

**City of Lemon Grove  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2008**

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Annual Financial Report  
Fiscal Year Ended June 30, 2008**

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**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

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

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California (City) as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, major fund budgetary comparison schedules, and nonmajor fund budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, major fund budgetary comparison schedules, and nonmajor fund budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

*Rogus Anderson Melody ; Sutt CPA*

October 25, 2008

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

City Hall  
619-825-3800

### Management's Discussion and Analysis

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2008. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify any material deviations from the approved budget.

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

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities by \$57.8 million. This net asset value is an increase from the previous year of \$500 thousand, or less than 1%.
- The City's governmental funds reported a combined ending fund balance of \$27.8 million, a decrease from the previous year of \$900 thousand, or 3%. This is due to many factors, including a reduction in revenue (sales tax, property tax, traffic fines, franchise fees, and state mandates), planned expenditures on street and redevelopment projects (using funds set aside in previous years), and the booking of a liability of the Community Development Agency for the loan owed to the City.
- The General Fund balance includes \$1.6 million in unreserved, undesignated funds, which are carried forward to provide resources for future economic adversity, or to fund future capital projects if not otherwise needed. The Capital Project Reserve Fund has an unreserved, undesignated balance of \$2.55 million. The two funds combined give the City a reserve that is approximately 30% of the actual FY 08 General Fund expenditures.

### **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

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

#### **Government-wide Financial Statements**

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

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

Also included in the government-wide financial statements is the Lemon Grove Community Development Agency (CDA), a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. While the CDA is a legally separate agency, its governing board consists entirely of City Council members.

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

	Governmental activities			Business-type activities		
	2008	2007	Change	2008	2007	Change
Cash and investments	\$ 29,830,917	\$ 31,255,081	\$ (1,424,164)	\$ 8,148,927	\$ 7,397,013	\$ 751,914
Other assets	6,183,682	4,052,664	2,131,018	80,231	94,079	(13,848)
Capital assets	42,873,836	42,859,513	14,323	4,414,529	4,169,334	245,195
Total assets	<u>78,888,435</u>	<u>78,167,258</u>	<u>721,177</u>	<u>12,643,687</u>	<u>11,660,426</u>	<u>983,261</u>
Current liabilities	4,790,198	3,230,412	1,559,786	83,111	36,187	46,924
Noncurrent liabilities	28,894,505	29,337,603	(443,098)	-	-	-
Total liabilities	<u>33,684,703</u>	<u>32,568,015</u>	<u>1,116,688</u>	<u>83,111</u>	<u>36,187</u>	<u>46,924</u>
Net assets						
Invested in capital assets, net of debt	33,152,916	15,829,400	17,323,516	4,414,529	4,169,334	245,195
Restricted	10,796,553	27,228,142	(16,431,589)	-	-	-
Unrestricted	1,254,263	2,541,701	(1,287,438)	8,146,047	7,454,905	691,142
Total net assets	<u>\$ 45,203,732</u>	<u>\$ 45,599,243</u>	<u>\$ (395,511)</u>	<u>\$ 12,560,576</u>	<u>\$ 11,624,239</u>	<u>\$ 936,337</u>

The City's total net assets increased by less than 1%. Net assets from governmental activities decreased by 1% while net assets from business activities increased by 8%. The City's assets exceeded its liabilities by approximately \$57.8 million.

Approximately 73% of the City's net assets reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 24% of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, law, or regulations of other governments.

The remaining 3% of the City's net assets is unrestricted and may be used to meet the City's ongoing obligations to residents and creditors.

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

	Governmental activities			Business-type activities		
	2008	2007	Change	2008	2007	Change
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,179,901	\$ 1,611,197	\$ (431,296)	\$ 4,214,059	\$ 4,178,931	\$ 35,128
Operating grants and contributions	799,679	1,096,081	(296,402)	-	-	-
Capital grants and contributions	1,537,785	876,690	661,095	-	-	-
General revenues:						
Property tax	7,523,052	5,044,091	2,478,961	-	-	-
Sales tax	4,407,881	4,730,647	(322,766)	-	-	-
Other taxes	736,869	894,405	(157,536)	-	-	-
Motor vehicle in lieu	113,433	2,018,953	(1,905,520)	-	-	-
Investment earnings	1,609,800	1,271,317	338,483	336,379	343,530	(7,151)
Other	231,242	346,690	(115,448)	-	-	-
Total revenues	<u>18,139,642</u>	<u>17,890,071</u>	<u>249,571</u>	<u>4,550,438</u>	<u>4,522,461</u>	<u>27,977</u>
<b>Expenses</b>						
General government	1,398,156	1,359,948	38,208	-	-	-
Public safety	8,160,412	7,856,587	303,825	-	-	-
Public works	3,793,265	3,555,018	238,247	-	-	-
Community development	3,618,254	2,027,586	1,590,668	-	-	-
Parks and recreation	1,021,606	901,050	120,556	-	-	-
Sanitation	-	-	-	2,470,401	2,423,571	46,830
Interest on long-term debt	1,687,160	1,044,641	642,519	-	-	-
Total expenses	<u>19,678,853</u>	<u>16,744,830</u>	<u>2,934,023</u>	<u>2,470,401</u>	<u>2,423,571</u>	<u>46,830</u>
Excess (deficiency) before transfers	(1,539,211)	1,145,241	(2,684,452)	2,080,037	2,098,890	(18,853)
Transfers	1,143,700	1,013,404	130,296	(1,143,700)	(1,013,404)	(130,296)
Change in net assets	(395,511)	2,158,645	(2,554,156)	936,337	1,085,486	(149,149)
Net assets, beginning of year	45,599,243	43,440,598	2,158,645	11,624,239	10,538,753	1,085,486
Net assets, end of year	<u>\$45,203,732</u>	<u>\$ 45,599,243</u>	<u>\$ (395,511)</u>	<u>\$ 12,560,576</u>	<u>\$ 11,624,239</u>	<u>\$ 936,337</u>

The governmental activities decreased the City's net assets by \$395,511. Governmental program revenues offset 18% of program expenditures. General revenues and transfers of \$15.8 million did not meet total expenditures, resulting in a 1% decrease to governmental net assets.

The business-type activities increased the City's net assets by \$936,337. Business-type program revenues exceeded expenditures, resulting in an 8% increase to business-type net assets. This is the third 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 on spendable resources* available at the end of the fiscal year, and offer summary information for each major fund. Such information may be useful in evaluating a government's near-term financing requirements. In particular, *unreserved fund balance* serves as a useful measure of a government's net resources available for spending at fiscal year end.

**Governmental Funds:** *Governmental funds* are used to account for the functions reported as *governmental activities* in the government-wide financial statements, with the exception of two funds, one proprietary and one fiduciary.

As of June 30, 2008, the City's governmental funds reported a combined ending fund balance of \$27.8 million. Approximately 16% of this amount, \$4.5 million, constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

The City maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds; General, Community Development Agency (comprised of eight individual funds, combined to represent the following three categories: Housing Set-Aside, Debt Service, and Capital Projects), and Capital Projects Reserve. Data from the other twenty 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 Section II.E. of this report.

The General Fund is the chief operating fund of the City. As of June 30, 2008, its unreserved, undesignated fund balance totaled \$1.6 million. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. This comparison indicates an unreserved fund balance of approximately 12% of total annual General Fund expenditures.

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

There are no restricted net assets for these funds, and the changes in net assets show a growth over last year; Sanitation by 8% and Internal Service by 23%.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City has only one such fund, used to account for assets donated by the Thren Family Trust for the creation of the Virginia Spencer Thren Library. This fund grows each year as interest is added and no expenditures are incurred.

### Notes to Basic Financial Statements

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

**Note 3 – Cash and Investments:** The City's total cash and investments at the end of the fiscal year totaled \$37.9 million, approximately \$29.2 million invested with LAIF and the County Pool in money market type accounts, approximately \$5.5 million invested in longer term, higher yield, less liquid investments, managed by the County, approximately \$3 million held and invested by bond trustees, and the balance in checking accounts.

**Note 7 – Capital Assets:** The City's investment in capital assets for its governmental activities as of June 30, 2008, was \$42.9 million, net of accumulated depreciation. This investment in capital assets includes land, parks, construction in progress, buildings, equipment, vehicles, and infrastructure. Capital assets for the City's business-type activities ended with \$4.4 million, net of accumulated depreciation, including land, infrastructure and equipment.

Capital asset additions included \$150 thousand in structural improvements, \$300 thousand in equipment purchases, and \$1 million in infrastructure improvements.

**Note 8 – Long-Term Liabilities:** At the end of the current fiscal year, the City's governmental activities funds had a total long-term debt outstanding of \$28.9 million. Of this amount, \$28 million is comprised of tax allocation bonds backed by pledged Community Development Agency tax revenues. The City's total debt decreased by \$443 thousand, due to regularly scheduled payments to reduce debt.

The City's business-type activity does not have long-term debt.

### Required Supplementary Information

The required supplementary information is comprised of budgetary comparisons for the General Fund and the Community Development Housing Set-Aside Fund, and a schedule of funding for the City's retirement plans.

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, 2008. This budget was revised mid-year to account for new information.

The General Fund Budgetary Comparison Schedule shows that for this fiscal year, the General Fund experienced a loss of expected revenue of \$345,970, while the expenditures were under what was expected by \$261,926. This combination resulted in a net loss of fund balance of \$237,810. The final budget expected that a loss of \$121,310 would occur. The difference between expected loss and actual is \$116,500.

