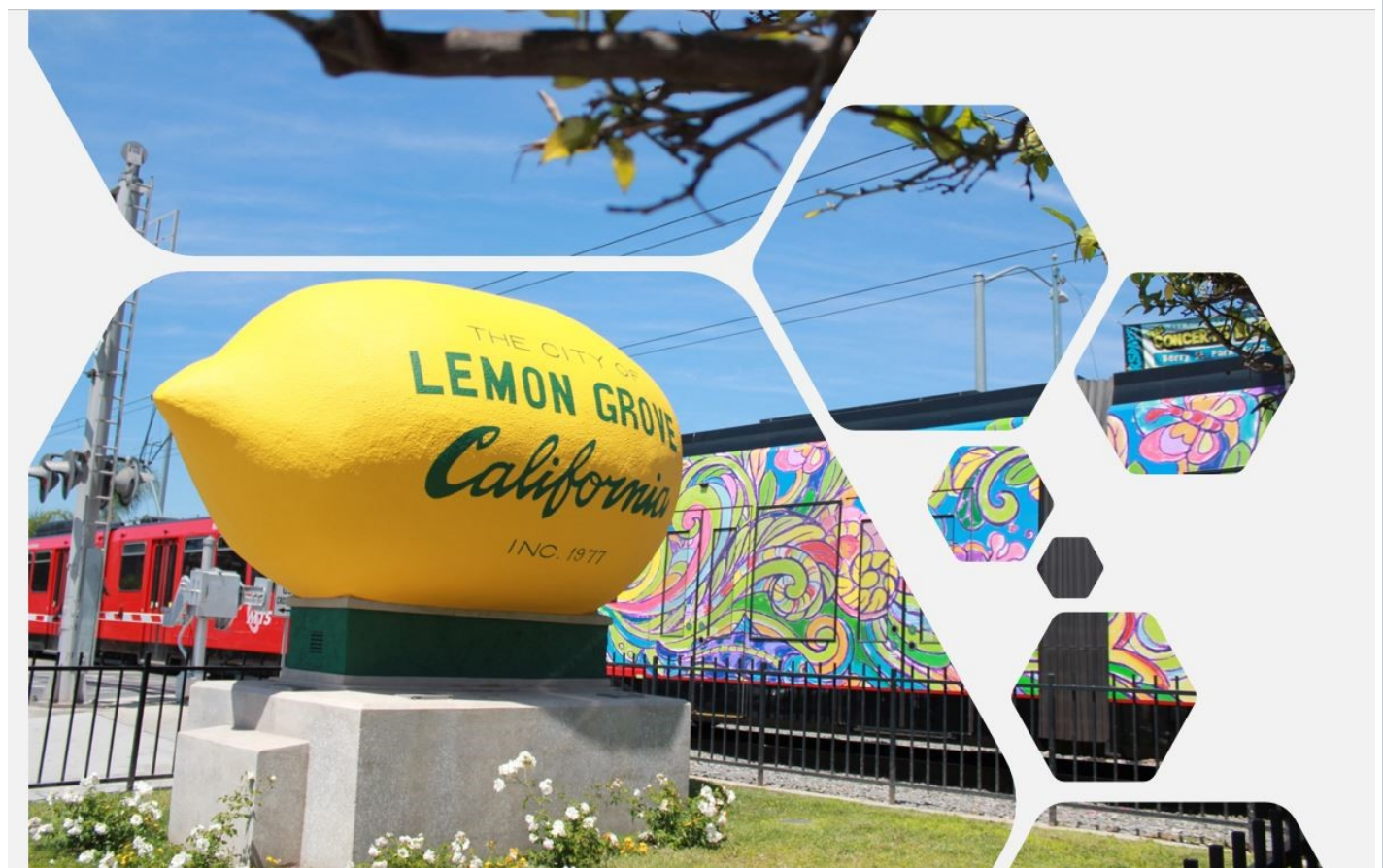


The City of

Lemon Grove

California



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

City of Lemon Grove

in the State of California

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022

Prepared by the Finance Department of the City of Lemon Grove

City of Lemon Grove
Annual Comprehensive Financial Report
For the year ended June 30, 2022
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INTRODUCTORY SECTION

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CITY OF LEMON GROVE

3232 MAIN STREET • LEMON GROVE • CALIFORNIA 91945 •
PHONE (619) 825-3800 • FAX (619) 825-3818

"Best Climate on Earth"

February 14, 2023

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

It is with great pleasure that we present to you the City of Lemon Grove (City) Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2022.

This year's report was prepared by the City's Finance Department in conformity with Generally Accepted Accounting Principles (GAAP) and has been audited in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards by a firm of licensed Certified Public Accountants. The report consists of management representations concerning the finances of the City. Consequently, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

The ACFR includes the financial activity for all funds of the City. The City provides a wide range of services including planning; public works; engineering; maintenance of streets, parks and public facilities; community services and recreation; fire; sanitation; and general administrative activities. Contracted services include engineering services with Rick Engineering, law enforcement with the San Diego County Sheriff and animal control with the City of Chula Vista.

Internal Controls

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of State, County, and Federal financial resources, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City.

Annual Audit

Badawi & Associates, CPAs, appointed by the City Council on May 3, 2022, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2022, are free of material misstatement. As part of the City's annual audit, reviews are made to determine the adequacy of the internal control structure as well as to determine that the City has complied with applicable laws and regulations. The auditors make no determination as to whether the internal control structure of the City is operating effectively.

The results of the City's annual audit for the fiscal year ended June 30, 2022, provided no instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The independent auditor concluded there was a reasonable basis for rendering an unmodified opinion and the City's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MDA)

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MDA) and should be read in conjunction with it. The MDA provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variances in the financial data. In addition, the MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City. The City's MDA can be found immediately following the report of the independent auditors.

Government Profile

The City of Lemon Grove was incorporated on July 1, 1977, under the general laws of the State of California and is home to a population of 27,627 residents per the 2020 US Census. Included within the City's financial statements are two component units, the Lemon Grove Sanitation District (Sanitation District) and the Lemon Grove Lighting District (Lighting District). While the Sanitation District and Lighting District are legally separate agencies, their governing boards consists entirely of City Council members. These component units are in substance part of the primary government's operations and are included as part of the primary government.

Services provided by the City of Lemon Grove General Fund include Public Safety services comprised of Law Enforcement and Fire, Community Services which provides parks and facilities for public use, Day Camp programs and special events, Community Development, Engineering and Public Works.

Public Works provides services to the Sanitation Department as well as capital infrastructure project improvements for the City.

The City of Lemon Grove is an inland community in San Diego County encompassing approximately 3.9 square miles and is located approximately nine miles east of the City of San Diego's downtown district. It is bordered to the North by the cities of San Diego and La Mesa, the West by the City of San Diego, the East by Spring Valley, a community of the County of San Diego, and to the South by both the City of San Diego and Spring Valley.

The City is a general law city that operates under the Council-Manager form of government. The City Council (Council) is comprised of an elected Mayor and four Council members elected at large for staggered four-year terms of office. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing such actions as required providing for the general welfare of the community.

The City Manager, appointed by the Council, serves as the Chief Executive Officer and is responsible to the Council for the proper administration of all City affairs and for the implementation of all policies established by the Council. The City Attorney is appointed by the City Council. All other department heads and employees are appointed by the City Manager.

Lemon Grove has established a Planning Commission that is an Advisory Commission to City Council. The Commission consists of five members who are residents of the City. The members are appointed by the City Council for a term of four years, and terms stagger so no more than two terms expire in any given year. The Commission hears appeals of land use matters and recommends changes in the General Plan to the City Council.

Budgetary Process and Controls

The process of adopting a budget for the City is generally a six-month process beginning in late December and ending in June when the Council adopts the budget and appropriates funds necessary for the City to provide services to its residents.

The process is all-inclusive as Department Directors work with the City Manager and representatives of the Finance Department to discuss departmental requests relative to the City's available resources.

The City's overall objectives and goals, along with the economic outlook, serve as a platform for the proposed budget that is distributed to the Council for preliminary review and analysis in preparation of public workshops and hearings. The public workshops and hearings are held to facilitate discussions of items contained within the proposed budget and to allow the citizenry to participate in the budget process.

In June 2021 and 2022, the City Council approved the budgets for Fiscal Years (FY) 2021/22 and 2022/23 respectively. The same process was followed in developing the budgets and, as the budget is amended during budget cycle, budget adjustments are brought to the City Council for review and approval.

In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Council. Activities of the General, Special Revenue, Sanitation District, Special Assessment Districts, Internal Service and Successor Agency Funds are included in the annual appropriated budget.

Budgetary control is established at the highest level and defined by the City Council through the annual Appropriation Ordinance. Budgetary control is exercised at the department level for the General Fund and at the fund level for all other funds. In addition, the budget authorized for personnel expenditures (salaries and wages) for a fund or department may not be used for non-personnel expenditures, without approval of the City Manager. The City's Finance Department monitors the budget to ensure non-personnel expenditures are not incurred if a budget appropriation is not available or a budget change is not approved by the City Manager.

The budget is arranged by fund and department and is presented to the Council by the City Manager. The budget is then adopted annually by the Council prior to the beginning of the financial year and serves as the foundation for the City's financial planning and control. Department Directors may make transfers of appropriations within their own budget units' departments with City Manager approval. The City budget is reviewed and is periodically adjusted at the middle of the fiscal year and at the end of the fiscal year. These adjustments are approved by the Council.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The adopted budget for Fiscal Year 2021/22 was prepared in accordance with the guidelines established by the National Advisory Council on State and Local Budgeting and the Go's best practices on budgeting.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

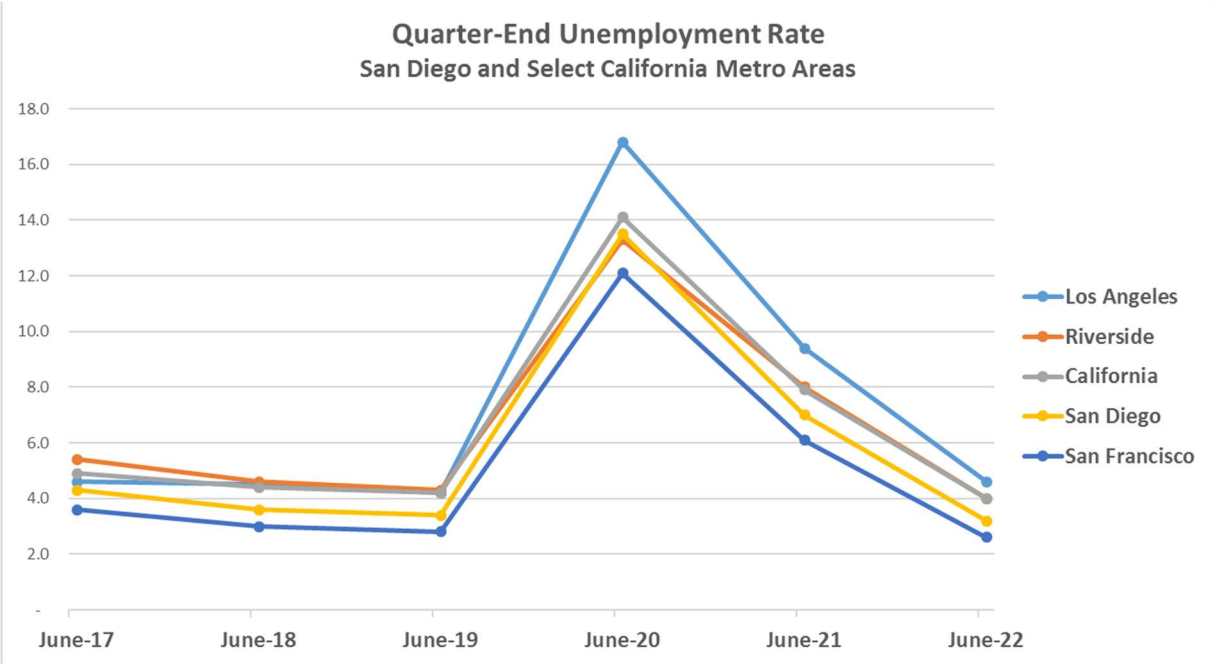
Economic Condition and Outlook

Just a few miles east of San Diego lies the community of Lemon Grove, a diverse mix of residents who enjoy all the charm of small-town living with the conveniences of big city proximity. The center of town developed along the rail lines and included a small rail depot and the first general store, which also housed the post office and a school. Still known for its near-perfect climate, Lemon Grove residents relish the City's diverse housing options for owners and renters, strong schools, local parks, and an eclectic blend of shopping and dining offerings.

As a somewhat suburban community, Lemon Grove's economic base is linked primarily to the economy of the greater San Diego region. In particular, the greater San Diego economic base sustains the City's residential and industrial facilities. The local economy is primarily based on small to medium sized retail establishments and specialty stores selling general merchandise, automobiles, clothing, food, and gasoline. Local economic generators such as building materials/supplies and automotive sales support a significant portion of the City's commercial base.

In regards to San Diego’s local economy, the San Diego Regional Economic Development Corporation in its report on key economic indicators for the San Diego area shows that the region’s unemployment rate was 3.2 percent at the end of June 2022 down from 7.0% at the same time the prior year due to the initial impacts of the COVID-19 shutdown. This is back to the same unemployment level for the San Diego region pre-COVID-19 impacts. The region’s unemployment rate remains lower than California’s unemployment rate of 4.0 percent, and lower than the national unemployment rate of 3.6 percent. Unemployment rate trends for San Diego as compared to the State of California and its regional neighbor’s trend as shown in the table on the following page.

UNEMPLOYMENT TRENDS:



Source: Bureau of Labor Statistics

Year over year, the San Diego region is showing increases in employment across all industry sectors with the exception of Financial Activities which was down by 2.3 percent and Manufacturing which was down 1.3 percent from the year prior. The biggest gains were in Leisure and Hospitality, up 10.9 percent. The second largest job gains were in Professional and Business Services which increased by 4.6 percent.

House prices continued to climb. Continued low mortgage rates, multiple offers exceeding the asking price, and low inventory of available houses are fueling house price growth. The median home price in the region was up in June 2022 of this year 12 percent from a year prior. Meanwhile, rents are also increasing, however the year over year increase is lower at 11 percent growth according to RENT Café.

Housing prices continue to place the San Diego region as the third highest median home price chart, just below San Francisco and Los Angeles, as compared to the 25 most populous metropolitan areas

in the United States. San Diego's median home price was \$895,000 in June 2022, an increase of \$97,500 as compared to the June 2021.

Lemon Grove's home values are up as well. Since the 2008 recession, the City's median home value has steadily risen and in June 2022 was \$715,000 according to the Realtor.com Home Value index. Over the past year, home values in the City have increased by 13.0 percent.

According to MOVOTO, the median list price per square foot in Lemon Grove is \$421. Rental costs for the City follow the same pattern as the region - the average rent price increased 9 percent year over year in Lemon Grove to \$1,844 (706 sq. ft. average size unit), which is lower than the San Diego Metro median of \$2,989 for an 875 sq. ft. average size unit.

On June 27, 2022, Governor Gavin Newsom signed a \$307.9 billion budget for the 2022/23 fiscal year, an increase of 17.3 percent from the FY 2021/22 budget. The state budget includes a \$234 billion general fund, a \$38 billion or 19.3 percent increase, as compared to the revised FY 2021/22 budget appropriations. General Fund revenues are estimated at \$197.3 billion for FY 2022/23, an increase of .045 percent when compared with the revised FY 2021/22 revenues.

The new general fund budget allocates \$78.2 billion (\$80 billion from all sources) for K-12, and increases higher education to \$23.6 billion. Healthcare spending is the largest portion of the budget, with a total cost of \$101.2 billion, \$67.9 billion from the general fund and \$33.3 billion from other sources including federal funds.

Long-Term Financial Planning

Lemon Grove's conservative fiscal policies have helped the City build and maintain reserves and management will continue to hold costs in line with available resources. More complete financial information can be found in the Financial Section of the Annual Comprehensive Financial Report which includes year over year comparisons along with reasons for significant variances in the Management Discussion and Analysis.

General Fund sales taxes have been, and continue to be, the highest revenue generator for the City. Property tax is the City's second largest revenue source. During FY 2021/22, sales taxes increased by \$1,102,155 or 15.8%, to \$8,098,103 as compared to FY 2020/21 mainly due to internet sales and the allocation from the county pool. Property tax also increased by \$282,599 or 8.7%, to \$3,518,827 mainly due to the economic impact of increasing property values from the sale of legacy homes.

Overall, the City's General Fund revenues decreased by \$267,090 or 1.41%, from \$18,896,186 in FY 2020/221 to \$18,629,096 in FY 2021/22. While there was growth to Sales and Property tax, Cannabis Tax, and Charges for Services, there was reduction of revenues due to a decrease of a one-time settlement fine of \$1,058,000. We are anticipating revenues to remain flat to minor increases for FY2023.

Total General Fund revenues for FY2021/22 were budgeted at \$16.4 million. The City has relied on General Fund reserves to operate the City annually. The amended budget projected a \$507 thousand

deficit after transfers for FY 2021/22. As such, the City remains dedicated in continuing to streamline costs and seeking opportunities for revenue enhancement.

Actual results for the City's General Fund for the FY2021/22 fiscal year showed an increase to fund balance after transfers of \$2.4 million. The main reasons for the positive outcome was higher than anticipated sales tax and property tax revenues. This excess revenue combined with cost savings in Public Works allowed the City to end the fiscal year on a positive note.

