



City of Lemon Grove
Annual Financial Report
For the
Fiscal Year Ended
June 30, 2017

CITY OF LEMON GROVE
FINANCIAL STATEMENTS
Year Ended June 30, 2017

**City of Lemon Grove
Financial Statements
June 30, 2017**

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	48
Housing Special Revenue Fund	49
Transnet Special Revenue Fund	50
Schedule of the City’s Proportionate Share of the Net Pension Liability	51
Schedule of Plan Contributions	52
Schedule of Funding Progress for OPEB	53
Notes to Required Supplementary Information	54
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	55
Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	60
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Nonmajor Governmental Funds	64



Independent Auditor's Report

The Honorable City Council
City of Lemon Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Van Lant & Fankhaenel, LLP

April 10, 2018

**CITY OF LEMON GROVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and attached notes.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of the City exceeded its liabilities and deferred inflows of the City by \$78.2 million.
- The net position value decreased from the previous year by \$0.1 million, or 0.2 percent.
- The City's governmental funds reported a combined ending fund balance of \$13.6 million, a decrease from the previous year of \$2.6 million, or 16.1 percent. The main drivers in the decrease were an increase in public safety and public works expenditures of 1.0 million and 1.1 million respectively.
- At the end of the current fiscal year, the General Fund unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$5.3 million, or approximately 40.7% of total General Fund expenditures.
- The City's capital assets (net of depreciation) increased by \$3.1 million and total outstanding long-term debt increased by \$1.0 million during the current fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

A major component of the Financial Section of the City's Annual Financial Report is the Basic Financial Statements, and is comprised of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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, 2017 and 2016									
(Amounts in Millions)									
	Governmental Activities			Business-Type Activities			Citywide Total		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Assets:									
Cash and investments	8.6	6.1	2.5	16.8	16.5	0.3	25.4	22.6	2.8
Other assets	11.8	15.3	(3.5)	0.1	0.1	(0.0)	11.9	15.4	(3.5)
Capital assets, net	43.8	41.6	2.2	6.6	5.7	0.9	50.4	47.3	3.1
Total Assets	64.2	63.0	1.2	23.5	22.3	1.2	87.6	85.3	2.3
Deferred Outflows of Resources:									
Deferred Outflows	3.6	2.7	0.9	1.0	1.0	-	4.6	3.7	0.9
Total Deferred Outflows	3.6	2.7	0.9	1.0	1.0	-	4.6	3.7	0.9
Liabilities:									
Long-term liabilities	7.1	5.7	1.4	1.9	1.9	-	9.0	7.6	1.4
Other Liabilities	3.2	2.1	1.1	0.1	0.1	-	3.3	2.2	1.1
Total Liabilities	10.3	7.8	2.5	2.0	2.0	-	12.3	9.8	2.5
Deferred Inflows of Resources:									
Deferred inflows	1.4	0.7	0.7	0.5	0.1	0.4	1.9	0.8	1.1
Total Deferred Inflows	1.4	0.7	0.7	0.5	0.1	0.4	1.9	0.8	1.1
Net Position:									
Net investment in capital assets	43.5	41.5	2.0	6.6	5.7	0.9	50.0	47.2	2.8
Restricted	10.6	10.4	0.2	-	-	-	10.6	10.4	0.2
Unrestricted	2.1	5.3	(3.2)	15.4	15.4	-	17.5	20.7	(3.2)
Total Net Position	56.2	57.2	(1.0)	21.9	21.1	0.9	78.2	78.3	(0.1)

The City's total net position decreased by 0.2 percent from last year. Net position from governmental activities decreased by 1.8 percent while net position from business activities increased by 4.3 percent. The City's assets exceeded its liabilities by approximately \$78.0 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 13.6 percent of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, and laws or regulations of other governments.

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

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

Comparative Statements of Activity									
June 30, 2017 and 2016									
(Amounts in Millions)									
	Governmental Activities			Business-Type Activities			Citywide Total		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Revenues:									
Program revenues:									
Charges for Services	1.9	1.9	-	6.1	6.3	(0.2)	8.0	8.2	(0.2)
Operating grants and contributions	0.7	1.4	(0.7)	-	-	-	0.7	1.4	(0.7)
Capital grants and contributions	5.0	2.0	3.0	-	-	-	5.0	2.0	3.0
Total Program Revenues	7.6	5.3	2.3	6.1	6.3	(0.2)	13.7	11.6	2.1
General revenues:									
Taxes:									
General property taxes	2.5	2.6	(0.1)	-	-	-	2.5	2.6	(0.1)
Sales tax	5.2	5.3	(0.1)	-	-	-	5.2	5.3	(0.1)
Franchise tax	0.9	1.0	(0.1)	-	-	-	0.9	1.0	(0.1)
Investment earnings	0.5	0.3	0.2	0.1	0.2	(0.1)	0.6	0.5	0.1
Other	2.3	2.3	-	-	-	-	2.3	2.3	0.0
Transfers	0.7	0.7	-	(0.7)	(0.7)	-	-	-	-
Total general revenues	12.1	12.2	(0.1)	(0.5)	(0.5)	(0.1)	11.5	11.7	(0.2)
Total Revenues	19.6	17.5	2.2	5.6	5.8	(0.3)	25.2	23.3	1.9
Expenses:									
General government	1.5	0.9	0.6	-	-	-	1.5	0.9	0.6
Public safety	9.9	8.9	1.0	-	-	-	9.9	8.9	1.0
Public works	5.0	3.9	1.1	-	-	-	5.0	3.9	1.1
Community development	0.9	1.3	(0.4)	-	-	-	0.9	1.3	(0.4)
Sanitation	-	-	-	4.7	5.2	(0.5)	4.7	5.2	(0.5)
Interest on long-term debt	-	-	-	-	-	-	-	-	-
Total Expenses	17.3	15.0	2.3	4.7	5.2	(0.5)	22.0	20.2	1.8
Increase (decrease) in net position	2.3	2.5	(0.2)	0.9	0.6	0.3	3.2	3.1	0.1
Net position- beginning (as restated)	53.9	54.7	(0.8)	21.1	20.5	0.6	74.9	75.2	(0.3)
Net Position Ending	56.2	57.2	(1.0)	21.9	21.1	0.8	78.2	78.3	(0.1)

The governmental activities decreased the City's net position by \$1.0 million. Governmental program revenues offset 44 percent of program expenditures, a 9% increase when compared with prior year. General revenues and transfers of \$12.1 million did not meet total expenditures. There was a 1.8 percent decrease to governmental activities net position.

The business-type activities increased the City's net position by \$0.8 million. Business-type program revenues exceeded expenditures, resulting in a 3.8 percent increase to business-type net position. This is the tenth 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, 2017, the City's governmental funds reported a combined ending fund balance of \$13.6 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$4.5 million. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

The City maintains 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. At June 30, 2017, the total fund balance was \$5.3 million, of which \$5.3 million is considered unassigned fund balance and therefore available for discretionary use. The remaining fund balance is made up of non-spendable fund balance of \$0.02 million and no restricted fund balances.

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 is no restricted net position for these funds, and the changes in net position show a growth over last year for Sanitation of 3.8 percent and a decrease of the Internal Service fund of 34.65 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 \$29.7 million. Approximately \$21.8 million was invested with the Local Agency Investment Fund. Approximately \$1.8 million was held and invested by bond trustees, and the balance was deposited in the City’s checking accounts.

Note 5 – Capital Assets: Capital assets for the City’s governmental activities were valued at \$43.8 million, net of accumulated depreciation. Capital assets for the City’s business-type activities were valued at \$6.6 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 \$9.0 million. The majority of this amount, \$6.7 million is comprised of net pension liability. The City’s total long-term debt increased by \$1.4 million from the prior year.

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 2016.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a gain of expected revenues and transfers of \$852,421, while the expenditures were under what was expected by \$160,693. The actual revenues and expenditures resulted in a net deficit of \$175,366. The difference between expected deficit and actual is \$1.0 million.

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 aburrell@lemongrove.ca.gov.