**Economic Factors and Next Year's Budget**

Due to uncertainty surrounding the State of California budget, and the slowing economy in general, the City was conservative in the preparation of the fiscal year 2008-09 budget. Total General Fund revenues were estimated to be just under \$14 million, an increase of approximately \$430 thousand, or 3% over the previous year. The total General Fund expenditures were estimated to be \$13.9 million, an increase of approximately \$280,000, or 2%. The goal of balancing the budget will allow for reserves to be maintained.

**REQUESTS FOR INFORMATION**

This 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 [bhofman@ci.lemon-grove.ca.us](mailto:bhofman@ci.lemon-grove.ca.us).

**City of Lemon Grove  
Statement of Net Assets  
June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 26,791,684	\$ 8,148,927	\$ 34,940,611
Cash with fiscal agent	3,039,233	-	3,039,233
Receivables:			
Accounts, net	137,899	40,827	178,726
Notes/contracts	3,042,942	-	3,042,942
Interest	158,044	38,943	196,987
Due from other governments	1,131,177	-	1,131,177
Prepays	25,000	461	25,461
Deposits	1,510	-	1,510
Deferred charges	1,687,110	-	1,687,110
Capital assets, not being depreciated	5,874,366	3,724	5,878,090
Capital assets, depreciated, net	36,999,470	4,410,805	41,410,275
	<u>78,888,435</u>	<u>12,643,687</u>	<u>91,532,122</u>
<b>Liabilities</b>			
Accounts payable	1,154,271	83,111	1,237,382
Interest payable	588,339	-	588,339
Accrued expenses	466,119	-	466,119
Claims payable	100,000	-	100,000
Deposits payable	55,189	-	55,189
Deferred revenue	2,426,280	-	2,426,280
Noncurrent liabilities:			
Due within one year	537,596	-	537,596
Due in more than one year	28,356,909	-	28,356,909
	<u>33,684,703</u>	<u>83,111</u>	<u>33,767,814</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	33,152,916	4,414,529	37,567,445
Restricted:			
Construction of capital assets	6,810,817	-	6,810,817
Streets, highways, bikeways, public transit and other related purposes	2,341,897	-	2,341,897
Housing	1,638,568	-	1,638,568
Public safety	5,271	-	5,271
Unrestricted	1,254,263	8,146,047	(3,118,245)
	<u>\$ 45,203,732</u>	<u>\$ 12,560,576</u>	<u>\$ 57,764,308</u>

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

**City of Lemon Grove  
Statement of Activities  
For the year ended June 30, 2008**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 1,398,156	\$ 5,830	\$ -
Public safety	8,160,412	408,943	297,443
Public works	3,793,265	252,784	485,771
Community development	3,618,254	384,438	16,465
Parks and recreation	1,021,606	127,906	-
Interest on long-term debt	1,687,160	-	-
Total governmental activities	<u>19,678,853</u>	<u>1,179,901</u>	<u>799,679</u>
Business-type activities:			
Sanitation	<u>2,470,401</u>	<u>4,214,059</u>	<u>-</u>
Total business-type activities	<u>2,470,401</u>	<u>4,214,059</u>	<u>-</u>
Total primary government	<u>\$ 22,149,254</u>	<u>\$ 5,393,960</u>	<u>\$ 799,679</u>

General revenues:

Taxes

  Property tax, levied for general purposes

  Sales tax

  Transient occupancy tax

  Franchise tax

  Motor vehicle in lieu tax - unrestricted

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,392,326)	\$ -	\$ (1,392,326)
-	(7,454,026)	-	(7,454,026)
1,537,785	(1,516,925)	-	(1,516,925)
-	(3,217,351)	-	(3,217,351)
-	(893,700)	-	(893,700)
-	(1,687,160)	-	(1,687,160)
<u>1,537,785</u>	<u>(16,161,488)</u>	<u>-</u>	<u>(16,161,488)</u>
<u>-</u>	<u>-</u>	<u>1,743,658</u>	<u>1,743,658</u>
<u>-</u>	<u>-</u>	<u>1,743,658</u>	<u>1,743,658</u>
<u>\$ 1,537,785</u>	<u>(16,161,488)</u>	<u>1,743,658</u>	<u>(14,417,830)</u>
	7,523,052	-	7,523,052
	4,407,881	-	4,407,881
	35,657	-	35,657
	701,212	-	701,212
	113,433	-	113,433
	1,609,800	336,379	1,946,179
	231,242	-	231,242
	<u>1,143,700</u>	<u>(1,143,700)</u>	<u>-</u>
	<u>15,765,977</u>	<u>(807,321)</u>	<u>14,958,656</u>
	(395,511)	936,337	540,826
	<u>45,599,243</u>	<u>11,624,239</u>	<u>57,223,482</u>
	<u>\$ 45,203,732</u>	<u>\$ 12,560,576</u>	<u>\$ 57,764,308</u>

**City of Lemon Grove  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	General	Community Development	
		Housing Set-Aside	Debt Service
<b>Assets</b>			
Cash and investments	\$ 2,075,052	\$ 4,269,002	\$ 1,336,187
Cash with fiscal agent	-	-	3,039,233
Due from other governments	619,630	26,566	92,415
Accounts receivable, net	108,139	1,601	-
Due from other funds	251,828	-	-
Interest receivable	-	33,692	10,366
Notes receivable	-	2,968,950	-
Deposits	-	-	-
Advances to other funds	-	-	-
<b>Total assets</b>	<b>\$ 3,054,649</b>	<b>\$ 7,299,811</b>	<b>\$ 4,478,201</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 931,033	\$ 3,368	\$ -
Accrued expenditures	466,119	-	-
Claims payable	-	-	-
Due to other funds	-	-	-
Deposits payable	55,189	-	-
Advances from other funds	-	-	3,917,742
Deferred revenue	-	2,968,950	-
<b>Total liabilities</b>	<b>1,452,341</b>	<b>2,972,318</b>	<b>3,917,742</b>
Fund balances:			
Reserved for:			
Low and moderate housing	-	1,358,543	-
Notes receivable	-	2,968,950	-
Debt service	-	-	3,039,233
Long-term advances	-	-	-
Unreserved:			
Designated, reported in:			
Capital projects fund	-	-	-
Undesignated, reported in:			
General fund	1,602,308	-	-
Special revenue fund	-	-	-
Debt service fund	-	-	(2,478,774)
Capital projects fund	-	-	-
<b>Total fund balances</b>	<b>1,602,308</b>	<b>4,327,493</b>	<b>560,459</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,054,649</b>	<b>\$ 7,299,811</b>	<b>\$ 4,478,201</b>

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

Community Development Capital Projects	Capital Projects Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ 11,992,048	\$ 2,623,189	\$ 3,055,436	\$ 25,350,914
-	-	-	3,039,233
-	-	392,556	1,131,177
-	26,605	1,554	137,899
-	25,000	-	276,828
93,458	-	13,656	151,172
73,992	-	-	3,042,942
1,510	-	-	1,510
-	3,917,742	-	3,917,742
<u>\$ 12,161,008</u>	<u>\$ 6,592,536</u>	<u>\$ 3,463,212</u>	<u>\$ 37,049,417</u>
\$ 19,276	\$ 24,781	\$ 174,351	\$ 1,152,809
-	-	-	466,119
-	100,000	-	100,000
-	-	251,828	251,828
-	-	-	55,189
-	-	-	3,917,742
73,992	-	248,205	3,291,147
<u>93,268</u>	<u>124,781</u>	<u>674,384</u>	<u>9,234,834</u>
-	-	-	1,358,543
-	-	-	2,968,950
-	-	-	3,039,233
-	3,917,742	-	3,917,742
12,067,740	-	-	12,067,740
-	-	-	1,602,308
-	-	2,033,465	2,033,465
-	-	-	(2,478,774)
-	2,550,013	755,363	3,305,376
<u>12,067,740</u>	<u>6,467,755</u>	<u>2,788,828</u>	<u>27,814,583</u>
<u>\$ 12,161,008</u>	<u>\$ 6,592,536</u>	<u>\$ 3,463,212</u>	<u>\$ 37,049,417</u>



**City of Lemon Grove  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets  
June 30, 2008**

**Fund balances of governmental funds** \$ 27,814,583

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	68,164,377
Accumulated depreciation	(25,290,541)

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

1998 Tax allocation refunding bonds	(8,330,000)
2004 Tax allocation bonds	(5,820,000)
2007 Tax allocation bonds	(13,830,000)
Lease payable	(287,927)
Notes payable	(9,336)
Compensated absences	(617,242)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(588,339)
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Notes and interest receivable are offset with deferred revenue in the governmental funds but not in the statement of net assets.	864,868
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred charges, net	1,687,109
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Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