The City's General Fund reserve is at a healthy level, and City Council and staff are continuing to work on longer term revenue generating solutions to reduce the dependence on fluctuating tax bases. Therefore, it is fiscally sound to use excess revenues that were booked in the previous year as a short-term solution.

With the City back to normal operations, the picture is looking brighter for FY2022-23 and beyond. The General Fund budget reinstated almost all cuts that were made in previous years and included a pay increase for all employees. The General Fund budget for FY2022/23 was adopted on June 21, 2022. The FY2022/23 General Fund Operating Budget projects an operating deficit of \$684 thousand which will be covered by existing reserves from a carry forward from FY2021/22.

Relevant Financial Policies

The City of Lemon Grove has financial policies that help guide the City in all aspects of finance including internal controls, purchasing, asset acquisition, cash management and budgeting.

One such policy is the City's Investment Policy. This policy has been continuously adhered to by Council. This policy identifies our investment objectives, and the authorized investments.

Cash resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested primarily with MBS Securities and also with the Local Agency Investment Fund (LAIF) consistent with the City's Investment Policy.

The City's longstanding Investment Policy was amended by the Council on April 6, 2021, and provides the City more flexibility to invest its excess funds to provide safety to ensure the preservation of capital in the portfolio, provide sufficient liquidity for cash needs, and to realize a market rate of return consistent with the investment program while staying within the requirements of California Government Code Section 53600.

The City's Investment Policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety (2) liquidity and (3) yield. The basic premise underlying the City's Investment Policy is to ensure that money is safe, always available, and earning the highest and best returns.

Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to Cities for their Annual Comprehensive Financial Reports if they meet the requirements of the program. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report meets the Certificate of Achievement program's requirements and we are submitting it to GFOA to determine its eligibility for the certificate.

The preparation of the Annual Comprehensive Financial Report in accordance with the GASB 34 financial reporting model was made possible by the dedicated work of the Finance Department staff under the leadership of Joseph Ware, Finance Director. Each member of the staff has our sincerest appreciation for their contributions made in the preparation of this report. We would also like to thank the Mayor and City Council for their continued support for maintaining the highest standards of professionalism and prudence in the management of the City's finances.

Respectfully submitted,



Lydia Romero
City Manager



Joseph D. Ware
Finance Director

CITY OF LEMON GROVE
DIRECTORY OF OFFICIALS & ADVISORY COMMISSIONS
Fiscal Year 2021-2022

CITY COUNCIL

Racquel Vasquez, Mayor	December 2024
Jerry Jones, Mayor Pro Tem	December 2022
George Gastil, Councilmember	December 2024
Liana LeBaron, Councilmember	December 2024
Jennifer Mendoza, Councilmember	December 2022

ADVISORY COMMISSION

Planning Commission
Citizen Advisory Commission

APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS

City Manager, *Lydia Romero*
City Attorney, *Kristen S. Steinke* City Clerk, *Audrey Malone*

Administrative Services

Finance Director, *Joseph Ware*

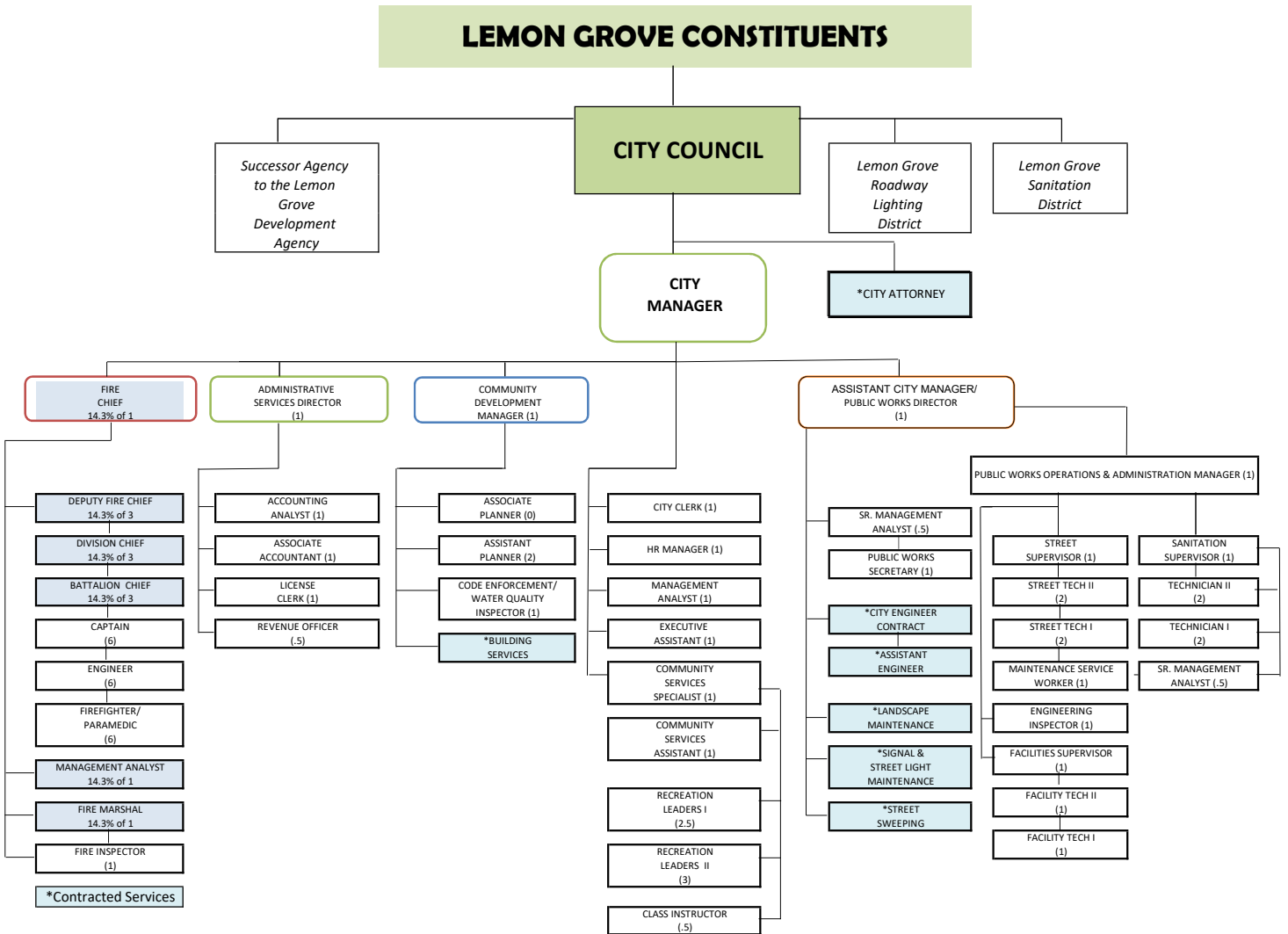
Public Works

Community Development Director, *Interim, Bill Chopyk*
City Engineer, *Ed Walton*

Public Safety

SDCSO Substation Commander, *Lt. Pat McEvoy*
Heartland Fire Chief, *Steve Swaney*

City of Lemon Grove Organizational Chart
 Fiscal Year 2021/22



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required pension and OPEB schedules on pages 5-16 and 75-84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund statements and the budgetary comparison schedules for the nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

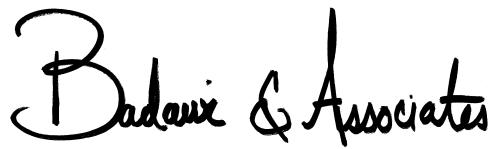
Other Information

Management is responsible for the other information. The other information comprises the introductory and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the Honorable Mayor and Members of the City Council
of the City of Lemon Grove
Lemon Grove, California
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 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 solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Badawi & Associates, CPAs
Berkeley, California
February 14, 2023

**CITY OF LEMON GROVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Dollars in Thousands)**

As management of the City of Lemon Grove (City) we offer readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and attached notes.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of the City exceeded its liabilities and deferred inflows of the City by \$96.9 million (net position). The net position value increase from the previous year of \$4.6 million, or 4.74 percent, was equally driven by increases in governmental and business-type activity non-capital related assets.
- The City's capital assets (net of depreciation) decreased by \$160 thousand, meaning the City is not investing in capital assets at a pace that matches or exceeds the rate of depreciation; however, it has increased its effort, cutting the decrease from the previous fiscal year significantly.
- The City's overall revenue was \$29.4 million compared to expenses of \$24.6 million. Expenses were increase by \$1.08 million primarily due to increased cost of goods and services. Revenues overall increased by 0.8% mainly driven by increases in Sales Taxes.
- The City's governmental funds reported a combined ending fund balance of \$25.9 million, an increase from the previous year's restated balance of \$2.55 million, or 9.86 percent. The increase from the previous year was driven by increases in non-capital related assets.
- At the end of the current fiscal year, the General Fund's fund balance (the total of the Nonspendable, Restricted and Unassigned components of fund balance) was \$12.95 million, or approximately 79.0% of total General Fund expenditures. 89.1% of the balance is unassigned and available.

OVERVIEW OF THE FINANCIAL STATEMENTS

A major component of the Financial Section of the City's Annual Comprehensive Financial Report (ACFR) 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. This report also contains required and other supplementary information, and statistical tables in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. They present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, which means the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

(blended). While the Sanitation District and Lighting District are legally separate agencies, their governing boards consists entirely of City Council members. The City also reports a fiduciary component unit, Successor Agency Private Purpose Trust Fund, which is not included in the government-wide financial statements. These component units are in substance part of the primary government's operations and are included as part of the primary government.

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. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The City adopts an annual appropriated budget. General Fund budgetary comparison schedules have been provided to demonstrate compliance with the adopted general fund budget and is presented as required supplementary information.

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

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 statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund, a private purpose trust fund, which was established with the dissolution of the former Lemon Grove Community Development Agency to report the Successor Agency activity. Accordingly, this fund is reported separate from the Government-wide statements.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding: changes in the City's net pension liability; changes in the City's net other postemployment benefits liability; employer contributions to the pension plan; and employer contributions to the postemployment healthcare benefits plan. The required supplementary information also includes Budgetary Comparison schedules for the General Fund.

Immediately following the required supplementary information are the Non-Major Governmental Fund supplementary schedules on Balance Sheet and Revenues, Expenditures and Change in Fund Balances followed by Budgetary Comparison schedules for each of these funds. The final section of the ACFR contains statistical information to provide the reader with context on financial trends over ten consecutive years (if available) and other general statistical data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Lemon Grove's Condensed Statement of Net Position
June 30, 2022 and 2021
(In Thousands)

	Governmental Activities		Business-Type Activities		Citywide Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Other assets	\$ 35,872	\$ 31,358	\$ 29,206	\$ 26,773	\$ 65,078	\$ 58,131
Capital assets, net	42,555	42,609	7,202	7,308	49,757	49,917
Total Assets	78,427	73,967	36,408	34,081	114,835	108,048
Deferred Outflows of Resources:						
Deferred Outflows	2,146	2,418	562	663	2,708	3,081
Total Deferred Outflows	2,146	2,418	562	663	2,708	3,081
Liabilities:						
Long-term liabilities	7,174	10,652	2,186	3,423	9,360	14,075
Other Liabilities	5,439	3,272	74	119	5,513	3,391
Total Liabilities	12,613	13,924	2,260	3,542	14,873	17,466
Deferred Inflows of Resources:						
Deferred inflows	4,074	1,012	1,710	364	5,784	1,376
Total Deferred Inflows	4,074	1,012	1,710	364	5,784	1,376
Net Position:						
Net investment in capital assets	42,555	42,609	7,202	7,308	49,757	49,917
Restricted	18,705	17,767	1,733	1,956	20,438	19,723
Unrestricted	2,626	1,073	24,066	21,574	26,692	22,647
Total Net Position	\$ 63,886	\$ 61,449	\$ 33,001	\$ 30,838	\$ 96,887	\$ 92,287

The City's total net position increased by 5.0 percent from fiscal year 2021. Governmental Activities and Business-Type Activities showed similar increases. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$96.8 million.

- For Governmental Activities, the increase was mainly due to a 15.8% increase in sales tax revenue, created by an increase in on-line sales which increased the city's allocation of the local tax pool resources.
- For Business Type Activities, the increase was mainly due to sanitation revenue received for use on planned capital improvements to upgrade the existing system.

Approximately 51.4 percent of the City's net position reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

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

Governmental activities had unrestricted net position of \$2,626 thousand, an increase of 147.7% from Fiscal Year ended June 30, 2021. This increase is mainly due to previous years City Council objectives in diversifying the city's revenue stream.

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

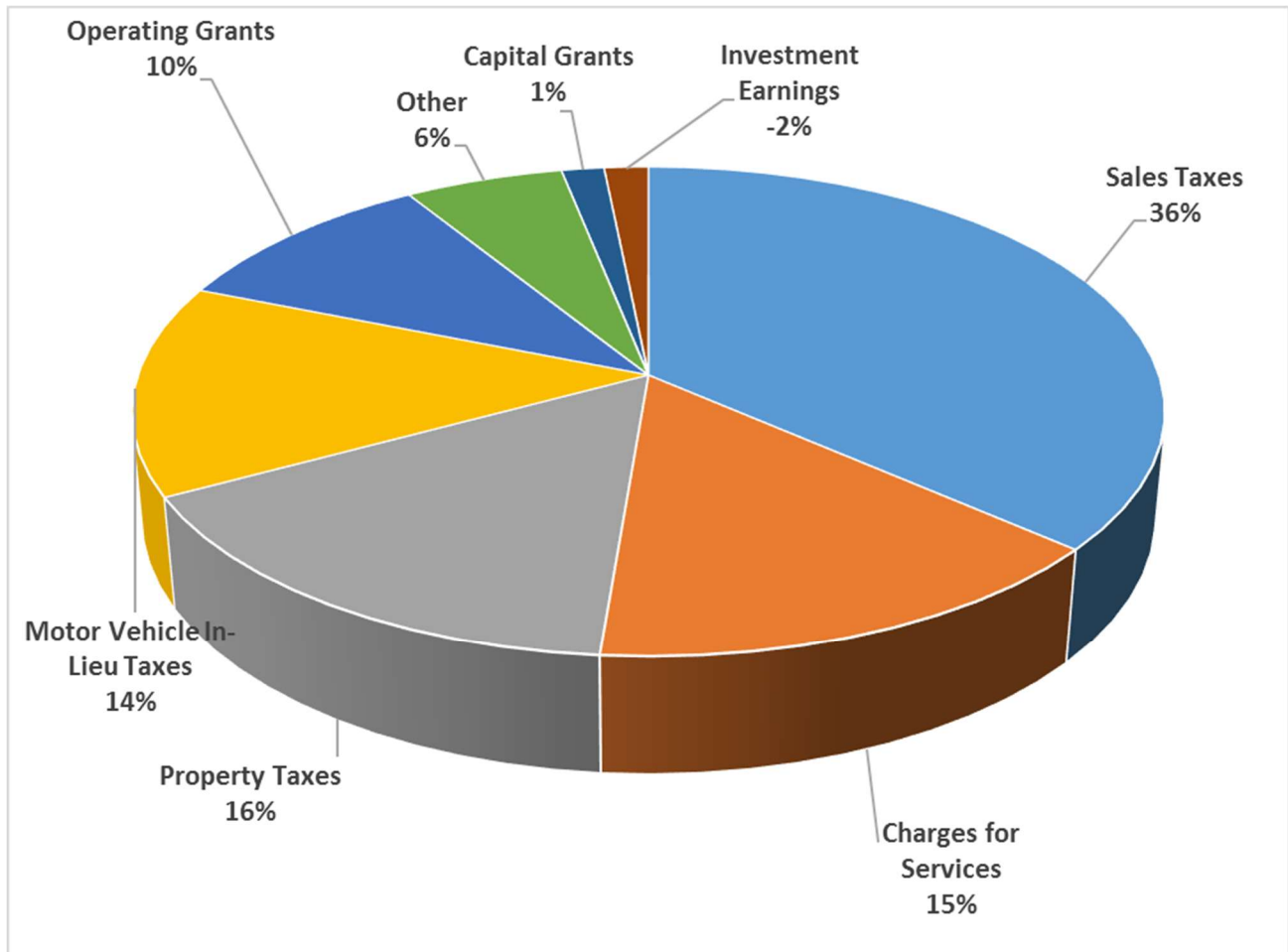
City of Lemon Grove's Condensed Statement of Activities
June 30, 2022 and 2021
(In Thousands)

	Governmental Activities		Business-Type Activities		Citywide Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for Services	\$ 3,309	\$ 3,451	\$ 7,712	\$ 6,967	\$ 11,021	\$ 10,418
Operating grants & contributions	2,232	2,473	-	-	2,232	2,473
Capital grants & contributions	342	1,155	-	-	342	1,155
Total Program Revenues	5,883	7,079	7,712	6,967	13,595	14,046
General revenues:						
Taxes:						
General property taxes	3,519	3,236	-	-	3,519	3,236
Sales tax	8,098	6,996	-	-	8,098	6,996
Franchise tax	1,028	1,046	-	-	1,028	1,046
Motor Vehicle in Lieu tax	3,107	2,918	-	-	3,107	2,918
Other	69	66	-	-	69	66
Investment earnings	(356)	136	(528)	242	(884)	378
Miscellaneous	123	487	-	-	123	487
Total general revenues	15,588	14,885	(528)	242	15,060	15,127
Total Revenues	21,471	21,964	7,184	7,209	28,655	29,173
Expenses:						
General government	2,163	1,442	-	-	2,163	1,442
Public safety	11,120	11,540	-	-	11,120	11,540
Public works	4,853	4,088	-	-	4,853	4,088
Community development	999	1,893	-	-	999	1,893
Sanitation			4,921	4,513	4,921	4,513
Total Expenses	19,135	18,963	4,921	4,513	24,056	23,476
Excess (deficiency) before transfers	2,336	3,001	2,263	2,696	4,599	5,697
Transfers in (out)	100	100	(100)	(100)	-	-
Change in net position	2,436	3,101	2,163	2,596	4,599	5,697
Beginning net position	61,449	58,347	30,838	28,243	92,287	86,590
Net Position	\$ 63,885	\$ 61,449	\$ 33,001	\$ 30,838	\$ 96,886	\$ 92,287

Governmental Activities:

The governmental activities increased the City’s net position by \$2.4 million. Total revenues including net transfers of \$21.6 million exceeded Total Expenses of \$19.1 million. Below is a breakdown of the sources of Revenue.