BASIC FINANCIAL STATEMENTS

**City of Lemon Grove
Statement of Net Position
June 30, 2017**

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and Investments	\$ 8,623,027	\$ 16,812,448	\$ 25,435,475
Receivables:			
Accounts	3,495,245	63,470	3,558,715
Interest	1,592,018	-	1,592,018
Notes and Loans Receivable	6,693,062	-	6,693,062
Prepaid Items	8,578	258	8,836
Internal Balances	-	-	-
Cash and Investments with Fiscal Agent	28,202	-	28,202
Capital Assets, Not Being Depreciated	10,851,403	1,342,651	12,194,054
Capital Assets, Net of Accumulated Depreciation	32,929,273	5,247,178	38,176,451
Total Assets	64,220,808	23,466,005	87,686,813
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Amounts	3,624,882	953,228	4,578,110
LIABILITIES			
Accounts Payable	2,746,902	55,951	2,802,853
Accrued Liabilities	202,802	41,266	244,068
Deposits Payable	211,064	-	211,064
Noncurrent Liabilities:			
Due Within One Year	373,198	24,861	398,059
Due in More Than One Year	6,740,422	1,865,746	8,606,168
Total Liabilities	10,274,388	1,987,824	12,262,212
DEFERRED INFLOWS OF RESOURCES			
Pension Related Amounts	1,354,369	489,786	1,844,155
NET POSITION			
Net Investment in Capital Assets	43,454,713	6,589,829	50,044,542
Restricted for:			
Transportation	794,774	-	794,774
Community Development	91,037	-	91,037
Public Safety	623,475	-	623,475
Housing	8,877,451	-	8,877,451
Public-access Television	243,385	-	243,385
Unrestricted	2,132,098	15,351,794	17,483,892
Total Net Position	\$ 56,216,933	\$ 21,941,623	\$ 78,158,556

The accompanying notes are an integral part of this statement.

**City of Lemon Grove
Statement of Activities
Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,543,159	419,353	\$ 6,485	\$ -
Public Safety	9,884,392	744,377	166,846	-
Public Works	4,990,867	109,556	489,013	4,991,543
Community Development	882,340	583,702	50,243	-
Total Governmental Activities	17,300,758	1,856,988	712,587	4,991,543
Business-type Activities:				
Sanitation	4,690,722	6,121,851	-	-
Total Business-type Activities	4,690,722	6,121,851	-	-
Total Primary Government	\$ 21,991,480	\$ 7,978,839	\$ 712,587	\$ 4,991,543

General Revenues:

Taxes:

Property Taxes

Sales Taxes

Transient Occupancy Taxes

Franchise Taxes

Motor Vehicle in Lieu Taxes (Unrestricted)

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning (Restated)

Net Position, Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activites	Business-type Activities	Totals
\$ (1,117,321)	\$ -	\$ (1,117,321)
(8,973,169)	-	(8,973,169)
599,245	-	599,245
(248,395)	-	(248,395)
(9,739,640)	-	(9,739,640)
-	1,431,129	1,431,129
-	1,431,129	1,431,129
(9,739,640)	1,431,129	(8,308,511)
2,454,561	-	2,454,561
5,176,561	-	5,176,561
52,043	-	52,043
938,714	-	938,714
2,272,050	-	2,272,050
28,321	103,386	131,707
497,209	-	497,209
652,400	(652,400)	-
12,071,859	(549,014)	11,522,845
2,332,219	882,115	3,214,334
53,884,714	21,059,508	74,944,222
<u>\$ 56,216,933</u>	<u>\$ 21,941,623</u>	<u>\$ 78,158,556</u>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove
Balance Sheet
Governmental Funds
June 30, 2017**

	General Fund	Special Revenue		Total Non-major Governmental Funds	Totals
		Housing Fund	Transnet		
ASSETS					
Cash and Investments	\$ 4,919,383	\$ 607,718	\$ -	\$ 1,940,097	\$ 7,467,198
Accounts Receivable	1,114,152	49,975	2,007,090	322,163	3,493,380
Interest Receivable	-	1,592,018	-	-	1,592,018
Notes and Loans	-	6,693,062	-	-	6,693,062
Due from Other Funds	936,434	-	-	-	936,434
Prepaid Items	8,578	-	-	-	8,578
Due from Successor Agency	-	-	-	-	-
Cash with Fiscal Agents	3,499	-	-	-	3,499
Total Assets	\$ 6,982,046	\$ 8,942,773	\$ 2,007,090	\$ 2,262,260	\$ 20,194,169
LIABILITIES					
Accounts Payable	\$ 1,323,287	\$ 65,322	\$ 1,291,107	\$ 63,207	\$ 2,742,923
Accrued Liabilities	170,583	-	3,490	28,729	202,802
Due to Other Funds	-	-	770,653	165,781	936,434
Deposits Payable	149,561	-	-	61,503	211,064
Total Liabilities	1,643,431	65,322	2,065,250	319,220	4,093,223
DEFERRED INFLOWS					
Unavailable Revenue	41,497	1,641,993	670,136	127,770	2,481,396
Total Deferred Inflows	41,497	1,641,993	670,136	127,770	2,481,396
FUND BALANCES					
Nonspendable	8,578	-	-	-	8,578
Restricted	-	7,235,458	-	1,876,454	9,111,912
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	5,288,540	-	(728,296)	(61,184)	4,499,060
Total Fund Balances (Deficits)	5,297,118	7,235,458	(728,296)	1,815,270	13,619,550
Total Liabilities, Deferred Inflows and Fund Balances	\$ 6,982,046	\$ 8,942,773	\$ 2,007,090	\$ 2,262,260	\$ 20,194,169

The accompanying notes are an integral part of this statement.

City of Lemon Grove
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Fund Balances of Governmental Funds \$ 13,619,550

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

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

Capital Assets	\$ 82,155,452	
Accumulated Depreciation	<u>(38,374,776)</u>	43,780,676

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 2,481,396

Internal service funds are used by management to charge the cost of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 684,255

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

Capital Lease Payable		(325,963)
Compensated Absences		(815,748)
Net OPEB Obligation		(417,695)
Net Pension Liability		(5,060,051)

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

Deferred Outflows - Pension Related Amounts		3,624,882
Deferred Inflows - Pension Related Amounts		<u>(1,354,369)</u>

Net Position of Governmental Activities \$ 56,216,933

The accompanying notes are an integral part of this statement.

City of Lemon Grove
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General Fund	Special Revenue		Total Non-major Governmental Funds	Totals
		Housing Fund	Transnet		
REVENUES					
Taxes and Special Assessments	\$ 10,882,008	\$ -	\$ -	\$ 320,084	\$ 11,202,092
Licenses and Permits	464,877	-	-	-	464,877
Fines, Forfeitures and Penalties	229,624	-	-	-	229,624
Intergovernmental Revenues	32,368	1,486,326	2,007,654	2,001,117	5,527,465
Charges for Services	440,756	-	-	187,576	628,332
Use of Money and Property	280,599	-	-	10,185	290,784
Other Revenues	497,209	-	-	6,944	504,153
Total Revenues	12,827,441	1,486,326	2,007,654	2,525,906	18,847,327
EXPENDITURES					
Current:					
General Government	1,025,265	-	76,528	70,675	1,172,468
Public Safety	9,710,139	-	-	24,178	9,734,317
Public Works	1,419,603	-	-	1,495,339	2,914,942
Community Development	566,562	-	-	183,614	750,176
Capital Outlay	194,550	1,337,304	2,357,785	263,305	4,152,944
Debt Service:					
Principal	76,545	-	-	-	76,545
Interest	10,143	-	-	-	10,143
Total Expenditures	13,002,807	1,337,304	2,434,313	2,037,111	18,811,535
Excess (Deficiency) of Revenues Over Expenditures	(175,366)	149,022	(426,659)	488,795	35,792
OTHER FINANCING SOURCES (USES)					
Transfers In	685,400	-	-	326,463	1,011,863
Transfers Out	(225,684)	-	-	(133,779)	(359,463)
Total Other Financing Sources (Uses)	459,716	-	-	192,684	652,400
Net Change in Fund Balances	284,350	149,022	(426,659)	681,479	688,192
Fund Balances, Beginning (Restated)	5,012,768	7,086,436	(301,637)	1,133,791	12,931,358
Fund Balances, Ending	\$ 5,297,118	\$ 7,235,458	\$ (728,296)	\$ 1,815,270	\$ 13,619,550

The accompanying notes are an integral part of this statement.

City of Lemon Grove
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 688,192

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

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

Capital outlay	\$ 3,529,999	
Depreciation expense	<u>(1,779,351)</u>	1,750,648

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 133,250

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

Capital Lease		76,545
Compensated Absences		(68,449)
OPEB Liability		(40,814)
Net Pension Liability		95,284
Claims Payable		-
Loss on Disposal of Capital Assets		(15,640)

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

Deferred Outflows - Pension Related Amounts		657,038
Deferred Inflows - Pension Related Amounts		(581,047)

Internal service funds are used by management to charge the cost of certain activities, such as risk management, to individual funds. The net revenue (expense) of the internal service funds is recorded with governmental activities. (362,788)

Change in Net Position of Governmental Activities \$ 2,332,219

The accompanying notes are an integral part of this statement.