1,446,180

**Net assets of governmental activities** \$ 45,203,732

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

**City of Lemon Grove**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2008**

	General	Community Development	
		Housing Set-Aside	Debt Service
<b>Revenues</b>			
Taxes	\$ 9,341,001	\$ 639,958	\$ 2,559,834
Licenses and permits	467,087	-	-
Fines, forfeitures and penalties	217,800	-	-
Intergovernmental	113,433	-	-
Charges for services	300,171	-	-
Investment earnings	282,988	200,693	182,769
Other revenues	512,150	38,328	-
Total revenues	11,234,630	878,979	2,742,603
<b>Expenditures</b>			
Current:			
General government	1,286,631	-	-
Public safety	8,194,364	-	-
Public works	2,128,349	-	-
Community development	707,953	2,236,799	8,653
Parks and recreation	999,061	-	-
Capital outlay	-	-	-
Debt service:			
Principal	89,473	-	415,000
Interest	16,653	-	1,353,492
Pass-through payments	-	-	333,578
Total expenditures	13,422,484	2,236,799	2,110,723
Excess (deficiency) of revenues over expenditures	(2,187,854)	(1,357,820)	631,880
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,950,044	-	380,579
Transfers out	-	(380,579)	(1,291,400)
Total other financing sources (uses)	1,950,044	(380,579)	(910,821)
Net change in fund balances	(237,810)	(1,738,399)	(278,941)
Fund balances, beginning of year	1,840,118	6,065,892	839,400
Fund balances, end of year	\$ 1,602,308	\$ 4,327,493	\$ 560,459

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

Community Development Capital Projects	Capital Projects Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 193,993	\$ 12,734,786
-	-	-	467,087
-	-	9,000	226,800
-	-	2,003,039	2,116,472
-	-	226,925	527,096
476,784	356,385	124,388	1,624,007
15,773	-	98,525	664,776
<u>492,557</u>	<u>356,385</u>	<u>2,655,870</u>	<u>18,361,024</u>
-	128,276	-	1,414,907
-	10,501	202,942	8,407,807
-	18,978	324,869	2,472,196
644,069	-	24,507	3,621,981
-	-	2,921	1,001,982
-	106,203	1,159,698	1,265,901
-	-	-	504,473
-	-	-	1,370,145
-	-	-	333,578
<u>644,069</u>	<u>263,958</u>	<u>1,714,937</u>	<u>20,392,970</u>
<u>(151,512)</u>	<u>92,427</u>	<u>940,933</u>	<u>(2,031,946)</u>
1,291,400	-	112,800	3,734,823
-	-	(919,144)	(2,591,123)
<u>1,291,400</u>	<u>-</u>	<u>(806,344)</u>	<u>1,143,700</u>
1,139,888	92,427	134,589	(888,246)
<u>10,927,852</u>	<u>6,375,328</u>	<u>2,654,239</u>	<u>28,702,829</u>
<u>\$ 12,067,740</u>	<u>\$ 6,467,755</u>	<u>\$ 2,788,828</u>	<u>\$ 27,814,583</u>

**City of Lemon Grove  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the year ended June 30, 2008**

**Net change in fund balances – total governmental funds** \$ (888,246)

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

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

Cost of assets capitalized	1,539,839
Depreciation expense	(1,525,516)

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

Principal payments on debt:	
1998 Tax allocation refunding bonds	205,000
2004 Tax allocation bonds	210,000
Lease	80,137
Note	9,336
Amortization of deferred charges	(64,513)

Accrued interest on the note receivables are deferred in the fund financial statements but recognized in the statement of net assets.	87,118
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Accrued interest expense related to long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.	(252,502)
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(61,375)
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Internal service funds are used by management to charge the costs of certain activities, including insurance claims and expenses, to individual funds. The net revenues/(expenses) of the internal service fund are reported with governmental activities on the statement of activities.	265,211
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<b>Change in net assets of governmental activities</b>	<b>\$ (395,511)</b>
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*The accompanying notes are an integral part of these financial statements.*

**City of Lemon Grove  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008**

	<u>Business-type Activities - Enterprise Fund Sanitation</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 8,148,927	\$ 1,440,770
Prepays	461	25,000
Accounts receivable, net	40,827	-
Interest receivable	38,943	6,872
	<hr/>	<hr/>
Total current assets	8,229,158	1,472,642
Noncurrent assets:		
Capital assets		
Land	3,724	-
Depreciable infrastructure	9,819,275	-
Depreciable equipment	614,643	-
Accumulated depreciation	(6,023,113)	-
	<hr/>	<hr/>
Total noncurrent assets	4,414,529	-
	<hr/>	<hr/>
Total assets	12,643,687	1,472,642
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	83,111	1,462
Due to other funds	-	25,000
	<hr/>	<hr/>
Total liabilities	83,111	26,462
<b>Net Assets</b>		
Invested in capital assets	4,414,529	-
Unrestricted	8,146,047	1,446,180
	<hr/>	<hr/>
Total net assets	<u>\$ 12,560,576</u>	<u>\$ 1,446,180</u>

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

**City of Lemon Grove**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2008**

	Business-type Activities - Enterprise Fund Sanitation	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>		
Charges for services	\$ 4,214,059	\$ -
Interdepartmental charges	-	305,026
	4,214,059	305,026
Total operating revenues	4,214,059	305,026
<b>Operating Expenses</b>		
Contractual services	16,158	-
Materials and supplies	17,739	-
Repairs and maintenance	63,802	-
Dump fees	2,093,727	-
Utilities	1,627	-
Insurance	48,710	97,102
Depreciation	228,638	-
	2,470,401	97,102
Total operating expenses	2,470,401	97,102
Operating income	1,743,658	207,924
<b>Nonoperating Revenues</b>		
Investment earnings	336,379	57,287
Income before transfers	2,080,037	265,211
Transfers out	(1,143,700)	-
Change in net assets	936,337	265,211
Net assets, beginning of year	11,624,239	1,180,969
Net assets, end of year	\$ 12,560,576	\$ 1,446,180

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

**City of Lemon Grove  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2008**

	Business-type Activities - Enterprise Fund Sanitation	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 4,206,255	\$ -
Cash received from user departments	-	305,026
Cash payments to suppliers for goods and services	(2,195,300)	(102,864)
	<hr/>	<hr/>
Net cash provided by operating activities	2,010,955	202,162
	<hr/>	<hr/>
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers to other funds	(1,143,700)	-
	<hr/>	<hr/>
Net cash (used) by noncapital financing activities	(1,143,700)	-
	<hr/>	<hr/>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(473,833)	-
	<hr/>	<hr/>
Net cash (used) by capital financing activities	(473,833)	-
	<hr/>	<hr/>
<b>Cash Flows From Investing Activities</b>		
Interest received	358,492	60,176
	<hr/>	<hr/>
Net increase in cash and cash equivalents	751,914	262,338
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	7,397,013	1,178,432
	<hr/>	<hr/>
Cash and cash equivalents, end of year	<u>\$ 8,148,927</u>	<u>\$ 1,440,770</u>
	<hr/>	<hr/>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 1,743,658	\$ 207,924
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	228,638	-
Increase in accounts receivable	(7,804)	-
Increase in prepaids	(461)	-
Increase in accounts payable	46,924	(5,762)
	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ 2,010,955</u>	<u>\$ 202,162</u>
	<hr/>	<hr/>

**Noncash Financing, Capital and Investing Activities:**

None

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

**City of Lemon Grove  
Statement of Fiduciary Net Assets  
Private Purpose Trust Fund  
June 30, 2008**

**Assets**

Cash and investments	\$ 317,789
Interest receivable	1,543
	<hr/>
Total assets	319,332
	<hr/>

**Liabilities**

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-

**Net Assets**

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\$ 319,332

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



**City of Lemon Grove**  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the year ended June 30, 2008**

**Additions**

Investment earnings	\$ 5,313
Contributions	<u>234,793</u>
Change in net assets	240,106
Net assets, beginning of year	<u>79,226</u>
Net assets, end of year	<u><u>\$ 319,332</u></u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1:       Summary of Significant Accounting Policies**

The financial statements of the City of Lemon Grove (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**a.       Description of the Reporting Entity**

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

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

***Lemon Grove Community Development Agency***

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

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

***b. Government-wide and Fund Financial Statements***

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

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

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

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

*Private Purpose Trust Fund* – This fund accounts for assets donated by the Thren Family Trust for the creation of the Virginia Spencer Thren Library.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

**d. Assets, Liabilities, Net Assets or Equity**

*Cash and Cash Equivalents*

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

*Cash and Investments*

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

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

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

*Receivables and Payables*

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

*Property Taxes*

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

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

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

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

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

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

*Inventories*

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



**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

*Restricted Assets*

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

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

*Capital Assets*

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2008.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

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

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

*Claims and Judgments*

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

*Compensated Absences*

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

*Long-Term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Net Assets and Fund Equity*

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

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

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

**e. Estimates**

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 2: Stewardship, Compliance and Accountability**

***General Budget Policies***

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

At fiscal year-end all operating budget appropriations lapse with the exception of encumbered and continuing appropriations. During the fiscal year, several supplementary appropriations were necessary.

Budgets are adopted for all major funds and all special revenue funds.

*Encumbrances*

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

*Continuing Appropriations*

The unexpected and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year. These commitments are reported as a reservation of fund balance.

*Budget Basis of Accounting*

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

*Fund Deficits*

The following funds contained a deficit of fund balance as of June 30, 2008:

Nonmajor Funds		
Special Revenue Funds:		
TDA	\$	(936)
Wild Flower Assessment		(3,079)

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 2: Stewardship, Compliance and Accountability (continued)**

The deficit in the TDA and the Wild Flower Assessment funds are due to expenditures being incurred before the revenue has been received.