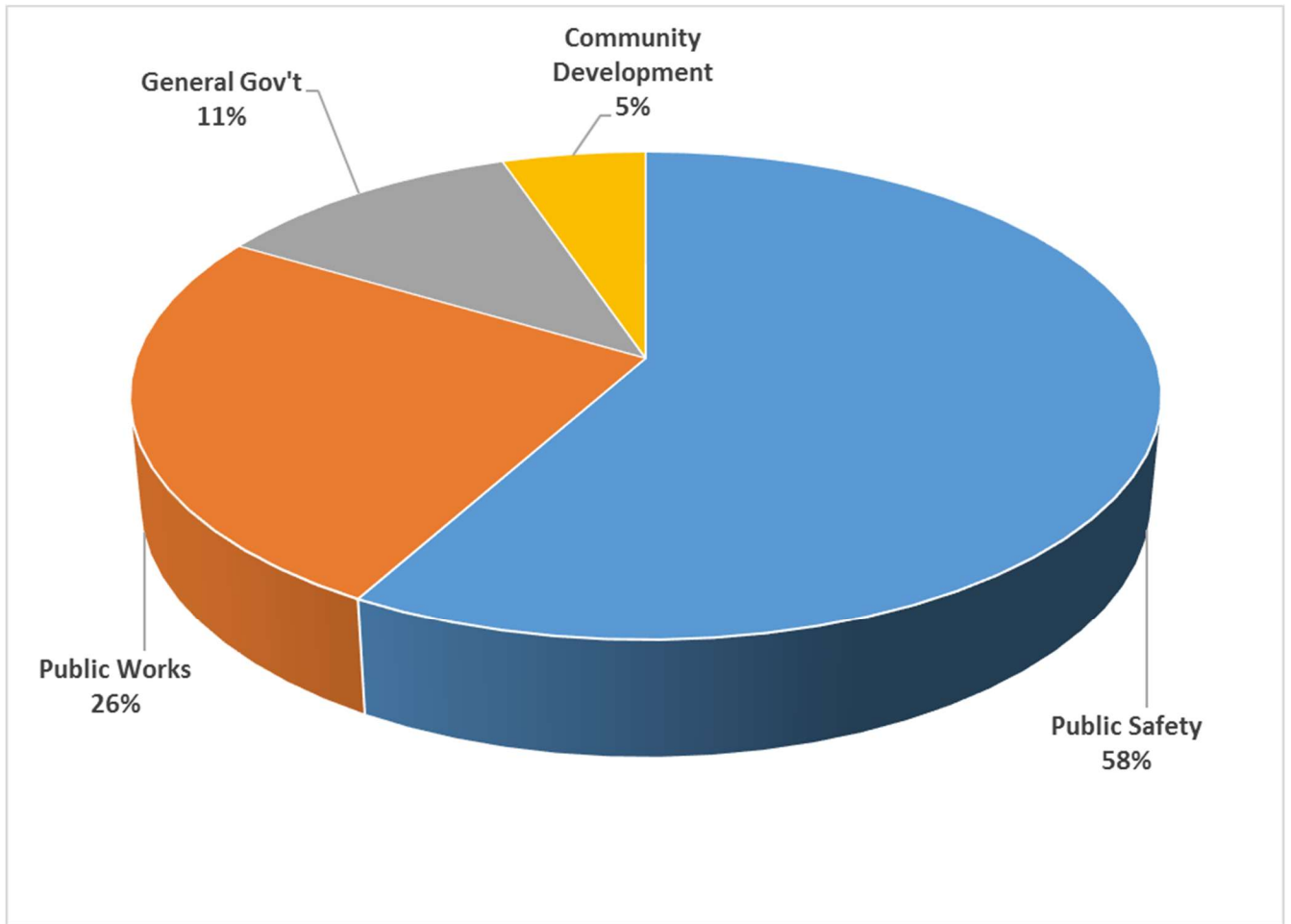
Fiscal Year 2022
Total Sources of Governmental Activities Revenue = \$21,571,406 (including net transfers)
(Graphic representation of Table 2 in percentages)



Overall, revenues for the year ending June 30, 2022, decreased by \$493 thousand, or 2.2%. The following is a list of notable changes compared to the prior year:

- ❖ Sales Tax increased by \$1.1 million or 15.8% due to higher than expected allocations from the county pool related to on-line sales and Auto Sales.
- ❖ Capital Grants decreased by \$813 thousand or 70.4% mainly due to staff shortages that has delayed planned capital projects.
- ❖ Property Taxes increased by \$280 thousand or 8.72% mainly due to increase in sales which modified the base tax rate. As sales slow, this increase will level off because less legacy homes will sold, thus reducing the property tax adjustments.

Fiscal Year 2022
Total Governmental Activities Program Expenses = \$19,135,038
(Graphic representation of Table 2 in percentages)



Total expenses increased by \$172 thousand, or 0.9%. The following are the notable changes compared to the prior year:

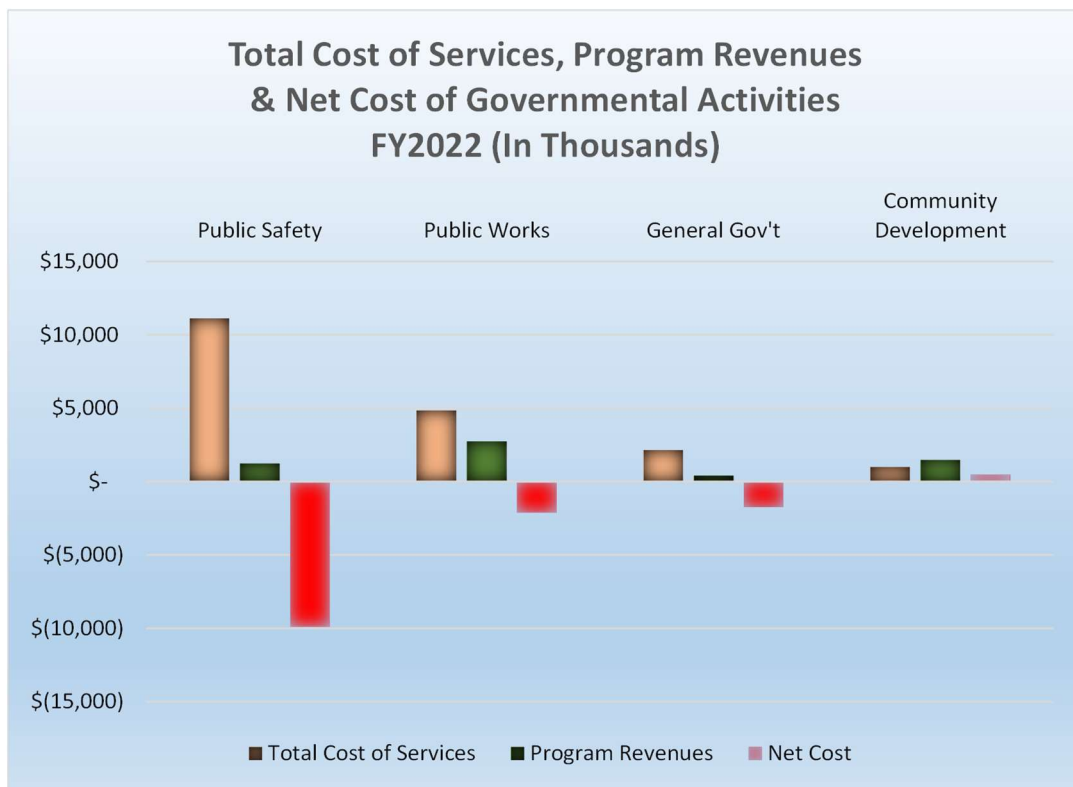
- ❖ Public Works increased by \$765 thousand or 18.7% due to in vendor and service related cost.
- ❖ General Government increased by \$721 thousand due to an increase in staff pay and unfunded liability costs.
- ❖ Community Development decreased by \$894 thousand mainly due to decreased permit and building activity in Lemon Grove.

Net Cost of Governmental Activities:

The table and chart below matches the cost of services by activity and the related revenues associated with those activities. It is included to help better explain the impact of these service categories on the general revenues of the City. The last two columns show the net-(cost)/Revenue to the City for the activity for the current and last fiscal year. Public safety is the major activity supported by general revenues such as sales and property taxes.

City of Lemon Grove
Net Cost of Governmental Activities
(In Thousands)

	<u>Total Cost of Services</u>		<u>Program Revenues</u>		<u>Citywide Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Public Safety	\$ 11,120	\$ 11,540	\$ 1,238	\$ 948	\$ (9,882)	\$ (10,592)
Public Works	4,853	4,088	2,744	2,686	(2,109)	(1,402)
General Gov't	2,163	1,442	416	275	(1,747)	(1,167)
Community Development	999	1,893	1,484	3,170	485	1,277
Total Governmental Activities	<u>\$ 19,135</u>	<u>\$ 18,963</u>	<u>\$ 5,882</u>	<u>\$ 7,079</u>	<u>\$ (13,253)</u>	<u>\$ (11,884)</u>



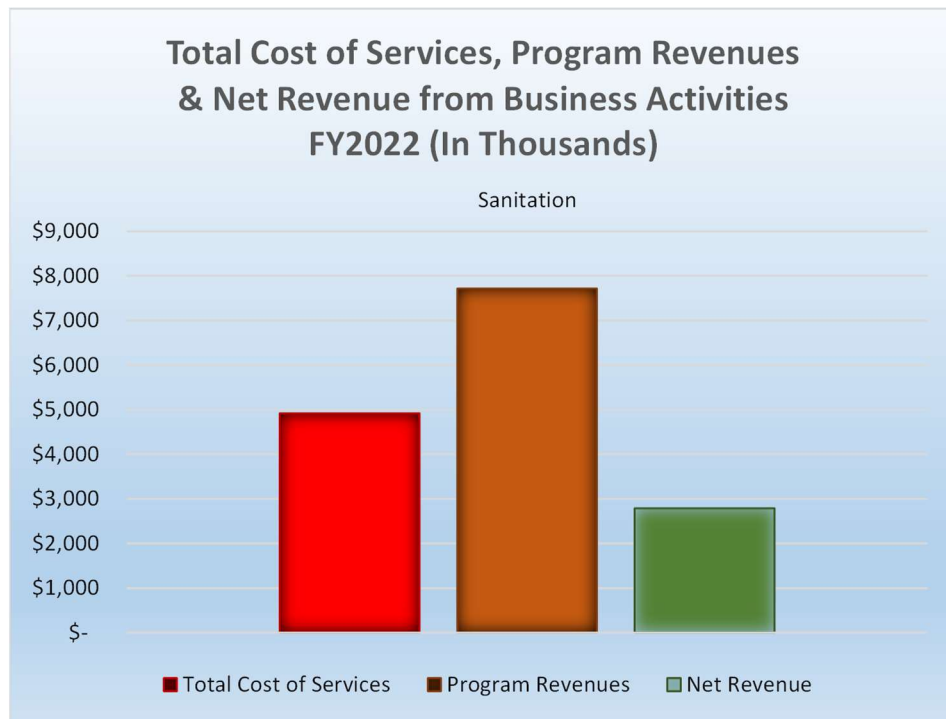
Business-type Activities:

Similar to the previous page, this page is presented to better show the over-all impact of the net business type activities on the City’s Primary government.

The business-type activities increased the City’s net position by \$2.2 million. Business-type program revenues exceeded expenditures, resulting in a 7.02 percent increase to business-type net position. Business-type liabilities decreased by \$1.2 million, mainly caused by the long term Pension liability. This activity is the Lemon Grove Sanitation District which has staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs. The Sanitation District has plans for future capital investments in local transportation lines.

City of Lemon Grove
Net Revenue from Business Activities
(In Thousands)

	Total Cost of Services		Program Revenues		Citywide Total	
	2022	2021	2022	2021	2022	2021
Sanitation	\$ 4,921	\$ 4,514	\$ 7,712	\$ 6,967	\$ 2,791	\$ 2,453
Total Business Activities	\$ 4,921	\$ 4,514	\$ 7,712	\$ 6,967	\$ 2,791	\$ 2,453



The \$2.2 million increase in net position was primarily due to:

- ❖ Charges for Services of \$7.7 million exceeding operational expenses of \$4.9 million.
- ❖ Sanitation revenues are set to a level to build up reserves for capital maintenance and expansion of the sanitation transportation system as well as to support the transportation treatment and disposal of sewage through the City of San Diego’s Metropolitan Wastewater JPA.

Governmental Fund Balances:

As of June 30, 2022, the City's governmental funds reported a combined ending fund balance of \$25.9 million. The Unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$10.9 million. The remainder of fund balance is Restricted or Nonspendable 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, road maintenance, parks, stormwater and household hazardous waste programs.

City of Lemon Grove City of Lemon Grove's Governmental Funds - Changes in Fund Balances (In Thousands)

	General Fund		Housing Fund		Transnet Fund		Non-major Governmental Funds	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues:								
General revenues	\$ 16,980	\$ 17,350	\$ 127	\$ 122	\$ (1)	\$ -	\$ 417	\$ 423
Charges for Services	961	718	-	-	-	-	529	175
Intergovernmental Revenues	688	828	-	-	193	777	1,571	1,378
Total Revenues	18,629	18,896	127	122	192	777	2,517	1,976
Expenditures:								
Current	15,892	15,300	-	-	124	100	1,358	1,487
Capital Outlay	443	-	-	-	629	384	565	471
Debt	-	87	-	-	-	-	-	-
Total Expenditures	16,335	15,387	-	-	753	484	1,923	1,958
Net Transfers	109	(94)	-	-	-	-	(10)	194
Net Change in Fund Balances	\$ 2,403	\$ 3,415	\$ 127	\$ 122	\$ (561)	\$ 293	\$ 584	\$ 212
FUND BALANCE								
NonSpendable	\$ 11	\$ 11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,395	1,288	10,963	10,836	-	321	2,593	2,023
Unassigned	11,548	9,252	-	-	(240)	-	(375)	(389)
Total FUND BALANCE	\$ 12,954	\$ 10,551	\$ 10,963	\$ 10,836	\$ (240)	\$ 321	\$ 2,218	\$ 1,634

The General Fund is the chief operating fund of the City. At June 30, 2022, the total fund balance was \$12.95 million, of which \$11.5 million is considered unassigned fund balance and therefore available for discretionary use. Although General Fund revenues decreased slightly, the fund balance increased by \$2.4 million in FY2021/22. This change in fund balance was driven by an increase in sales tax revenue, which grew 15.8%, driven by an increase in on-line sales, which increased the city's county wide sales tax pool share. The balance of the change was realized from anticipated increases in property taxes, which increase annually on average of 2%. There was a slightly higher increase in property taxes in FY2021/22 due to the sales of legacy homes, which increased the base value of the property to the current assessed value in which the property tax payments are based.

Proprietary Fund Balance: There is \$2.0 million of restricted net position in the Sanitation Fund, which must be spent on pension expenses. Changes in net position show a growth over last year for Sanitation of 13.8 percent. The Unrestricted balance available for discretionary use on sanitation facilities is \$23.8 million at June 30, 2022. These funds will be used to maintain the sanitation infrastructure.

Housing Fund Balance: This fund is restricted for low to moderate income housing project. In FY 2021/22 participating developers paid \$127 thousand in required fees to this fund. There were no expenditures reported in this fiscal year, creating an increase in the fund balance.

Transnet Fund Balance: This fund is a reimbursable account, meaning that the project expenditures are made by the City and then reimbursed through billing the county in the following fiscal year. There is a balance due from Transnet of \$240 thousand for project work completed in FY 2021/22. Once the agency verifies eligibility of reimbursements by an independent third-party auditor, the City submits reimbursement request. The request for FY21/22 expenditures has been submitted to the proper agency.

Notes to the Basic Financial Statements: Below are three notes of particular interest.

Note 2 – Cash and Investments: The City’s total cash and investments at the end of the fiscal year totaled \$50.98 million. Approximately \$31.2 million was invested with the Local Agency Investment Fund. Approximately \$4.5 million was invested in Certificates of Deposits, \$3.1 million was invested in a pension 115 Trust, and the balance was deposited with Fiscal Agents and in the City’s checking accounts. Cash across the accounting funds are pooled for investment purposes.

Note 5 – Capital Assets: Capital assets for the City’s governmental activities were valued at \$42.6 million, net of accumulated depreciation. The main changes were due to the on-going efforts related to construction on Main Street and annual depreciation expense.

Capital assets for the City’s business-type activities were valued at \$7.2 million. The main changes are an increase in construction in progress for the sewer rehabilitation project and annual depreciation.

