	<b>(0.7)</b>
<b>Total Revenues</b>	<b>17.4</b>	<b>15.4</b>	<b>2.0</b>	<b>5.9</b>	<b>5.9</b>	<b>-</b>
<b>Expenses:</b>						
General government	2.0	2.0	-	-	-	-
Public safety	9.2	8.8	0.4	-	-	-
Public works	1.6	3.4	(1.8)	-	-	-
Community development	2.2	1.0	1.2	-	-	-
Sanitation	-	-	-	3.9	4.6	(0.7)
Interest on long-term debt	-	-	-	-	-	-
<b>Total Expenses</b>	<b>15.0</b>	<b>15.2</b>	<b>(0.2)</b>	<b>3.9</b>	<b>4.6</b>	<b>(0.7)</b>
Increase (decrease) in net position	2.4	0.2	2.2	2.0	1.3	0.7
Net position - beginning (as restated)	52.4	56.8	(4.4)	18.6	19.1	(0.5)
Net position - ending	<b>\$54.8</b>	<b>\$57.0</b>	<b>(\$2.2)</b>	<b>\$20.6</b>	<b>\$20.4</b>	<b>\$0.2</b>

The governmental activities increased the City's net position by \$2.4 million. Governmental program revenues offset 41 percent of program expenditures, a 10.7% increase when compared with prior year. General revenues and transfers of \$11.3 million exceeded total expenditures. There was a 4.6 percent increase to governmental activities net position.

The business-type activities increased the City's net position by \$2.0 million. Business-type program revenues exceeded expenditures, resulting in a 10.8 percent increase to business-type net position. This is the eighth year that the Lemon Grove Sanitation District has had staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs.

### **Fund Financial Statements**

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

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

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

As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$16.0 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$4.1 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 Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the supplementary information section of this report.

The General Fund is the chief operating fund of the City. As of June 30, 2015, its unassigned fund balance is approximately 4.2 million.

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

There are no restricted net position for these funds, and the changes in net position show a growth over last year for Sanitation of 10.8 percent and an increase of for the Internal Service fund of 26.8 percent.

## Notes to the Basic Financial Statements

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

**Note 2 - Cash and Investments:** The City's total cash and investments at the end of the fiscal year totaled \$26.7 million. Approximately \$11.3 million was invested with the Local Agency Investment Fund. Approximately \$1.5 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 \$41.8 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$5.7 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 \$1.0 million. The majority of this amount, \$499,861, is comprised of compensated absences. The City's total long-term debt decreased this year by \$193,601 due to net increases in its OPEB liability and its claims payable. The City's business-type activity does not have long-term debt.

### Required Supplementary Information

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

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2014.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a gain of expected revenues and transfers of \$247,930, while the expenditures were over what was expected by \$709,709. The actual revenues and expenditures resulted in a net gain of \$648,500. The difference between expected gain and actual is \$59,500.

### REQUESTS FOR INFORMATION

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

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**BASIC  
FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Lemon Grove**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 6,850,485	\$ 16,123,402	\$ 22,973,887
Receivables:			
Accounts, net	1,985,984	629,633	2,615,617
Prepays	173,307	65,549	238,856
Total current assets	<u>9,009,776</u>	<u>16,818,584</u>	<u>25,828,360</u>
Noncurrent assets:			
Restricted cash and investments	25,000	-	25,000
Notes receivable	8,109,956	-	8,109,956
Due from Successor Agency	3,160,741	-	3,160,741
Property held for resale	377,952	-	377,952
Capital assets:			
Capital assets, not being depreciated	7,874,401	260,314	8,134,715
Capital assets, depreciated, net	33,971,695	5,389,956	39,361,651
Total capital assets	<u>41,846,096</u>	<u>5,650,270</u>	<u>47,496,366</u>
Total noncurrent assets	<u>53,519,745</u>	<u>5,650,270</u>	<u>59,170,015</u>
<b>Total assets</b>	<u>62,529,521</u>	<u>22,468,854</u>	<u>84,998,375</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflow - pension related amounts	20,682	11,471	32,153
Deferred outflow - employer pension contributions	744,268	152,442	896,710
<b>Total deferred outflows of resources</b>	<u>764,950</u>	<u>163,913</u>	<u>928,863</u>
<b>LIABILITIES</b>			
Accounts payable	1,673,126	78,031	1,751,157
Accrued wages	87,543	18,342	105,885
Interest payable	789	-	789
Deposits payable	145,820	-	145,820
Unearned revenue	-	-	-
Claims payable, due within one year	50,000	-	50,000
Compensated absences, due within one year	214,115	-	214,115
Capital lease payable, due within one year	21,833	-	21,833
Total current liabilities	<u>2,193,226</u>	<u>96,373</u>	<u>2,289,599</u>
Noncurrent liabilities:			
Net OPEB obligation	320,469	-	320,469
Net pension liability	4,392,070	1,601,757	5,993,827
Claims payable, due in more than one year	175,895	-	175,895
Compensated absences, due in more than one year	499,601	-	499,601
Total noncurrent liabilities	<u>5,388,035</u>	<u>1,601,757</u>	<u>6,989,792</u>
<b>Total liabilities</b>	<u>7,581,261</u>	<u>1,698,130</u>	<u>9,279,391</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflow - pension related amounts	856,212	334,560	1,190,772
<b>Total deferred inflow of resources</b>	<u>856,212</u>	<u>334,560</u>	<u>1,190,772</u>
<b>NET POSITION</b>			
Net investment in capital assets	41,846,096	5,650,270	47,496,366
Restricted:			
Construction of capital assets	1	-	1
Streets, highways, bikeways, public transit and other related purposes	872,976	-	872,976
Community development	3,538,767	-	3,538,767
Public safety	207,744	-	207,744
Housing	8,684,194	-	8,684,194
Unrestricted	(292,780)	14,949,807	14,657,027
<b>Total net position</b>	<u>\$ 54,856,998</u>	<u>\$ 20,600,077</u>	<u>\$ 75,457,075</u>

See accompanying Notes to Basic Financial Statements.

**City of Lemon Grove**  
**Statement of Activities**  
**For the year ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 1,995,938	\$ 359,414	\$ 234,707	\$ -	\$ 594,121
Public safety	9,146,101	943,754	862,049	3,945	1,809,748
Public works	1,613,433	708,119	-	1,535,268	2,243,387
Community development	2,226,068	250,573	1,232,312	1,670	1,484,555
Interest on long-term debt	789	-	-	-	-
Total governmental activities	14,982,329	2,261,860	2,329,068	1,540,883	6,131,811
<b>Business-type activities:</b>					(5,373,524)
Sanitation	3,948,291	6,573,926	-	-	6,573,926
Total business-type activities	3,948,291	6,573,926	-	-	6,573,926
<b>Total primary government</b>	<b>\$ 18,930,620</b>	<b>\$ 8,835,786</b>	<b>\$ 2,329,068</b>	<b>\$ 1,540,883</b>	<b>\$ 12,705,737</b>

**General Revenues:**

Taxes:

Property tax

Sales tax

Transient occupancy tax

Franchise tax

Motor vehicle in lieu tax - unrestricted

Total taxes

Investment earnings

Transfers

**Total general revenues and transfers**

**Change in net position**

**Net position - beginning of year (as restated)**

**Net position - end of year**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,401,817)	\$ -	\$ (1,401,817)
(7,336,353)	-	(7,336,353)
629,954	-	629,954
(741,513)	-	(741,513)
(789)	-	(789)
(8,850,518)	-	(8,850,518)
-	2,625,635	2,625,635
-	2,625,635	2,625,635
\$ (8,850,518)	\$ 2,625,635	\$ (6,224,883)

3,786,926	-	3,786,926
3,800,925	-	3,800,925
44,525	-	44,525
962,845	-	962,845
2,027,437	-	2,027,437
10,622,658	-	10,622,658
10,795	36,677	47,472
648,500	(648,500)	-
11,281,953	(611,823)	10,670,130
2,431,435	2,013,812	4,445,247
52,425,563	18,586,265	71,011,828
\$ 54,856,998	\$ 20,600,077	\$ 75,457,075

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Funds Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

**City of Lemon Grove**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Special Revenue Housing	Total Nonmajor Government Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,151,459	\$ 4,424	\$ 1,509,579	\$ 5,665,462
Receivables, net:				
Accounts	1,016,284	244,814	724,690	1,985,788
Notes	-	8,109,956	-	8,109,956
Prepaid expenses	112,082	-	61,225	173,307
Property held for resale	52,952	325,000	-	377,952
Due from other funds	517,658	-	-	517,658
Due from Successor Agency	3,160,741	-	-	3,160,741
<b>Total assets</b>	<b>\$ 9,011,176</b>	<b>\$ 8,684,194</b>	<b>\$ 2,295,494</b>	<b>\$ 19,990,864</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,260,405	\$ -	\$ 412,721	\$ 1,673,126
Accrued wages	75,354	-	12,189	87,543
Due to other funds	-	-	517,658	517,658
Deposits payable	145,820	-	-	145,820
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>1,481,579</b>	<b>-</b>	<b>942,568</b>	<b>2,424,147</b>
<b>Deferred inflows of resources</b>				
Unavailable revenues	21,990	1,416,894	134,942	1,573,826
<b>Total deferred inflows of resources</b>	<b>21,990</b>	<b>1,416,894</b>	<b>134,942</b>	<b>1,573,826</b>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid expenses	112,082	-	-	112,082
Advances to Successor Agency	3,160,741	-	-	3,160,741
Restricted:				
Public safety	-	-	207,744	207,744
Community	-	-	265,944	265,944
Public works	-	-	872,976	872,976
Housing	-	7,267,300	-	7,267,300
Unassigned	4,234,784	-	(128,680)	4,106,104
<b>Total fund balances</b>	<b>7,507,607</b>	<b>7,267,300</b>	<b>1,217,984</b>	<b>15,992,891</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,011,176</b>	<b>\$ 8,684,194</b>	<b>\$ 2,295,494</b>	<b>\$ 19,990,864</b>

See accompanying Notes to Basic Financial Statements.