*Excess of Expenditures over Appropriations*

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

Fund	Final appropriation	Expenditure	Excess
<i>Nonmajor Governmental Funds:</i>			
Wild Flower Assessment	\$ 7,500	\$ 8,290	\$ 790
Serious Traffic Offender Program	20,000	62,620	42,620
Sidewalk Reserve Capital Projects	-	4,527	4,527

**Note 3: Cash and Investments**

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 34,940,611
Cash and investments with fiscal agent	3,039,233
Fiduciary fund:	
Cash and investments	<u>317,789</u>
Total cash and investments	<u><u>\$ 38,297,633</u></u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	406,187
Investments	<u>37,890,146</u>
Total cash and investments	<u><u>\$ 38,297,633</u></u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 3: Cash and Investments (continued)**

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

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

The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments held by bond trustees.

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

**b. Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$ 100,000
Certificates of Deposit	1 year	None	\$ 100,000
Bankers Acceptances	180 days	40%	5%
Commercial Paper	N/A	None	None
Medium Term Notes	5 years	30%	5%
San Diego County Investment Pool	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 3: Cash and Investments (continued)**

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

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

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

Investment type	Totals	Remaining maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
Local Agency Investment Fund	\$29,233,806	\$29,233,806	\$ -	\$ -	\$ -
Federal Home Loan Bank	2,425,730	-	-	2,425,730	-
Federal Home Loan Mortgage Co.	1,517,050	1,004,000	-	513,050	-
Medium term notes	1,515,850	-	1,008,000	507,850	-
San Diego County Pool	108,123	108,122	-	-	-
US Treasury Money Market	50,354	50,354	-	-	-
Held by bond trustee:					
US Treasury Money Market	3,039,233	3,039,233	-	-	-
Total investments	<u>\$37,890,146</u>	<u>\$33,435,515</u>	<u>\$1,008,000</u>	<u>\$ 3,446,630</u>	<u>\$ -</u>

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

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

**e. Disclosures Relating to Credit Risk**

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 3: Cash and Investments (continued)**

Investment type	Amount	Minimum legal rating	Ratings at fiscal year end	
			AAA	Not rated
Local Agency Investment Fund	\$ 29,233,806	N/A	\$ -	\$29,233,806
Federal Home Loan Bank	2,425,730	N/A	2,425,730	-
Federal Home Loan Mortgage Co.	1,517,050	N/A	1,517,050	-
Medium term notes	1,515,850	N/A	1,515,850	-
San Diego County Pool	108,123	N/A	-	108,122
US Treasury Money Market	50,354	N/A	50,354	-
Held by bond trustee:				
US Treasury Money Market	3,039,233	N/A	3,039,233	-
<b>Total investments</b>	<b>\$ 37,890,146</b>		<b>\$ 8,548,217</b>	<b>\$29,341,928</b>

**f. Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. The City has investments in one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total City investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.). Investments in Federal Home Loan Bank securities represent 6.4% of the total investments held by the City.

**g. Custodial Credit Risk**

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



**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 3: Cash and Investments (continued)**

As of June 30, 2008, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2008, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment type</u>	<u>Reported amount</u>
FHLB Discount Notes	\$ 2,425,730
Federal Home Loan Mortgage Co.	1,517,050
Medium term notes	1,515,850

***h. Investment in State Investment Pool***

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

**Note 4: Notes Receivable**

Notes receivable as of June 30, 2008, totaled \$3,042,940 and were recorded as follows:

Home Purchase Second Trust Deed Loan Program loans to assist low income residents for housing mortgage and property rehabilitation and construction.	\$ 167,491
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Note to Community Collective with an amount not to exceed \$2,829,000 at 3.0% interest secured by a deed of trust, assignment of rents, security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use multi-family residential housing project for extremely low, very low and low income persons. The note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note) from the project, Community Collective shall pay the Agency ½ of the available surplus cash. As of June 30, 2008, the Agency had advances \$2,238,333 to the borrower. In addition, \$52,780 of accrued interest was incurred.	2,291,113
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Note to Lemon Grove Builders, LLC at 6.25% interest secured by a deed of trust. Due in varying annual installment starting July 20, 2007 and maturing June 20, 2009.	<u>584,338</u>
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Total	<u><u>\$ 3,042,942</u></u>
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**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 5:       Deferred Charges**

Deferred charges consist of issuance costs and discounts for debt issues. The following is the list of deferred charges at June 30, 2008:

	Amortization period in months	Deferred charges	Accumulated amortization	Amortization for the fiscal year
1998 Tax Allocation Refunding Bonds	364	\$ 427,963	\$ 143,439	\$ 14,109
2004 Tax Allocation Bonds	360	564,979	75,331	18,832
2007 Tax Allocation Bonds	360	947,139	34,201	31,571
Totals		<u>\$ 1,940,081</u>	<u>\$ 252,971</u>	<u>\$ 64,512</u>

**Note 6:       Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2008.

**a.       Transfers**

Fund	Transfers in	Transfers out
<i>Major Funds:</i>		
General	\$ 1,950,044	\$ -
Community Development Agency Housing Set-Aside	-	380,579
Community Development Agency Capital Projects	1,291,400	-
Community Development Agency Debt Service	380,579	1,291,400
<i>Nonmajor Governmental Funds:</i>		
Gas Tax	112,800	575,054
Supplemental Law Enforcement Service	-	101,224
Transnet	-	81,666
TDA	-	69,000
Lighting District	-	12,000
Storm Water	-	80,200
<i>Major Enterprise Fund:</i>		
Sanitation	-	1,143,700
Totals	<u>\$ 3,734,823</u>	<u>\$ 3,734,823</u>

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 6: Interfund Activity (continued)**

**b. Due To/From Other Funds**

Receivable fund	Payable fund	Amount
General Fund	Gas Tax	\$ 155,606
	Sundry Grants	90,307
	CDBG	4,862
	Wild Flower Assessment	1,053
Capital Projects Reserve	Internal service fund	25,000
Totals		\$ 276,828

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

**c. Advances**

At June 30, 2008, the funds below have made/received advances that were not expected to be repaid within one year.

Fund	Advances to	Advances from
Major Funds:		
Capital Projects Reserve Fund	\$ 3,917,742	\$ -
Community Development Debt Service Fund	-	3,917,742
Totals	\$ 3,917,742	\$ 3,917,742

The advances payable have no stated interest rate. Interest expense is computed monthly using the rate currently being paid by the Local Agency Investment Fund. This resulted in an average rate of 3.86% for the fiscal year resulting in a total interest expense of \$186,425. This advance will be repaid based on a schedule to be agreed upon by the City and the Agency. There is no future minimum debt service requirement as repayment will be made when funds are available.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 7: Capital Assets**

**a. Governmental Activities**

Capital assets governmental activities for the fiscal year ended June 30, 2008 were as follows:

	Beginning balance	Additions	Deletions	Ending balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 5,643,942	\$ -	\$ -	\$ 5,643,942
Construction in progress	154,695	75,729	-	230,424
<b>Total capital assets not being depreciated</b>	<b>5,798,637</b>	<b>75,729</b>	<b>-</b>	<b>5,874,366</b>
Capital assets, being depreciated:				
Building and improvements	8,777,901	153,982	-	8,931,883
Vehicle & equipment	2,892,940	307,620	-	3,200,560
Infrastructure	49,155,060	1,002,508	-	50,157,568
<b>Total capital assets, being depreciated</b>	<b>60,825,901</b>	<b>1,464,110</b>	<b>-</b>	<b>62,290,011</b>
Less accumulated depreciation for:				
Building and improvements	(4,243,596)	(219,449)	-	(4,463,045)
Vehicle & equipment	(1,735,805)	(159,403)	-	(1,895,208)
Infrastructure	(17,785,624)	(1,146,664)	-	(18,932,288)
<b>Total accumulated depreciation</b>	<b>(23,765,025)</b>	<b>(1,525,516)</b>	<b>-</b>	<b>(25,290,541)</b>
<b>Total capital assets, being depreciated, net</b>	<b>37,060,876</b>	<b>(61,406)</b>	<b>-</b>	<b>36,999,470</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 42,859,513</b>	<b>\$ 14,323</b>	<b>\$ -</b>	<b>\$42,873,836</b>

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

	Governmental activities
General government	\$ 55,216
Public safety	99,454
Public works	1,244,265
Parks and recreation	116,711
Community development	9,870
<b>Total depreciation expense</b>	<b>\$ 1,525,516</b>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 7: Capital Assets (continued)**

Capital assets for business-type activities for the fiscal year ended June 30, 2008 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 3,724	\$ -	\$ -	\$ 3,724
Total capital assets not being depreciated	3,724	-	-	3,724
Capital assets, being depreciated:				
Infrastructure	9,396,731	422,544	-	9,819,275
Machinery & equipment	563,354	51,289	-	614,643
Total capital assets, being depreciated	9,960,085	473,833	-	10,433,918
Less accumulated depreciation	(5,794,475)	(228,638)	-	(6,023,113)
Total capital assets, being depreciated, net	4,165,610	245,195	-	4,410,805
Business-type activities capital assets, net	<u>\$ 4,169,334</u>	<u>\$ 245,195</u>	<u>\$ -</u>	<u>\$ 4,414,529</u>

**Note 8: Long-Term Liabilities**

**a. The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2008:**

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
<b>Governmental activities:</b>					
1998 TABS	\$ 8,535,000	\$ -	\$ 205,000	\$ 8,330,000	\$ 215,000
2004 TABS	6,030,000	-	210,000	5,820,000	60,000
2007 TABS	13,830,000	-	-	13,830,000	-
Subtotal bonds	28,395,000	-	415,000	27,980,000	275,000
Lease payable	368,064	-	80,137	287,927	68,062
Note payable	18,672	-	9,336	9,336	9,336
Compensated absences	555,867	61,375	-	617,242	185,198
Subtotal other	942,603	61,375	89,473	914,505	262,596
Total	<u>\$ 29,337,603</u>	<u>\$ 61,375</u>	<u>\$ 504,473</u>	<u>\$ 28,894,505</u>	<u>\$ 537,596</u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 8: Long-Term Liabilities (continued)**

**b. Governmental long-term debt at June 30, 2008 consisted of the following:**

**A. 1998 Tax Allocation Refunding Bonds**

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

Agency tax increment revenue is pledged for the repayment of these bonds. Interest is payable semi-annually each August 1 and February 1 through 2029. Bonds outstanding at June 30, 2008 were \$8,330,000.