**City of Lemon Grove
Statement of Net Position
Proprietary Funds
June 30, 2017**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash and Investments	\$ 16,812,448	\$ 1,155,829
Accounts Receivable	63,470	1,865
Prepays	258	-
Total Current Assets	<u>16,876,176</u>	<u>1,157,694</u>
Noncurrent Assets:		
Cash and Investments with Fiscal Agent	-	24,703
Capital Assets, Not being depreciated	1,342,651	-
Capital Assets, Net of Accumulated Depreciation	5,247,178	-
Total Noncurrent Assets	<u>6,589,829</u>	<u>24,703</u>
Total Assets	<u>23,466,005</u>	<u>1,182,397</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Actuarial Amounts	953,228	-
Total Deferred Outflows of Resources	<u>953,228</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	55,951	3,979
Accrued Liabilities	41,266	-
Compensated Absences	24,861	-
Claims Payable	-	-
Total Current Liabilities	<u>122,078</u>	<u>3,979</u>
Noncurrent Liabilities:		
Compensated Absences, Noncurrent	58,009	-
Claims Payable, Noncurrent	195,232	494,163
Net Pension Liability	1,612,505	-
Total Noncurrent Liabilities	<u>1,865,746</u>	<u>494,163</u>
Total Liabilities	<u>1,987,824</u>	<u>498,142</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Actuarial Amounts	489,786	-
Total Deferred Inflows of Resources	<u>489,786</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	6,589,829	-
Unrestricted	15,351,794	684,255
Total Net Position	<u>\$ 21,941,623</u>	<u>\$ 684,255</u>

The accompanying notes are an integral part of this statement.

City of Lemon Grove
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for Sales and Services	\$ 6,101,903	\$ -
Other Revenues	19,948	84,142
Total Operating Revenue	<u>6,121,851</u>	<u>84,142</u>
OPERATING EXPENSES		
Personnel Costs	1,249,384	-
Contractual Services	288,274	14,578
Materials and Supplies	75,478	-
Repairs and Maintenance	69,669	-
Dump Fees	2,648,020	-
Utilities	5,360	-
Insurance and Claims	153,999	439,102
Depreciation	200,538	-
Total Operating Expenses	<u>4,690,722</u>	<u>453,680</u>
Operating Income (Loss)	<u>1,431,129</u>	<u>(369,538)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	<u>103,386</u>	<u>6,750</u>
Total Nonoperating Revenues (Expenses)	<u>103,386</u>	<u>6,750</u>
Income (Loss) Before Transfers and Capital Contributions	<u>1,534,515</u>	<u>(362,788)</u>
Transfers Out	<u>(652,400)</u>	<u>-</u>
Total Transfers	<u>(652,400)</u>	<u>-</u>
Change in Net Position	882,115	(362,788)
Net Position - Beginning of Year (Restated)	<u>21,059,508</u>	<u>1,047,043</u>
Net Position - End of Year	<u><u>\$ 21,941,623</u></u>	<u><u>\$ 684,255</u></u>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 6,132,062	\$ 88,349
Payments to Suppliers for Goods and Services	(3,104,380)	(49,479)
Payments to Employees for Services	(1,119,823)	-
Net Cash Provided (Used) by Operating Activities	1,907,859	38,870
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Transferred to Other Funds	(652,400)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(652,400)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(1,082,337)	-
Capital Grants	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,082,337)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received	103,386	6,750
Net Cash Provided (Used) by Investing Activities	103,386	6,750
Net Increase (Decrease) in Cash and Cash Equivalents	276,508	45,620
Cash and Cash Equivalents - Beginning of the Year	16,535,940	1,134,912
Cash and Cash Equivalents - End of the Year	\$ 16,812,448	\$ 1,180,532
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Investments	\$ 16,812,448	\$ 1,155,829
Restricted Cash and Investments	-	24,703
Total Cash and Cash Equivalents	\$ 16,812,448	\$ 1,180,532
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 1,431,129	\$ (369,538)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	200,538	-
(Increase) Decrease in Accounts Receivable	10,211	4,207
(Increase) Decrease in Prepaids	4,334	-
(Increase) Decrease in Deferred Outflows - Pension Actuarial	18,302	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	31,700	3,979
Increase (Decrease) in Net Pension Liability	(259,197)	-
Increase (Decrease) in Deferred Inflows - Pension Actuarial	350,005	-
Increase (Decrease) in Claims Payable	100,386	400,222
Increase (Decrease) in Compensated Absences Payable	20,451	-
Net Cash Provided by Operating Activities	\$ 1,907,859	\$ 38,870

The accompanying notes are an integral part of this statement.

**City of Lemon Grove
Statement of Net Position
Fiduciary Funds
June 30, 2017**

	Successor Agency Private-purpose Trust Fund
ASSETS	
Cash and Investments	\$ 2,366,405
Cash and Investments with Fiscal Agent	1,826,314
Accounts Receivable	2,770
Interest Receivable	862,955
Notes Receivable	3,200,230
Property Held for Resale	6,535,362
	14,794,036
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	293,386
	293,386
LIABILITIES	
Interest Payable	438,372
Accounts Payable	-
Due to the City of Lemon Grove	3,719,687
Bonds Payable, Short-term Portion	710,000
Bonds Payable, Long-term Portion	23,095,000
	27,963,059
NET POSITION	
Net Position Held in Trust for Successor Agency	\$ (12,875,637)

The accompanying notes are an integral part of this statement.

**City of Lemon Grove
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2017**

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Property Taxes	\$ 2,229,896
Interest Revenue	114,708
Total Additions	<u>2,344,604</u>
DEDUCTIONS	
Administration	2,420
Project Costs	95,595
Interest Expense	1,120,363
Total Deductions	<u>1,218,378</u>
Change in Net Position	1,126,226
Net Position - Beginning of Year (Restated)	<u>(14,001,863)</u>
Net Position - End of Year	<u>\$ (12,875,637)</u>

The accompanying notes are an integral part of this statement.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

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

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

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

Proprietary Fund Financial Statements

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in 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 City or agencies of the City on a cost reimbursement basis.

Fiduciary Fund Financial Statements

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

The City reports the following fiduciary funds:

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

C. Cash, Cash Equivalents, and Investments

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

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

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

D. Restricted Cash and Investments

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

E. Compensated Absences

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

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

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 (\$100,000 for infrastructure) or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2017.

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

Assets	Years
Structures and Improvements	40
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	3 to 15
Other Equipment and Furnishings	3 to 20
Computer Equipment	3 to 10

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Interest Payable

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

I. Unavailable and unearned revenue

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

J. Claims and Judgments

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

K. Use of Estimates

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

L. Long-term Obligations

In the Government-wide Financial Statements and Proprietary Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses.

M. Net Position

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

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

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

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Fund Balances

Non-spendable Fund Balances

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

Restricted Fund Balances

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

Committed Fund Balances

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

Assigned Fund Balances

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

Unassigned Fund Balance

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

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

O. Deferred Outflows/Inflows of Resources

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

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

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

P. Pensions

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

Q. New Accounting Pronouncements

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

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2017. The City has not elected to early-implement this statement and has not determined its effect on the financial statements.

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

GASB 86, Certain Debt Extinguishment Issues: This Statement establishes reporting requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. In financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB 87, Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

2. CASH AND INVESTMENTS – Continued

	Government-wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and Investments	\$ 8,623,027	\$ 16,812,448	\$ 2,366,405	\$ 27,801,880
Restricted Cash and Investments	28,202	-	1,826,314	1,854,516
Total Cash and Investments	\$ 8,651,229	\$ 16,812,448	\$ 4,192,719	\$ 29,656,396

Cash and investments as of June 30, 2017 consist of the following:

Cash on Hand	\$ 1,700
Deposits with Financial Institutions	1,481,335
Deposits with Fiscal Agent	86,182
Total Cash on Hand and Deposits	1,569,217
Local Agency Investment Fund	21,783,966
Certificates of Deposit	4,476,899
Total Investments	26,260,865
Investments with Fiscal Agent:	
Money Market	42,935
U.S. Agency Securities	1,191,651
Corporate Issues	591,728
Total Fiscal Agent Investments	1,826,314
Total Cash and Investments	\$ 29,656,396

A. Deposits

The carrying amount of the City's deposits was \$1,567,517 at June 30, 2017. Bank balances before reconciling items amounted to \$1,843,130 at June 30, 2017. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institution in the City's name.