**City of Lemon Grove**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 15,992,891</b>
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Amounts reported for governmental activities in the Statement of Net Position were different because:

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

Non-depreciable	\$ 7,874,401
Depreciable, net	33,971,695
<b>Total capital assets</b>	<b>41,846,096</b>

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 1,573,826

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as liability in the Governmental Funds Balance Sheet. (789)

Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position. 984,324

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. 744,268

For cost sharing pension plans, on the government-wide statements certain differences created due to differences in proportion are deferred and amortized over a period of time. There are no transactions recorded on the governmental fund statements. 20,682

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension and differences due to changes in proportion are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. (856,212)

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

	Internal Service Funds	Government-Wide Statement of Net Position
Claims and judgments payable - due within one year	\$ (50,000)	\$ 50,000
Compensated leave payable - due within one year	(214,115)	-
Capital lease payable - due within one year	(21,833)	-
Net pension liability	(4,392,070)	-
Compensated leave payable - due after one year	(499,601)	-
Claims and judgments payable - due after one year	(175,895)	175,895
Net OPEB obligation	(320,469)	-
<b>Total long-term liabilities</b>	<b>\$ (5,673,983)</b>	<b>\$ 225,895</b>

<b>Net Position of Governmental Activities</b>	<b>\$ 54,856,998</b>
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See accompanying Notes to Basic Financial Statements.

**City of Lemon Grove**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2015**

	General Fund	Special Revenue Housing Fund	Total Nonmajor Government Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 10,316,794	\$ -	\$ 305,867	\$ 10,622,661
Licenses and permits	743,558	-	-	743,558
Fines, forfeitures and penalties	112,387	-	-	112,387
Intergovernmental	165,119	1,417,600	1,762,992	3,345,711
Charges for services	490,079	-	317,685	807,764
Use of money and property	256,155	-	2,880	259,035
Other	14,409	250,127	609,612	874,148
<b>Total revenues</b>	<b>12,098,501</b>	<b>1,667,727</b>	<b>2,999,036</b>	<b>16,765,264</b>
<b>EXPENDITURES:</b>				
Current:				
General government	908,470	-	903,314	1,811,784
Public safety	9,019,276	-	126,825	9,146,101
Public works	944,759	-	668,674	1,613,433
Community development	913,969	-	334,173	1,248,142
Capital outlay	52,113	-	667,167	719,280
Debt service:				
Principal	22,622	-	-	22,622
<b>Total expenditures</b>	<b>11,861,209</b>	<b>-</b>	<b>2,700,153</b>	<b>14,561,362</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>237,292</b>	<b>1,667,727</b>	<b>298,883</b>	<b>2,203,902</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	828,500	-	-	828,500
Transfers out	(180,000)	-	-	(180,000)
<b>Total other financing sources (uses)</b>	<b>648,500</b>	<b>-</b>	<b>-</b>	<b>648,500</b>
<b>Net change in fund balances</b>	<b>885,792</b>	<b>1,667,727</b>	<b>298,883</b>	<b>2,852,402</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated	6,621,815	5,599,573	919,101	13,140,489
End of year	<u>\$ 7,507,607</u>	<u>\$ 7,267,300</u>	<u>\$ 1,217,984</u>	<u>\$ 15,992,891</u>

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2015

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 2,852,402</b>
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	1,290,907
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds	(1,735,474)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable decreased compensated leave liabilities in the Government-Wide Statement of Net Position.	67,438
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(62,452)
Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	(744,268)
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	555,917
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.	(789)
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	<u>207,754</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,431,435</u></b>

See accompanying Notes to Basic Financial Statements.

## PROPRIETARY FUND FINANCIAL STATEMENTS

*Sanitation Enterprise Fund* accounts for the activities of the Sanitation District

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

**City of Lemon Grove**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 16,123,402	\$ 1,185,023
Accounts receivable, net	629,633	196
Prepays	65,549	-
Total current assets	<u>16,818,584</u>	<u>1,185,219</u>
Noncurrent assets:		
Restricted cash and investments	-	25,000
Capital assets:		
Land	3,724	-
Construction in progress	256,590	-
Depreciable infrastructure	11,890,247	-
Depreciable equipment	1,366,481	-
Accumulated depreciation	<u>(7,866,772)</u>	<u>-</u>
Total capital assets	<u>5,650,270</u>	<u>-</u>
Total noncurrent assets	<u>5,650,270</u>	<u>25,000</u>
<b>Total assets</b>	<u>22,468,854</u>	<u>1,210,219</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred outflow - pension related amounts	11,471	-
Deferred outflow - employer pension contributions	152,442	-
<b>Total deferred outflows of resources</b>	<u>163,913</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	78,031	-
Accrued wages	18,342	-
Claims payable, due within one year	-	50,000
Total current liabilities	<u>96,373</u>	<u>50,000</u>
Noncurrent liabilities:		
Claims payable, due in more than one year	-	175,895
Net pension liability	1,601,757	-
Total noncurrent liabilities	<u>1,601,757</u>	<u>175,895</u>
<b>Total liabilities</b>	<u>1,698,130</u>	<u>225,895</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflow - pension related amounts	334,560	-
Total deferred outflows of resources	<u>334,560</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,650,270	-
Unrestricted	14,949,807	984,324
<b>Total net position</b>	<u>\$ 20,600,077</u>	<u>\$ 984,324</u>

See accompanying Notes to Basic Financial Statements.

**City of Lemon Grove**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2015**

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 5,972,746	\$ -
Other revenue	601,180	-
<b>Total operating revenues</b>	<b>6,573,926</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>		
Personnel costs	1,071,597	-
Contractual services	55,339	-
Materials and supplies	24,350	-
Repairs and maintenance	94,021	-
Dump fees	2,362,310	-
Utilities	7,761	-
Insurance and claims	76,285	(167,363)
Depreciation	256,628	-
<b>Total operating expenses</b>	<b>3,948,291</b>	<b>(167,363)</b>
<b>OPERATING INCOME</b>	<b>2,625,635</b>	<b>167,363</b>
<b>NONOPERATING REVENUES:</b>		
Investment earnings	36,677	40,391
<b>Total nonoperating revenues</b>	<b>36,677</b>	<b>40,391</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS</b>	<b>2,662,312</b>	<b>207,754</b>
Transfers out	(648,500)	-
<b>Total transfers</b>	<b>(648,500)</b>	<b>-</b>
<b>Change in net position</b>	<b>2,013,812</b>	<b>207,754</b>
<b>NET POSITION</b>		
Beginning of year, as restated	18,586,265	776,570
End of year	<b>\$ 20,600,077</b>	<b>\$ 984,324</b>

See accompanying Notes to Basic Financial Statements.



**City of Lemon Grove**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2015**

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 5,992,591	\$ -
Cash received from user departments	-	3,362
Cash payments to employees	(1,080,130)	-
Cash payments to suppliers for goods and services	(2,685,077)	(741)
<b>Net cash provided by (used in) operating activities</b>	<b>2,227,384</b>	<b>2,621</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Transfer from other departments	(648,500)	-
Purchase of capital assets	(42,346)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(690,846)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	36,677	40,391
<b>Net cash provided by investing activities</b>	<b>36,677</b>	<b>40,391</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,573,215</b>	<b>43,012</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>14,550,187</b>	<b>1,167,011</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 16,123,402</b>	<b>\$ 1,210,023</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>		
Cash and investments	\$ 16,123,402	\$ 1,185,023
Restricted cash and investments with fiscal agents	-	25,000
<b>Total</b>	<b>\$ 16,123,402</b>	<b>\$ 1,210,023</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,625,635	\$ 167,363
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	256,628	-
Loss on disposal of capital asset	12,946	-
Changes in assets and liabilities:		
Accounts receivable	(581,335)	3,362
Prepays	(64,621)	-
Deferred outflow of resources - employer contribution	(21,874)	-
Deferred outflow of resources - pension related amounts	(11,471)	-
Accounts payable	(13,336)	-
Accrued wages	18,342	-
Net pension liability	(328,090)	-
Deferred inflow of resources - pension related amounts	334,560	-
Claims payable	-	(168,104)
<b>Total adjustments</b>	<b>(398,251)</b>	<b>(164,742)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,227,384</b>	<b>\$ 2,621</b>

See accompanying Notes to Basic Financial Statements.

## FIDUCIARY FUND FINANCIAL STATEMENTS

### Private Purpose Trust Funds

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

**City of Lemon Grove**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund
<b>ASSETS</b>	
Cash and investments	\$ 1,759,621
Cash and investments with fiscal agent - restricted	1,804,359
Accounts receivable	452
Notes receivable	3,640,200
Prepays	65,000
Property held for resale	689,910
Capital assets:	
Non-depreciable	
Land	5,845,452
Construction in progress	412,528
Depreciable	
Infrastructure	316,636
<b>Total assets</b>	<b>14,534,158</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	328,909
Deferred outflow - pension related	2,448
Deferred outflow - employer pension contributions	32,535
<b>Total deferred outflows of resources</b>	<b>363,892</b>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Accounts payable	5,708
Accrued wages	2,802
Interest payable	456,844
Due to City of Lemon Grove	3,160,741
Bonds payable, due in less than one year	660,000
<b>Total current liabilities</b>	<b>4,286,095</b>
Noncurrent liabilities:	
Net pension liability	341,856
Bonds payable, due in more than one year	24,426,462
<b>Total noncurrent liabilities</b>	<b>24,768,318</b>
<b>Total liabilities</b>	<b>29,054,413</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow - pension related amounts	71,403
<b>Total deferred outflows of resources</b>	<b>71,403</b>
<b>NET POSITION</b>	
<b>Net position:</b>	
Net position held for dissolution of the Community Development Agency	(14,227,766)
<b>Total net position</b>	<b>\$ (14,227,766)</b>

See accompanying Notes to Basic Financial Statements.