The scheduled annual minimum debt service requirements at June 30, 2008 are as follows:

Fiscal year ended June 30,	Principal	Interest	Total
2009	\$ 215,000	\$ 472,203	\$ 687,203
2010	225,000	460,144	685,144
2011	240,000	446,775	686,775
2012	255,000	432,544	687,544
2013	265,000	417,594	682,594
2014-2018	1,590,000	1,831,375	3,421,375
2019-2023	2,105,000	1,303,956	3,408,956
2024-2028	2,780,000	605,763	3,385,763
2029	655,000	18,831	673,831
Totals	<u>\$ 8,330,000</u>	<u>\$ 5,989,185</u>	<u>\$ 14,319,185</u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 8: Long-Term Liabilities (continued)**

*B. 2004 Tax Allocation Bonds*

On August 1, 2004, the Agency issued \$6,330,000 of Tax Allocation Bonds bearing interest rates between 2.25% to 5.40% and payable semi-annually on February 1 and August 1. The bonds mature annually in various amounts through August 1, 2034. The bonds are payable from and secured by incremental tax revenue (Pledged Tax Revenues). The bond proceeds were used to finance certain projects within the Agency's project area including low and moderate income housing. Bonds outstanding at June 30, 2008 were \$5,820,000.

The scheduled annual minimum debt service requirements at June 30, 2008 are as follows:

Fiscal year ended June 30,	Principal	Interest	Total
2009	\$ 60,000	\$ 284,501	\$ 344,501
2010	60,000	282,746	342,746
2011	60,000	280,804	340,804
2012	65,000	278,613	343,613
2013	70,000	276,105	346,105
2014-2018	380,000	1,335,304	1,715,304
2019-2023	485,000	1,237,281	1,722,281
2024-2028	605,000	1,100,891	1,705,891
2029-2033	3,305,000	647,873	3,952,873
2034-2035	730,000	28,395	758,395
Totals	<u>\$ 5,820,000</u>	<u>\$ 5,752,513</u>	<u>\$ 11,572,513</u>

*C. 2007 Tax Allocation Bonds*

In June 2007, the Agency issued \$13,830,000 of Tax Allocation Bonds with interest rates varying from 4.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2037. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bond proceeds are to be used to (i) finance redevelopment activities within or for the benefit of the Agency's project area, (ii) finance low and moderate income housing activities within the geographic boundaries of the City of Lemon Grove, (iii) fund an Escrowed Proceeds Fund the monies which, upon evidence of increased tax revenues, will be released to the Agency for additional redevelopment and low and moderate income housing activities and a proportionate increase in the Reserve Account to meet the reserve requirement, (iv) fund capitalized interest with respect to the Escrowed Bonds through August 1, 2010, (v) make a deposit to the Reserve Account; and (vi) provide for the costs of issuing the bonds. Bonds outstanding at June 30, 2008 were \$13,830,000.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 8: Long-Term Liabilities (continued)**

Fiscal year ended June 30,	Principal	Interest	Total
2009	\$ -	\$ 618,444	\$ 618,444
2010	130,000	606,318	736,318
2011	165,000	600,411	765,411
2012	170,000	593,695	763,695
2013	180,000	586,677	766,677
2014-2018	1,000,000	2,818,091	3,818,091
2019-2023	1,180,000	2,595,852	3,775,852
2024-2028	1,495,000	2,311,460	3,806,460
2029-2033	2,315,000	1,927,688	4,242,688
2034-2038	7,195,000	891,338	8,086,338
Totals	<u>\$ 13,830,000</u>	<u>\$13,549,974</u>	<u>\$ 27,379,974</u>

**D. Leases Payable**

On August 4, 2004, the City entered into a *Lease-Purchase Agreement* for a fire truck for \$326,599. The City will make five annual payments of \$74,169 each with accrued interest at 4.39% per annum. The principal balance due at June 30, 2008 is \$139,111.

Fiscal year ended June 30,	Principal	Interest	Total
2009	\$ 68,062	\$ 6,107	\$ 74,169
2010	71,049	3,120	74,169
Totals	<u>\$ 139,111</u>	<u>\$ 9,227</u>	<u>\$ 148,338</u>

On November 1, 2005, the City entered into a *Lease-Purchase Agreement* for a facility extension of a fire station in the amount of \$178,000. The City will make 20 payments of \$11,310.61 semi-annually on January 1 and July 1 with accrued interest at 4.8% per annum. The principal balance due at June 30, 2008 is \$148,816.

Fiscal year ended June 30,	Principal	Interest	Total
2009	\$ 15,664	\$ 6,957	\$ 22,621
2010	16,424	6,197	22,621
2011	17,222	5,399	22,621
2012	18,059	4,562	22,621
2013	18,936	3,685	22,621
2014-2017	62,511	5,354	67,865
Totals	<u>\$ 148,816</u>	<u>\$ 32,154</u>	<u>\$ 180,970</u>



**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 8: Long-Term Liabilities (continued)**

*E. Note Payable*

In July 2005, the City entered into an agreement to purchase two vehicles for \$65,480 with a down payment of \$18,800 and the issuance of a note for \$46,680. Terms of the note call for monthly payments of \$778 with zero percent interest. The principal balance due at June 30, 2008 is \$9,336.

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,336	\$ -	\$ 9,336
Totals	<u>\$ 9,336</u>	<u>\$ -</u>	<u>\$ 9,336</u>

*F. Claims Payable*

The City is one of thirteen (13) members of the San Diego Pooled Insurance Program Authority (SANDPIPA). This organization was created by a joint powers authority to provide liability, property, and casualty coverage to its' members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between \$2,000,000 and the individual self insured retention of \$100,000, each occurrence, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,000,000 up to \$13,000,000 per occurrence. The premiums billed by the JPA to member cities are planned to match the expenses of the self insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

Segmented information for the fiscal year ended June 30, 2008 taken from the audited financial statements of JPA are as follows:

<i>Operations</i>	
Total revenues	\$ 7,636,615
Total expenses	<u>8,051,303</u>
Change in net assets	<u>\$ (414,688)</u>
<i>Statement of net assets</i>	
Assets:	
Cash and investments	\$ 26,351,574
Other assets	<u>412,835</u>
Total assets	<u>26,764,409</u>
Liabilities:	
Claims payable	16,209,063
Other liabilities	<u>71,444</u>
Total liabilities	<u>16,280,507</u>
Net assets	<u>\$ 10,483,902</u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 8: Long-Term Liabilities (continued)**

Numerous claims and suits have been filed against the City in the normal course of business. The City's estimated claims liability of \$100,000 reported at June 30, 2008 is based on the requirements of Governmental Accounting Standards Board Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**Note 9: Defined Benefit Pension Plan**

*Plan Description*

The City of Lemon Grove contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. All full time, miscellaneous employees are in the 2.5% at age 55 plan. All full time, safety employees are in the 3% at age 55 plan. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

*Funding Policy*

Active plan members are required to contribute a set percentage of their annual covered salary; eight percent for miscellaneous employees and nine percent for safety employees. The City pays seven of the eight percent on behalf on the miscellaneous employees, and the entire nine percent on behalf of safety employees. In addition, the safety employees benefit from employer paid member contributions conversion (EPMC). This was established by resolution and the Memorandum of Understanding between the City and the Local 2728-IAFF, requiring the City to report the nine percent paid by the City on behalf of safety members as special compensation, thus increasing reported salary, and requiring the City to pay the employer share on this nine percent as well. The City is required to contribute (the employer share) at an actuarially determined rate established each year by PERS; the current rate is 15.688% for miscellaneous employees and 18.385% for safety employees, of annual covered payroll.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**Note 9: Defined Benefit Pension Plan (continued)**

Fiscal year	THREE-YEAR TREND INFORMATION			Net pension obligation
	Annual pension cost (employer contribution)	Percentage of APC contributed		
6/30/2006	\$ 529,652	100%	\$ -	
6/30/2007	597,167	100%	-	
6/30/2008	693,369	100%	-	

**Note 10: Fund Balance Reservation/Designations**

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

*Reserves*

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

*Designations*

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

**Note 11: Litigation**

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

**Note 12: Net Assets Restricted by Enabling Legislation**

Net assets restricted by enabling legislation in the Governmental Activities Statement of Net Assets total \$599,973.