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

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 the Financial Statements
Year Ended June 30, 2017

2. CASH AND INVESTMENTS – Continued

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

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

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

C. 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.

D. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity (in Months)			
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 21,783,966	\$ 21,783,966	\$ -	\$ -
Certificate of Deposits	4,476,899	738,558	987,075	2,751,266
Held by Fiscal Agents:				
US Bank Money Market	42,935	42,935	-	-
Federal Farm Credit Bank	602,294	602,294	-	-
Federal Home Loan Bank	589,357	589,357	-	-
Private Export Funding Corp.	591,728	-	-	591,728
	<u>\$ 28,087,179</u>	<u>\$ 23,757,110</u>	<u>\$ 987,075</u>	<u>\$ 3,342,994</u>

E. 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.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

2. CASH AND INVESTMENTS – Continued

F. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	AA+	Aaa	Unrated
Local Agency Investment Fund	\$ 21,783,966	N/A	\$ -	\$ -	\$ 21,783,966
Cerificates of Deposits	4,476,899	N/A	-	-	4,476,899
Held by Fiscal Agents:					
US Bank Money Market	42,935	AAA	-	-	42,935
Federal Farm Credit Bank	602,294	N/A	602,294	-	-
Federal Home Loan Bank	589,357	N/A	589,357	-	-
Private Export Funding Corp.	591,728	A-1+	-	591,728	-
Total	\$ 28,087,179		\$ 1,191,651	\$ 591,728	\$ 26,303,800

G. Concentration of Credit Risk

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

H. Custodial Credit Risk

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

I. External Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

2. CASH AND INVESTMENTS – Continued

J. Investment Valuation

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

Restricted cash and investments included money market accounts and guaranteed investment contracts which are not subject to fair value measurement. The City has the following recurring fair value measurements as of June 30, 2017:

- Federal Agency Securities of \$1,191,651 are valued using a matrix pricing model (Level 2 inputs)
- Certificates of Deposit of \$4,476,899 are valued using a matrix pricing model (Level 2 inputs)
- Corporate Securities of \$591,728 are valued using quoted market prices (Level 1 inputs)

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

3. NOTES RECEIVABLE

Notes receivable as of June 30, 2017 totaled \$9,893,292 and consisted of the following:

Hitzke Development Corporation

During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (Developer) for the development of several projects within the City's project area. In addition, the City entered into promissory notes with the Developer with amounts not-to-exceed (excluding accrued interest) \$2,763,292 for Citronica One, \$2,500,000 for Citronica Two, and \$1,500,000 for Citronica Three, all at 3.0% interest and secured by a deed of trust for each note creating a valid lien upon the Developer's interest in the development parcels. The funds are being used to construct a 54-unit mixed-use affordable housing project. The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs. During the fiscal year ended June 30, 2013, the City entered into another promissory note with the Developer in an amount not-to-exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable two (2) years from the date of the execution of the notes or rolled over as additional assistance into the development and disposition agreement. As of June 30, 2017, the City had advanced \$4,263,292 and \$2,500,000 (Citronica One and Two, respectively) to the borrower. In addition, \$939,629 and \$635,249 (Citronica One and Two, respectively) of cumulative interest was accrued.

Community Collective

The City issued a Note to Community Collective in an amount not-to-exceed \$3,130,000 at 3.0% interest secured by a deed of trust, assignment of rents, a security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use, multi-family residential housing project for extremely low, very low, and low-income persons. The Note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note), Community Collective shall pay the City one-half of the available surplus cash. As of June 30, 2017, the City had advanced \$3,130,000 to the borrower. In addition, \$880,094 of cumulative interest was incurred.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

4. DUE FROM SUCCESSOR AGENCY

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, following the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Private-purpose Trust Fund - Successor Agency to the Lemon Grove Community Development Agency. The repayment of this amount is uncertain as of June 30, 2017, and is subject to approval by the State Department of Finance as an enforceable obligation of the Successor Agency under applicable redevelopment agency dissolution law. As of June 30, 2017, the amount due from the Successor Agency was \$3,719,687, and is offset by an allowance for doubtful accounts.

5. CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for governmental activities for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Beginning of Year	Additions	Deletions	End of Year
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 7,520,853	\$ -	\$ -	\$ 7,520,853
Construction in Progress	157,105	3,173,445	-	3,330,550
Total Capital Assets, Not Being Depreciated	<u>7,677,958</u>	<u>3,173,445</u>	<u>-</u>	<u>10,851,403</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,584,779	88,220	-	9,672,999
Vehicles and Equipment	2,643,824	44,550	(157,865)	2,530,509
Infrastructure	58,182,653	917,888	-	59,100,541
Total Capital Assets, Being Depreciated	<u>70,411,256</u>	<u>1,050,658</u>	<u>(157,865)</u>	<u>71,304,049</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,303,193)	(249,098)	-	(6,552,291)
Vehicles and Equipment	(1,530,691)	(143,157)	142,225	(1,531,623)
Infrastructure	(28,903,766)	(1,387,096)	-	(30,290,862)
Total Accumulated Depreciation	<u>(36,737,650)</u>	<u>(1,779,351)</u>	<u>142,225</u>	<u>(38,374,776)</u>
Capital Assets Being Depreciated, Net	<u>33,673,606</u>	<u>(728,693)</u>	<u>(15,640)</u>	<u>32,929,273</u>
Total Capital Assets - Governmental Activities	<u>\$ 41,351,564</u>	<u>\$ 2,444,752</u>	<u>\$ (15,640)</u>	<u>\$ 43,780,676</u>

Depreciation expense by program for capital assets for the year ended June 30, 2017 was as follows:

General Government	\$ 69,915
Public Safety	124,292
Public Works	1,452,980
Community Development	<u>132,164</u>
Total Depreciation	<u>\$ 1,779,351</u>

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

5. CAPITAL ASSETS – Continued

B. Business-type Activities

Capital asset activity for business-type activities for the fiscal year ended June 30, 2017, was as follows:

Business-type Activities	Beginning of Year	Additions	Deletions	End of Year
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in Progress	256,590	1,082,337	-	1,338,927
Total Capital Assets, Not Being Depreciated	260,314	1,082,337	-	1,342,651
Capital Assets, Being Depreciated:				
Machinery and Equipment	1,366,481	-	-	1,366,481
Infrastructure	12,174,611	-	-	12,174,611
Total Capital Assets, Being Depreciated	13,541,092	-	-	13,541,092
Less Accumulated Depreciation:				
Machinery and Equipment	(953,525)	(58,794)	-	(1,012,319)
Infrastructure	(7,139,851)	(141,744)	-	(7,281,595)
Total Accumulated Depreciation	(8,093,376)	(200,538)	-	(8,293,914)
Capital Assets Being Depreciated, Net	5,447,716	(200,538)	-	5,247,178
Total Capital Assets - Business-type Activities	\$ 5,708,030	\$ 881,799	\$ -	\$ 6,589,829

6. LONG-TERM DEBT

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2017:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease Payable	\$ 402,508	\$ -	\$ (76,545)	\$ 325,963	\$ 78,474
Compensated Absences	747,299	130,777	(62,328)	815,748	244,724
OPEB Liability	376,881	176,975	(136,161)	417,695	-
Net Pension Liability	5,155,335	-	(95,284)	5,060,051	-
Claims Payable	93,941	428,364	(28,142)	494,163	50,000
Total	\$ 6,775,964	\$ 736,116	\$ (398,460)	\$ 7,113,620	\$ 373,198

* Includes prior period adjustments of \$(62,419) for Compensated Absences, \$402,508 for Capital Leases and \$400,274 for Net Pension Liability.

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

6. LONG-TERM DEBT – Continued

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Compensated Absences	\$ 62,419	\$ 20,451	\$ -	\$ 82,870	\$ 24,861
Net Pension Liability	1,871,702	-	(259,197)	1,612,505	-
Claims Payable	94,846	100,386	-	195,232	-
Total	\$ 2,028,967	\$ 120,837	\$ (259,197)	\$ 1,890,607	\$ 24,861

* Includes prior period adjustments of \$62,419 for Compensated Absences.

Capital Lease Payable

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 78,474	\$ 6,236	\$ 84,710
2019	80,452	6,236	86,688
2020	82,479	4,209	86,688
2021	84,558	2,131	86,689
Total	\$ 325,963	\$ 18,812	\$ 344,775

Fiduciary Fund Long-term Debt

A summary of the Successor Agency Fiduciary Fund long-term debt for the 2016-17 fiscal year is as follows:

	Beginning Balance*	Additions	Deletions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
Series 2007	\$ 12,605,000	\$ -	\$ (205,000)	\$ 12,400,000	\$ 215,000
Series 2010, Refunding	6,245,000	-	(365,000)	5,880,000	380,000
Series 2014, Refunding	5,640,000	-	(115,000)	5,525,000	115,000
Total	\$ 24,490,000	\$ -	\$ (685,000)	\$ 23,805,000	\$ 710,000

*includes a prior period adjustment of \$58,758 for issuance discounts.