**City of Lemon Grove**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2015**

	Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Investment income	\$ 2,550
RDA property tax trust fund distribution	1,908,177
Other	51,643
<b>Total additions</b>	<u>1,962,370</u>
<b>DEDUCTIONS:</b>	
Administration	243,426
Debt issuance costs	171,226
Interest expense	781,369
Depreciation	10,919
<b>Total Deductions</b>	<u>1,206,940</u>
<b>Change in net position</b>	755,430
<b>NET POSITION:</b>	
Beginning of year, as restated	<u>(14,983,196)</u>
End of year	<u><u>\$ (14,227,766)</u></u>

See accompanying Notes to Basic Financial Statements.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**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 available.

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

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

**Government-Wide Financial Statements**

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

**Government-Wide Financial Statements, Continued**

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

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

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

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

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

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

**Governmental Fund Financial Statements**

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

**Governmental Fund Financial Statements, Continued**

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

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

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

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

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

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

**Proprietary Fund Financial Statements**

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

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



**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

**Proprietary Fund Financial Statements, Continued**

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

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as 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 Sanitation Enterprise Fund and Self Insurance Internal Service Funds as proprietary funds of the City.

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

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

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

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has one type of fiduciary fund, a private-purpose trust fund. A private-purpose trust fund accounts for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

**Fiduciary Fund Financial Statements**

The City reports the following fiduciary funds:

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

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

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

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

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

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

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

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

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

**D. Restricted Cash and Investments**

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

**E. Compensated Absences**

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

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

**F. Property Taxes**

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

**F. Property Taxes, Continued**

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

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

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

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

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

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

**G. Capital Assets**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2015.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*G. Capital Assets, Continued*

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

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

*H. Interest Payable*

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

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

*I. Unavailable and unearned revenue*

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

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

*J. Claims and Judgments*

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

***K. Use of Estimates***

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

***L. Inventory***

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

***M. Long-term Obligations***

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

**N. Net Position**

**Government-Wide Financial Statements**

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

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

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

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

**O. Fund Balances**

**Fund Financial Statements**

**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, long-term notes and loans, property held for resale and other items not expected to be converted to cash. However, if the proceeds from the eventual sale or liquidation of the items would be considered restricted, committed or assigned (as defined further on) then these amounts would be included in the restricted, committed or assigned instead of the non-spendable classification. 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.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*O. Fund Balances, Continued*

**Restricted Fund Balances**

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

**Committed Fund Balances**

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

**Assigned Fund Balances**

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

**Unassigned Fund Balance**

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

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

*P. 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, deferred outflows of resources, 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 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, deferred inflows of resources, 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.



**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*P. Deferred Outflows/Inflows of Resources, Continued*

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 revenue arises only under a modified accrual basis of accounting and accordingly is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: sales tax revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Certain changes in the City's net pension liability are required to be deferred and reflected in pension expense over a closed amortization period. The City reported the unamortized net difference between projected and actual earning on pension plans and unamortized adjustments due to differences in proportions as deferred inflows of resources in the government-wide and enterprise funds' statement of net position.

*Q. 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's California Public Employees' Retirement System (CalPERS) plan (Plans) 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.

*R. New Accounting Pronouncements*

In 2015, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* – The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments and accountability and inter-period equity, and creating additional transparency.

The statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures* as they relate to pensions that are provided through pension plans administered as trusts of equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The District restated its beginning net position as part of implementation of this accounting standard.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*R. New Accounting Pronouncements, Continued*

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* – This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no impact on beginning net position as part of the implementation of this accounting standard.
  
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* – The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The District restated its beginning net position as part of implementation of this accounting standard.

**2. CASH AND INVESTMENTS**

*A. Summary of Cash and Investments*

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

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 6,850,485	\$ 16,123,402	\$ 1,759,621	\$ 24,733,508
Restricted cash and investments	25,000	-	1,804,359	1,829,359
<b>Total cash and investments</b>	<b>\$ 6,875,485</b>	<b>\$ 16,123,402</b>	<b>\$ 3,563,980</b>	<b>\$ 26,562,867</b>

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**2. CASH AND INVESTMENTS, Continued**

*B. Summary of Cash and Investments*

Cash and investment as of June 30, 2015 consist of the following:

Cash on hand	\$ 1,973
Deposits with financial institution	10,949,179
Total cash on hand and deposits	<u>10,951,152</u>
Local Agency Investment funds	11,324,258
Multi-bank Securities	2,458,098
Total investments	<u>13,782,356</u>
<b>Total City Treasury</b>	<u>24,733,508</u>
Cash with fiscal agent	<u>1,829,359</u>
<b>Total cash and investments</b>	<u><u>\$ 26,562,867</u></u>

*C. Deposits*

The carrying amount of the City's cash deposit was a positive amount of \$10,949,179 at June 30, 2015. Bank balances before reconciling items amounted to \$10,834,848 at June 30, 2015. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institutions in the City's name.

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

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**2. CASH AND INVESTMENTS, Continued**

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage/ Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$40,000,000*
Certificates of deposits	5 years	30%	None
Multi-bank Securities	N/A	None	None

\* Maximum allowed by LAIF

*E. 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.

*F. Disclosures Relating to Interest Rate Risk*

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

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

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

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Local Agency Investment Fund	\$ 11,324,258	\$ 11,324,258	\$ -	\$ -	\$ -
Multi-securities	2,458,098	2,458,098	-	-	-
Held by fiscal agents:					
US Bank money market	1,829,359	1,829,359	-	-	-
	<u>\$ 15,611,715</u>	<u>\$ 15,611,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*G. 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.

*H. Disclosures Relating to Credit Risk*

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

*H. Disclosures Relating to Credit Risk. Continued*

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End		
			Aa1	Aa3	Not Rated
Local Agency Investment Fund	\$ 11,324,258	N/A	\$ -	\$ -	\$ 11,324,258
Multi-bank Securities	2,458,098	N/A	-	-	2,458,098
Held by fiscal agents:					
US Bank money market	<u>1,829,359</u>	N/A	<u>1,829,359</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,611,715</u>		<u>\$ 1,829,359</u>	<u>\$ -</u>	<u>\$ 13,782,356</u>

*I. Concentration of Credit Risk*

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

*J. Custodial Credit Risk*

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

*K. External Investment Pools*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2015, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

**K. External Investment Pools, Continued**

As of June 30, 2015, the City had \$11,324,258 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.86% in the previous year. The LAIF fair value factor as of June 30, 2015 was 1.000375979, which was used to calculate the fair value of the investments in LAIF.

**3. NOTES RECEIVABLE**

Notes receivable as of June 30, 2015, totaled \$11,750,156 and were recorded in the financial statements as follows:

Description	Balance June 30, 2015
During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (the Developer) for the development of several projects within the City's project area. In addition, the City entered into promissory notes with the Developers with amounts not to exceed (excluding accrued interest) \$2,763,292 for Citronica One, \$2,500,000 for Citronica Two and \$1,500,000 for Citronica Three, all at 3.0% interest secured by a deed of trust for each note creating a valid lien upon the developer's interest in the development parcels. The funds are being used to construct a 54 unit mixed-use affordable housing, including 3,650 square feet of commercial space (Citronica One) and a 75-100 unit mixed use affordable housing, including 4,700 square feet of commercial space (Citronica Two). The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs. During the fiscal year ended June 30, 2013, the City entered into another promissory note with the Developer with amount not to exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable 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, 2015, the City had advanced \$4,263,292 and \$2,500,000 (Citronica One and Two, respectively) to the borrower. In addition \$679,783 and \$485,044 (Citronica One and Two, respectively) of accrued interest was incurred.	\$ 7,928,119
Note to Community Collective with an amount not to exceed \$3,130,000 at 3.0% interest secured by a deed of trust, assignment of rents, security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use multi-family residential housing project for extremely low, very low, and low income persons. The note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note) from the project, Community Collective shall pay the City one-half of the available surplus cash. As of June 30, 2015, the City had advanced \$3,130,000 to the borrower. In addition, \$692,037 of accrued interest was incurred.	3,822,037
Total notes receivable	\$ 11,750,156
As of June 30, 2015, notes receivable is reported as follow:	
Primary Government	\$ 8,109,956
Successor Agency to the Lemon Grove Community Development Agency	3,640,200
	\$ 11,750,156

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**4. INTERFUND ACTIVITY**

The following represents interfund activity of the City for the fiscal year ended June 30, 2015:

*A. Advances Due from Successor Agency*

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, after the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Private-purpose trust fund – Successor Agency to the Lemon Grove Community Development Agency. The repayment of this amount is uncertain as of June 30, 2015, and is subject to the approval of the State Department of Finance as an enforceable obligation of the Successor Agency under redevelopment agency dissolution law under AB 1484.