## Required Supplementary Information

**Required Supplementary Information  
City of Lemon Grove  
Budgetary Comparison Schedule  
General Fund  
For the year ended June 30, 2008**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 9,694,500	\$ 9,517,500	\$ 9,341,001	\$ (176,499)
Licenses and permits	497,000	497,000	467,087	(29,913)
Fines, forfeitures and penalties	293,000	293,000	217,800	(75,200)
Intergovernmental	150,000	150,000	113,433	(36,567)
Charges for services	339,700	395,700	300,171	(95,529)
Investment earnings	261,200	263,200	282,988	19,788
Other revenues	523,500	464,200	512,150	47,950
<b>Total revenues</b>	<b>11,758,900</b>	<b>11,580,600</b>	<b>11,234,630</b>	<b>(345,970)</b>
<b>Expenditures</b>				
Current:				
General government:				
City council	144,600	140,200	121,282	18,918
City manager	571,400	569,100	574,811	(5,711)
City attorney	167,400	152,400	113,692	38,708
Finance	490,600	487,300	476,846	10,454
<b>Total general government</b>	<b>1,374,000</b>	<b>1,349,000</b>	<b>1,286,631</b>	<b>62,369</b>
Public safety:				
Sheriff	4,702,700	4,640,400	4,637,762	2,638
Animal control	162,500	162,500	168,704	(6,204)
Fire	3,279,000	3,395,510	3,387,898	7,612
<b>Total public safety</b>	<b>8,144,200</b>	<b>8,198,410</b>	<b>8,194,364</b>	<b>4,046</b>
Public works:				
Grounds maintenance	497,000	492,300	486,360	5,940
Street maintenance	746,300	787,400	727,207	60,193
Sanitation	230,000	201,900	182,438	19,462
Engineering and other	768,900	758,400	732,344	26,056
<b>Total public works</b>	<b>2,242,200</b>	<b>2,240,000</b>	<b>2,128,349</b>	<b>111,651</b>
Community development	771,400	759,500	707,953	51,547
Parks and recreation:				
Recreation	737,200	714,300	690,432	23,868
Facilities	317,000	317,000	308,629	8,371
<b>Total park and recreation</b>	<b>1,054,200</b>	<b>1,031,300</b>	<b>999,061</b>	<b>32,239</b>
Debt service:				
Principal	89,535	89,535	89,473	62
Interest	16,665	16,665	16,653	12
<b>Total debt service</b>	<b>106,200</b>	<b>106,200</b>	<b>106,126</b>	<b>74</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,933,300)</b>	<b>(2,103,810)</b>	<b>(2,187,854)</b>	<b>(84,004)</b>

**Required Supplementary Information**  
**City of Lemon Grove**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2008**  
**(continued)**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 1,960,500	\$ 1,982,500	\$ 1,950,044	\$ 32,456
Total other financing sources (uses)	1,960,500	1,982,500	1,950,044	32,456
Net change in fund balance	27,200	(121,310)	(237,810)	(116,500)
Fund balance, beginning of year	1,840,118	1,840,118	1,840,118	-
Fund balance, end of year	<u>\$ 1,867,318</u>	<u>\$ 1,718,808</u>	<u>\$ 1,602,308</u>	<u>\$ (116,500)</u>

**Required Supplementary Information  
City of Lemon Grove  
Budgetary Comparison Schedule  
Community Development Housing Set-Aside Fund  
For the year ended June 30, 2008**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 530,000	\$ 530,000	\$ 639,958	\$ 109,958
Investment earnings	320,500	273,900	200,693	(73,207)
Other	-	-	38,328	38,328
Total revenues	<u>850,500</u>	<u>803,900</u>	<u>878,979</u>	<u>75,079</u>
<b>Expenditures</b>				
Current:				
Community development	<u>3,283,500</u>	<u>3,283,500</u>	<u>2,236,799</u>	<u>1,046,701</u>
Total expenditures	<u>3,283,500</u>	<u>3,283,500</u>	<u>2,236,799</u>	<u>1,046,701</u>
Excess of revenues over (under) expenditures	<u>(2,433,000)</u>	<u>(2,479,600)</u>	<u>(1,357,820)</u>	<u>1,121,780</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	141,600	144,500	-	(144,500)
Transfers out	<u>(538,500)</u>	<u>(538,00)</u>	<u>(380,579)</u>	<u>157,921</u>
Total other financial sources (uses)	<u>(369,900)</u>	<u>(394,000)</u>	<u>(380,579)</u>	<u>13,421</u>
Net change in fund balance	(2,829,900)	(2,873,600)	(1,738,399)	1,135,201
Fund balance, beginning of year	<u>6,065,892</u>	<u>6,065,892</u>	<u>6,065,892</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,235,992</u>	<u>\$ 3,192,292</u>	<u>\$ 4,327,493</u>	<u>\$1,135,201</u>

## **Other Supplementary Information**



**City of Lemon Grove  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2008**

	Special Revenue Funds		
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service
<b>Assets</b>			
Cash and investments	\$ -	\$ 28,632	\$ -
Due from other governments	155,606	-	-
Accounts receivable, net	-	-	-
Interest receivable	-	137	-
Total assets	\$ 155,606	\$ 28,769	\$ -
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Due to other funds	155,606	-	-
Total liabilities	155,606	-	-
Fund balances:			
Unreserved:			
Undesignated	-	28,769	-
Total fund balances (deficit)	-	28,769	-
Total liabilities and fund balances	\$ 155,606	\$ 28,769	\$ -

Special Revenue Funds

Sundry Grants	CDBG	TDA	Lighting District	Transnet	Traffic Congestion Relief
\$ -	\$ -	\$ 131,859	\$ 515,781	\$ 1,467,854	\$ 9,812
102,683	5,672	121,170	1,605	-	-
-	-	-	-	-	-
206	-	691	2,501	7,279	47
<u>\$ 102,889</u>	<u>\$ 5,672</u>	<u>\$ 253,720</u>	<u>\$ 519,887</u>	<u>\$ 1,475,133</u>	<u>\$ 9,859</u>
\$ -	\$ 810	\$ 6,451	\$ 15,216	\$ 66,139	\$ -
-	-	248,205	-	-	-
90,307	4,862	-	-	-	-
90,307	5,672	254,656	15,216	66,139	-
12,582	-	(936)	504,671	1,408,994	9,859
12,582	-	(936)	504,671	1,408,994	9,859
<u>\$ 102,889</u>	<u>\$ 5,672</u>	<u>\$ 253,720</u>	<u>\$ 519,887</u>	<u>\$ 1,475,133</u>	<u>\$ 9,859</u>

**City of Lemon Grove  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2008  
(continued)**

	Special Revenue Funds			
	Storm Water	Household Hazardous Waste	Wild Flower Assessment	Serious Traffic Offender Program
<b>Assets</b>				
Cash and investments	\$ 3,778	\$ 82,749	\$ -	\$ 58,752
Due from other governments	4,025	1,805	-	-
Accounts receivable, net	-	-	-	-
Interest receivable	-	396	-	282
<b>Total assets</b>	<u>\$ 7,803</u>	<u>\$ 84,950</u>	<u>\$ -</u>	<u>\$ 59,034</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,731	\$ 23,688	\$ 2,026	\$ 53,763
Deferred revenue	-	-	-	-
Due to other funds	-	-	1,053	-
<b>Total liabilities</b>	<u>1,731</u>	<u>23,688</u>	<u>3,079</u>	<u>53,763</u>
Fund balances:				
Unreserved:				
Undesignated	<u>6,072</u>	<u>61,262</u>	<u>(3,079)</u>	<u>5,271</u>
<b>Total fund balances (deficit)</b>	<u>6,072</u>	<u>61,262</u>	<u>(3,079)</u>	<u>5,271</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,803</u>	<u>\$ 84,950</u>	<u>\$ -</u>	<u>\$ 59,034</u>

Capital Projects Funds

Total Special Revenue Funds	Street Construction	Prop 1b	Sidewalk Reserve	Total Capital Projects Funds	Total
\$ 2,299,217	\$ 320,060	\$ 410,309	\$ 25,850	\$ 756,219	\$ 3,055,436
392,566	-	-	-	-	392,566
-	1,554	-	-	1,554	1,554
11,539	-	1,992	125	2,117	13,656
<u>\$ 2,703,322</u>	<u>\$ 321,614</u>	<u>\$ 412,301</u>	<u>\$ 25,975</u>	<u>\$ 759,890</u>	<u>\$ 3,463,212</u>
\$ 169,824	\$ -	\$ -	\$ 4,527	\$ 4,527	\$ 174,351
248,205	-	-	-	-	248,205
251,828	-	-	-	-	251,828
669,857	-	-	4,527	4,527	674,384
<u>2,033,465</u>	<u>321,614</u>	<u>412,301</u>	<u>21,448</u>	<u>755,363</u>	<u>2,788,828</u>
<u>2,033,465</u>	<u>321,614</u>	<u>412,301</u>	<u>21,448</u>	<u>755,363</u>	<u>2,788,828</u>
<u>\$ 2,703,322</u>	<u>\$ 321,614</u>	<u>\$ 412,301</u>	<u>\$ 25,975</u>	<u>\$ 759,890</u>	<u>\$ 3,463,212</u>

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Funds**  
**For the year ended June 30, 2008**