City of Lemon Grove Capital Assets at Year-End Net of Depreciation (In Thousands)

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Citywide Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 7,521	\$ 7,521	\$ 4	\$ 4	\$ 7,525	\$ 7,525
Construction in Progress	1,620	486	589	451	2,209	937
Buildings & Improvements	2,422	2,481	-	-	2,422	2,481
Vehicles, Machinery & Equipment	499	574	90	153	589	727
Infrastructure	30,494	31,547	6,519	6,700	37,013	38,247
Net Capital Assets	<u>\$ 42,556</u>	<u>\$ 42,609</u>	<u>\$ 7,202</u>	<u>\$ 7,308</u>	<u>\$ 49,758</u>	<u>\$ 49,917</u>

Note 6 – Long-Term Liabilities:

At June 30, 2022, the City had outstanding long-term liabilities in the amount of \$9.4 million. The majority of this amount, \$8.2 million is comprised of net pension and OPEB liabilities which decreased approximately \$4.8 Million from the prior year mainly due to turn over in staff, reducing the Classic contribution requirements and Increasing PEPRAs participation, which has a smaller employer contribution requirement. The City does maintain a trust fund outside CalPERS to partially offset the net pension liability. The balance in this account at June 30, 2022 was \$3.1 million.

City of Lemon Grove
Outstanding Liabilities at Year-End
(In Thousands)

	Governmental Activities		Business Activities		Citywide Total	
	2022	2021	2022	2021	2022	2021
Compensated Absences	\$ 546	\$ 593	\$ 66	\$ 77	\$ 612	\$ 670
Claims Payable	590	140	5	35	595	175
OPEB Liability	2,540	3,100	635	775	3,175	3,875
Pension Liability	3,521	6,633	1,490	2,498	5,011	9,131
Total Liabilities	\$ 7,197	\$ 10,466	\$ 2,196	\$ 3,385	\$ 9,393	\$ 13,851

Required Supplementary Information: The required supplementary information is comprised of budgetary comparisons for the General Fund, Housing Fund, and TransNet Fund.

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2021. A revised mid-year budget was adopted in March 2022.

The General Fund Budgetary Comparison Schedule shows that, for the fiscal year ended June 30, 2022, General Fund revenues and transfers exceeded projections by \$2.17 million, while the expenditures came in \$1.18 million under budget. The actual revenues and expenditures resulted in a net surplus of \$945 thousand.

The main reasons for the variance between budget and actual are higher than anticipated sales tax (\$1.1 million), and savings in public works expenditures (\$498 thousand) due to a delay in projects.

REQUESTS FOR INFORMATION

The Annual Comprehensive 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) 825-3803, or jware@lemongrove.ca.gov.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Lemon Grove
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 18,986,146	\$ 27,184,656	\$ 46,170,802
Receivables:			
Accounts	2,020,957	283,347	2,304,304
Interest	3,527,292	-	3,527,292
Notes and loans receivable	9,893,291	-	9,893,291
Prepaid items	15,192	5,552	20,744
Total current assets	<u>34,442,878</u>	<u>27,473,555</u>	<u>61,916,433</u>
Noncurrent assets:			
Restricted cash and investments	1,428,893	1,733,031	3,161,924
Capital assets:			
Nondepreciable	9,140,400	592,702	9,733,102
Depreciable	79,500,423	16,037,877	95,538,300
Less accumulated depreciation	<u>(46,085,670)</u>	<u>(9,428,599)</u>	<u>(55,514,269)</u>
Total capital assets	<u>42,555,153</u>	<u>7,201,980</u>	<u>49,757,133</u>
Total noncurrent assets	<u>43,984,046</u>	<u>8,935,011</u>	<u>52,919,057</u>
Total assets	<u>78,426,924</u>	<u>36,408,566</u>	<u>114,835,490</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	1,777,849	470,078	2,247,927
Deferred outflows - OPEB	368,156	92,039	460,195
Total deferred outflows of resources	<u>2,146,005</u>	<u>562,117</u>	<u>2,708,122</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,751,032	58,869	1,809,901
Accrued liabilities	26,658	4,331	30,989
Deposits payable	431,599	-	431,599
Unearned revenue	3,206,881	-	3,206,881
Compensated absences - current	23,191	10,600	33,791
Total current liabilities	<u>5,439,361</u>	<u>73,800</u>	<u>5,513,161</u>
Noncurrent liabilities:			
Compensated absences	522,981	55,009	577,990
Claims payable	590,396	5,030	595,426
Net pension liability	3,520,467	1,490,251	5,010,718
Total OPEB liability	<u>2,540,458</u>	<u>635,115</u>	<u>3,175,573</u>
Total noncurrent liabilities	<u>7,174,302</u>	<u>2,185,405</u>	<u>9,359,707</u>
Total liabilities	<u>12,613,663</u>	<u>2,259,205</u>	<u>14,872,868</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	3,076,402	1,460,494	4,536,896
Deferred inflows of resources - OPEB	997,472	249,369	1,246,841
Total deferred inflows of resources	<u>4,073,874</u>	<u>1,709,863</u>	<u>5,783,737</u>
NET POSITION			
Net investment in capital assets	42,555,153	7,201,980	49,757,133
Restricted for:			
Pensions	1,416,586	1,733,031	3,149,617
Transportation	1,554,307	-	1,554,307
Community development	1,206,019	-	1,206,019
Public safety	89,532	-	89,532
Housing	14,321,260	-	14,321,260
Public-access television	116,920	-	116,920
Total restricted	<u>18,704,624</u>	<u>1,733,031</u>	<u>20,437,655</u>
Unrestricted	<u>2,625,615</u>	<u>24,066,604</u>	<u>26,692,219</u>
Total net position	<u>\$ 63,885,392</u>	<u>\$ 33,001,615</u>	<u>\$ 96,887,007</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,162,738	\$ 374,805	\$ 9,494	\$ 31,864	\$ 416,163
Public safety	11,120,006	1,035,436	202,816	-	1,238,252
Public works	4,852,983	810,663	1,622,972	310,519	2,744,154
Community development	999,311	1,087,595	396,530	-	1,484,125
Total governmental activities	19,135,038	3,308,499	2,231,812	342,383	5,882,694
Business-type Activities:					
Sanitation	4,920,907	7,712,039	-	-	7,712,039
Total business-type activities	4,920,907	7,712,039	-	-	7,712,039
Total primary government	\$ 24,055,945	\$ 11,020,538	\$ 2,231,812	\$ 342,383	\$ 13,594,733

General Revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Motor vehicle in-lieu taxes (unrestricted)

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,746,575)	\$ -	\$ (1,746,575)
(9,881,754)	-	(9,881,754)
(2,108,829)	-	(2,108,829)
484,814	-	484,814
<u>(13,252,344)</u>	<u>-</u>	<u>(13,252,344)</u>
<u>-</u>	<u>2,791,132</u>	<u>2,791,132</u>
<u>-</u>	<u>2,791,132</u>	<u>2,791,132</u>
<u>(13,252,344)</u>	<u>2,791,132</u>	<u>(10,461,212)</u>
3,518,827	-	3,518,827
8,098,103	-	8,098,103
68,749	-	68,749
1,027,742	-	1,027,742
<u>3,107,169</u>	<u>-</u>	<u>3,107,169</u>
15,820,590	-	15,820,590
(355,243)	(527,795)	(883,038)
123,365	-	123,365
100,000	(100,000)	-
<u>15,688,712</u>	<u>(627,795)</u>	<u>15,060,917</u>
2,436,368	2,163,337	4,599,705
<u>61,449,024</u>	<u>30,838,278</u>	<u>92,287,302</u>
<u>\$ 63,885,392</u>	<u>\$ 33,001,615</u>	<u>\$ 96,887,007</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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City of Lemon Grove
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Housing Fund	Transnet Fund		
ASSETS					
Cash and investments	\$ 14,387,314	\$ 1,070,182	\$ -	\$ 2,744,886	\$ 18,202,382
Accounts receivable	1,585,400	-	-	434,530	2,019,930
Interest receivable	-	3,527,292	-	-	3,527,292
Notes and loans	-	9,893,291	-	-	9,893,291
Due from other funds	531,539	-	-	-	531,539
Prepaid items	10,656	-	-	4,536	15,192
Restricted cash	1,395,581	-	2,307	21,005	1,418,893
Total assets	\$ 17,910,490	\$ 14,490,765	\$ 2,307	\$ 3,204,957	\$ 35,608,519
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,536,286	\$ -	\$ 89,998	\$ 121,296	\$ 1,747,580
Accrued liabilities	24,261	-	152	2,245	26,658
Due to other funds	-	-	152,533	379,006	531,539
Deposits payable	182,813	-	-	248,786	431,599
Unearned revenue	3,206,881	-	-	-	3,206,881
Total liabilities	4,950,241	-	242,683	751,333	5,944,257
Deferred Inflows of Resources					
Unavailable revenue	6,230	3,527,292	-	235,912	3,769,434
Total deferred inflows of resources	6,230	3,527,292	-	235,912	3,769,434
Fund Balances:					
Nonspendable	10,656	-	-	-	10,656
Restricted	1,395,581	10,963,473	-	2,592,694	14,951,748
Unassigned	11,547,782	-	(240,376)	(374,982)	10,932,424
Total fund balances	12,954,019	10,963,473	(240,376)	2,217,712	25,894,828
Total liabilities, deferred inflows of resources and fund balances	\$ 17,910,490	\$ 14,490,765	\$ 2,307	\$ 3,204,957	\$ 35,608,519

City of Lemon Grove

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2022

Total Fund Balances - Total Governmental Funds	\$ 25,894,828
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:	
Nondepreciable	9,140,400
Depreciable, net	<u>33,414,753</u>
Total capital assets	<u>42,555,153</u>
Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	200,943
Unavailable revenues recorded in the fund financial statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.	3,769,434
In the Government-Wide Financial Statements, deferred employer contributions for pension and OPEB, certain differences between actuarial estimates and actual results, and other adjustments resulting from changes in assumptions and benefits are deferred in the current year.	
Deferred outflows of resources related to pension	1,777,849
Deferred outflows of resources related to OPEB	368,156
Deferred inflows of resources related to pension	(3,076,402)
Deferred inflows of resources related to OPEB	(997,472)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Compensated absences - due within one year	(23,191)
Compensated absences - due in more than one year	(522,981)
Net pension liability	(3,520,467)
Total OPEB liability	<u>(2,540,458)</u>
Total long-term liabilities	<u>(6,607,097)</u>
Net Position of Governmental Activities	<u>\$ 63,885,392</u>

City of Lemon Grove
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	General Fund	Special Revenue Funds Housing Fund	Transnet Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes and special assessments	\$ 15,790,155	\$ -	\$ -	\$ 442,282	\$ 16,232,437
Licenses, fees and permits	987,799	-	-	-	987,799
Fines, forfeitures and penalties	186,201	-	-	-	186,201
Intergovernmental revenues	688,350	-	193,427	1,571,030	2,452,807
Charges for services	961,328	-	-	528,540	1,489,868
Use of money and property	(108,102)	127,294	(1,454)	(30,718)	(12,980)
Other revenues	123,365	-	-	5,636	129,001
Total revenues	18,629,096	127,294	191,973	2,516,770	21,465,133
EXPENDITURES:					
Current:					
General government	1,767,923	-	-	34,143	1,802,066
Public safety	11,735,781	-	-	49,937	11,785,718
Public works	1,580,877	-	123,960	1,163,042	2,867,879
Community development	807,481	-	-	111,222	918,703
Capital outlay	443,051	-	629,391	564,728	1,637,170
Total expenditures	16,335,113	-	753,351	1,923,072	19,011,536
REVENUES OVER (UNDER) EXPENDITURES	2,293,983	127,294	(561,378)	593,698	2,453,597
OTHER FINANCING SOURCES (USES):					
Transfers in	213,600	-	-	274,104	487,704
Transfers out	(104,104)	-	-	(283,600)	(387,704)
Total other financing sources (uses)	109,496	-	-	(9,496)	100,000
Net change in fund balances	2,403,479	127,294	(561,378)	584,202	2,553,597
FUND BALANCES:					
Beginning of year	10,550,540	10,836,179	321,002	1,633,510	23,341,231
End of year	\$ 12,954,019	\$ 10,963,473	\$ (240,376)	\$ 2,217,712	\$ 25,894,828

City of Lemon Grove

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities For the year ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 2,553,597
Amounts reported for governmental activities in the Government-Wide Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated lives as depreciation expense. This was the amount of capital assets recorded in the current period, net of the amount related to internal service funds.	1,522,875
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds, net of the amount related to internal service funds.	(1,577,180)
Accrued compensated leave payments were reported as expenditures in the governmental funds, however expense is recognized in the Government-Wide Statement of Activities based on earned leave accruals.	46,971
Current year employer pension and OPEB contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	1,118,302
Pension and OPEB expense are reported in the Government-Wide Statement of Activities does not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	(780,630)
Unavailable revenues recorded in the fund financial statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.	16,558
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	(464,125)
Change in Net Position of Governmental Activities	\$ 2,436,368

City of Lemon Grove
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities Sanitation Fund	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash and investments	\$ 27,184,656	\$ 783,764
Accounts receivable	283,347	1,027
Prepaid items	5,552	-
Total current assets	<u>27,473,555</u>	<u>784,791</u>
Noncurrent:		
Restricted cash and investments	1,733,031	10,000
Capital assets:		
Nondepreciable capital assets	592,702	-
Depreciable capital assets	16,037,877	-
Accumulated depreciation	(9,428,599)	-
Net capital assets	<u>7,201,980</u>	<u>-</u>
Total noncurrent assets	<u>8,935,011</u>	<u>10,000</u>
Total assets	<u>36,408,566</u>	<u>794,791</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	470,078	-
Deferred outflows - OPEB	92,039	-
Total deferred outflows of resources	<u>562,117</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	58,869	3,452
Accrued liabilities	4,331	-
Compensated absences - current	10,600	-
Total current liabilities	<u>73,800</u>	<u>3,452</u>
Noncurrent liabilities:		
Compensated absences	55,009	-
Claims payable	5,030	590,396
Net pension liability	1,490,251	-
Total OPEB liability	635,115	-
Total noncurrent liabilities	<u>2,185,405</u>	<u>590,396</u>
Total liabilities	<u>2,259,205</u>	<u>593,848</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	1,460,494	-
Deferred inflows - OPEB	249,369	-
Total deferred inflows of resources	<u>1,709,863</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	7,201,980	-
Restricted for pension	1,733,031	-
Unrestricted	24,066,604	200,943
Total net position	<u>\$ 33,001,615</u>	<u>\$ 200,943</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2022

	Business-Type Activities Sanitation Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES:		
Charges for sales and services	\$ 7,712,039	\$ -
Other revenues	-	90,526
Total operating revenues	7,712,039	90,526
OPERATING EXPENSES:		
Personnel costs	1,434,463	-
Contractual services	285,613	41,779
Materials and supplies	94,685	-
Repairs and maintenance	118,418	-
Capacity and treatment	2,703,204	-
Utilities	8,581	-
Insurance and claims	32,420	502,587
Depreciation	243,523	-
Total operating expenses	4,920,907	544,366
Operating income (loss)	2,791,132	(453,840)
NONOPERATING REVENUES (EXPENSES):		
Interest income	(527,795)	(10,285)
Total nonoperating revenues (expenses)	(527,795)	(10,285)
Income before contributions and transfers	2,263,337	(464,125)
CONTRIBUTIONS AND TRANSFERS:		
Transfers out	(100,000)	-
Total contributions and transfers	(100,000)	-
Change in net position	2,163,337	(464,125)
NET POSITION:		
Beginning of year	30,838,278	665,068
End of year	\$ 33,001,615	\$ 200,943

City of Lemon Grove
Combining Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2022

	Business-Type Activities Sanitation Fund	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,687,821	\$ 92,697
Payments to suppliers for goods and services	(3,361,312)	(106,591)
Payments to employees for services	(1,146,922)	-
Net cash provided by (used in) operating activities	3,179,587	(13,894)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash paid to/received from other funds	(100,000)	-
Net cash provided by (used in) noncapital financing activities	(100,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(137,241)	-
Net cash provided by (used in) capital and related financing activities	(137,241)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	(527,795)	(10,285)
Net cash provided by (used in) investing activities	(527,795)	(10,285)
Net cash flows	2,414,551	(24,179)
CASH AND INVESTMENTS - Beginning of year	26,503,136	817,943
CASH AND INVESTMENTS - End of year	\$ 28,917,687	\$ 793,764
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,791,132	\$ (453,840)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	243,523	-
(Increase) decrease in accounts receivable	(24,218)	2,171
(Increase) decrease in prepaids	4,464	399
(Increase) decrease in deferred outflows	100,549	-
Increase (decrease) in accounts payable and accrued liabilities	(92,833)	(12,811)
Increase (decrease) in compensated absences payable	(11,251)	-
Increase (decrease) in claims payable	(30,022)	450,187
Increase (decrease) in total OPEB liability	(139,762)	-
Increase (decrease) in net pension liability	(1,008,329)	-
Increase (decrease) in deferred inflows	1,346,334	-
Net cash provided by (used in) operating activities	\$ 3,179,587	\$ (13,894)

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2022

	Private Purpose Trust Fund <u>Successor Agency of the Former RDA</u>
ASSETS	
Cash and investments	\$ 597,323
Cash and investments with fiscal agents	1,049,165
Property held for resale	<u>6,535,362</u>
Total assets	<u>8,181,850</u>
LIABILITIES	
Interest payable	294,357
Due to the City of Lemon Grove	2,421,438
Long-term liabilities:	
Long-term debt - due within one year	800,000
Long-term debt - due in more than one year	<u>18,487,552</u>
Total liabilities	<u>22,003,347</u>
NET POSITION	
Restricted for:	
Net position held in trust for Sucessor Agency	<u>(13,821,497)</u>
Total Net Position	<u>\$ (13,821,497)</u>

City of Lemon Grove
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2022

	Private Purpose Trust Fund Successor Agency of the Former RDA
ADDITIONS:	
Property taxes	\$ 1,809,599
Interest revenue	84,751
Total additions	<u>1,894,350</u>
DEDUCTIONS:	
Administration	55,001
Interest expense	759,692
Total deductions	<u>814,693</u>
Change in net position	1,079,657
NET POSITION:	
Beginning of year	<u>(14,901,154)</u>
End of year	<u>\$ (13,821,497)</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

Lemon Grove Housing Authority (Housing Authority): established in 2012, subsequent to the dissolution of the former Community Development Agency, to address the City's needs for affordable dwelling accommodations available to persons of low income. The City Council acts as the Housing Authority's Board, and management of the City performs administrative functions of the Authority, and activities are reported in a special revenue fund.