	<u>General Fund</u>
Successor Agency	\$ 3,160,741
Total	<u>\$ 3,160,741</u>



**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**5. CAPITAL ASSETS**

**A. Governmental Activities**

Capital asset activity for governmental activities for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 7,520,853	\$ -	\$ -	\$ -	\$ 7,520,853
Construction in progress	415,853	-	-	(62,305)	353,548
Total capital assets, not being depreciated	7,936,706	-	-	(62,305)	7,874,401
Capital assets, being depreciated:					
Buildings and improvements	9,219,426	149,116	(50,240)	-	9,318,302
Vehicles and equipment	2,165,727	703,590	(229,319)	-	2,639,998
Infrastructure	56,797,357	438,201	(250,126)	-	56,985,432
Total capital assets, being depreciated	68,182,510	1,290,907	(529,685)	-	68,943,732
Less accumulated depreciation for:					
Buildings and improvements	(5,836,117)	(235,253)	15,070	-	(6,056,300)
Vehicles and equipment	(1,442,023)	(157,406)	215,343	-	(1,384,086)
Infrastructure	(26,188,836)	(1,342,815)	-	-	(27,531,651)
Total accumulated depreciation	(33,466,976)	(1,735,474)	230,413	-	(34,972,037)
Total capital assets, being depreciated, net	34,715,534	(444,567)	(299,272)	-	33,971,695
Governmental activities, capital assets, net	\$ 42,652,240	\$ (444,567)	\$ (299,272)	\$ (62,305)	\$ 41,846,096

Depreciation expense by program for capital assets for the year ended June 30, 2015 was as follows:

General government	\$ 71,972
Public safety	115,193
Public works	1,417,069
Community development	131,240
<b>Total depreciation expense</b>	<b>\$ 1,735,474</b>

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**5. CAPITAL ASSETS, Continued**

**B. Business-type Activities**

Capital asset activity for business-type activities for the fiscal year ended June 30, 2015, was as follows:

<b>Business-type Activities</b>	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 3,724	\$ -	\$ -	\$ -	\$ 3,724
Construction in progress	345,372	42,236	(131,018)	-	256,590
Total capital assets, not being depreciated	349,096	42,236	(131,018)	-	260,314
Capital assets, being depreciated:					
Machinery and equipment	1,357,684	-	(13,746)	22,543	1,366,481
Infrastructure	11,767,936	-	-	122,311	11,890,247
Total capital assets, being depreciated	13,125,620	-	(13,746)	144,854	13,256,728
Less accumulated depreciation	(7,623,890)	(256,628)	13,746	-	(7,866,772)
Total capital assets, being depreciated, net	5,501,730	(256,628)	-	144,854	5,389,956
Business-type activities, capital assets, net	\$ 5,850,826	\$ (214,392)	\$ (131,018)	\$ 144,854	\$ 5,650,270

**6. LONG-TERM DEBT**

**A. Governmental activities**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2015:

	July 1, 2014 Balance	Additions	Reductions	June 30, 2015 Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital lease payable	\$ 42,644	\$ -	\$ (20,811)	\$ 21,833	\$ 21,833
Compensated absences	781,154	467	(67,605)	714,016	214,155
OPEB liability	258,017	188,909	(126,457)	320,469	-
Claims payable	393,999	-	(168,104)	225,895	50,000
Governmental activities Long-term liabilities	\$ 1,475,814	\$ 189,376	\$ (382,977)	\$ 1,282,213	\$ 285,988

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**6. LONG-TERM DEBT, Continued**

*A. Governmental activities, Continued*

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

*Capital Lease Payable*

On November 1, 2005, the City entered into a lease purchase agreement for a facility extension of a fire station in the amount of \$178,000. The City will make 20 payments of \$11,311 semi-annually on January 1 and July 1 with accrued interest at 4.8% per annum. The future minimum lease obligations and the present value of these minimum lease payments as of June 30, 2015 were as follows:

Fiscal Year Ended June 30,	Total
2016	\$ 21,833
Total requirements	21,833
Less: interest	(789)
Present value of remaining payments	\$ 21,044

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

	Governmental Activities
Asset:	
Buildings and improvements	\$ 178,000
Less: accumulated depreciation	(44,500)
Total	\$ 133,500

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**6. LONG-TERM DEBT, Continued**

*A. Governmental activities, Continued*

*Claims Payable*

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

	2015	2014	2013
Liability, July 1	\$ 393,999	\$ 393,999	\$ 498,000
Incurred claims and changes in estimates	-	8,734	25,130
Claim payments	(168,104)	(8,734)	(129,131)
Liability, June 30	<u>\$ 225,895</u>	<u>\$ 393,999</u>	<u>\$ 393,999</u>
Due within one year	50,000	50,000	100,000
Due in more than one year	175,895	343,999	293,999
	<u>\$ 225,895</u>	<u>\$ 393,999</u>	<u>\$ 393,999</u>

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

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**6. LONG-TERM DEBT, Continued**

**A. Governmental activities, Continued**

*Claims Payable, Continued*

Segmented information for the fiscal year ended June 30, 2015 taken from the audited financial statements of SANDPIPA are as follows:

	<u>2015</u>
Statement of Net Position	
Assets:	
Cash and investments	\$ 10,721,827
Other assets	<u>212,715</u>
Total assets	<u><u>10,934,542</u></u>
Liabilities:	
Claims payable	5,870,515
Other liabilities	<u>1,002,051</u>
Total liabilities	<u><u>6,872,566</u></u>
Net position	<u><u>4,061,976</u></u>
Total Revenues	\$ 9,174,793
Total Expenses	<u>7,351,585</u>
Net Increase/(Decrease)	<u><u>\$ 1,823,208</u></u>

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

Numerous claims and suits have been filed against the City in the normal course of business. The City's estimated claims liability of \$225,895 reported at June 30, 2015 is based on requirements of Governmental Accounting Standards Board Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**7. DEFINED BENEFIT PENSION PLAN**

*A. Plan Description*

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans or the Safety Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans (Plans) administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and the City's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*B. Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	9.67% to 6.70%	6.25%
	 <u>Safety</u>	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
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%	2%
Required employee contribution rates	9%	6.25%
Required employer contribution rates	16.52%	6.25%

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**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 is 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.

For the year ended June 30, 2015, the contributions recognized against net pension liability for the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 459,829	\$ 469,416

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>	
Miscellaneous	\$	4,831,561
Safety		1,504,122
Total Net Pension Liability	<u>\$</u>	<u>6,335,683</u>

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability of the CalPERS pooled plans. The net pension liability of the Plan is measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. The City’s proportion of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.178%	0.039%
Proportion - June 30, 2014	0.195%	0.040%
Change - Increase (Decrease)	0.017%	0.001%

For the year ended June 30, 2015, the City recognized pension expense of \$699,394. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 929,245	\$ -
Changes in employer's proportion	34,601	(199,593)
Differences between the employer's contributions and the employer's proportionate share of contributions		(296,761)
Net differences between projected and actual earnings on plan investments	-	(765,821)
Total	<u>\$ 963,846</u>	<u>\$ (1,262,175)</u>

\$929,245 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 ending June 30, 2016.

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 Ended <u>June 30</u>	
2016	\$ (398,776)
2017	(398,766)
2018	(386,883)
2019	(339,842)



**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Projected Salary Increase	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	7.5% (1)	7.5% (1)
Mortality	Derived by CalPERS membership data for all	

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 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 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**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(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$7,409,551	\$2,398,453
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$4,831,561	\$1,504,122
1% Increase	8.50%	8.50%
Net Pension Liability	\$2,692,073	\$767,214

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

***D. Payable to the Pension Plan***

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**8. OTHER POST EMPLOYMENT BENEFITS**

Plan Description

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**8. OTHER POSTEMPLOYMENT BENEFITS, Continued**

Funding Policy

The contribution requirement of the City are established and may be amended by the City Council. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2014-15, the City contributed \$126,457 to the plan, which was 100% of the total current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 191,268
Interest on net OPEB obligation	2,588
Amortization of net OPEB obligation	<u>(4,947)</u>
Annual OPEB cost	188,909
Payments made	<u>(126,457)</u>
Decrease in net OPEB obligation	62,452
Net OPEB obligation - beginning of the year	<u>258,017</u>
Net OPEB obligation - ending of year	<u><u>\$ 320,469</u></u>

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
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**8. OTHER POSTEMPLOYMENT BENEFITS, Continued**

Annual OPEB Cost and Net OPEB Obligation, Continued

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year	OPEB Cost (AOC)	of AOC Contributed	Net OPEB Obligation
6/30/2013	\$ 176,082	74%	\$ 208,908
6/30/2014	188,909	73%	258,017
6/30/2015	188,909	59%	320,469

Funded Status and Funding Progress

As of the most recent valuation, June 30, 2012, the actuarial accrued liability for benefits was \$2,803,349, all of which was unfunded, and a funded ratio of 0.0%.

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**8. OTHER POSTEMPLOYMENT BENEFITS, Continued**

Methods and Assumptions, Continued

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

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

*Health insurance premiums* – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

**9. JOINT POWERS AUTHORITY**

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participants proportionate share of fund equity as of June 30, 2015.

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

*A. Background*

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

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

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

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

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

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

The following is a summary of long-term debt transactions including amortization for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Redevelopment Tax Allocation Bonds:					
Series 2004	\$ 5,435,000	\$ -	\$ (5,435,000)	\$ -	\$ -
Series 2007	13,000,000	-	(190,000)	12,810,000	205,000
Series 2010, Refunding	6,945,000	-	(345,000)	6,600,000	355,000
Series 2014, Refunding	-	5,740,000		5,740,000	100,000
Less deferred amounts:					
For issuance discounts	(68,318)	-	4,780	(63,538)	-
<b>Total long term debt</b>	<b>\$ 25,311,682</b>	<b>\$ 5,740,000</b>	<b>\$ (5,965,220)</b>	<b>\$ 25,086,462</b>	<b>\$ 660,000</b>

2004 Tax Allocation Bonds

On August 1, 2004, the Agency issued \$6,330,000 of Tax Allocation Bonds bearing interest between 2.25% to 5.40% and payable semi-annually on February 1 and August 1. The bonds mature annually in various amounts through August 1, 2034. The bonds are payable from and secured by incremental tax revenue (Pledged Tax Revenues). The bond proceeds were used to finance certain projects within the Agency's project area including low and moderate income housing. This bond was refunded in the current fiscal year by the 2014 Tax Allocation Refunding Bonds.