	Special Revenue Funds		
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service
<b>Revenues</b>			
Taxes	\$ -	\$ 25,281	\$ -
Fines, fees and forfeitures	-	-	-
Intergovernmental	462,254	-	100,000
Charges for services	-	-	-
Investment earnings	-	578	1,224
Other revenues	-	-	-
Total revenues	<u>462,254</u>	<u>25,859</u>	<u>101,224</u>
<b>Expenditures</b>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Community development	-	-	-
Parks and recreation	-	2,921	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>2,921</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>462,254</u>	<u>22,938</u>	<u>101,224</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	112,800	-	-
Transfers out	<u>(575,054)</u>	<u>-</u>	<u>(101,224)</u>
Total other financing sources (uses)	<u>(462,254)</u>	<u>-</u>	<u>(101,224)</u>
Net change in fund balances	-	22,938	-
Fund balances, beginning of year	<u>-</u>	<u>5,831</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ 28,769</u></u>	<u><u>\$ -</u></u>

Special Revenue Funds

Sundry Grants	CDBG	TDA	Lighting District	Transnet	Traffic Congestion Relief
\$ -	\$ -	\$ -	\$ 168,712	\$ -	\$ -
-	-	-	-	-	-
142,943	9,725	115,881	-	742,416	-
-	-	-	82,667	-	-
2,414	-	8,624	20,448	63,031	6,290
-	-	-	-	-	-
<u>145,357</u>	<u>9,725</u>	<u>124,505</u>	<u>271,827</u>	<u>805,447</u>	<u>6,290</u>
140,322	-	-	-	-	-
-	-	-	175,801	-	-
6,492	9,725	-	-	-	-
-	-	-	-	-	-
<u>78,525</u>	<u>-</u>	<u>55,505</u>	<u>-</u>	<u>830,995</u>	<u>194,673</u>
<u>225,339</u>	<u>9,725</u>	<u>55,505</u>	<u>175,801</u>	<u>830,995</u>	<u>194,673</u>
<u>(79,982)</u>	<u>-</u>	<u>69,000</u>	<u>96,026</u>	<u>(25,548)</u>	<u>(188,383)</u>
-	-	-	-	-	-
-	-	(69,000)	(12,000)	(81,666)	-
-	-	(69,000)	(12,000)	(81,666)	-
<u>(79,982)</u>	<u>-</u>	<u>-</u>	<u>84,026</u>	<u>(107,214)</u>	<u>(188,383)</u>
<u>92,564</u>	<u>-</u>	<u>(936)</u>	<u>420,645</u>	<u>1,516,208</u>	<u>198,242</u>
<u>\$ 12,582</u>	<u>\$ -</u>	<u>\$ (936)</u>	<u>\$ 504,671</u>	<u>\$ 1,408,994</u>	<u>\$ 9,859</u>

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Funds**  
**For the year ended June 30, 2008**  
**(continued)**

	Special Revenue Funds			
	Storm Water	Household Hazardous Waste	Wild Flower Assessment	Serious Traffic Offender Program
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines, fees and forfeitures	-	-	-	9,000
Intergovernmental	-	20,458	-	-
Charges for services	137,245	-	7,013	-
Investment earnings	-	3,059	20	2,595
Other revenues	-	-	-	-
Total revenues	<u>137,245</u>	<u>23,517</u>	<u>7,033</u>	<u>11,595</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	62,620
Public works	69,954	15,519	-	-
Community development	-	-	8,290	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>69,954</u>	<u>15,519</u>	<u>8,290</u>	<u>62,620</u>
Excess (deficiency) of revenues over expenditures	<u>67,291</u>	<u>7,998</u>	<u>(1,257)</u>	<u>(51,025)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	(80,200)	-	-	-
Total other financing sources (uses)	<u>(80,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,909)	7,998	(1,257)	(51,025)
Fund balances, beginning of year	<u>18,981</u>	<u>53,264</u>	<u>(1,822)</u>	<u>56,296</u>
Fund balances, end of year	<u>\$ 6,072</u>	<u>\$ 61,262</u>	<u>\$ (3,079)</u>	<u>\$ 5,271</u>

Capital Projects Funds

Total Special Revenue Funds	Street Construction	Prop 1B	Sidewalk Reserve	Total Capital Projects Funds	Total
\$ 193,993	\$ -	\$ -	\$ -	\$ -	\$ 193,993
9,000	-	-	-	-	9,000
1,593,677	-	409,362	-	409,362	2,003,039
226,925	-	-	-	-	226,925
108,283	12,029	2,939	1,137	16,105	124,388
-	98,525	-	-	98,525	98,525
<u>2,131,878</u>	<u>110,554</u>	<u>412,301</u>	<u>1,137</u>	<u>523,992</u>	<u>2,655,870</u>
202,942	-	-	-	-	202,942
261,274	59,068	-	4,527	63,595	324,869
24,507	-	-	-	-	24,507
2,921	-	-	-	-	2,921
1,159,698	-	-	-	-	1,159,698
<u>1,651,342</u>	<u>59,068</u>	<u>-</u>	<u>4,527</u>	<u>63,595</u>	<u>1,714,937</u>
480,536	51,486	412,301	(3,390)	460,397	940,933
112,800	-	-	-	-	112,800
(919,144)	-	-	-	-	(919,144)
<u>(806,344)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(806,344)</u>
(325,808)	51,486	412,301	(3,390)	460,397	134,589
2,359,273	270,128	-	24,838	294,966	2,654,239
<u>\$ 2,033,465</u>	<u>\$ 321,614</u>	<u>\$ 412,301</u>	<u>\$ 21,448</u>	<u>\$ 755,363</u>	<u>\$ 2,788,828</u>



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 485,000	\$ 462,254	\$ (22,746)
Total revenues	485,000	462,254	(22,746)
<b>Expenditures</b>			
Current:			
Public works	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	485,000	462,254	(22,746)
<b>Other Financing Sources (Uses)</b>			
Transfers in	112,800	112,800	-
Transfers out	(597,800)	(575,054)	22,746
Total other financing sources (uses)	(485,000)	(462,254)	22,746
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Parkland Dedication Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 4,000	\$ 25,281	\$ 21,281
Intergovernmental	200	578	378
Total revenues	<u>4,200</u>	<u>25,859</u>	<u>21,659</u>
<b>Expenditures</b>			
Current:			
Parks and recreation	<u>10,000</u>	<u>2,921</u>	<u>7,079</u>
Total expenditures	<u>10,000</u>	<u>2,921</u>	<u>7,079</u>
Net change in fund balance	(5,800)	22,938	28,738
Fund balance, beginning of year	<u>5,831</u>	<u>5,831</u>	<u>-</u>
Fund balance, end of year	<u>\$ 31</u>	<u>\$ 28,769</u>	<u>\$ 28,738</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Supplemental Law Enforcement Service Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Investment earnings	2,500	1,224	(1,276)
Total revenues	<u>102,500</u>	<u>101,224</u>	<u>(1,276)</u>
<b>Expenditures</b>			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>102,500</u>	<u>101,224</u>	<u>(1,276)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(102,500)</u>	<u>(101,224)</u>	<u>1,276</u>
Total other financing sources (uses)	<u>(102,500)</u>	<u>(101,224)</u>	<u>1,276</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Sundry Grants Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 1,900,850	\$ 142,943	\$ (1,757,907)
Investment earnings	4,600	2,414	(2,186)
	<u>1,905,450</u>	<u>145,357</u>	<u>(1,760,093)</u>
<b>Expenditures</b>			
Current:			
Public safety	338,500	140,322	198,178
Community development	36,000	6,492	29,508
Parks and recreation	288,650	-	288,650
Capital outlay	1,288,700	78,525	1,210,175
	<u>1,951,850</u>	<u>225,339</u>	<u>1,726,511</u>
Excess (deficiency) of revenues over expenditures	<u>(46,400)</u>	<u>(79,982)</u>	<u>(33,582)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>12,000</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>-</u>	<u>12,000</u>
Net change in fund balance	(58,400)	(79,982)	(21,582)
Fund balance, beginning of year	<u>92,564</u>	<u>92,564</u>	<u>-</u>
Fund balance, end of year	<u>\$ 34,164</u>	<u>\$ 12,582</u>	<u>\$ (21,582)</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**CDBG Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 9,725	\$ 9,725	\$ -
Total revenues	9,725	9,725	-
<b>Expenditures</b>			
Current:			
Community development	9,725	9,725	-
Total expenditures	9,725	9,725	-
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**TDA Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 121,200	\$ 115,881	\$ (5,319)
Investment earnings	12,100	8,624	(3,476)
Total revenues	<u>133,300</u>	<u>124,505</u>	<u>(8,795)</u>
<b>Expenditures</b>			
Capital outlay	<u>188,000</u>	<u>55,505</u>	<u>132,495</u>
Excess (deficiency) of revenues over expenditures	<u>(54,700)</u>	<u>69,000</u>	<u>123,700</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(69,000)</u>	<u>(69,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(69,000)</u>	<u>(69,000)</u>	<u>-</u>
Net change in fund balance	(123,700)	-	123,700
Fund balance, beginning of year	<u>(936)</u>	<u>(936)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (124,636)</u></u>	<u><u>\$ (936)</u></u>	<u><u>\$ 123,700</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Lighting District Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 135,000	\$ 168,712	\$ 33,712
Charges for services	82,200	82,667	467
Investment earnings	19,000	20,448	1,448
	<u>236,200</u>	<u>271,827</u>	<u>35,627</u>
<b>Expenditures</b>			
Current:			
Public works	240,000	175,801	64,199
	<u>(3,800)</u>	<u>96,026</u>	<u>99,826</u>
Excess (deficiency) of revenues over expenditures			
	<u>(3,800)</u>	<u>96,026</u>	<u>99,826</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	20,500	-	(20,500)
Transfers out	(12,000)	(12,000)	-
	<u>8,500</u>	<u>(12,000)</u>	<u>(20,500)</u>
Net change in fund balance	4,700	84,026	79,326
Fund balance, beginning of year	420,645	420,645	-
	<u>\$ 425,345</u>	<u>\$ 504,671</u>	<u>\$ 79,326</u>
Fund balance, end of year			