Separate financial statements for these component units are not prepared.

B. Basis of Accounting and Measurement Focus

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

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

Certain types of transactions reported as program revenues include these three categories: Charges for services, Operating grants and contributions, and Capital grants and contributions.

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

Governmental Fund Financial Statements

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

Proprietary Fund Financial Statements

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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

The City reports the following proprietary funds:

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

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

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

Fiduciary Fund Financial Statements

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

The City reports the following fiduciary fund:

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents, and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments with varying terms. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

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

D. Restricted Cash and Investments

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

E. Compensated Absences

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Property Taxes

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

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

Tax Levies are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation. The City's share of the \$1.00 varies depending on the tax rate area and it ranges from \$0.0730 to \$0.125. Tax Levy Dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

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

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets

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

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

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

H. Interest Payable

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

I. Unavailable and unearned revenue

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

J. Claims and Judgments

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Use of Estimates

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

L. Long-term Obligations

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

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

M. Net Position

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

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

Restricted Net Position includes amounts restricted by external creditors, grantors, contributors, or laws or regulations of governments.

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Fund Balances

Non-spendable Fund Balances

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

Restricted Fund Balances

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

Committed Fund Balances

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

Assigned Fund Balances

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

Unassigned Fund Balance

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

P. Pensions

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

Q. New Accounting Pronouncements

In 2022, the City adopted the new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 87, Leases – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objective this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no impact on net position as a result of implementation of this statement.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. New Accounting Pronouncements, Continued

GASB Statement No. 92, Omnibus - The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers between primary government and pension or OPEB plans, other pension plan reporting, fiduciary activities relating to postemployment benefit arrangements, asset retirement obligations, reporting for public entity risk pools, fair value measurement, and derivative instruments. The requirements of this statement did not have an impact on the City's net position for the year ended June 30, 2022.

GASB Statement No. 99, Omnibus 2022 - The primary objectives of this statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The requirements of this statement did not apply for the current fiscal year.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	Government-wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and Investments	\$ 18,986,146	\$ 27,184,656	\$ 597,323	\$ 46,768,125
Restricted Cash and Investments	1,428,893	1,733,031	1,049,165	4,211,089
Total Cash and Investments	\$ 20,415,039	\$ 28,917,687	\$ 1,646,488	\$ 50,979,214

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

Cash and investments as of June 30, 2022 consist of the following:

Cash on Hand	\$ 1,900
Deposits with Financial Institutions	9,883,876
Total Cash on Hand and Deposits	<u>9,885,776</u>
Local Agency Investment Fund	31,203,528
Certificates of Deposit	4,495,799
US Agency Securities	1,183,024
Total Investments	<u>36,882,351</u>
Restricted Cash and Investments :	
Mutual Funds	3,161,924
Cash and Investment with Fiscal Agents:	
Money Market Mutual Fnds	1,049,163
Total Cash and Investments	<u>\$ 50,979,214</u>

B. Deposits

The carrying amount of the City's deposits was \$9,883,876 at June 30, 2022. Bank balances before reconciling items amounted to \$9,895,261 at June 30, 2022. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institution in the City's name.

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$75 million	None
Certificates of Deposit	5 years	30%	None
Mutual Funds	N/A	None	None
US Government Securities	5 years	None	None
US Agency Securities	5 years	75%	None
Local Agency Bonds	5 years	15%	None
State of California Obligations	5 years	15%	None
CalTrust	5 years	60%	None

D. Disclosures Relating to Interest Rate Risk

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

D. Disclosures Relating to Interest Rate Risk, Continued

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

Investment Type	Remaining Maturity (in Months)			
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 31,203,528	\$ 28,530,487	\$ -	\$ -
Certificate of Deposits	4,495,799	2,359,791	483,936	1,652,072
US Agency Securities	1,183,024	-	-	1,183,024
Total	\$ 36,882,351	\$ 30,890,278	\$ 483,936	\$ 2,835,096

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

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

F. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum	AA+	Unrated
		Legal Rating		
Local Agency Investment Fund	\$ 31,203,528	N/A	\$ -	\$ 31,203,528
Certificate of Deposit	4,495,799	N/A	-	4,495,799
US Agency Securities	1,183,024	N/A	1,183,024	-
Total	\$ 36,882,351		\$ 1,183,024	\$ 35,699,327

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

G. Concentration of Credit Risk

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

H. Custodial Credit Risk

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

I. External Investment Pools

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

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

J. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period.

Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted cash and investments included money market accounts and guaranteed investment contracts which are not subject to fair value measurement. The City has the following recurring fair value measurements as of June 30, 2022:

- US Agency Securities of \$1,183,024 are valued using quoted market prices (Level 2 inputs).
- Certificates of Deposit of \$4,495,799 are valued using a matrix pricing model (Level 2 inputs).

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

J. Investment Valuation, Continued

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

3. NOTES RECEIVABLE

As of June 30, 2022, notes receivable of \$9,893,291 consisted of the following:

Hitzke Development Corporation

During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (Developer) for the development of several projects within the City's project area. In addition, the City executed promissory notes with the Developer with amounts not-to-exceed (excluding accrued interest) \$2,763,292 for Citronica One, \$2,500,000 for Citronica Two, and \$1,500,000 for Citronica Three, all at 3.0% interest and secured by a deed of trust for each note creating a valid lien upon the Developer's interest in the development parcels. The funds are being used to construct a 54-unit mixed-use affordable housing project. The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs.

During the fiscal year ended June 30, 2013, the City executed another promissory note with the Developer in an amount not-to-exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable two (2) years from the date of the execution of the notes or rolled over as additional assistance into the development and disposition agreement. As of June 30, 2022, the City had advanced \$6,763,292 to the borrower. In addition, \$2,350,955 of cumulative interest is accrued as of June 30, 2022.

Community Collective

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

3. NOTES RECEIVABLE, Continued

Community Collective, Continued

As of June 30, 2022, the City had advanced \$3,130,000 to the borrower. In addition, \$1,176,337 of cumulative interest is accrued as of June 30, 2022.

4. DUE FROM SUCCESSOR AGENCY

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, following the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Successor Agency Private-purpose Trust Fund. The repayment of the original advances is currently uncertain and is subject to approval by the State Department of Finance under applicable redevelopment agency dissolution law. As of June 30, 2022, the amount due from the Successor Agency was \$2,421,438 and is offset by an allowance for doubtful accounts.

5. CAPITAL ASSETS

The following represents the capital asset activity for the year ended June 30, 2022:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 7,520,853	\$ -	\$ -	\$ 7,520,853
Construction in Progress	486,192	1,133,355	-	1,619,547
Total Capital Assets, Not Being Depreciated	8,007,045	1,133,355	-	9,140,400
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,938,162	83,551	-	10,021,713
Vehicles and Equipment	2,741,647	-	-	2,741,647
Infrastructure	66,431,094	305,969	-	66,737,063
Total Capital Assets, Being Depreciated	79,110,903	389,520	-	79,500,423
Less Accumulated Depreciation:				
Building and Improvements	(7,456,708)	(189,537)	-	(7,646,245)
Vehicles and Equipment	(2,167,795)	(72,924)	-	(2,240,719)
Infrastructure	(34,883,987)	(1,314,719)	-	(36,198,706)
Total Accumulated Depreciation	(44,508,490)	(1,577,180)	-	(46,085,670)
Capital Assets Being Depreciated, Net	34,602,413	(1,187,660)	-	33,414,753
Total Capital Assets - Governmental Activities	\$ 42,609,458	\$ (54,305)	\$ -	\$ 42,555,153

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

5. CAPITAL ASSETS, Continued

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in Progress	451,736	137,241	-	588,977
Total Capital Assets, Not Being Depreciated	455,460	137,241	-	592,701
Capital Assets, Being Depreciated:				
Machinery and Equipment	1,367,216	-	-	1,367,216
Infrastructure	14,670,661	-	-	14,670,661
Total Capital Assets, Being Depreciated	16,037,877	-	-	16,037,877
Less Accumulated Depreciation:				
Machinery and Equipment	(1,214,493)	(62,580)	-	(1,277,073)
Infrastructure	(7,970,582)	(180,943)	-	(8,151,525)
Total Accumulated Depreciation	(9,185,075)	(243,523)	-	(9,428,598)
Capital Assets Being Depreciated, Net	6,852,802	(243,523)	-	6,609,279
Total Capital Assets - Business-type Activities	\$ 7,308,262	\$ (106,282)	\$ -	\$ 7,201,980

Depreciation expense was allocated to the various governmental activities functions as follows:

General Government	\$ 42,138
Public Safety	107,161
Public Works	1,347,273
Community Development	80,608
Total Government Depreciation	\$ 1,577,180

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. LONG-TERM DEBT

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 593,143	\$ 253,133	\$ (300,104)	\$ 546,172	\$ 23,191
Total OPEB Liability	3,099,504	-	(559,046)	2,540,458	-
Net Pension Liability	6,633,115	-	(3,112,648)	3,520,467	-
Claims Payable	140,209	450,187	-	590,396	-
Total	\$ 10,465,971	\$ 703,320	\$ (3,971,798)	\$ 7,197,493	\$ 23,191
Business-type Activities					
Compensated Absences	\$ 76,860	\$ 32,898	\$ (44,149)	\$ 65,609	\$ 10,600
Total OPEB Liability	774,877	-	(139,762)	635,115	-
Net Pension Liability	2,498,580	-	(1,008,329)	1,490,251	-
Claims Payable	35,052	-	(30,022)	5,030	-
Total	\$ 3,385,369	\$ 32,898	\$ (1,222,262)	\$ 2,196,005	\$ 10,600

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

Fiduciary Fund Long-term Debt

A summary of the Successor Agency Fiduciary Fund long-term debt for the 2021-2022 fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
Series 2014, Refunding	\$ 5,035,000	\$ -	\$ (135,000)	\$ 4,900,000	\$ 135,000
Series 2019, Refunding	14,675,000	-	(640,000)	14,035,000	665,000
Premium	387,807	-	(35,255)	352,552	-
Total	\$ 20,097,807	\$ -	\$ (810,255)	\$ 19,287,552	\$ 800,000

2014 Tax Allocation Refunding Bonds: In August 2014, the Successor Agency issued \$5,740,000 of Tax Allocation Bonds with interest rates varying from 2.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2037. The Bond proceeds were used to refund previously outstanding Tax Allocation Bonds. Future debt service requirements are as follows:

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. LONG-TERM DEBT, Continued

Fiduciary Fund Long-term Debt, Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 135,000	\$ 192,605	\$ 327,605
2024	145,000	186,786	331,786
2025	140,000	179,661	319,661
2026	150,000	172,411	322,411
2027	165,000	165,877	330,877
2028	165,000	160,205	325,205
2029	170,000	154,215	324,215
2030	835,000	135,456	970,456
2031	875,000	102,300	977,300
2032	910,000	66,600	976,600
2033	505,000	38,300	543,300
2034	345,000	21,300	366,300
2035	360,000	7,200	367,200
	<u>\$ 4,900,000</u>	<u>\$ 1,582,916</u>	<u>\$ 6,482,916</u>

2019 Tax Allocation Refunding Bonds: In December 2019, the Successor Agency issued \$15,500,000 of Tax Allocation Refunding Bonds (2019 Bonds) with interest rates varying from 2.2% to 4.00%, payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2037. The 2019 Bond proceeds were placed in escrow to fully refund previously outstanding 2007 and 2010 Tax Allocation Bonds. As a result, the 2007 and 2010 Tax Allocation Bonds have been removed from the Successor Agency financial statements. Future debt service requirements for the 2019 Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 665,000	\$ 500,626	\$ 1,165,626
2024	675,000	478,195	1,153,195
2025	725,000	454,433	1,179,433
2026	745,000	429,040	1,174,040
2027	765,000	402,434	1,167,434
2028	795,000	374,556	1,169,556
2029	815,000	345,411	1,160,411
2030	350,000	324,912	674,912
2031	350,000	312,903	662,903
2032	370,000	299,832	669,832
2033	845,000	277,774	1,122,774
2034	1,055,000	243,279	1,298,279
2035	1,095,000	204,246	1,299,246
2036	1,535,000	154,794	1,689,794
2037	1,590,000	94,591	1,684,591
2038	1,660,000	31,980	1,691,980
	<u>\$14,035,000</u>	<u>\$ 4,929,006</u>	<u>\$18,964,006</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. DEFINED BENEFIT PENSION PLAN

A. General Information about the Defined Benefit Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68.

Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (three miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2020 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2020 actuarial valuation report. This report is a publicly available valuation report that can be obtained at the CalPERS' website under Forms and Publications.

The rate plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPPRA
Hire Date	Prior to November 12, 2005	Prior to January 1, 2013	On or after January 1, 2013
	2.5% @ 55	2% @ 60	2% @ 62
Benefit formula	single highest year	36 month average	36 month average
Benefit vesting schedule	5 years service	5 years service	5 years services
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	2% to 2.5%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	12.20% + \$496,817	8.65% + \$2,184	7.59% + \$2,182

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. DEFINED BENEFIT PENSION PLAN, Continued

A. General Information about the Defined Benefit Pension Plan, Continued

	Safety	Safety PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	single highest year	36 month average
Benefit payments	5 years service	5 years service
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	2.4% to 3%	2% to 2/7%
Required employee contribution rates	9%	12%
Required employer contribution rates	21.79% + \$185,131	13.13% + \$2,582

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS.

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$688,896 in fiscal year 2022.

The City's contributions to the Plan for the year ended June 30, 2021 were \$1,232,401.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2021, the City reported a liability of \$5,010,718 for its proportionate share of the net pension liability. The City's net pension liability for the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. DEFINED BENEFIT PENSION PLAN, Continued

A. General Information about the Defined Benefit Pension Plan, Continued

The City's proportionate share of the Plan's net pension liability as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.08393%
Proportion - June 30, 2021	0.09265%
Change - Increase (Decrease)	0.00872%

For the year ended June 30, 2022, the City recognized pension expense of \$1,303,940. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,232,401	\$ -
Differences between actual and expected experience	625,833	-
Changes in employer's proportion	389,693	-
Differences between employer's contribution and the employer's proportionate share of contributions	-	465,281
Net differences between projected and actual earnings on plan investments	-	4,071,615
Total	<u>\$ 2,247,927</u>	<u>\$ 4,536,896</u>

The \$1,232,401 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2023	\$ (712,173)
2024	(781,639)
2025	(903,127)
2026	(1,124,431)

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. DEFINED BENEFIT PENSION PLAN, Continued

A. General Information about the Defined Benefit Pension Plan, Continued

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation dates	June 30, 2020
Measurement date	June 30 2021
Actuarial cost method	entry-age-normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

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

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

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. DEFINED BENEFIT PENSION PLAN, Continued

A. General Information about the Defined Benefit Pension Plan, Continued

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Public Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%

(1) An expected inflation of 2.0% used for this period

(2) An expected inflation of 2.92% used for this period

Discount Rate - The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease		6.15%
Net Pension Liability	\$	10,253,730
Current Discount Rate		7.15%
Net Pension Liability	\$	5,010,718
1% Increase		8.15%
Net Pension Liability	\$	685,673

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. DEFINED BENEFIT PENSION PLAN, Continued

B. Payable to the Pension Plan

At June 30, 2022, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2022.

8. OTHER POST EMPLOYEE BENEFITS

A. General Information About the OPEB Plan

Plan Description - The City provides medical coverage for retirees and their spouses. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS). The plan is a single-employer defined benefit post-employment healthcare benefits plan. The City's health plan does not issue a publicly available financial report, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Employees Covered by Benefit Terms - As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees currently receiving benefits	39
Active employees	53
	<u>92</u>

Contributions - The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contributions to the Plan are based on the costs to provide the benefits as described above on a pay as you go basis. For the fiscal year ended June 30, 2022, the City's pay-as-you-go costs were \$175,968.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

8. OTHER POST EMPLOYEE BENEFITS, Continued

A. General Information About the OPEB Plan, Continued

Total OPEB Liability - The City's Total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-age, Level Percent of Pay
Mortality	2017 CalPERS Experience Study
Age at Retirement	50
Health Care Trend Rate	4% for 2021-2023, 5.2% for 2024-2069, 4% thereafter
Inflation Rate	2.75%
Salary Changes	3.00%
Discount Rate:	
As of 6/30/2017	3.60%, net of investment, including inflation
As of 6/30/2018	3.90%, net of investment, including inflation
As of 6/30/2019	3.50%, net of investment, including inflation
As of 6/30/2020	2.60%, net of investment, including inflation
As of 6/30/2021	1.92%, net of investment, including inflation
As of 6/30/2022	3.69%, net of investment, including inflation
Medical CPI	3.50%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.69 percent and is based on the tax exempt general obligations municipal bonds AA - 20 Years index.

B. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 3,874,381
Changes in the year:	
Service Cost	193,009
Interest on the total OPEB liability	76,413
Differences between expected and actual experience	-
Changes in assumptions	(792,262)
Benefit payments, including implicit subsidy	(175,968)
Net changes	(698,808)
Balance at June 30, 2022	\$ 3,175,573

Changes of assumptions reflect a change in the discount rate from 3.50 percent at June 30, 2019, 2.20 percent at June 30, 2020, 1.92 percent at June 30, 2021, and 3.69 percent at June 30, 2022.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

8. OTHER POST EMPLOYEE BENEFITS, Continued

B. Changes in the Total OPEB Liability, Continued

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

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 3,587,980	\$ 3,175,573	\$ 2,835,678

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

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ 2,944,112	\$ 3,175,573	\$ 3,533,991

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2022, the City recognized OPEB expense of \$65,549. As of June 30, 2022, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 598,627
Changes in assumptions	460,195	648,214
Total	<u>\$ 460,195</u>	<u>\$ 1,246,841</u>

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

Year Ending June 30,	
2023	\$ (174,518)
2024	(210,187)
2025	(171,931)
2026	(157,988)
2027	(72,022)

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City currently carries insurance.

Risk Pool Membership

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The Authority arranges and administers programs for the pooling of self-insured losses, purchases excess insurance and reinsurance, and arranges for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Authority's Board of Directors. The Board operates through a nine-member Executive Committee.

Primary Liability program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$50 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance.

Workers Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. RISK MANAGEMENT, Continued

Excess Workers' Compensation Program

The City has a retained limit of \$150,000 per occurrence for workers' compensation claims. The Authority's pooled retention is \$1 million per occurrence with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Pollution Legal Liability Insurance Program

The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The policy limit is \$5,000,000 per member.

Crime Insurance Program

Formerly called Blanket Fidelity Bond, this policy covers faithful performance, depositor's forgery, theft of money and securities, and computer fraud related to the transfer of money. The deductible is \$5,000. Property Insurance Property insurance is provided through Public Risk Innovation, Solutions, and Management (formerly CSAC Excess Insurance Authority). Insurance protection is underwritten by several insurance companies. There is a \$5,000 deductible per occurrence.

Claims Liability

Claims liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

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

	Fiscal Year Ending June 30,		
	2022	2021	2020
Beginning of Year	\$ 175,261	\$ 937,000	\$ 698,350
Incurred Claims	420,165	58,885	397,163
Claim and Payments and changes in estimates	-	(820,624)	(158,513)
End of Year	<u>\$ 595,426</u>	<u>\$ 175,261</u>	<u>\$ 937,000</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. FUND BALANCES

The details of fund balances as of June 30, 2022 are as follows:

	General Fund	Housing Fund	Transnet Fund	Nonmajor Government Funds	Total
Nonspendable:					
Prepaid Items	\$ 10,656	\$ -	\$ -	\$ -	\$ 10,656
Restricted for:					
Pensions	1,395,581	-	-	21,005	1,416,586
Housing	-	10,963,473	-	-	10,963,473
Public Safety	-	-	-	89,532	89,532
Streets and Transportation	-	-	-	1,398,725	1,398,725
Community Development	-	-	-	966,512	966,512
Parks and Recreation	-	-	-	116,920	116,920
Unassigned	11,547,782	-	(240,376)	(374,982)	10,932,424
Total Fund Balances	\$12,954,019	\$10,963,473	\$ (240,376)	\$ 2,217,712	\$25,894,828

11. JOINT POWERS AUTHORITY

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2022. Complete financial statements may be obtained at the City of El Cajon, Finance City, 200 E. Main Street, El Cajon, CA 92020.

The City is a member of Heartland Fire Training Authority (HFTA). The purpose of HFTA is to provide a fire-fighting training facility and training courses for personnel of the member agencies. HFTA was created on October 1, 1999, as amended, by a Joint Powers Agreement (JPA) between a number of cities and fire protection districts in San Diego County. For the current fiscal year, the JPA members consist of the Cities of El Cajon, La Mesa, Lemon Grove, and Santee, the Fire Protection Districts of Alpine, Bonita-Sunnyside, Lakeside, and San Miguel, the Viejas Band of Kumeyaay Indians, and the Barona Band of Mission Indians. One elected official from each member agency is appointed to the HFTA Commission. The Commission approves an annual budget based on the costs of operating the facility and providing training to member agency personnel. Lemon Grove's membership cost was \$17,222 for the fiscal year ending June 30, 2022.

Annual financial statements may be obtained from HFTA, c/o City of El Cajon, Finance Department, 200 Civic Center Way, El Cajon, CA 92020.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. JOINT POWERS AUTHORITY, Continued

The Lemon Grove Sanitation District is a participant in the Metropolitan Wastewater Joint Powers Authority (JPA), a coalition of municipalities and special districts that share the use of the City of San Diego's Metropolitan Sewerage System. The Sanitation District pays a quarterly amount based on estimates of the District's cost to use the wastewater facilities in advance of each fiscal year. The estimated payments are subject to adjustment once the actual usage figures are known and may result in a refund or an additional payment due to the City of San Diego. Complete financial statements may be obtained at 276 Fourth Avenue, Chula Vista, CA 91910.

12. SUCCESSOR AGENCY FOR THE FORMER REDEVOPMENT AGENCY

A. Background

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

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

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

13. COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Successor Agency

Amounts paid and accrued for the year ended June 30, 2022 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the fiduciary for the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City.

The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

C. Other Commitments and Contingencies

The City is a defendant in various pending lawsuits of a nature common to many similar jurisdictions. City management and legal counsel estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the City’s financial statements.

14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The \$531,539 reported in the General Fund as due from other funds represents amounts due from nonmajor governmental funds. These represent temporary, interfund borrowings resulting from routine cash flows and are expected to be repaid within the next fiscal year.

The following is a summary of interfund transfers for the 2021-2022 fiscal year:

Transfers In	Transfers Out	Amount
General Fund	Non-major governmental funds	\$ 213,600
Non-major governmental funds	General Fund	104,104
Non-major governmental funds	Non-major governmental funds	70,000
Non-major governmental funds	Sanitation	100,000
		\$ 487,704

Transfers of \$104,104 and \$100,000 were made from the General Fund and Sanitation Fund, respectively, to nonmajor governmental funds to fund various project costs.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2022

15. DEFICIT FUND BALANCES

Deficit fund balances in the nonmajor governmental funds will be eliminated through future collection and recognition of applicable revenues.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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City of Lemon Grove

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

General Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 13,788,990	\$ 14,417,990	\$ 15,790,155	\$ 1,372,165
Licenses, fees and permits	587,100	757,100	987,799	230,699
Fines, forfeitures and penalties	82,000	82,000	186,201	104,201
Intergovernmental revenues	139,000	159,000	688,350	529,350
Charges for services	552,268	792,268	961,328	169,060
Use of money and property	247,926	247,926	(108,102)	(356,028)
Other revenues	7,000	7,000	123,365	116,365
Total revenues	15,404,284	16,463,284	18,629,096	2,165,812
EXPENDITURES:				
Current:				
General government	1,446,642	1,694,642	1,767,923	(73,281)
Public safety	11,902,931	12,179,731	11,735,781	443,950
Public works	1,839,798	1,867,798	1,580,877	286,921
Community development	737,739	827,739	807,481	20,258
Capital outlay	919,275	941,110	443,051	498,059
Total expenditures	16,846,385	17,511,020	16,335,113	1,175,907
REVENUES OVER (UNDER) EXPENDITURES	(1,442,101)	(1,047,736)	2,293,983	989,905
OTHER FINANCING SOURCES (USES):				
Transfers in	611,438	611,438	213,600	(397,838)
Transfers out	(104,104)	(104,104)	(104,104)	-
Total other financing sources (uses)	507,334	507,334	109,496	(397,838)
Net change in fund balances	\$ (934,767)	\$ (540,402)	2,403,479	\$ 592,067
FUND BALANCES:				
Beginning of year			10,550,540	
End of year			\$ 12,954,019	

City of Lemon Grove

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

Housing Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 127,294	\$ 127,294
Total revenues	-	-	127,294	127,294
Net change in fund balances	\$ -	\$ -	127,294	\$ 127,294
FUND BALANCES:				
Beginning of year			10,836,179	
End of year			\$ 10,963,473	

City of Lemon Grove

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

Transnet Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 3,250,173	\$ 3,250,173	\$ 193,427	\$ (3,056,746)
Total revenues	3,250,173	3,250,173	191,973	(3,058,200)
EXPENDITURES:				
Current:				
Public works	99,031	99,031	123,960	(24,929)
Capital outlay	2,954,664	3,330,171	629,391	2,700,780
Total expenditures	3,053,695	3,429,202	753,351	2,675,851
REVENUES OVER (UNDER) EXPENDITURES	196,478	(179,029)	(561,378)	(5,734,051)
Net change in fund balances	\$ 196,478	\$ (179,029)	(561,378)	\$ (5,734,051)
FUND BALANCES:				
Beginning of year			321,002	
End of year			\$ (240,376)	

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2022

DEFINED BENEFIT PENSION PLANS

Schedule of the City's Proportionate Share of the Net Pension Liability - Last Ten Fiscal Years

Fiscal Year End:	6/30/2022	6/30/2021	6/30/2020
Measurement Date	6/30/2021	6/30/2020	6/30/2019
City's proportion of the net pension liability	0.09265%	0.08393%	0.08102%
City's proportionate share of the net pension liability	\$ 5,010,718	\$ 9,131,695	\$ 8,301,768
City's covered payroll (plan year)	\$ 3,981,855	\$ 3,993,095	\$ 3,915,557
City's proportionate share of the net pension liability as a percentage of its covered payroll	125.84%	228.69%	212.02%
City's fiduciary net position as a percentage of the total pension liability	88.29%	76.06%	77.21%

Notes to the schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
0.07749%	0.07749%	0.07711%	0.10238%	0.10182%
\$ 7,557,212	\$ 7,685,061	\$ 6,672,556	\$ 7,027,037	\$ 6,335,672
\$ 4,285,339	\$ 4,129,783	\$ 3,966,818	\$ 4,140,577	\$ 3,916,214
176.35%	186.09%	168.21%	169.71%	161.78%
77.89%	76.39%	74.06%	78.40%	79.82%

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2022

DEFINED BENEFIT PENSION PLANS, Continued

Schedule of Pension Contributions - Last Ten Fiscal Years

Contributions for the fiscal year ending June 30,	2022	2021	2020
Contractually required contribution	\$ 1,232,401	\$ 1,154,805	\$ 1,049,105
Contributions in relation to the contractually required contribution	<u>(1,232,401)</u>	<u>(1,154,805)</u>	<u>(1,049,105)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll (City's fiscal year)	\$ 3,884,925	\$ 3,981,855	\$ 3,993,095
Contributions as a percentage of covered payroll	31.72%	29.00%	26.27%

Notes to the schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method:	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value

Inflation:	2.50%	2.50%	2.63%
Salary increases:	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%
Retirement age:	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)

(1) Level percentage of payroll, closed

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

(3) 50 for all plans, with the exception of 52 for Miscellaneous PEPR 2%@62

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

2019	2018	2017	2016	2015
\$ 962,913	\$ 894,949	\$ 813,911	\$ 909,279	\$ 929,245
(962,913)	(894,949)	(813,911)	(2,737,595)	(1,194,245)
\$ -	\$ -	\$ -	\$ (1,828,316)	\$ (265,000)
\$ 3,915,557	\$ 4,285,339	\$ 4,129,783	\$ 3,966,818	\$ 3,854,444
24.59%	20.88%	19.71%	69.01%	30.98%

6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)
7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2022

OTHER POST EMPLOYMENT BENEFIT PLANS (OPEB)

Schedule of Changes in the City's Total OPEB Liability and Related Ratios - Last Ten Fiscal Years

Measurement Period	<u>FY2021/22</u>	<u>FY2020/21</u>	<u>FY 2019/20</u>
Total OPEB liability - beginning of year	\$ 3,874,381	\$ 3,979,861	\$ 4,127,787
Service cost	193,009	165,231	116,516
Interest	76,413	88,935	144,633
Differences between expected and actual experience	-	(453,019)	(768,359)
Changes in assumptions	(792,262)	299,664	577,083
Benefit payments	(175,968)	(206,291)	(217,799)
Net change in total OPEB liability	<u>(698,808)</u>	<u>(105,480)</u>	<u>(147,926)</u>
Total OPEB liability - end of year	<u>\$ 3,175,573</u>	<u>\$ 3,874,381</u>	<u>\$ 3,979,861</u>
Covered employee payroll	\$ 3,884,925	\$ 3,981,855	\$ 3,995,000
City's total OPEB liability as a percentage of covered payroll	81.74%	97.30%	99.62%

Notes to the schedule:

*Plan assets: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

*Changes in assumptions: In fiscal year 2021-2022, discount rate changed from 2.66% to 2.19%

*Fiscal year 2018 was the 1st year of implementation, therefore there are fewer than 10 years shown.

<u>FY 2018/19</u>	<u>FY 2017/18</u>
\$ 3,907,420	\$ 4,017,427
114,804	111,460
152,187	144,569
(14,999)	(6,897)
193,343	(139,883)
<u>(224,968)</u>	<u>(219,256)</u>
<u>220,367</u>	<u>(110,007)</u>
<u>\$ 4,127,787</u>	<u>\$ 3,907,420</u>
\$ 4,347,161	\$ 4,220,545
94.95%	92.58%

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2022

1. BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgetary Control and Budgetary Accounting*

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

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

Budgets are adopted for all funds.

B. *Encumbrances*

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

C. *Continuing Appropriations*

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

D. *Budget Basis of Accounting*

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

SUPPLEMENTARY INFORMATION

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**CITY OF LEMON GROVE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

City of Lemon Grove
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
ASSETS				
Cash and investments	\$ 917,922	\$ 116,788	\$ 61,421	\$ -
Accounts receivable	148,515	132	-	235,912
Prepaid items	119	-	-	-
Restricted cash	16,989	-	-	-
Total assets	\$ 1,083,545	\$ 116,920	\$ 61,421	\$ 235,912
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 55,525	\$ -	\$ -	\$ 15,914
Accrued liabilities	1,824	-	-	-
Due to other funds	-	-	-	191,288
Deposits payable	-	-	-	-
Total liabilities	57,349	-	-	207,202
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	235,912
Total deferred inflows of resources	-	-	-	235,912
Fund Balances:				
Restricted	1,026,196	116,920	61,421	-
Unassigned	-	-	-	(207,202)
Total fund balances	1,026,196	116,920	61,421	(207,202)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,083,545	\$ 116,920	\$ 61,421	\$ 235,912

Special Revenue Funds

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment	PEG (Public/ Education Government)	Serious Traffic Offender Program
\$ -	\$ -	\$ 369,699	\$ 60,289	\$ 427,787	\$ -	\$ 329,981	\$ 22,743
31,714	-	3,891	-	1,956	-	11,889	36
-	-	-	4,417	-	-	-	-
-	-	2,038	688	988	181	-	121
<u>\$ 31,714</u>	<u>\$ -</u>	<u>\$ 375,628</u>	<u>\$ 65,394</u>	<u>\$ 430,731</u>	<u>\$ 181</u>	<u>\$ 341,870</u>	<u>\$ 22,900</u>
\$ 2,464	\$ 8,788	\$ 25,523	\$ 1,225	\$ 3,904	\$ 447	\$ (995)	\$ 7,949
-	61	186	51	94	16	-	13
95,722	90,715	-	-	-	1,281	-	-
-	-	-	-	248,786	-	-	-
<u>98,186</u>	<u>99,564</u>	<u>25,709</u>	<u>1,276</u>	<u>252,784</u>	<u>1,744</u>	<u>(995)</u>	<u>7,962</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	349,919	64,118	177,947	181	342,865	14,938
(66,472)	(99,564)	-	-	-	(1,744)	-	-
<u>(66,472)</u>	<u>(99,564)</u>	<u>349,919</u>	<u>64,118</u>	<u>177,947</u>	<u>(1,563)</u>	<u>342,865</u>	<u>14,938</u>
<u>\$ 31,714</u>	<u>\$ -</u>	<u>\$ 375,628</u>	<u>\$ 65,394</u>	<u>\$ 430,731</u>	<u>\$ 181</u>	<u>\$ 341,870</u>	<u>\$ 22,900</u>

City of Lemon Grove
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Capital Project Funds			Total Nonmajor Governmental Funds
	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	
ASSETS				
Cash and investments	\$ 35,882	\$ 13,294	\$ 389,080	\$ 2,744,886
Accounts receivable	47	-	438	434,530
Prepaid items	-	-	-	4,536
Restricted cash	-	-	-	21,005
Total assets	\$ 35,929	\$ 13,294	\$ 389,518	\$ 3,204,957
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 552	\$ -	\$ -	\$ 121,296
Accrued liabilities	-	-	-	2,245
Due to other funds	-	-	-	379,006
Deposits payable	-	-	-	248,786
Total liabilities	552	-	-	751,333
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	235,912
Total deferred inflows of resources	-	-	-	235,912
Fund Balances:				
Restricted	35,377	13,294	389,518	2,592,694
Unassigned	-	-	-	(374,982)
Total fund balances	35,377	13,294	389,518	2,217,712
Total liabilities, deferred inflows of resources and fund balances	\$ 35,929	\$ 13,294	\$ 389,518	\$ 3,204,957