**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

2007 Tax Allocation Bonds

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

The scheduled annual minimum debt service requirements at June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 205,000	\$ 563,919	\$ 768,919
2017	205,000	555,699	760,699
2018	215,000	547,278	762,278
2019	225,000	538,412	763,412
2020-2024	1,215,000	2,545,450	3,760,450
2025-2029	1,575,000	2,243,750	3,818,750
2030-2034	3,060,000	1,806,750	4,866,750
2035-2038	6,110,000	591,975	6,701,975
<b>Total</b>	<b>\$ 12,810,000</b>	<b>\$ 9,393,233</b>	<b>\$ 22,203,233</b>

2010 Tax Allocation Bonds

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

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

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

2010 Tax Allocation Bonds

The scheduled annual minimum debt service requirements at June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 355,000	\$ 305,194	\$ 660,194
2017	365,000	293,398	658,398
2018	380,000	280,068	660,068
2019	395,000	265,043	660,043
2020-2024	2,240,000	1,036,925	3,276,925
2025-2029	2,865,000	389,391	3,254,391
<b>Total</b>	<b>\$ 6,600,000</b>	<b>\$ 2,570,019</b>	<b>\$ 9,170,019</b>

2014 Tax Allocation Bonds

In August 2014, the 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 are to be used to (i) refund the Agency's outstanding Tax Allocation Bonds (1998 Refund) and (ii) provide for the costs of issuing the Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$143,546. This amount is being netted against the new debt and being amortized over the remaining life of the new debt. The advance refunding resulted in a decrease in debt service payments of \$388,353 and resulted in an economic gain of \$244,087.

The scheduled annual minimum debt service requirements at June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 100,000	\$ 216,611	\$ 316,611
2017	115,000	214,461	329,461
2018	115,000	211,874	326,874
2019	120,000	208,636	328,636
2020-2024	670,000	982,481	1,652,481
2025-2029	790,000	832,369	1,622,369
2030-2035	3,830,000	371,156	4,201,156
<b>Total</b>	<b>\$ 5,740,000</b>	<b>\$ 3,037,588</b>	<b>\$ 8,777,588</b>

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

**C. Capital Assets**

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

	Balance July 1, 2014	Additions	Retirements	Reclassification	Balance June 30, 2015
Non-depreciable assets:					
Land	\$ 5,845,452	\$ -	\$ -	\$ -	\$ 5,845,452
Construction in progress	354,200	58,328	-	-	412,528
Depreciable assets					
Infrastructure	76,381	251,174	-	-	327,555
<b>Total capital assets</b>	<b>6,276,033</b>	<b>309,502</b>	<b>-</b>	<b>-</b>	<b>6,585,535</b>
Less accumulated depreciation for:					
Infrastructure	-	10,919	-	-	10,919
<b>Total accumulated depreciation</b>	<b>-</b>	<b>10,919</b>	<b>-</b>	<b>-</b>	<b>10,919</b>
<b>Total capital assets, net</b>	<b>\$ 6,276,033</b>	<b>\$ 298,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,574,616</b>

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**11. RISKS AND UNCERTANITIES**

**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, 2015 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

**12. FUND DEFICITS**

The following funds have negative fund balance/net position as of June 30, 2015:

Supplemental Law Enforcement Service Special Revenue Fund \$43

- The City budgeted transfers in excess of amounts available to be spent which resulted in the fund deficit. The City will recover the deficit by adjusting future budgeted appropriations.

Sundry Grants Special Revenue Fund \$93,210

- The fund deficit is a result of the City incurring certain eligible grant expenditures, for which reimbursement is expected to be collected outside the City's availability period. The City expects to recover the fund deficit when the revenues are recognized when collected.

CDBG Special Revenue Fund \$439

- The City expects to recover the fund deficit by adjusting future appropriations.

Transnet Special Revenue Fund \$34,988

- The fund deficit is a result of the City incurring eligible reimbursable expenditures, for which reimbursement is expected to be collected outside the City's availability period. The City expects to recover the fund deficit when the revenues are recognized when collected.

Main Street Promenade Community Facilities District \$28

- The deficit fund balance is due to the City expending funds for projects in excess of revenues received.

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**13. PRIOR PERIOD ADJUSTMENTS**

The City recorded prior period adjustments to record the City's net pension liability and record contributions made for pension during fiscal year ended June 30, 2014 as a deferred outflow of resources.

Government-wide Statements

	Net Position, as Previously Reported	Prior Period Adjustment		Net Position, as Restated
		Deferred Employer Contributions	Net Pension Liability	
Government-wide	\$ 57,097,245	\$ 679,629	\$ (5,351,311)	\$ 52,425,563
Sanitary Fund	20,385,544	130,569	(1,929,848)	18,586,265
Successor Agency	(14,599,184)	27,867	(411,879)	(14,983,196)
Total	<u>\$ 62,883,605</u>	<u>\$ 838,065</u>	<u>\$ (7,693,038)</u>	<u>\$ 56,028,632</u>

Fund Statements

	Net Position, as Previously Reported	Unearned Revenue	Prior Period Adjustment		Net Position, as Restated
			Deferred Employer Contributions	Net Pension Liability	
Low-Mod Housing	\$ (1,093,489)	\$ 7,907,040	\$ -	\$ -	\$ 6,813,551
Sanitation	20,385,544		130,569	(1,929,848)	18,586,265
Successor Agency	(14,599,184)		27,867	(411,879)	(14,983,196)
Total	<u>\$ 4,692,871</u>	<u>\$ 7,907,040</u>	<u>\$ 158,436</u>	<u>\$ (2,341,727)</u>	<u>\$ 10,416,620</u>

**City of Lemon Grove**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**14. SUBSEQUENT EVENT**

On April 25, 2013, the City and the Successor Agency to the Lemon Grove Community Development Agency and the City of Lemon Grove filed a Petition for Writ of Mandate in Sacramento Superior Court against the Department of Finance (“DOF”) and the San Diego County Auditor Controller Seeking an Order from the Court commanding the DOF to set aside its Final Decision relating to its April 19, 2013 decision to take away loan repayments previously recognized as Enforceable Obligations. The Petition also sought an order commanding the County Auditor to take no steps to enforce the April 19, 2013 determination or to withhold any property or sales taxes from the City. On September 17, 2013, the City filed a DOE Amendment to the Petition naming the State Controller as an additional Defendant.

The April 19, 2013 decision the City sought to overturn related to approximately \$1,146,726 of Successor Agency funds set for transfer to the City to repay enforceable obligation. After extensive meet and confer efforts between the Successor Agency and the DOF, which ended in August 2015, the City and Successor Agency prepared a First Amended Petition to also challenge the DOF’s determination that the entire \$4.2 million dollar loan from the City of the Community Development Agency is non-enforceable, which was the basis for the DOF’s rejection of the \$1,146,726 in repayments on the loan and determination to withhold property or sales taxes.

In December 2015, the DOF case was dismissed. Any recovery will be dependent upon DOF approval of the loan on future Recognized Obligation Payments Schedules. The suit was dismissed as a condition of the DOF allowing the City to place upon Recognized Obligation Payments Schedules.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**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).



**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

**E. Budgetary Comparison Schedules**

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

Budgetary Comparison Schedule General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 9,040,500	\$ 9,679,100	\$ 10,316,794	\$ 637,694
Licenses and permits	372,800	309,000	743,558	434,558
Fines and forfeitures	110,000	125,500	112,387	(13,113)
Intergovernmental	13,400	11,000	165,119	154,119
Charges for services	352,000	349,000	490,079	141,079
Investment earnings	325,400	214,400	256,155	41,755
Other revenues	50,000	21,500	14,409	(7,091)
<b>Total revenues</b>	<b>10,264,100</b>	<b>10,709,500</b>	<b>12,098,501</b>	<b>1,389,001</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City council	131,900	72,300	115,626	(43,326)
City manager	504,500	197,800	310,302	(112,502)
City attorney	151,500	151,500	169,255	(17,755)
Finance	402,600	151,400	313,287	(161,887)
<b>Total general government</b>	<b>1,190,500</b>	<b>573,000</b>	<b>908,470</b>	<b>(335,470)</b>
Public safety:				
Sheriff	4,809,000	4,943,700	4,775,703	167,997
Animal control	208,900	209,900	205,342	4,558
Fire	3,715,300	3,819,400	4,038,231	(218,831)
<b>Total public safety</b>	<b>8,733,200</b>	<b>8,973,000</b>	<b>9,019,276</b>	<b>(46,276)</b>
Public works	1,923,500	1,053,000	944,759	108,241
Community development	1,270,500	552,500	913,969	(361,469)
Capital outlay	-	-	52,114	(52,114)
Debt service:				
Principal	-	-	20,820	(20,820)
Interest	-	-	1,801	(1,801)
<b>Total debt service</b>	<b>-</b>	<b>-</b>	<b>22,621</b>	<b>(22,621)</b>
<b>Total expenditures</b>	<b>13,117,700</b>	<b>11,151,500</b>	<b>11,861,209</b>	<b>(709,709)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,853,600)</b>	<b>(442,000)</b>	<b>237,292</b>	<b>679,292</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,019,600	751,700	828,500	76,800
Transfers out	(85,300)	(163,100)	(180,000)	(16,900)
<b>Total other financing sources (uses)</b>	<b>2,934,300</b>	<b>588,600</b>	<b>648,500</b>	<b>59,900</b>
<b>Net change in fund balance</b>	<b>\$ 80,700</b>	<b>\$ 146,600</b>	<b>885,792</b>	<b>\$ 739,192</b>
<b>FUND BALANCE:</b>				
Beginning of year			6,621,815	
End of year			<u>\$ 7,507,607</u>	

**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

*E. Budgetary Comparison Schedules, Continued*

Budgetary Comparison Schedule, Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 1,954,000	\$ 1,417,600	\$ (536,400)
Other revenue	17,500	-	250,127	250,127
<b>Total revenues</b>	<u>17,500</u>	<u>1,954,000</u>	<u>1,667,727</u>	<u>(286,273)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	401,200	400,200	-	400,200
<b>Total expenditures</b>	<u>401,200</u>	<u>400,200</u>	<u>-</u>	<u>400,200</u>
<b>REVENUES OVER (UNDER) EXPENDITURE</b>	<u>(383,700)</u>	<u>1,553,800</u>	<u>1,667,727</u>	<u>113,927</u>
<b>Net change in fund balance</b>	<u>\$ (383,700)</u>	<u>\$ 1,553,800</u>	<u>1,667,727</u>	<u>\$ 113,927</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>5,599,573</u>	
End of year			<u>\$ 7,267,300</u>	

**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<b>Miscellaneous 2015</b>
Proportion of the net pension liability	0.00313%
Proportionate share of the net pension liability	\$ 4,831,561
Covered - employee payroll	\$ 2,020,218
Proportionate Share of the net pension liability as percentage of covered-employee payroll	239.16%
Plan's fiduciary net position	\$ 14,601,103
Plan fiduciary net position as a percentage of the total pension liability	79.61%

**Notes to Schedule:**

Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown of the Department's proportionate share of CalPERS's Cost Sharing Defined Benefit Pension Plan.