2007 Tax Allocation Bonds: In June 2007, the former Redevelopment Agency issued \$13,830,000 of Tax Allocation Bonds with interest rates varying from 4.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. 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 bonds were issued to finance redevelopment activities within or for the benefit of the Agency's project area, and to finance low- and moderate-income housing activities within the geographic boundaries of the City of Lemon Grove.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

6. LONG-TERM DEBT – Continued

Future debt service requirements on the 2007 Tax Allocation Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 215,000	547,278	\$ 762,278
2019	225,000	538,412	763,412
2020	230,000	529,084	759,084
2021	230,000	519,540	749,540
2022	240,000	509,668	749,668
2023	255,000	499,149	754,149
2024	260,000	488,010	748,010
2025	290,000	475,910	765,910
2026	300,000	462,930	762,930
2027	315,000	449,400	764,400
2028	330,000	435,210	765,210
2029	340,000	420,300	760,300
2030	360,000	404,550	764,550
2031	365,000	388,237	753,237
2032	385,000	371,363	756,363
2033	865,000	343,237	1,208,237
2034	1,085,000	299,363	1,384,363
2035	1,135,000	249,413	1,384,413
2036	1,585,000	188,212	1,773,212
2037	1,655,000	115,312	1,770,312
2038	1,735,000	39,037	1,774,037
Totals	<u>\$ 12,400,000</u>	<u>\$ 8,273,615</u>	<u>\$ 20,673,615</u>

2010 Tax Allocation Refunding 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 were used to refund the former Agency's 1998 Tax Allocation Bonds. The scheduled annual minimum debt service requirements at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 380,000	\$ 280,068	\$ 660,068
2019	395,000	265,043	660,043
2020	410,000	248,430	658,430
2021	425,000	230,155	655,155
2022	445,000	209,690	654,690
2023	470,000	186,685	656,685
2024	490,000	161,965	651,965
2025	520,000	135,957	655,957
2026	545,000	108,534	653,534
2027	570,000	79,537	649,537
2028	600,000	48,825	648,825
2029	630,000	16,538	646,538
Totals	<u>\$ 5,880,000</u>	<u>\$ 1,971,427</u>	<u>\$ 7,851,427</u>

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

6. LONG-TERM DEBT – Continued

2014 Tax Allocation Refunding Bonds: In August 2014, the former Agency issued \$5,740,000 of Tax Allocation Bonds with interest rates varying from 2.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2034. The Bond proceeds were used to refund previously outstanding Tax Allocation Bonds. The scheduled annual minimum debt service requirements at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 115,000	\$ 211,874	\$ 326,874
2019	120,000	208,636	328,636
2020	125,000	204,961	329,961
2021	130,000	201,136	331,136
2022	135,000	196,993	331,993
2023	135,000	192,605	327,605
2024	145,000	186,786	331,786
2025	140,000	179,661	319,661
2026	150,000	172,411	322,411
2027	165,000	165,877	330,877
2028	165,000	160,205	325,205
2029	170,000	154,215	324,215
2030	835,000	135,456	970,456
2031	875,000	102,300	977,300
2032	910,000	66,600	976,600
2033	505,000	38,300	543,300
2034	345,000	21,300	366,300
2035	360,000	7,200	367,200
Totals	<u>\$ 5,525,000</u>	<u>\$ 2,606,516</u>	<u>\$ 8,131,516</u>

7. DEFINED BENEFIT PENSION PLAN

General Information about the Defined Benefit Pension Plan

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

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publicly available valuation report that can be obtained at the CalPERS' website under Forms and Publications.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

7. DEFINED BENEFIT PENSION PLAN – Continued

The rate plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPRA
	Prior to November 12, 2005	Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55 single highest year	2% @ 60 36 month average	2% @ 62 36 month average
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.5%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	7%	6.5%
Required employer contribution rates	10.069% + \$374,100	7.159%	6.555% + \$11
	Safety	Safety PEPRA	
	Prior to January 1, 2013	On or after January 1, 2013	
Hire date			
Benefit formula	3% @ 55 single highest year	2.7% @ 57 36 month average	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	50	
Monthly benefits, as a % of eligible compensation	2.4% to 3%	2% to 2.7%	
Required employee contribution rates	9%		
Required employer contribution rates	17.689% + \$112,537	12.082%	

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$486,648 in fiscal year 2017.

The City’s contributions to the Plan for the year ended June 30, 2017 were \$813,911.

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

7. DEFINED BENEFIT PENSION PLAN – Continued

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

As of June 30, 2017, the City reported a liability of \$6,672,556 for its proportionate share of the net pension liability. The City's net pension liability for the Plan is measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the Plan's net pension liability as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.102377%
Proportion - June 30, 2016	0.077112%
Change - Increase (Decrease)	-0.025265%

For the year ended June 30, 2017, the City recognized pension expense of \$751,749. At June 30, 2017, 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	\$ 813,914	\$ -
Differences between actual and expected experience	-	17,655
Changes in assumptions	-	308,726
Change in employer's proportion	491,495	1,517,774
Differences between the employer's contributions and the employer's proportionate share of contributions	1,706,066	-
Net differences between projected and actual earnings on plan investments	1,566,635	-
Total	<u>\$ 4,578,110</u>	<u>\$ 1,844,155</u>

The \$813,914 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 441,618
2019	380,116
2020	691,639
2021	406,668
2022	-
Thereafter	-

**City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017**

7. DEFINED BENEFIT PENSION PLAN – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.65%
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 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 found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS' website under the GASB 68 section.

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 they have changed their methodology.

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

7. DEFINED BENEFIT PENSION PLAN – Continued

the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%

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

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

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

1% Decrease	6.65%
Net Pension Liability	\$ 10,582,438
Current Discount Rate	7.65%
Net Pension Liability	\$ 6,672,556
1% Increase	8.65%
Net Pension Liability	\$ 3,447,336

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

Payable to the Pension Plan

At June 30, 2017, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2017.

**City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017**

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 Other Post-Employment Benefits (OPEB) as described in GASB Statement 45.

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

Funding Policy

The contribution requirements of the City are established and may be amended by the City Council. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2016-17, the City contributed \$136,161 to the plan, which represents the total current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 178,550
Interest on Net OPEB Obligation	3,043
Amortization of Net OPEB Obligation	<u>(4,618)</u>
Annual OPEB Cost	176,975
Payments Made	<u>(136,161)</u>
Increase in Net OPEB Obligation	40,814
Net OPEB Obligation - Beginning of the Year	<u>376,881</u>
Net OPEB Obligation - End of Year	<u><u>\$ 417,695</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016-17 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/17	\$ 176,975	77%	\$ 417,695
6/30/16	188,909	70%	376,881
6/30/15	188,909	67%	320,469

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

8. OTHER POST EMPLOYMENT BENEFITS - Continued

Funded Status and Funding Progress

As of the most recent valuation, June 30, 2016, the actuarial accrued liability for benefits was \$2,895,202, all of which was unfunded, with 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs 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.

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 – 2016 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, 2017 was twenty-nine years.

9. RISK MANAGEMENT

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

As of the 2016-17 fiscal year, the City's insurance coverage is provided through the CSAC Excess Insurance Authority, as follows:

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

9. RISK MANAGEMENT – Continued

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

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

The City's claims activity is reported in internal service funds. The following is a summary of changes in claims liabilities for the past three years:

	Fiscal Year Ending June 30,		
	2017	2016	2015
Beginning of Year	\$ 188,787	\$ 225,895	\$ 393,999
Incurred Claims	528,750	94,846	-
Claim Payments	(28,142)	(131,954)	(168,104)
End of Year	<u>\$ 689,395</u>	<u>\$ 188,787</u>	<u>\$ 225,895</u>

The estimated Claims Liability at June 30, 2017 of \$689,395 is reported in the City's Governmental Activities and Business-type Activities in the following amounts: \$494,163 and \$195,232, respectively.

10. FUND BALANCES

The details of fund balances as of June 30, 2017 are as follows:

	General Fund	Housing Fund	Transnet Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 8,578	\$ -	\$ -	\$ -	\$ 8,578
Restricted for:					
Housing	-	7,235,458	-	-	7,235,458
Public Safety	-	-	-	761,986	761,986
Streets and Transportation	-	-	-	780,046	780,046
Community Development	-	-	-	247,822	247,822
Parks and Recreation	-	-	-	86,600	86,600
Unassigned	5,288,540	-	(728,296)	(61,184)	4,499,060
Total Fund Balances	<u>\$ 5,297,118</u>	<u>\$ 7,235,458</u>	<u>\$ (728,296)</u>	<u>\$ 1,815,270</u>	<u>\$ 13,619,550</u>

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

11. JOINT POWERS AUTHORITY

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2017.

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

12. SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY

A. Background

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

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

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

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

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

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

13. COMMITMENTS AND CONTINGENCIES

A. Grants

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

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

13. COMMITMENTS AND CONTINGENCIES – Continued

B. Successor Agency

Amounts paid and accrued for the year ended June 30, 2017 (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.

C. Other Commitments and Contingencies

At June 30, 2017, the City had outstanding construction contracts of approximately \$2.9 million. In addition, the City is a defendant in various pending lawsuits of a nature common to many similar jurisdictions. City management and legal counsel estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the City's financial statements.

14. FUND DEFICITS

The following non-major funds have negative fund balance as of June 30, 2017:

Special Revenue Funds:		
Gas Tax	\$	21,785
TDA		31,682
Storm Water		6,302
Capital Project Funds:		
Main Street Promenade CFD		1,415

These deficits are expected to be eliminated with the receipt of grant awards and future revenues.

15. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustments, as described on the following page:

	General Fund	Nonmajor Funds	Sanitation Fund and Business- type Activities	Succ. Agency Private-purpose Trust Fund	Governmental Activities
	\$ (3,719,687) (1)	\$ 187,081 (3)	\$ (57,901) (2)	\$ 222,399 (4)	\$ (3,719,687) (1)
	(62,157) (2)	-	-	(712,786) (5)	(62,157) (2)
	333,010 (9)	-	-	680 (2)	187,081 (3)
	-	-	-	(333,010) (9)	(196,443) (6)
	-	-	-	-	694,104 (5)
	-	-	-	-	(740,363) (7)
	-	-	-	-	177,875 (8)
	-	-	-	-	333,010 (9)
Total Adjustments	(3,448,834)	187,081	(57,901)	(822,717)	(3,326,580)
Beginning Balance	8,461,602	645,073	21,117,409	(13,179,146)	57,211,294
Restated Balance	\$ 5,012,768	\$ 832,154	\$ 21,059,508	\$ (14,001,863)	\$ 53,884,714

City of Lemon Grove
Notes to the Financial Statements
Year Ended June 30, 2017

15. PRIOR PERIOD ADJUSTMENTS – Continued

- (1) To record an allowance for doubtful accounts for the amount due from the Successor Agency, due to the nature of the receivable (see Note 4).
- (2) To record adjustments to payroll-related liability accounts applicable to prior fiscal years.
- (3) To increase Fund Balance in the Transportation Mitigation Fund and Net Position in Governmental Activities for revenue reported as unearned in the prior year.
- (4) To remove the Net Pension Liability and related balances from the Successor Agency Trust Fund.
- (5) To move capital assets incorrectly reported in the Successor Agency Trust Fund in previous fiscal years to Governmental Activities.
- (6) To remove amounts incorrectly reported as Construction in Progress in the previous fiscal year.
- (7) Net increase in Governmental Activities long-term debt as follows: \$(62,419) decrease in Compensated Absences; \$402,508 increase in Capital Leases; \$400,274 increase in the Net Pension Liability.
- (8) Net increase for Deferred Outflows and Inflows related to the Net Pension Liability, previously reported in the Successor Agency.
- (9) To record loans from the City to the Successor Agency, repaid in the 2016-17 fiscal year, but previously unrecorded.

16. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The \$936,434 reported in the General Fund as due from other funds consists of \$770,653 due from the Transnet Special Revenue Fund and \$165,781 due from nonmajor governmental funds. These temporary, interfund borrowings result from routine cash flows and are expected to be repaid within the next fiscal year.

Transfers of \$552,400 and \$100,000 were made from the Sanitation Fund to the General Fund and the Gas Tax Fund, respectively, in accordance with the adopted budget for administrative costs.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Special Assessments	\$ 10,788,000	\$ 10,613,000	\$ 10,882,008	\$ 269,008
Licenses, Fees, and Permits	640,000	570,000	464,877	(105,123)
Fines and Forfeitures	146,000	146,000	229,624	83,624
Intergovernmental Revenues	17,000	17,000	32,368	15,368
Charges for Services	375,700	375,700	440,756	65,056
Use of Money and Property	243,320	243,320	280,599	37,279
Other Revenues	10,000	10,000	497,209	487,209
	<u>12,220,020</u>	<u>11,975,020</u>	<u>12,827,441</u>	<u>852,421</u>
EXPENDITURES				
Current:				
General Government	1,215,800	1,143,820	1,025,265	118,555
Public Safety	9,682,300	9,694,300	9,710,139	(15,839)
Public Works	1,345,000	1,344,980	1,419,603	(74,623)
Community Development	683,700	683,700	566,562	117,138
Capital Outlay	-	210,000	194,550	15,450
Debt Service:				
Principal	76,545	76,545	76,545	-
Interest	10,155	10,155	10,143	12
	<u>13,013,500</u>	<u>13,163,500</u>	<u>13,002,807</u>	<u>160,693</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(793,480)</u>	<u>(1,188,480)</u>	<u>(175,366)</u>	<u>1,013,114</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,028,600	1,028,600	685,400	(343,200)
Transfers Out	<u>(235,120)</u>	<u>(235,120)</u>	<u>(225,684)</u>	<u>9,436</u>
Total Other Financing Sources (Uses)	<u>793,480</u>	<u>793,480</u>	<u>459,716</u>	<u>(333,764)</u>
Net Change in Fund Balances	-	(395,000)	284,350	679,350
Fund Balance, Beginning of Year	<u>5,012,768</u>	<u>5,012,768</u>	<u>5,012,768</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,012,768</u>	<u>\$ 4,617,768</u>	<u>\$ 5,297,118</u>	<u>\$ 679,350</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Housing Special Revenue Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ 1,486,326	\$ 1,486,326
Total Revenues	-	-	1,486,326	1,486,326
EXPENDITURES				
Capital Outlay	1,500,000	1,500,000	1,337,304	162,696
Total Expenditures	1,500,000	1,500,000	1,337,304	162,696
Excess (Deficiency) of Revenues over Expenditures	(1,500,000)	(1,500,000)	149,022	1,649,022
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(1,500,000)	(1,500,000)	149,022	1,649,022
Fund Balance, Beginning of Year	7,086,436	7,086,436	7,086,436	-
Fund Balance, End of Year	<u>\$ 5,586,436</u>	<u>\$ 5,586,436</u>	<u>\$ 7,235,458</u>	<u>\$ 1,649,022</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Transnet Special Revenue Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,346,700	\$ 3,527,687	\$ 2,007,654	\$ (1,520,033)
Other	-	-	-	-
Total Revenues	<u>2,346,700</u>	<u>3,527,687</u>	<u>2,007,654</u>	<u>(1,520,033)</u>
EXPENDITURES				
Current:				
General Government	93,600	93,600	76,528	17,072
Capital Outlay	<u>2,260,000</u>	<u>3,527,687</u>	<u>2,357,785</u>	<u>1,169,902</u>
Total Expenditures	<u>2,353,600</u>	<u>3,621,287</u>	<u>2,434,313</u>	<u>1,186,974</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,900)</u>	<u>(93,600)</u>	<u>(426,659)</u>	<u>(333,059)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(6,900)	(93,600)	(426,659)	(333,059)
Fund Balance, Beginning of Year	<u>(301,637)</u>	<u>(301,637)</u>	<u>(301,637)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (308,537)</u>	<u>\$ (395,237)</u>	<u>\$ (728,296)</u>	<u>\$ (333,059)</u>

**City of Lemon Grove
Required Supplementary Information
Year Ended June 30, 2017**

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

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

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

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: None

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

**City of Lemon Grove
Required Supplementary Information
Year Ended June 30, 2017**

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

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

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, and 6/30/2015

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

**City of Lemon Grove
Required Supplementary Information
Year Ended June 30, 2017**

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/12	\$ -	\$ 2,697,679	\$ 2,697,679	0.00%	\$ 3,742,383	72.1%
06/30/14	-	2,803,349	2,803,349	0.00%	3,916,214	71.6%
06/30/16	-	2,895,202	2,895,202	0.00%	3,854,444	75.1%

**City of Lemon Grove
Required Supplementary Information
Year Ended June 30, 2017**

1. BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgetary Control and Budgetary Accounting*

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

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

Budgets are adopted for all funds.

B. *Encumbrances*

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

C. *Continuing Appropriations*

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

D. *Budget Basis of Accounting*

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

SUPPLEMENTARY INFORMATION

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

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Capital Project Funds

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

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

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

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

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

**City of Lemon Grove
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2017**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
ASSETS				
Cash and Investments	\$ 802	\$ 86,456	\$ 43,899	\$ 78,521
Accounts Receivable	-	144	-	41,922
Prepays	-	-	-	-
Total Assets	<u>\$ 802</u>	<u>\$ 86,600</u>	<u>\$ 43,899</u>	<u>\$ 120,443</u>
LIABILITIES				
Accounts Payable	\$ 168	\$ -	\$ -	\$ 20,694
Accrued Liabilities	22,419	-	-	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>22,587</u>	<u>-</u>	<u>-</u>	<u>20,694</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants Receivable	-	-	-	20,000
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
FUND BALANCE (DEFICITS)				
Restricted	-	86,600	43,899	79,749
Committed	-	-	-	-
Unassigned	(21,785)	-	-	-
Total Fund Balances	<u>(21,785)</u>	<u>86,600</u>	<u>43,899</u>	<u>79,749</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 802</u>	<u>\$ 86,600</u>	<u>\$ 43,899</u>	<u>\$ 120,443</u>