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City of Lemon Grove
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2022

	Special Revenue Funds			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
REVENUES:				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	1,171,927	-	171,285	79,200
Charges for services	-	95,832	-	-
Use of money and property	(12,760)	(830)	-	-
Other revenues	-	-	-	-
Total revenues	1,159,167	95,002	171,285	79,200
EXPENDITURES:				
Current:				
General government	-	-	-	734
Public safety	-	-	-	19,440
Public works	606,384	-	-	16,409
Community development	-	-	-	11,323
Capital outlay	462,749	31,607	-	4,537
Total expenditures	1,069,133	31,607	-	52,443
REVENUES OVER (UNDER) EXPENDITURES	90,034	63,395	171,285	26,757
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	-	-	-
Transfers out	(30,000)	-	(160,000)	-
Total other financing sources (uses)	70,000	-	(160,000)	-
Net change in fund balances	160,034	63,395	11,285	26,757
FUND BALANCES:				
Beginning of year	866,162	53,525	50,136	(233,959)
End of year	\$ 1,026,196	\$ 116,920	\$ 61,421	\$ (207,202)

Special Revenue Funds

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment	PEG (Public/ Education Government)	Serious Traffic Offender Program
\$ -	\$ -	\$ 376,438	\$ -	\$ 28,148	\$ 11,114	\$ -	\$ -
38,850	109,768	-	-	-	-	-	-
-	-	-	80,814	-	-	36,179	-
-	-	(4,471)	(160)	(5,095)	(14)	(4,315)	(463)
501	-	-	-	-	-	-	5,135
<u>39,351</u>	<u>109,768</u>	<u>371,967</u>	<u>80,654</u>	<u>23,053</u>	<u>11,100</u>	<u>31,864</u>	<u>4,672</u>
-	-	-	-	-	-	33,409	-
-	-	-	-	-	-	-	30,497
(7)	21,751	361,061	143,106	-	9,048	-	-
68,045	-	-	-	31,854	-	-	-
501	65,334	-	-	-	-	-	-
<u>68,539</u>	<u>87,085</u>	<u>361,061</u>	<u>143,106</u>	<u>31,854</u>	<u>9,048</u>	<u>33,409</u>	<u>30,497</u>
<u>(29,188)</u>	<u>22,683</u>	<u>10,906</u>	<u>(62,452)</u>	<u>(8,801)</u>	<u>2,052</u>	<u>(1,545)</u>	<u>(25,825)</u>
-	-	70,000	104,104	-	-	-	-
-	(8,000)	(84,300)	-	(1,200)	(100)	-	-
-	(8,000)	(14,300)	104,104	(1,200)	(100)	-	-
<u>(29,188)</u>	<u>14,683</u>	<u>(3,394)</u>	<u>41,652</u>	<u>(10,001)</u>	<u>1,952</u>	<u>(1,545)</u>	<u>(25,825)</u>
<u>(37,284)</u>	<u>(114,247)</u>	<u>353,313</u>	<u>22,466</u>	<u>187,948</u>	<u>(3,515)</u>	<u>344,410</u>	<u>40,763</u>
<u>\$ (66,472)</u>	<u>\$ (99,564)</u>	<u>\$ 349,919</u>	<u>\$ 64,118</u>	<u>\$ 177,947</u>	<u>\$ (1,563)</u>	<u>\$ 342,865</u>	<u>\$ 14,938</u>

City of Lemon Grove
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2022

	Capital Project Funds			Total Nonmajor Governmental Funds
	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	
REVENUES:				
Taxes and special assessments	\$ 26,582	\$ -	\$ -	\$ 442,282
Intergovernmental revenues	-	-	-	1,571,030
Charges for services	-	-	315,715	528,540
Use of money and property	(281)	-	(2,329)	(30,718)
Other revenues	-	-	-	5,636
Total revenues	26,301	-	313,386	2,516,770
EXPENDITURES:				
Current:				
General government	-	-	-	34,143
Public safety	-	-	-	49,937
Public works	5,290	-	-	1,163,042
Community development	-	-	-	111,222
Capital outlay	-	-	-	564,728
Total expenditures	5,290	-	-	1,923,072
REVENUES OVER (UNDER) EXPENDITURES	21,011	-	313,386	593,698
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	274,104
Transfers out	-	-	-	(283,600)
Total other financing sources (uses)	-	-	-	(9,496)
Net change in fund balances	21,011	-	313,386	584,202
FUND BALANCES:				
Beginning of year	14,366	13,294	76,132	1,633,510
End of year	\$ 35,377	\$ 13,294	\$ 389,518	\$ 2,217,712

City of Lemon Grove

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,158,993	\$ 1,158,993	\$ 1,171,927	\$ 12,934
Use of money and property	2,000	2,000	(12,760)	(14,760)
Total revenues	1,160,993	1,160,993	1,159,167	(1,826)
EXPENDITURES:				
Current:				
Public works	629,772	629,772	606,384	23,388
Capital outlay	865,000	1,495,000	462,749	1,032,251
Total expenditures	1,494,772	2,124,772	1,069,133	1,055,639
REVENUES OVER (UNDER) EXPENDITURES	(333,779)	(963,779)	90,034	(1,057,465)
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	70,000	70,000	70,000	-
Net change in fund balances	\$ (263,779)	\$ (893,779)	160,034	\$ (1,057,465)
FUND BALANCES:				
Beginning of year			866,162	
End of year			\$ 1,026,196	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Parkland Dedication Special Revenue Fund For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 4,500	\$ 4,500	\$ 95,832	\$ 91,332
Use of money and property	250	250	(830)	(1,080)
Total revenues	4,750	4,750	95,002	90,252
EXPENDITURES:				
Capital outlay	65,000	65,000	31,607	33,393
Total expenditures	65,000	65,000	31,607	33,393
REVENUES OVER (UNDER) EXPENDITURES	(60,250)	(60,250)	63,395	56,859
Net change in fund balances	\$ (60,250)	\$ (60,250)	63,395	\$ 56,859
FUND BALANCES:				
Beginning of year			53,525	
End of year			\$ 116,920	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Service Special Revenue Fund For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 140,000	\$ 140,000	\$ 171,285	\$ 31,285
Total revenues	140,000	140,000	171,285	31,285
OTHER FINANCING SOURCES (USES):				
Transfers out	(160,000)	(160,000)	(160,000)	-
Total other financing sources (uses)	(160,000)	(160,000)	(160,000)	-
Net change in fund balances	\$ (20,000)	\$ (20,000)	11,285	\$ 31,285
FUND BALANCES:				
Beginning of year			50,136	
End of year			<u>\$ 61,421</u>	

City of Lemon Grove

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

Sundry Grants Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,740,335	\$ 1,752,684	\$ 79,200	\$ (1,673,484)
Use of money and property	500	500	-	(500)
Total revenues	1,740,835	1,753,184	79,200	(1,673,984)
EXPENDITURES:				
Current:				
General government	-	-	734	(734)
Public safety	39,645	39,645	19,440	20,205
Public works	168,300	168,300	16,409	151,891
Community development	201,068	201,068	11,323	189,745
Capital outlay	1,311,486	1,311,486	4,537	1,306,949
Total expenditures	1,720,499	1,720,499	52,443	1,668,056
REVENUES OVER (UNDER) EXPENDITURES	20,336	32,685	26,757	(3,342,040)
Net change in fund balances	\$ 20,336	\$ 32,685	26,757	\$ (3,342,040)
FUND BALANCES:				
Beginning of year			(233,959)	
End of year			<u>\$ (207,202)</u>	

City of Lemon Grove

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

CDBG Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 427,150	\$ 427,150	\$ 38,850	\$ (388,300)
Other revenues	-	-	501	501
Total revenues	<u>427,150</u>	<u>427,150</u>	<u>39,351</u>	<u>(387,799)</u>
EXPENDITURES:				
Current:				
Public works	-	-	(7)	7
Community development	117,371	117,371	68,045	49,326
Capital outlay	261,063	261,063	501	260,562
Total expenditures	<u>378,434</u>	<u>378,434</u>	<u>68,539</u>	<u>309,895</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>48,716</u>	<u>48,716</u>	<u>(29,188)</u>	<u>(697,694)</u>
Net change in fund balances	<u>\$ 48,716</u>	<u>\$ 48,716</u>	<u>(29,188)</u>	<u>\$ (697,694)</u>
FUND BALANCES:				
Beginning of year			(37,284)	
End of year			<u>\$ (66,472)</u>	

City of Lemon Grove

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

TDA Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 115,263	\$ 115,263	\$ 109,768	\$ (5,495)
Total revenues	115,263	115,263	109,768	(5,495)
EXPENDITURES:				
Current:				
Public works	24,831	24,831	21,751	3,080
Capital outlay	88,339	88,339	65,334	23,005
Total expenditures	113,170	113,170	87,085	26,085
REVENUES OVER (UNDER) EXPENDITURES	2,093	2,093	22,683	(31,580)
OTHER FINANCING SOURCES (USES):				
Transfers out	(8,000)	(8,000)	(8,000)	-
Total other financing sources (uses)	(8,000)	(8,000)	(8,000)	-
Net change in fund balances	\$ (5,907)	\$ (5,907)	14,683	\$ (31,580)
FUND BALANCES:				
Beginning of year			(114,247)	
End of year			<u>\$ (99,564)</u>	

City of Lemon Grove

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

Lighting District Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 348,000	\$ 348,000	\$ 376,438	\$ 28,438
Use of money and property	2,150	2,150	(4,471)	(6,621)
Total revenues	350,150	350,150	371,967	21,817
EXPENDITURES:				
Current:				
Public works	344,915	344,915	361,061	(16,146)
Total expenditures	344,915	344,915	361,061	(16,146)
REVENUES OVER (UNDER) EXPENDITURES	5,235	5,235	10,906	37,963
OTHER FINANCING SOURCES (USES):				
Transfers in	70,000	70,000	70,000	-
Transfers out	(84,300)	(84,300)	(84,300)	-
Total other financing sources (uses)	(14,300)	(14,300)	(14,300)	-
Net change in fund balances	\$ (9,065)	\$ (9,065)	(3,394)	\$ 37,963
FUND BALANCES:				
Beginning of year			353,313	
End of year			\$ 349,919	

City of Lemon Grove

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

Storm Water Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 52,000	\$ 52,000	\$ 80,814	\$ 28,814
Use of money and property	-	-	(160)	(160)
Total revenues	<u>52,000</u>	<u>52,000</u>	<u>80,654</u>	<u>28,654</u>
EXPENDITURES:				
Current:				
General government	200	200	-	200
Public works	150,501	150,501	143,106	7,395
Capital outlay	32,500	32,500	-	32,500
Total expenditures	<u>183,201</u>	<u>183,201</u>	<u>143,106</u>	<u>40,095</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(131,201)</u>	<u>(131,201)</u>	<u>(62,452)</u>	<u>(11,441)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	104,104	104,104	104,104	-
Total other financing sources (uses)	<u>104,104</u>	<u>104,104</u>	<u>104,104</u>	<u>-</u>
Net change in fund balances	<u>\$ (27,097)</u>	<u>\$ (27,097)</u>	41,652	<u>\$ (11,441)</u>
FUND BALANCES:				
Beginning of year			22,466	
End of year			<u>\$ 64,118</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Household Hazardous Waste Special Revenue Fund For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 25,000	\$ 25,000	\$ 28,148	\$ 3,148
Use of money and property	1,000	1,000	(5,095)	(6,095)
Other revenues	5,000	5,000	-	(5,000)
Total revenues	31,000	31,000	23,053	(7,947)
EXPENDITURES:				
Current:				
Community development	84,337	84,337	31,854	52,483
Total expenditures	84,337	84,337	31,854	52,483
REVENUES OVER (UNDER) EXPENDITURES	(53,337)	(53,337)	(8,801)	(60,430)
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,200)	(1,200)	(1,200)	-
Total other financing sources (uses)	(1,200)	(1,200)	(1,200)	-
Net change in fund balances	\$ (54,537)	\$ (54,537)	(10,001)	\$ (60,430)
FUND BALANCES:				
Beginning of year			187,948	
End of year			<u>\$ 177,947</u>	

City of Lemon Grove

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

Wild Flower Assessment Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 10,987	\$ 10,987	\$ 11,114	\$ 127
Use of money and property	10	10	(14)	(24)
Total revenues	10,997	10,997	11,100	103
EXPENDITURES:				
Current:				
Public works	10,317	10,317	9,048	1,269
Total expenditures	10,317	10,317	9,048	1,269
REVENUES OVER (UNDER) EXPENDITURES	680	680	2,052	(1,166)
OTHER FINANCING SOURCES (USES):				
Transfers out	(100)	(100)	(100)	-
Total other financing sources (uses)	(100)	(100)	(100)	-
Net change in fund balances	\$ 580	\$ 580	1,952	\$ (1,166)
FUND BALANCES:				
Beginning of year			(3,515)	
End of year			\$ (1,563)	

City of Lemon Grove

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

PEG (Public/Education Government) Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 54,000	\$ 54,000	\$ 36,179	\$ (17,821)
Use of money and property	2,000	2,000	(4,315)	(6,315)
Total revenues	56,000	56,000	31,864	(24,136)
EXPENDITURES:				
Current:				
General government	36,000	36,000	33,409	2,591
Capital outlay	5,500	5,500	-	5,500
Total expenditures	41,500	41,500	33,409	8,091
REVENUES OVER (UNDER) EXPENDITURES	14,500	14,500	(1,545)	(32,227)
Net change in fund balances	\$ 14,500	\$ 14,500	(1,545)	\$ (32,227)
FUND BALANCES:				
Beginning of year			344,410	
End of year			\$ 342,865	

City of Lemon Grove

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

Serious Traffic Offender Program Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 200	\$ 200	\$ (463)	\$ (663)
Other revenues	4,500	4,500	5,135	635
Total revenues	4,700	4,700	4,672	(28)
EXPENDITURES:				
Current:				
Public safety	9,830	9,830	30,497	(20,667)
Total expenditures	9,830	9,830	30,497	(20,667)
REVENUES OVER (UNDER) EXPENDITURES	(5,130)	(5,130)	(25,825)	20,639
Net change in fund balances	\$ (5,130)	\$ (5,130)	(25,825)	\$ 20,639
FUND BALANCES:				
Beginning of year			40,763	
End of year			\$ 14,938	

City of Lemon Grove

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

Main Street Promenade CFD Capital Projects Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 26,583	\$ 26,583	\$ 26,582	\$ (1)
Use of money and property	150	150	(281)	(431)
Total revenues	26,733	26,733	26,301	(432)
EXPENDITURES:				
Current:				
Public works	28,350	28,350	5,290	23,060
Total expenditures	28,350	28,350	5,290	23,060
REVENUES OVER (UNDER) EXPENDITURES	(1,617)	(1,617)	21,011	(23,492)
Net change in fund balances	\$ (1,617)	\$ (1,617)	21,011	\$ (23,492)
FUND BALANCES:				
Beginning of year			14,366	
End of year			<u>\$ 35,377</u>	

City of Lemon Grove

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

Safety Capital Purchases Capital Projects Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 14,085	\$ 14,085	\$ -	\$ 14,085
Total expenditures	14,085	14,085	-	14,085
Net change in fund balances	\$ (14,085)	\$ (14,085)	-	\$ (14,085)
FUND BALANCES:				
Beginning of year			13,294	
End of year			<u>\$ 13,294</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Transportation Mitigation Capital Projects Fund For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 5,000	\$ 5,000	\$ 315,715	\$ 310,715
Use of money and property	200	200	(2,329)	(2,529)
Total revenues	5,200	5,200	313,386	308,186
Net change in fund balances	\$ 5,200	\$ 5,200	313,386	\$ 308,186
FUND BALANCES:				
Beginning of year			76,132	
End of year			\$ 389,518	

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STATISTICAL SECTION

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Statistical Section (Unaudited)

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

The requirement is to provide ten years of data when available for the trend tables in the statistical section. The City of Lemon Grove only has reliable available data going back to FY2013 for some of the trend tables, therefore these impacted tables are provided presenting 9 prior years plus the current year information. Other statistical tables present data only for years with available information.

Contents

Financial Trends: these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

- Net Position by Category
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds
- Tax Revenue by Source

Revenue Capacity: these schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

- Assessed Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections
- Taxable Sales by Category
- Top 25 Sales Tax Producers

Debt Capacity: these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Overlapping Tax and Assessment Debt
- Legal Debt Margin Information – City

Demographic and Economic Information: these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

- Demographic and Economic Statistics
- Principal Employers by Employee Size

Operating Information: these schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides.

- Full-Time Equivalent Employees by Function
- Operating Indicators by Function
- Capital Assets Statistics by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial report for the relevant year.