**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<b>Safety</b>
	<b>2015</b>
Proportion of the net pension liability	0.40962%
Proportionate share of the net pension liability	\$ 1,504,122
Covered - employee payroll	\$ 2,006,619
Proportionate Share of the net pension liability as percentage of covered-employee payroll	74.96%
Plan's fiduciary net position	\$ 5,172,691
Plan fiduciary net position as a percentage of the total pension liability	77.47%

**Notes to Schedule:**

Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown of the Department's proportionate share of CalPERS's Cost Sharing Defined Benefit Pension Plan.

**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

**SCHEDULE OF CONTRIBUTIONS**

	<b>Miscellaneous 2015</b>
	<u>                    </u>
Contractually required contribution (actuarially determined)	\$ 459,829
Contribution in relation to the actuarially determined contributions	<u>(459,829)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,020,218
Contributions as a percentage of covered-employee payroll	22.76%

**Note to Schedule**

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	50 to 55 yrs
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

**SCHEDULE OF CONTRIBUTIONS**

	<b>Safety 2015</b>
	<u>                    </u>
Contractually required contribution (actuarially determined)	\$ 469,416
Contribution in relation to the actuarially determined contributions	<u>(469,416)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,006,619
Contributions as a percentage of covered-employee payroll	23.39%

**Note to Schedule**

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	50 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Lemon Grove**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

A schedule of funding progress for the actuarial valuation of June 30, 2015 is presented below.

Valuation Date *	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
3/1/2010	\$ -	\$ 2,347,323	0.0%	\$ 3,827,541	61.3%
7/11/2012	-	2,803,349	0.0%	3,732,991	75.1%

\* Based on the most recent valuation available

\*\* Annual payroll of active employees covered by the plan

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# SUPPLEMENTARY INFORMATION

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

### CAPITAL PROJECT FUND

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

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

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

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

**City of Lemon Grove**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 51,310	\$ -	\$ -
Accounts receivable	72,348	18	25,000	-
Prepays	46,441	-	-	-
<b>Total assets</b>	<b>\$ 118,789</b>	<b>\$ 51,328</b>	<b>\$ 25,000</b>	<b>\$ -</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 13,491	\$ -	\$ -	\$ 88,874
Accrued wages	8,504	-	-	-
Due to other funds	54	-	25,043	4,336
<b>Total liabilities</b>	<b>22,049</b>	<b>-</b>	<b>25,043</b>	<b>93,210</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted:				
Public safety	-	-	-	-
Community development	-	51,328	-	-
Public works	96,740	-	-	-
Unassigned	-	-	(43)	(93,210)
<b>Total fund balances</b>	<b>96,740</b>	<b>51,328</b>	<b>(43)</b>	<b>(93,210)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 118,789</b>	<b>\$ 51,328</b>	<b>\$ 25,000</b>	<b>\$ -</b>

Special Revenue

CDBG	TDA	Lighting District	Transnet	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ 2,040	\$ 466,110	\$ -	\$ 35,481	\$ 180,860	\$ 5,336
-	121,191	1,494	489,379	-	1,347	2
-	1,968	3,162	6,145	-	36	-
<u>\$ -</u>	<u>\$ 125,199</u>	<u>\$ 470,766</u>	<u>\$ 495,524</u>	<u>\$ 35,481</u>	<u>\$ 182,243</u>	<u>\$ 5,338</u>
\$ -	\$ 16,405	\$ 19,288	\$ 42,164	\$ 34,986	\$ 8,595	\$ 374
-	964	1,241	562	494	359	35
439	-	-	487,786	-	-	-
<u>439</u>	<u>17,369</u>	<u>20,529</u>	<u>530,512</u>	<u>35,480</u>	<u>8,954</u>	<u>409</u>
-	107,770	-	-	-	27,172	-
-	107,770	-	-	-	27,172	-
-	60	-	-	-	-	-
-	-	-	-	-	-	4,929
-	-	450,237	-	1	146,117	-
(439)	-	-	(34,988)	-	-	-
<u>(439)</u>	<u>60</u>	<u>450,237</u>	<u>(34,988)</u>	<u>1</u>	<u>146,117</u>	<u>4,929</u>
<u>\$ -</u>	<u>\$ 125,199</u>	<u>\$ 470,766</u>	<u>\$ 495,524</u>	<u>\$ 35,481</u>	<u>\$ 182,243</u>	<u>\$ 5,338</u>

**City of Lemon Grove  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015**

	Special Revenue			Capital Projects
	PEG (Public/Education/ Government)	Serious Traffic Offender Program	Total Special Revenue Funds	Street Construction
<b>ASSETS</b>				
Cash and investments	\$ 195,881	\$ 24,241	\$ 961,259	\$ 156,930
Accounts receivable	13,806	-	724,585	54
Prepays	-	3,473	61,225	-
<b>Total assets</b>	<b>\$ 209,687</b>	<b>\$ 27,714</b>	<b>\$ 1,747,069</b>	<b>\$ 156,984</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 224,177	\$ -
Accrued wages	-	30	12,189	-
Due to other funds	-	-	517,658	-
<b>Total liabilities</b>	<b>-</b>	<b>30</b>	<b>754,024</b>	<b>-</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	-	134,942	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>134,942</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted:				
Public safety	-	27,684	27,744	-
Community development	209,687	-	265,944	-
Public works	-	-	693,095	156,984
Unassigned	-	-	(128,680)	-
<b>Total fund balances</b>	<b>209,687</b>	<b>27,684</b>	<b>858,103</b>	<b>156,984</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 209,687</b>	<b>\$ 27,714</b>	<b>\$ 1,747,069</b>	<b>\$ 156,984</b>

Capital Projects

Sidewalk Reserve	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Capital Projects Funds	Total
\$ 22,925	\$ 1,435	\$ 180,000	\$ 187,030	\$ 548,320	\$ 1,509,579
-	-	-	51	105	724,690
-	-	-	-	-	61,225
<u>\$ 22,925</u>	<u>\$ 1,435</u>	<u>\$ 180,000</u>	<u>\$ 187,081</u>	<u>\$ 548,425</u>	<u>\$ 2,295,494</u>
\$ -	\$ 1,463	\$ -	\$ 187,081	\$ 188,544	\$ 412,721
-	-	-	-	-	12,189
-	-	-	-	-	517,658
-	1,463	-	187,081	188,544	942,568
-	-	-	-	-	134,942
-	-	-	-	-	134,942
-	-	180,000	-	180,000	207,744
-	-	-	-	-	265,944
22,925	(28)	-	-	179,881	872,976
-	-	-	-	-	(128,680)
<u>22,925</u>	<u>(28)</u>	<u>180,000</u>	<u>-</u>	<u>359,881</u>	<u>1,217,984</u>
<u>\$ 22,925</u>	<u>\$ 1,435</u>	<u>\$ 180,000</u>	<u>\$ 187,081</u>	<u>\$ 548,425</u>	<u>\$ 2,295,494</u>

**City of Lemon Grove**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2015**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-
Intergovernmental	842,824	-	106,230	21,496
Charges for services	-	50,220	-	-
Use of money and property	-	115	-	-
Other	-	-	-	354,830
<b>Total revenues</b>	<b>842,824</b>	<b>50,335</b>	<b>106,230</b>	<b>376,326</b>
<b>EXPENDITURES:</b>				
Current:				
General government	746,084	-	-	-
Public safety	-	-	106,230	-
Public works	-	-	-	164,619
Community development	-	-	-	255,961
Capital outlay	-	18,141	-	(14,518)
<b>Total expenditures</b>	<b>746,084</b>	<b>18,141</b>	<b>106,230</b>	<b>406,062</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>96,740</b>	<b>32,194</b>	<b>-</b>	<b>(29,736)</b>
<b>Net change in fund balances</b>	<b>96,740</b>	<b>32,194</b>	<b>-</b>	<b>(29,736)</b>
<b>FUND BALANCES:</b>				
Beginning of the year	-	19,134	(43)	(63,474)
End of the year	\$ 96,740	\$ 51,328	\$ (43)	\$ (93,210)