Special Revenue

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 394,864	\$ -	\$ 194,456	\$ 4,858
134,838	123,597	2,739	-	2,137	6
-	-	-	-	-	-
<u>\$ 134,838</u>	<u>\$ 123,597</u>	<u>\$ 397,603</u>	<u>\$ -</u>	<u>\$ 196,593</u>	<u>\$ 4,864</u>
\$ 6,543	\$ 9,920	\$ 18,818	\$ 5,248	\$ 1,842	\$ 920
-	1,229	3,402	1,054	1,039	(493)
-	-	-	-	61,503	-
128,295	36,360	-	-	-	-
<u>134,838</u>	<u>47,509</u>	<u>22,220</u>	<u>6,302</u>	<u>64,384</u>	<u>427</u>
-	107,770	-	-	-	-
-	107,770	-	-	-	-
-	-	375,383	-	132,209	4,437
-	-	-	-	-	-
-	(31,682)	-	(6,302)	-	-
<u>-</u>	<u>(31,682)</u>	<u>375,383</u>	<u>(6,302)</u>	<u>132,209</u>	<u>4,437</u>
<u>\$ 134,838</u>	<u>\$ 123,597</u>	<u>\$ 397,603</u>	<u>\$ -</u>	<u>\$ 196,593</u>	<u>\$ 4,864</u>

Continued

**City of Lemon Grove
Combining Balance Sheet
Non-major Governmental Funds - Continued
June 30, 2017**

	Special Revenue		Capital Projects	
	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Street Construction	Sidewalk Reserve
ASSETS				
Cash and Investments	\$ 227,809	\$ 29,291	\$ 158,967	\$ 23,223
Accounts Receivable	15,576	48	263	38
Prepays	-	-	-	-
Total Assets	\$ 243,385	\$ 29,339	\$ 159,230	\$ 23,261
LIABILITIES				
Accounts Payable	\$ -	\$ (1,235)	\$ -	\$ -
Accrued Liabilities	-	79	-	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	-	(1,156)	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants Receivable	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCE (DEFICITS)				
Restricted	243,385	30,495	159,230	23,261
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	243,385	30,495	159,230	23,261
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 243,385	\$ 29,339	\$ 159,230	\$ 23,261

Capital Projects			
Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Non-major Governmental Funds
\$ -	\$ 180,000	\$ 516,951	\$ 1,940,097
-	-	855	322,163
-	-	-	-
<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 517,806</u>	<u>\$ 2,262,260</u>
\$ 289	\$ -	\$ -	\$ 63,207
-	-	-	28,729
-	-	-	61,503
1,126	-	-	165,781
<u>1,415</u>	<u>-</u>	<u>-</u>	<u>319,220</u>
-	-	-	127,770
-	-	-	127,770
-	180,000	517,806	1,876,454
-	-	-	-
(1,415)	-	-	(61,184)
<u>(1,415)</u>	<u>180,000</u>	<u>517,806</u>	<u>1,815,270</u>
<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 517,806</u>	<u>\$ 2,262,260</u>

City of Lemon Grove
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	473,051	-	129,324	1,140,311
Charges for Services	-	16,137	-	-
Use of Money and Property	-	594	-	-
Other	-	-	-	-
Total Revenues	<u>473,051</u>	<u>16,731</u>	<u>129,324</u>	<u>1,140,311</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	592,346	-	-	388,634
Community Development	-	-	-	173,762
Capital Outlay	-	43,317	-	-
Total Expenditures	<u>592,346</u>	<u>43,317</u>	<u>-</u>	<u>562,396</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(119,295)</u>	<u>(26,586)</u>	<u>129,324</u>	<u>577,915</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	100,000	-	-	109,134
Transfers Out	-	-	(100,000)	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>109,134</u>
Net Change in Fund Balances	(19,295)	(26,586)	29,324	687,049
Fund Balances, Beginning of Year (Restated)	<u>(2,490)</u>	<u>113,186</u>	<u>14,575</u>	<u>(607,300)</u>
Fund Balances, End of Year	<u>\$ (21,785)</u>	<u>\$ 86,600</u>	<u>\$ 43,899</u>	<u>\$ 79,749</u>

Special Revenue

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 272,231	\$ -	\$ 26,522	\$ 9,585
134,838	123,593	-	-	-	-
-	-	-	57,702	-	-
-	125	2,696	-	1,161	20
-	-	-	-	54	-
<u>134,838</u>	<u>123,718</u>	<u>274,927</u>	<u>57,702</u>	<u>27,737</u>	<u>9,605</u>
-	-	-	-	35,767	-
-	-	-	-	-	-
-	31,991	301,035	181,333	-	-
-	-	-	-	-	9,852
<u>134,838</u>	<u>85,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>134,838</u>	<u>117,141</u>	<u>301,035</u>	<u>181,333</u>	<u>35,767</u>	<u>9,852</u>
-	6,577	(26,108)	(123,631)	(8,030)	(247)
-	-	-	117,329	-	-
-	(17,400)	(14,300)	-	(1,979)	(100)
-	(17,400)	(14,300)	117,329	(1,979)	(100)
-	(10,823)	(40,408)	(6,302)	(10,009)	(347)
-	(20,859)	415,791	-	142,218	4,784
<u>\$ -</u>	<u>\$ (31,682)</u>	<u>\$ 375,383</u>	<u>\$ (6,302)</u>	<u>\$ 132,209</u>	<u>\$ 4,437</u>

Continued

City of Lemon Grove
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds - Continued
Year Ended June 30, 2017

	Special Revenue		Capital Projects	
	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Street Construction	Sidewalk Reserve
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Charges for Services	61,883	-	-	-
Use of Money and Property	1,298	200	955	139
Other	-	6,890	-	-
Total Revenues	63,181	7,090	955	139
EXPENDITURES				
Current:				
General Government	34,908	-	-	-
Public Safety	-	12,620	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	34,908	12,620	-	-
Excess (Deficiency) of Revenues Over Expenditures	28,273	(5,530)	955	139
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	28,273	(5,530)	955	139
Fund Balances, Beginning of Year	215,112	36,025	158,275	23,122
Fund Balances, End of Year	\$ 243,385	\$ 30,495	\$ 159,230	\$ 23,261

Capital Projects			
Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Non-major Governmental Funds
\$ 11,746	\$ -	\$ -	\$ 320,084
-	-	-	2,001,117
-	-	51,854	187,576
-	-	2,997	10,185
-	-	-	6,944
<u>11,746</u>	<u>-</u>	<u>54,851</u>	<u>2,525,906</u>
-	-	-	70,675
11,558	-	-	24,178
-	-	-	1,495,339
-	-	-	183,614
-	-	-	263,305
<u>11,558</u>	<u>-</u>	<u>-</u>	<u>2,037,111</u>
<u>188</u>	<u>-</u>	<u>54,851</u>	<u>488,795</u>
-	-	-	326,463
-	-	-	(133,779)
-	-	-	192,684
188	-	54,851	681,479
(1,603)	180,000	462,955	1,133,791
<u>\$ (1,415)</u>	<u>\$ 180,000</u>	<u>\$ 517,806</u>	<u>\$ 1,815,270</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - State Gas Tax Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 543,100	\$ 473,051	\$ (70,049)
Total Revenues	<u>543,100</u>	<u>473,051</u>	<u>(70,049)</u>
EXPENDITURES			
Current:			
Public Works	<u>623,100</u>	<u>592,346</u>	<u>30,754</u>
Total Expenditures	<u>623,100</u>	<u>592,346</u>	<u>30,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(80,000)</u>	<u>(119,295)</u>	<u>(39,295)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	200,000	100,000	(100,000)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>100,000</u>	<u>(100,000)</u>
Net Change in Fund Balances	120,000	(19,295)	(139,295)
Fund Balance, Beginning of Year	<u>(2,490)</u>	<u>(2,490)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 117,510</u></u>	<u><u>\$ (21,785)</u></u>	<u><u>\$ (139,295)</u></u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Parkland Dedication
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ 10,000	\$ 16,137	\$ 6,137
Use of Money and Property	-	594	594
Total Revenues	<u>10,000</u>	<u>16,731</u>	<u>6,731</u>
EXPENDITURES			
Capital Outlay	<u>80,000</u>	<u>43,317</u>	<u>36,683</u>
Total Expenditures	<u>80,000</u>	<u>43,317</u>	<u>36,683</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(70,000)</u>	<u>(26,586)</u>	<u>43,414</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(70,000)	(26,586)	43,414
Fund Balance, Beginning of Year	<u>113,186</u>	<u>113,186</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 43,186</u></u>	<u><u>\$ 86,600</u></u>	<u><u>\$ 43,414</u></u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - SLES Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 100,000	\$ 129,324	\$ 29,324
Total Revenues	100,000	129,324	29,324
EXPENDITURES			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	100,000	129,324	29,324
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	(100,000)	(100,000)	-
Net Change in Fund Balances	-	29,324	29,324
Fund Balance, Beginning of Year	14,575	14,575	-
Fund Balance, End of Year	<u>\$ 14,575</u>	<u>\$ 43,899</u>	<u>\$ 29,324</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Sundry Grants Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 453,560	\$ 1,140,311	\$ 686,751
Total Revenues	453,560	1,140,311	686,751
EXPENDITURES			
Current:			
Public Works	392,855	388,634	(4,221)
Community Development	174,060	173,762	(298)
Total Expenditures	566,915	562,396	4,519
Excess (Deficiency) of Revenues over Expenditures	(113,355)	577,915	691,270
OTHER FINANCING SOURCES (USES)			
Transfers In	113,355	109,134	(4,221)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	113,355	109,134	(4,221)
Net Change in Fund Balances	-	687,049	687,049
Fund Balance, Beginning of Year	(607,300)	(607,300)	-
Fund Balance, End of Year	\$ (607,300)	\$ 79,749	\$ 687,049