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Transnet Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 707,000	\$ 742,416	\$ 35,416
Investment earnings	76,000	63,031	(12,969)
Total revenues	<u>783,000</u>	<u>805,447</u>	<u>22,447</u>
<b>Expenditures</b>			
Capital outlay	<u>2,376,460</u>	<u>830,995</u>	<u>1,545,465</u>
Total expenditures	<u>2,376,460</u>	<u>830,995</u>	<u>1,545,465</u>
Excess (deficiency) of revenues over expenditures	<u>(1,593,460)</u>	<u>(25,548)</u>	<u>1,567,912</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(78,000)</u>	<u>(81,666)</u>	<u>(3,666)</u>
Total other financing sources (uses)	<u>(78,000)</u>	<u>(81,666)</u>	<u>(3,666)</u>
Net change in fund balance	(1,671,460)	(107,214)	1,564,246
Fund balance, beginning of year	<u>1,516,208</u>	<u>1,516,208</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (155,252)</u></u>	<u><u>\$ 1,408,994</u></u>	<u><u>\$ 1,564,246</u></u>



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Traffic Congestion Relief Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 5,000	\$ 6,290	\$ 1,290
Total revenues	5,000	6,290	1,290
<b>Expenditures</b>			
Capital outlay	200,000	194,673	5,327
Total expenditures	200,000	194,673	5,327
Net change in fund balance	(195,000)	(188,383)	6,617
Fund balance, beginning of year	198,242	198,242	-
Fund balance, end of year	<u>\$ 3,242</u>	<u>\$ 9,859</u>	<u>\$ 6,617</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Storm Water Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Charges for services	\$ 150,000	\$ 137,245	\$ (12,755)
Total revenues	150,000	137,245	(12,755)
<b>Expenditures</b>			
Current:			
Public works	93,000	69,954	23,046
Total expenditures	93,000	69,954	23,046
Excess (deficiency) of revenues over expenditures	57,000	67,291	10,291
<b>Other Financing Sources (Uses)</b>			
Transfers in	4,200	-	(4,200)
Transfers out	(80,200)	(80,200)	-
Total other financing sources (uses)	(80,200)	(80,200)	-
Net change in fund balance	(23,200)	(12,909)	10,291
Fund balance, beginning of year	18,981	18,981	-
Fund balance, end of year	\$ (4,219)	\$ 6,072	\$ 10,291

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Household Hazardous Waste Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 25,000	\$ 20,458	\$ (4,542)
Investment earnings	2,000	3,059	1,059
Total revenues	<u>27,000</u>	<u>23,517</u>	<u>(3,483)</u>
<b>Expenditures</b>			
Current:			
Public works	<u>25,000</u>	<u>15,519</u>	<u>9,481</u>
Total expenditures	<u>25,000</u>	<u>15,519</u>	<u>9,481</u>
Net change in fund balance	2,000	7,998	5,998
Fund balance, beginning of year	<u>53,264</u>	<u>53,264</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 55,264</u></u>	<u><u>\$ 61,262</u></u>	<u><u>\$ 5,998</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Wild Flower Assessment Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Charges for services	\$ 7,500	\$ 7,013	\$ (487)
Investment earnings	-	20	20
Total revenues	<u>7,500</u>	<u>7,033</u>	<u>(467)</u>
<b>Expenditures</b>			
Current:			
Community development	<u>7,500</u>	<u>8,290</u>	<u>(790)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,257)</u>	<u>(1,257)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	<u>1,800</u>	<u>-</u>	<u>(1,800)</u>
Total other financing sources (uses)	<u>1,800</u>	<u>-</u>	<u>(1,800)</u>
Net change in fund balance	1,800	(1,257)	(3,057)
Fund balance, beginning of year	<u>(1,822)</u>	<u>(1,822)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (22)</u>	<u>\$ (3,079)</u>	<u>\$ (3,057)</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Serious Traffic Offender Program Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Fines, fees and forfeitures	\$ 20,000	\$ 9,000	\$ (11,000)
Investment earnings	3,300	2,595	(705)
Total revenues	<u>23,300</u>	<u>11,595</u>	<u>(11,705)</u>
<b>Expenditures</b>			
Current:			
Public safety	<u>20,000</u>	<u>62,620</u>	<u>(42,620)</u>
Total expenditures	<u>20,000</u>	<u>62,620</u>	<u>(42,620)</u>
Net change in fund balance	3,300	(51,025)	(54,325)
Fund balance, beginning of year	<u>56,296</u>	<u>56,296</u>	<u>-</u>
Fund balance, end of year	<u>\$ 59,596</u>	<u>\$ 5,271</u>	<u>\$ (54,325)</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Street Construction Capital Projects Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 6,583	\$ 12,029	\$ 5,446
Other revenues	13,000	98,525	85,525
Total revenues	19,583	110,554	90,971
<b>Expenditures</b>			
Current:			
Public works	289,711	59,068	230,643
Total expenditures	289,711	59,068	230,643
Net change in fund balance	(270,128)	51,486	321,614
Fund balance, beginning of year	270,128	270,128	-
Fund balance, end of year	\$ -	\$ 321,614	\$ 321,614

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Prop 1b Special Revenue Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental	\$ 409,000	\$ 409,362	\$ 362
Investment earnings	2,600	2,939	339
Total revenues	411,600	412,301	701
<b>Expenditures</b>			
Current:			
Public works	411,600	-	411,600
Total expenditures	411,600	-	411,600
Net change in fund balance	-	412,301	412,301
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 412,301	\$ 412,301

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Sidewalk Reserve Capital Projects Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 600	\$ 1,137	\$ 537
Total revenues	600	1,137	537
<b>Expenditures</b>			
Current:			
Public works	-	4,527	(4,527)
Total expenditures	-	4,527	(4,527)
Net change in fund balance	600	(3,390)	(3,990)
Fund balance, beginning of year	24,838	24,838	-
Fund balance, end of year	<u>\$ 25,438</u>	<u>\$ 21,448</u>	<u>\$ (3,990)</u>



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual – Major Fund**  
**Community Development Debt Service Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 2,120,000	\$ 2,559,834	\$ 439,834
Investment earnings	223,300	182,769	(40,531)
Other	297,200	-	(297,200)
	<u>2,640,500</u>	<u>2,742,603</u>	<u>102,103</u>
<b>Expenditures</b>			
Current:			
Community development	20,000	8,653	11,347
Debt service:			
Principal	415,000	415,000	-
Interest	1,499,200	1,353,492	145,708
Pass-through payments	690,000	333,578	356,422
	<u>2,624,200</u>	<u>2,110,723</u>	<u>513,477</u>
Excess (deficiency) of revenues over expenditures	<u>16,300</u>	<u>631,880</u>	<u>615,580</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	538,500	380,579	(157,921)
Transfers out	(1,291,400)	(1,291,400)	-
	<u>(752,900)</u>	<u>(910,821)</u>	<u>(157,921)</u>
Net change in fund balance	(736,600)	(278,941)	457,659
Fund balance, beginning of year	<u>839,400</u>	<u>839,400</u>	<u>-</u>
Fund balance, end of year	<u>\$ 102,800</u>	<u>\$ 560,459</u>	<u>\$ 457,659</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual – Major Fund**  
**Community Development Capital Projects Fund**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 545,200	\$ 476,784	\$ (68,416)
Other revenues	-	15,773	15,773
Total revenues	545,200	492,557	(52,643)
<b>Expenditures</b>			
Current:			
Community development	4,107,700	644,069	3,463,631
Total expenditures	4,107,700	644,069	3,463,631
Excess of revenues over (under) expenditures	(3,562,500)	(151,512)	3,410,988
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,146,900	1,291,400	144,500
Total other financing sources (uses)	1,146,900	1,291,400	144,500
Net change in fund balance	(2,415,600)	1,139,888	3,555,488
Fund balance, beginning of year	10,927,852	10,927,852	-
Fund balance, end of year	<u>\$ 8,512,252</u>	<u>\$ 12,067,740</u>	<u>\$ 3,555,488</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual – Major Fund**  
**Capital Projects Reserve**  
**For the year ended June 30, 2008**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 334,700	\$ 356,385	\$ 21,685
Total revenues	334,700	356,385	21,685
<b>Expenditures</b>			
Current:			
General government	166,500	128,276	38,224
Public safety	27,000	10,501	16,499
Public works	21,000	18,978	2,022
Capital outlay	181,000	106,203	74,797
Total expenditures	395,500	263,958	131,542
Excess of revenues over (under) expenditures	(60,800)	92,427	153,227
<b>Other Financing Sources (Uses)</b>			
Transfers out	(26,500)	-	26,500
Total other financing sources (uses)	(26,500)	-	26,500
Net change in fund balance	(87,300)	92,427	179,727
Fund balance, beginning of year	6,375,328	6,375,328	-
Fund balance, end of year	\$ 6,288,028	\$ 6,467,755	\$ 179,727