Special Revenue

CDBG	TDA	Lighting District	Transnet	Storm Water	Household Hazardous Waste
\$ -	\$ -	\$ 250,706	\$ -	\$ -	\$ 31,794
-	-	-	-	-	-
-	213,074	-	579,368	-	-
-	-	-	-	184,333	-
-	258	1,190	-	-	369
-	-	-	-	-	59,527
-	213,332	251,896	579,368	184,333	91,690
-	-	-	81,116	-	34,468
-	-	-	-	-	-
-	-	309,573	-	187,713	-
-	69,319	-	-	-	-
-	143,952	-	488,152	-	-
-	213,271	309,573	569,268	187,713	34,468
-	61	(57,677)	10,100	(3,380)	57,222
-	61	(57,677)	10,100	(3,380)	57,222
(439)	(1)	507,914	(45,088)	3,381	88,895
\$ (439)	\$ 60	\$ 450,237	\$ (34,988)	\$ 1	\$ 146,117

**City of Lemon Grove**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2015**

	Special Revenue			Total Special Revenue Funds
	Wild Flower Assessment	PEG (Public/Education/Government)	Serious Traffic Offender Program	
<b>REVENUES:</b>				
Taxes	\$ 8,930	\$ -	\$ -	\$ 291,430
Fines, forfeitures and penalties	-	-	-	-
Intergovernmental	-	-	-	1,762,992
Charges for services	-	83,132	-	317,685
Use of money and property	11	443	65	2,451
Other	-	-	13,585	427,942
<b>Total revenues</b>	<b>8,941</b>	<b>83,575</b>	<b>13,650</b>	<b>2,802,500</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	25,511	-	887,179
Public safety	-	-	20,595	126,825
Public works	-	6,769	-	668,674
Community development	8,893	-	-	334,173
Capital outlay	-	31,440	-	667,167
<b>Total expenditures</b>	<b>8,893</b>	<b>63,720</b>	<b>20,595</b>	<b>2,684,018</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>48</b>	<b>19,855</b>	<b>(6,945)</b>	<b>118,482</b>
<b>Net change in fund balances</b>	<b>48</b>	<b>19,855</b>	<b>(6,945)</b>	<b>118,482</b>
<b>FUND BALANCES:</b>				
Beginning of the year	4,881	189,832	34,629	739,621
End of the year	\$ 4,929	\$ 209,687	\$ 27,684	\$ 858,103

Capital Projects						
Street Construction	Sidewalk Reserve	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Capital Projects Funds	Total
\$ -	\$ -	\$ 14,437	\$ -	\$ -	\$ 14,437	\$ 305,867
-	-	-	-	-	-	-
-	-	-	-	-	-	1,762,992
-	-	-	-	-	-	317,685
382	47	-	-	-	429	2,880
-	-	1,670	180,000	-	181,670	609,612
382	47	16,107	180,000	-	196,536	2,999,036
-	-	16,135	-	-	16,135	903,314
-	-	-	-	-	-	126,825
-	-	-	-	-	-	668,674
-	-	-	-	-	-	334,173
-	-	-	-	-	-	667,167
-	-	16,135	-	-	16,135	2,700,153
382	47	(28)	180,000	-	180,401	298,883
382	47	(28)	180,000	-	180,401	298,883
156,602	22,878	-	-	-	179,480	919,101
\$ 156,984	\$ 22,925	\$ (28)	\$ 180,000	\$ -	\$ 359,881	\$ 1,217,984

# City of Lemon Grove

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

### Gas Tax Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 848,200	\$ 761,000	\$ 842,824	\$ 81,824
<b>Total revenues</b>	<b>848,200</b>	<b>761,000</b>	<b>842,824</b>	<b>81,824</b>
<b>EXPENSES:</b>				
Current:				
General government	848,300	766,800	746,084	20,716
<b>Total expenditures</b>	<b>848,300</b>	<b>766,800</b>	<b>746,084</b>	<b>20,716</b>
<b>Net change in fund balance</b>	<b>\$ (100)</b>	<b>\$ (5,800)</b>	<b>96,740</b>	<b>\$ 102,540</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ 96,740	

**City of Lemon Grove**

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

**Parkland Dedication Special Revenue Fund**

**For the year ended June 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 2,700	\$ 9,000	\$ 50,220	\$ 41,220
Use of money and property	100	100	115	15
<b>Total revenues</b>	<b>2,800</b>	<b>9,100</b>	<b>50,335</b>	<b>41,235</b>
<b>EXPENDITURES:</b>				
Current:				
Capital outlay	24,000	25,200	18,141	7,059
<b>Total expenditures</b>	<b>24,000</b>	<b>25,200</b>	<b>18,141</b>	<b>7,059</b>
<b>Net change in fund balance</b>	<b>\$ (21,200)</b>	<b>\$ (16,100)</b>	<b>32,194</b>	<b>\$ 48,294</b>
<b>FUND BALANCE:</b>				
Beginning of year			19,134	
End of year			\$ 51,328	

**City of Lemon Grove**

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

**Supplemental Law Enforcement Service Special Revenue Fund**

**For the year ended June 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 106,230	\$ 6,230
<b>Total revenues</b>	<b>100,000</b>	<b>100,000</b>	<b>106,230</b>	<b>6,230</b>
<b>EXPENSES:</b>				
Current:				
Public Safety	100,000	100,000	106,230	(6,230)
<b>Total expenditures</b>	<b>100,000</b>	<b>100,000</b>	<b>106,230</b>	<b>(6,230)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>FUND BALANCE:</b>				
Beginning of year			(43)	
End of year			<u>\$ (43)</u>	

# City of Lemon Grove

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

### Sundry Grants Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 707,800	\$ 449,300	\$ 21,496	\$ (427,804)
Investment earnings	-	100	-	(100)
Other	-	-	354,830	354,830
<b>Total revenues</b>	<b>707,800</b>	<b>449,400</b>	<b>376,326</b>	<b>(73,074)</b>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	24,000	24,000	-	
Public works	668,500	425,000	164,619	260,381
Community development	15,300	22,000	255,961	(233,961)
Capital outlay	-	-	(14,518)	14,518
<b>Total expenditures</b>	<b>683,800</b>	<b>447,000</b>	<b>406,062</b>	<b>40,938</b>
<b>Net change in fund balance</b>	<b>\$ 24,000</b>	<b>\$ 2,400</b>	<b>(29,736)</b>	<b>\$ (32,136)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(63,474)	
End of year			\$ (93,210)	

# City of Lemon Grove

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

### CDBG Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 80,000	\$ -	\$ (80,000)
<b>Total revenues</b>	<b>-</b>	<b>80,000</b>	<b>-</b>	<b>(80,000)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	-	79,600	-	79,600
<b>Total expenditures</b>	<b>-</b>	<b>79,600</b>	<b>-</b>	<b>79,600</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 400</b>	<b>-</b>	<b>\$ (400)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(439)	
End of year			\$ (439)	



# City of Lemon Grove

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

### TDA Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 121,200	\$ 121,200	\$ 213,074	\$ 91,874
Other revenue	152,700	404,000	-	(404,000)
Investment earnings	300	100	258	158
<b>Total revenues</b>	<b>274,200</b>	<b>525,300</b>	<b>213,332</b>	<b>(311,968)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	59,600	3,600		3,600
Public works	95,000	101,000	69,319	31,681
Community development	-	237,400	-	237,400
Capital outlay	120,000	120,000	143,952	(23,952)
<b>Total expenditures</b>	<b>274,600</b>	<b>462,000</b>	<b>213,271</b>	<b>248,729</b>
<b>Net change in fund balance</b>	<b>\$ (400)</b>	<b>\$ 63,300</b>	<b>61</b>	<b>\$ (560,697)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(1)	
End of year			\$ 60	

# City of Lemon Grove

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

### Lighting District Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 240,600	\$ 164,600	\$ 250,706	\$ 86,106
Use of money and property	1,500	1,500	1,190	(310)
<b>Total revenues</b>	<b>242,100</b>	<b>166,100</b>	<b>251,896</b>	<b>85,796</b>
<b>EXPENDITURES:</b>				
Current:				
General government	86,000	27,700	-	27,700
Public works	233,900	225,900	309,573	(83,673)
<b>Total expenditures</b>	<b>319,900</b>	<b>253,600</b>	<b>309,573</b>	<b>(55,973)</b>
<b>Net change in fund balance</b>	<b>\$ (77,800)</b>	<b>\$ (87,500)</b>	<b>(57,677)</b>	<b>\$ 29,823</b>
<b>FUND BALANCE:</b>				
Beginning of year			507,914	
End of year			\$ 450,237	

# City of Lemon Grove

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

### Transnet Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 999,400	\$ 1,028,200	\$ 579,368	\$ (448,832)
<b>Total revenues</b>	<b>999,400</b>	<b>1,028,200</b>	<b>579,368</b>	<b>(448,832)</b>
<b>EXPENDITURES:</b>				
Current				
General government	80,800	-	81,116	(81,116)
Capital outlay	1,073,000	940,000	488,152	451,848
<b>Total expenditures</b>	<b>1,153,800</b>	<b>940,000</b>	<b>569,268</b>	<b>370,732</b>
<b>Net change in fund balance</b>	<b>\$ (154,400)</b>	<b>\$ 88,200</b>	<b>10,100</b>	<b>\$ (78,100)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(45,088)	
End of year			\$ (34,988)	

# City of Lemon Grove

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

### Storm Water Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 149,100	\$ 219,900	\$ 184,333	\$ (35,567)
<b>Total revenues</b>	<b>149,100</b>	<b>219,900</b>	<b>184,333</b>	<b>(35,567)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	110,600	190,500	187,713	2,787
Community development	38,500	-	-	-
<b>Total expenditures</b>	<b>149,100</b>	<b>190,500</b>	<b>187,713</b>	<b>2,787</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 29,400</b>	<b>(3,380)</b>	<b>\$ (32,780)</b>
<b>FUND BALANCE:</b>				
Beginning of year			3,381	
End of year			\$ 1	