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - CDBG Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenue	\$ 179,500	\$ 134,838	\$ (44,662)
Total Revenues	179,500	134,838	(44,662)
EXPENDITURES			
Capital Outlay	179,500	134,838	44,662
Total Expenditures	179,500	134,838	44,662
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - TDA Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenue	\$ 121,200	\$ 123,593	\$ 2,393
Use of Money and Property	100	125	25
Other	237,400	-	(237,400)
Total Revenues	<u>358,700</u>	<u>123,718</u>	<u>(234,982)</u>
EXPENDITURES			
Current:			
Public Works	54,240	31,991	22,249
Capital Outlay	52,700	85,150	(32,450)
Total Expenditures	<u>106,940</u>	<u>117,141</u>	<u>(10,201)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>251,760</u>	<u>6,577</u>	<u>(245,183)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(17,400)	(17,400)	-
Total Other Financing Sources (Uses)	<u>(17,400)</u>	<u>(17,400)</u>	<u>-</u>
Net Change in Fund Balances	234,360	(10,823)	(245,183)
Fund Balance, Beginning of Year	<u>(20,859)</u>	<u>(20,859)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 213,501</u>	<u>\$ (31,682)</u>	<u>\$ (245,183)</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Lighting District Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 251,700	\$ 272,231	\$ 20,531
Use of Money and Property	900	2,696	1,796
Total Revenues	<u>252,600</u>	<u>274,927</u>	<u>22,327</u>
EXPENDITURES			
Current:			
Public Works	<u>318,750</u>	<u>301,035</u>	<u>17,715</u>
Total Expenditures	<u>318,750</u>	<u>301,035</u>	<u>17,715</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(66,150)</u>	<u>(26,108)</u>	<u>40,042</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>(14,300)</u>	<u>(14,300)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(14,300)</u>	<u>(14,300)</u>	<u>-</u>
Net Change in Fund Balances	(80,450)	(40,408)	40,042
Fund Balance, Beginning of Year	<u>415,791</u>	<u>415,791</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 335,341</u></u>	<u><u>\$ 375,383</u></u>	<u><u>\$ 40,042</u></u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Storm Water Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ 68,300	\$ 57,702	\$ (10,598)
Total Revenues	<u>68,300</u>	<u>57,702</u>	<u>(10,598)</u>
EXPENDITURES			
Current:			
Public Works	<u>203,420</u>	<u>181,333</u>	<u>22,087</u>
Total Expenditures	<u>203,420</u>	<u>181,333</u>	<u>22,087</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(135,120)</u>	<u>(123,631)</u>	<u>11,489</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	135,120	117,329	(17,791)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>135,120</u>	<u>117,329</u>	<u>(17,791)</u>
Net Change in Fund Balances	-	(6,302)	(6,302)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (6,302)</u>	<u>\$ (6,302)</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Household Hazardous Waste Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 20,000	\$ 26,522	\$ 6,522
Use of Money and Property	400	1,161	761
Other	-	54	54
	<u>20,400</u>	<u>27,737</u>	<u>7,337</u>
EXPENDITURES			
Current:			
General Government	60,320	35,767	24,553
	<u>60,320</u>	<u>35,767</u>	<u>24,553</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(39,920)</u>	<u>(8,030)</u>	<u>31,890</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(6,200)	(1,979)	4,221
	<u>(6,200)</u>	<u>(1,979)</u>	<u>4,221</u>
Net Change in Fund Balances	(46,120)	(10,009)	36,111
Fund Balance, Beginning of Year	142,218	142,218	-
Fund Balance, End of Year	<u>\$ 96,098</u>	<u>\$ 132,209</u>	<u>\$ 36,111</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Wildflower Assessment Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 9,100	\$ 9,585	\$ 485
Use of Money and Property	-	20	20
Total Revenues	<u>9,100</u>	<u>9,605</u>	<u>505</u>
EXPENDITURES			
Current:			
Community Development	<u>16,570</u>	<u>9,852</u>	<u>6,718</u>
Total Expenditures	<u>16,570</u>	<u>9,852</u>	<u>6,718</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(7,470)</u>	<u>(247)</u>	<u>7,223</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Net Change in Fund Balances	(7,570)	(347)	7,223
Fund Balance, Beginning of Year	<u>4,784</u>	<u>4,784</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (2,786)</u>	<u>\$ 4,437</u>	<u>\$ 7,223</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - PEG Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ 30,000	\$ 61,883	\$ 31,883
Use of Money and Property	500	1,298	798
Total Revenues	<u>30,500</u>	<u>63,181</u>	<u>32,681</u>
EXPENDITURES			
Current:			
General Government	<u>37,000</u>	<u>34,908</u>	<u>2,092</u>
Total Expenditures	<u>37,000</u>	<u>34,908</u>	<u>2,092</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,500)</u>	<u>28,273</u>	<u>34,773</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(6,500)	28,273	34,773
Fund Balance, Beginning of Year	<u>215,112</u>	<u>215,112</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 208,612</u></u>	<u><u>\$ 243,385</u></u>	<u><u>\$ 34,773</u></u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Serious Traffic Offender Special Revenue Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 100	\$ 200	\$ 100
Other	9,500	6,890	(2,610)
Total Revenues	9,600	7,090	(2,510)
EXPENDITURES			
Current:			
Public Safety	26,950	12,620	14,330
Total Expenditures	26,950	12,620	14,330
Excess (Deficiency) of Revenues Over Expenditures	(17,350)	(5,530)	11,820
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(17,350)	(5,530)	11,820
Fund Balance, Beginning of Year	36,025	36,025	-
Fund Balance, End of Year	\$ 18,675	\$ 30,495	\$ 11,820

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Street Construction Capital Projects Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 400	\$ 955	\$ 555
Total Revenues	400	955	555
EXPENDITURES			
Capital Outlay	150,000	-	150,000
Total Expenditures	150,000	-	150,000
Excess (Deficiency) of Revenues over Expenditures	(149,600)	955	150,555
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(149,600)	955	150,555
Fund Balance, Beginning of Year	158,275	158,275	-
Fund Balance, End of Year	<u>\$ 8,675</u>	<u>\$ 159,230</u>	<u>\$ 150,555</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Sidewalk Reserve Capital Projects Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of Money and Property	\$ 50	\$ 139	\$ 89
Total Revenues	50	139	89
EXPENDITURES			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	50	139	89
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	50	139	89
Fund Balance, Beginning of Year	23,122	23,122	-
Fund Balance, End of Year	<u>\$ 23,172</u>	<u>\$ 23,261</u>	<u>\$ 89</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Main Street Promenade Community Facilities District
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 14,600	\$ 11,746	\$ (2,854)
Total Revenues	<u>14,600</u>	<u>11,746</u>	<u>(2,854)</u>
EXPENDITURES			
Current:			
Public Safety	14,000	11,558	2,442
Total Expenditures	<u>14,000</u>	<u>11,558</u>	<u>2,442</u>
Excess (Deficiency) of Revenues over Expenditures	<u>600</u>	<u>188</u>	<u>(412)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	600	188	(412)
Fund Balance, Beginning of Year	<u>(1,603)</u>	<u>(1,603)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (1,003)</u>	<u>\$ (1,415)</u>	<u>\$ (412)</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Safety Capital Purchases Capital Projects Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Other	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	180,000	180,000	-
Fund Balance, End of Year	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ -</u>

City of Lemon Grove
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Transportation Mitigation Capital Project Fund
Year Ended June 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ 100,000	\$ 51,854	\$ (48,146)
Use of Money and Property	-	2,997	2,997
Total Revenues	<u>100,000</u>	<u>54,851</u>	<u>(45,149)</u>
EXPENDITURES			
Capital Outlay	<u>557,900</u>	<u>-</u>	<u>557,900</u>
Total Expenditures	<u>557,900</u>	<u>-</u>	<u>557,900</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(457,900)</u>	<u>54,851</u>	<u>512,751</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(457,900)	54,851	512,751
Fund Balance, Beginning of Year	<u>462,955</u>	<u>462,955</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 5,055</u></u>	<u><u>\$ 517,806</u></u>	<u><u>\$ 512,751</u></u>



VLF Van Lant &
Fankhanel, LLP
— Certified Public Accountants —