# City of Lemon Grove

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

### Household Hazardous Waste Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 30,000	\$ 20,000	\$ 31,794	\$ 11,794
Use of money and property	500	200	369	169
Other	-	-	59,527	59,527
<b>Total revenues</b>	<b>30,500</b>	<b>20,200</b>	<b>91,690</b>	<b>71,490</b>
<b>EXPENDITURES:</b>				
Current:				
General government	28,200	600	34,468	(33,868)
Public works	7,500	900	-	900
Community development	8,500	17,500	-	17,500
<b>Total expenditures</b>	<b>44,200</b>	<b>19,000</b>	<b>34,468</b>	<b>(15,468)</b>
<b>Net change in fund balance</b>	<b>\$ (13,700)</b>	<b>\$ 1,200</b>	<b>57,222</b>	<b>\$ 86,958</b>
<b>FUND BALANCE:</b>				
Beginning of year			88,895	
End of year			\$ 146,117	

# City of Lemon Grove

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

### Wild Flower Assessment Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 8,600	\$ 8,900	\$ 8,930	\$ 30
Investment earnings	-	-	11	11
<b>Total revenues</b>	<b>8,600</b>	<b>8,900</b>	<b>8,941</b>	<b>41</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	3,200	2,700	-	2,700
Community development	5,500	100	8,893	(8,793)
<b>Total expenditures</b>	<b>8,700</b>	<b>2,800</b>	<b>8,893</b>	<b>(6,093)</b>
<b>Net change in fund balance</b>	<b>\$ (100)</b>	<b>\$ 6,100</b>	<b>48</b>	<b>\$ (6,052)</b>
<b>FUND BALANCE:</b>				
Beginning of year			4,881	
End of year			\$ 4,929	

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual PEG (Public/Education/Government) Special Revenue Fund For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 60,000	\$ 58,000	\$ 83,132	\$ 25,132
Use of money and property	400	200	443	243
<b>Total revenues</b>	<b>60,400</b>	<b>58,200</b>	<b>83,575</b>	<b>25,375</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	25,511	(25,511)
Public works	-	-	6,769	(6,769)
Capital outlay	110,000	35,000	31,440	3,560
<b>Total expenditures</b>	<b>110,000</b>	<b>35,000</b>	<b>63,720</b>	<b>(28,720)</b>
<b>Net change in fund balance</b>	<b>\$ (49,600)</b>	<b>\$ 23,200</b>	<b>19,855</b>	<b>\$ (3,345)</b>
<b>FUND BALANCE:</b>				
Beginning of year			189,832	
End of year			\$ 209,687	

# City of Lemon Grove

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

### Serious Traffic Offender Program Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fines, forfeitures and penalties	\$ 12,000	\$ 7,000	\$ -	\$ (7,000)
Use of money and property	100	100	65	(35)
Other	-	-	13,585	13,585
<b>Total revenues</b>	<b>12,100</b>	<b>7,100</b>	<b>13,650</b>	<b>6,550</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	12,000	12,400	20,595	(8,195)
<b>Total expenditures</b>	<b>12,000</b>	<b>12,400</b>	<b>20,595</b>	<b>(8,195)</b>
<b>Net change in fund balance</b>	<b>\$ 100</b>	<b>\$ (5,300)</b>	<b>(6,945)</b>	<b>\$ (1,645)</b>
<b>FUND BALANCE:</b>				
Beginning of year			34,629	
End of year			\$ 27,684	



# City of Lemon Grove

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

### Street Construction Capital Projects Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 1,000	\$ 100	\$ 382	\$ 282
<b>Total revenues</b>	<b>1,000</b>	<b>100</b>	<b>382</b>	<b>282</b>
<b>EXPENDITURES:</b>				
Capital outlay	302,500	100,000	-	100,000
<b>Total expenditures</b>	<b>302,500</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
<b>Net change in fund balance</b>	<b>\$ (301,500)</b>	<b>\$ (99,900)</b>	<b>382</b>	<b>\$ 100,282</b>
<b>FUND BALANCE:</b>				
Beginning of year			156,602	
End of year			\$ 156,984	

# City of Lemon Grove

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

### Main Street Promenade Community Facilities District

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 3,100	\$ 13,000	\$ 14,437	\$ 1,437
Other	-	-	1,670	1,670
<b>Total revenues</b>	<b>3,100</b>	<b>13,000</b>	<b>16,107</b>	<b>3,107</b>
<b>EXPENDITURES:</b>				
Public works	3,100	18,100	16,135	1,965
<b>Total expenditures</b>	<b>3,100</b>	<b>18,100</b>	<b>16,135</b>	<b>1,965</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (5,100)</b>	<b>(28)</b>	<b>\$ 5,072</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ (28)	

**City of Lemon Grove**

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

**Sidewalk Reserve Capital Projects Fund**

**For the year ended June 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ 47	\$ 47
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>47</b>
<b>EXPENDITURES:</b>				
Capital outlay	22,900	-	-	-
<b>Total expenditures</b>	<b>22,900</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (22,900)</b>	<b>\$ -</b>	<b>47</b>	<b>\$ 47</b>
<b>FUND BALANCE:</b>				
Beginning of year			22,878	
End of year			\$ 22,925	

**City of Lemon Grove**

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

**Safety Capital Purchases Capital Projects Fund**

**For the year ended June 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other	\$ -	\$ -	\$ 180,000	\$ 180,000
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>180,000</b>	<b>180,000</b>
<b>EXPENDITURES:</b>				
Capital outlay	87,300	-	-	-
<b>Total expenditures</b>	<b>87,300</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (87,300)</b>	<b>\$ -</b>	<b>180,000</b>	<b>\$ 180,000</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ 180,000	

**City of Lemon Grove**

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

**Transportation Mitigation Special Revenue Fund**

**For the year ended June 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ 34,000	\$ -	\$ (34,000)
<b>Total revenues</b>	<b>-</b>	<b>34,000</b>	<b>-</b>	<b>(34,000)</b>
<b>EXPENDITURES:</b>				
Capital outlay	-	34,000	-	34,000
<b>Total expenditures</b>	<b>-</b>	<b>34,000</b>	<b>-</b>	<b>34,000</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ -	

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## INTERNAL SERVICE FUNDS

*Internal Service Funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

*Self-Insured Workers' Compensation Fund* accounts for the administration of the City's self-insured Workers' Compensation Insurance Program.

*Self-Insured General Liabilities Fund* accounts for the administration of the City's General Liabilities Insurance Program.

**City of Lemon Grove**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2015**

	Self-Insured Workers' Compensation Fund	Self-Insured General Liabilities Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 676,436	\$ 508,587	\$ 1,185,023
Accounts receivable	24	172	196
Total current assets	676,460	508,759	1,185,219
Noncurrent assets:			
Restricted cash and investments	25,000	-	25,000
Total noncurrent assets	25,000	-	25,000
<b>Total assets</b>	<b>701,460</b>	<b>508,759</b>	<b>1,210,219</b>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Current liabilities:			
Claims payable, due within one year	-	50,000	50,000
Total current liabilities	-	50,000	50,000
Noncurrent liabilities:			
Claims payable, due in more than one year	175,895	-	175,895
Total noncurrent liabilities	175,895	-	175,895
<b>Total liabilities</b>	<b>175,895</b>	<b>50,000</b>	<b>225,895</b>
<b>NET POSITION</b>			
Unrestricted	525,565	458,759	984,324
<b>Total net position</b>	<b>\$ 525,565</b>	<b>\$ 458,759</b>	<b>\$ 984,324</b>



**City of Lemon Grove**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**All Internal Service Funds**  
**For the year ended June 30, 2015**

	Self-Insured Workers' Compensation Fund	Self-Insured General Liabilities Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ -	\$ -	\$ -
<b>Total operating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>			
Insurance and claims	(168,104)	741	(167,363)
<b>Total operating expenses</b>	<b>(168,104)</b>	<b>741</b>	<b>(167,363)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>168,104</b>	<b>(741)</b>	<b>167,363</b>
<b>NONOPERATING REVENUES EXPENSES:</b>			
Interest income	1,644	38,747	40,391
<b>Total nonoperating revenues (expenses)</b>	<b>1,644</b>	<b>38,747</b>	<b>40,391</b>
<b>Change in net position</b>	<b>169,748</b>	<b>38,006</b>	<b>207,754</b>
<b>NET POSITION:</b>			
Beginning of year	355,817	420,753	776,570
End of year	<b>\$ 525,565</b>	<b>\$ 458,759</b>	<b>\$ 984,324</b>

**City of Lemon Grove**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the year ended June 30, 2015**

	Self-Insured Workers' Compensation Fund	Self-Insured General Liabilities Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from user departments	\$ 3,250	\$ 112	\$ 3,362
Cash payments to suppliers for goods and services	-	(741)	(741)
<b>Net cash provided by (used in) operating activities</b>	<b>3,250</b>	<b>(629)</b>	<b>2,621</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	1,644	38,747	40,391
<b>Net cash provided by investing activities</b>	<b>1,644</b>	<b>38,747</b>	<b>40,391</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,894</b>	<b>38,118</b>	<b>43,012</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>696,542</b>	<b>470,469</b>	<b>1,167,011</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 701,436</b>	<b>\$ 508,587</b>	<b>\$ 1,210,023</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>			
Cash and investments	\$ 676,436	\$ 508,587	\$ 1,185,023
Restricted cash and investments with fiscal agents	25,000	-	25,000
<b>Total</b>	<b>\$ 701,436</b>	<b>\$ 508,587</b>	<b>\$ 1,210,023</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 168,104	\$ (741)	\$ 167,363
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Accounts receivable	3,250	112	3,362
Claims payable	(168,104)	-	(168,104)
Total adjustments	(164,854)	112	(164,742)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,250</b>	<b>\$ (629)</b>	<b>\$ 2,621</b>