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City of Lemon Grove

Net Position by Category (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
Governmental Activities				
Net investment in capital assets	42,884,125	\$42,652,240	\$ 41,846,096	\$ 41,548,007
Restricted	9,048,663	8,040,322	13,303,682	10,320,943
Unrestricted	5,782,409	6,357,413	(292,780)	5,342,344
Total governmental activities net position	<u>57,715,197</u>	<u>57,049,975</u>	<u>54,856,998</u>	<u>57,211,294</u>
Business-type Activities				
Invested in capital assets, net of related debt	5,287,794	5,850,826	5,650,270	5,708,030
Restricted		-	-	-
Unrestricted	13,849,119	15,314,047	14,949,807	15,409,379
Total business-type activities net position	<u>19,136,913</u>	<u>21,164,873</u>	<u>20,600,077</u>	<u>21,117,409</u>
Primary Government				
Net investment in capital assets	48,171,919	48,503,066	47,496,366	47,256,037
Restricted	9,048,663	8,040,322	13,303,682	10,320,943
Unrestricted	19,631,528	21,671,460	14,657,027	20,751,723
Total primary government net position	<u>\$ 76,852,110</u>	<u>\$78,214,848</u>	<u>\$ 75,457,075</u>	<u>\$ 78,328,703</u>

City of Lemon Grove

Net Position by Category (Unaudited) (continued)

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 43,454,713	\$ 44,357,536	\$ 45,064,416	\$ 43,627,795	\$ 42,609,458	\$ 42,555,153
10,630,122	11,151,485	11,012,460	12,081,617	17,766,991	18,704,624
2,132,098	(1,700,781)	(760,899)	(1,535,017)	1,072,575	2,625,615
<u>56,216,933</u>	<u>53,808,240</u>	<u>55,315,977</u>	<u>54,174,395</u>	<u>61,449,024</u>	<u>63,885,392</u>
6,589,829	7,056,706	7,174,106	7,423,916	7,308,262	7,201,980
-	-	553,967	1,140,548	1,956,146	1,733,031
15,351,794	15,314,047	16,569,600	19,678,287	21,573,870	24,066,604
<u>21,941,623</u>	<u>22,370,753</u>	<u>24,297,673</u>	<u>28,242,751</u>	<u>30,838,278</u>	<u>33,001,615</u>
50,044,542	51,414,242	52,238,522	51,051,711	49,917,720	49,757,133
10,630,122	11,151,485	11,566,427	13,222,165	19,723,137	20,437,655
17,483,892	13,613,266	15,808,701	18,143,270	22,646,445	26,692,219
<u>\$ 78,158,556</u>	<u>\$ 76,178,993</u>	<u>\$ 79,613,650</u>	<u>\$ 82,417,146</u>	<u>\$ 92,287,302</u>	<u>\$ 96,887,007</u>

City of Lemon Grove

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
Expenses				
Governmental activities:				
General Government	922,962	1,990,375	1,995,938	913,892
Public Safety	8,681,889	8,802,464	9,146,101	8,858,907
Public Works	1,821,778	3,386,086	1,613,433	3,975,465
Community Development	495,097	974,490	2,226,068	1,299,116
Interest on long-term debt	3,133	2,766	789	-
Total governmental activities expenses	<u>11,924,859</u>	<u>15,156,181</u>	<u>14,982,329</u>	<u>15,047,380</u>
Business-type activities:				
Sanitation	4,364,996	4,657,485	3,948,291	5,194,291
Total business-type activities expenses	<u>4,364,996</u>	<u>4,657,485</u>	<u>3,948,291</u>	<u>5,194,291</u>
Total primary government expenses	<u>16,289,855</u>	<u>\$ 19,813,666</u>	<u>\$ 18,930,620</u>	<u>\$ 20,241,671</u>
Program Revenues				
Governmental activities:				
Charges for Services				
General Government	87,334	415,728	359,414	468,405
Public Safety	406,164	395,513	943,754	518,866
Public Works	334,038	353,144	708,119	637,507
Community Development	339,475	306,285	250,573	216,744
Operating Grants and Contributions	535,785	1,609,715	2,329,068	1,424,488
Capital Grants and Contributions	<u>1,805,280</u>	<u>4,578,565</u>	<u>1,540,883</u>	<u>2,043,592</u>
Total governmental activities program revenues	<u>3,508,076</u>	<u>7,658,950</u>	<u>6,131,811</u>	<u>5,309,602</u>
Business-type activities:				
Charges for Services	<u>5,571,705</u>	<u>5,872,436</u>	<u>6,573,926</u>	<u>6,312,436</u>
Total business-type activities program revenues	<u>5,571,705</u>	<u>5,872,436</u>	<u>6,573,926</u>	<u>6,312,436</u>
Total primary government program revenues	<u>9,079,781</u>	<u>\$ 13,531,386</u>	<u>\$ 12,705,737</u>	<u>\$ 11,622,038</u>
Net (Expense)/Revenue				
Governmental activities	(8,416,783)	(7,497,231)	(8,850,518)	(9,737,778)
Business-type activities	<u>1,206,709</u>	<u>1,214,951</u>	<u>2,625,635</u>	<u>1,118,145</u>
Total primary government net (expense)/revenue	<u>(7,210,074)</u>	<u>(6,282,280)</u>	<u>(6,224,883)</u>	<u>(8,619,633)</u>

City of Lemon Grove

Changes in Net Position (Unaudited) (continued)

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year					
2017	2018	2019	2020	2021	2022
1,543,159	2,788,081	935,586	2,094,451	1,442,207	2,162,738
9,884,392	10,703,373	11,255,122	11,348,111	11,540,363	11,120,006
4,990,867	3,129,413	4,410,543	5,378,126	4,087,625	4,852,983
882,340	767,367	751,601	904,438	1,892,944	999,311
-	-	-	-	-	-
<u>17,300,758</u>	<u>17,388,234</u>	<u>17,352,852</u>	<u>19,725,126</u>	<u>18,963,139</u>	<u>19,135,038</u>
4,690,722	4,642,513	5,489,606	3,421,848	4,513,177	4,920,907
<u>4,690,722</u>	<u>4,642,513</u>	<u>5,489,606</u>	<u>3,421,848</u>	<u>4,513,177</u>	<u>4,920,907</u>
<u>\$ 21,991,480</u>	<u>\$ 22,030,747</u>	<u>\$ 22,842,458</u>	<u>\$ 23,146,974</u>	<u>\$ 23,476,316</u>	<u>\$ 24,055,945</u>
419,353	329,566	768,795	761,102	216,043	374,805
744,377	1,080,647	752,784	535,471	757,768	1,035,436
109,556	114,917	501,379	438,199	499,470	810,663
583,702	778,438	767,271	1,396,593	1,977,238	1,087,595
712,587	1,190,544	1,705,356	1,618,626	2,472,960	2,231,812
4,991,543	1,851,065	1,041,111	964,895	1,155,234	342,383
<u>7,561,118</u>	<u>5,345,177</u>	<u>5,536,696</u>	<u>5,714,886</u>	<u>7,078,713</u>	<u>5,882,694</u>
6,121,851	6,470,933	6,846,373	6,821,770	6,966,652	7,712,039
<u>6,121,851</u>	<u>6,470,933</u>	<u>6,846,373</u>	<u>6,821,770</u>	<u>6,966,652</u>	<u>7,712,039</u>
<u>\$ 13,682,969</u>	<u>\$ 11,816,110</u>	<u>\$ 12,383,069</u>	<u>\$ 12,536,656</u>	<u>\$ 14,045,365</u>	<u>\$ 13,594,733</u>
(9,739,640)	(12,043,057)	(11,816,156)	(14,010,240)	(11,884,426)	(13,252,344)
<u>1,431,129</u>	<u>1,828,420</u>	<u>1,356,767</u>	<u>3,399,922</u>	<u>2,453,475</u>	<u>2,791,132</u>
<u>(8,308,511)</u>	<u>(10,214,637)</u>	<u>(10,459,389)</u>	<u>(10,610,318)</u>	<u>(9,430,951)</u>	<u>(10,461,212)</u>

City of Lemon Grove

Changes in Net Position (Unaudited) (continued)

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	4,082,435	4,013,905	3,786,926	2,650,773
Sales Taxes	3,897,070	4,294,760	3,800,925	5,388,718
Transient Occupancy Taxes	36,756	39,392	44,525	53,184
Franchise Taxes	889,320	923,592	962,845	965,068
Motor Vehicle in Lieu Taxes	13,395	11,086	2,027,437	2,135,491
Investment Earnings	374,463	38,158	10,795	261,750
Miscellaneous	144,389	27,986	-	131,113
Transfers	-	1,506,682	648,500	652,400
Total governmental activities	9,437,828	10,855,561	11,281,953	12,238,497
Business-type Activities:				
Investment Earnings	33,710	33,680	36,677	131,711
Transfers	-	-	(648,500)	(652,400)
Total business-type activities	33,710	33,680	(611,823)	(520,689)
Total primary government	9,471,538	10,889,241	10,670,130	11,717,808
Change in Net Position				
Governmental activities	1,021,045	3,358,330	2,431,435	2,500,719
Business-type activities	1,240,419	1,248,631	2,013,812	597,456
Total primary government	\$ 2,261,464	\$ 4,606,961	\$ 4,445,247	\$ 3,098,175

City of Lemon Grove

Changes in Net Position (Unaudited) (continued)

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year					
2017	2018	2019	2020	2021	2022
2,454,561	2,643,372	2,860,769	2,953,361	3,236,228	3,518,827
5,176,561	5,430,108	5,991,547	5,490,759	6,995,948	8,098,103
52,043	53,413	53,761	46,322	65,549	68,749
938,714	994,365	1,021,549	999,889	1,046,054	1,027,742
2,272,050	2,443,116	2,621,478	2,768,743	2,918,349	3,107,169
28,321	51,876	150,581	196,550	136,489	(355,243)
497,209	64,370	465,704	263,034	487,454	123,365
652,400	589,294	(22,536)	150,000	100,000	100,000
<u>12,071,859</u>	<u>12,269,914</u>	<u>13,142,853</u>	<u>12,868,658</u>	<u>14,986,071</u>	<u>15,688,712</u>
103,386	154,186	547,617	695,156	242,052	(527,795)
(652,400)	(589,294)	22,536	(150,000)	(100,000)	(100,000)
<u>(549,014)</u>	<u>(435,108)</u>	<u>570,153</u>	<u>545,156</u>	<u>142,052</u>	<u>(627,795)</u>
<u>11,522,845</u>	<u>11,834,806</u>	<u>13,713,006</u>	<u>13,413,814</u>	<u>15,128,123</u>	<u>15,060,917</u>
2,332,219	226,857	1,326,697	(1,141,582)	3,101,645	2,436,368
882,115	1,393,312	1,926,920	3,945,078	2,595,527	2,163,337
<u>\$ 3,214,334</u>	<u>\$ 1,620,169</u>	<u>\$ 3,253,617</u>	<u>\$ 2,803,496</u>	<u>\$ 5,697,172</u>	<u>\$ 4,599,705</u>

City of Lemon Grove

Fund Balances, Governmental Funds (Unaudited)

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	3,191,052	3,210,420	3,272,823	3,820,517
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,894,023	3,411,395	4,234,784	4,641,085
Total General Fund	<u>6,085,075</u>	<u>6,621,815</u>	<u>7,507,607</u>	<u>8,461,602</u>
All Other Governmental Funds				
Nonspendable	-	-	-	-
Restricted	1,228,606	1,028,146	8,613,964	8,665,398
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>(1,379,913)</u>	<u>(1,202,533)</u>	<u>(128,680)</u>	<u>(933,889)</u>
Total all other governmental funds	<u>(151,307)</u>	<u>(174,387)</u>	<u>8,485,284</u>	<u>7,731,509</u>
Total Governmental Funds	<u>\$ 5,933,768</u>	<u>\$ 6,447,428</u>	<u>\$ 15,992,891</u>	<u>\$ 16,193,111</u>

City of Lemon Grove

Fund Balances, Governmental Funds (Unaudited)(continued)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year					
2017	2018	2019	2020	2021	2022
8,578	20,828	110,275	7,479	11,189	10,656
-	-	94,048	904,422	1,287,512	1,395,581
-	-	-	-		
-	-	-	-		
5,288,540	5,455,171	6,076,600	6,223,357	9,251,839	11,547,782
5,297,118	5,475,999	6,280,923	7,135,258	10,550,540	12,954,019
-	-	-	-		
9,111,912	9,250,604	8,705,792	9,023,976	13,179,696	13,556,167
-	-	-	-		
-	-	-	-		
(789,480)	(1,490,516)	(241,905)	(60,835)	(389,005)	(615,358)
8,322,432	7,760,088	8,463,887	8,963,141	12,790,691	12,940,809
<u>\$ 13,619,550</u>	<u>\$ 13,236,087</u>	<u>\$ 14,744,810</u>	<u>\$ 16,098,399</u>	<u>\$ 23,341,231</u>	<u>\$ 25,894,828</u>

City of Lemon Grove

Changes in Fund Balances, Governmental Funds (Unaudited)

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2013	2014	2015	2016
Revenues:				
Taxes and Special Assessments	8,977,850	9,579,850	10,622,661	11,193,234
Licenses and Permits	405,363	415,580	743,558	673,798
Fines, Forfeitures and Penalties	72,081	83,373	112,387	125,713
Intergovernmental Revenues	2,089,065	2,773,635	3,345,711	2,511,161
Charges for Services	951,298	553,785	807,764	760,934
Use of Money and Property	337,227	340,992	259,035	291,651
Other	145,296	152,180	874,148	319,463
Total Revenues	12,978,180	13,899,395	16,765,264	15,875,954
Expenditures:				
Current:				
General Government	868,059	1,878,121	1,811,784	1,863,692
Public Safety	8,608,385	8,800,837	9,146,101	9,281,387
Public Works	1,890,995	2,043,575	1,613,433	2,611,575
Community Development	2,084,534	879,634	1,248,142	1,173,838
Capital Outlay	941,622	1,217,629	719,280	1,400,021
Debt Service:				
Principal	18,916	19,391	22,622	22,621
Interest	3,675	3,231	-	-
Total Expenditures	14,416,186	14,842,418	14,561,362	16,353,134
Excess of Revenues over (under) Expenditures	(1,438,006)	(943,023)	2,203,902	(477,180)
Other Financing Sources (Uses)				
Transfers In	-	1,506,682	828,500	890,035
Transfers Out	-	(50,000)	(180,000)	(212,635)
Total Other Financing Sources (Uses)	-	1,456,682	648,500	677,400
Net Change in Fund Balances	<u>(1,438,006)</u>	<u>\$ 513,659</u>	<u>\$ 2,852,402</u>	<u>\$ 200,220</u>
Debt service as percentage of noncapital expenditures	0.1%	0.1%	0.2%	0.2%

City of Lemon Grove

Changes in Fund Balances, Governmental Funds (Unaudited)(continued)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year					
2017	2018	2019	2020	2021	2022
11,202,092	11,882,362	12,884,470	12,594,392	14,659,137	16,232,437
464,877	549,632	600,647	628,891	1,117,737	987,799
229,624	277,486	260,211	1,056,195	1,195,435	186,201
5,527,465	1,984,927	3,750,197	2,686,985	2,982,587	2,452,807
628,332	1,013,845	936,030	706,169	892,800	1,489,868
290,784	317,528	460,303	572,568	430,323	(12,980)
504,153	89,166	508,735	295,809	492,917	129,001
18,847,327	16,114,946	19,400,593	18,541,009	21,770,936	21,465,133
1,172,468	1,541,965	925,148	1,001,126	1,281,107	1,802,066
9,734,317	10,569,610	11,117,735	11,210,825	11,406,818	11,785,718
2,914,942	2,530,657	2,975,335	2,720,567	2,434,691	2,867,879
750,176	628,428	624,516	777,353	1,764,155	918,703
4,152,944	1,730,355	2,181,072	1,440,861	854,874	1,637,170
76,545	78,474	80,452	82,479	84,558	-
10,143	8,214	6,236	4,209	2,131	-
18,811,535	17,087,703	17,910,494	17,237,420	17,828,334	19,011,536
35,792	(972,757)	1,490,099	1,303,589	3,942,602	2,453,597
1,011,863	869,589	107,340	176,161	194,129	487,704
(359,463)	(280,295)	(88,716)	(126,161)	(94,129)	(387,704)
652,400	589,294	18,624	50,000	100,000	100,000
<u>\$ 688,192</u>	<u>\$ (383,463)</u>	<u>\$ 1,508,723</u>	<u>\$ 1,353,589</u>	<u>\$ 4,042,602</u>	<u>\$ 2,553,597</u>
0.5%	0.5%	0.5%	0.5%	0.5%	0.0%

City of Lemon Grove

Tax Revenues by Source, Governmental Activities (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property	Sales	Transient Occupancy	Franchises	Motor Vehicle In Lieu	Total
2013	2,035,659	3,897,070	36,756	889,320	1,886,844	8,745,649
2014	2,064,568	4,294,760	39,392	923,592	1,940,667	9,262,979
2015	3,786,926	3,800,925	44,525	962,845	2,027,437	10,622,658
2016	2,650,773	5,388,718	53,184	965,068	2,135,491	11,193,234
2017	2,454,561	5,176,561	52,043	938,714	2,272,050	10,893,929
2018	2,643,372	5,430,108	53,413	994,365	2,443,116	11,564,374
2019	2,860,769	5,991,547	53,761	1,021,549	2,621,478	12,549,104
2020	2,953,361	5,490,759	46,322	999,889	2,768,743	12,259,074
2021	3,236,228	6,995,948	65,549	1,046,054	2,918,349	14,262,128
2022	3,518,827	8,098,103	68,749	1,027,742	3,107,169	15,820,590
Change 2013-2022	73%	108%	87%	16%	65%	81%

City of Lemon Grove

Assessed Value Taxable Property (Unaudited) Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Dry Farm</u>	<u>Institutional</u>	<u>Recreational</u>
2013	1,224,815,038	249,255,589	49,342,083	50,054	1,526,895	562,164
2014	1,267,321,315	248,065,737	48,706,700	51,054	2,148,703	573,402
2015	1,335,707,940	253,580,009	49,419,280	51,285	2,984,786	576,000
2016	1,416,970,329	260,281,533	50,122,395	52,308	3,046,070	661,045
2017	1,513,015,900	267,766,616	52,321,004	53,105	1,440,009	596,460
2018	1,640,935,901	280,511,732	55,264,075	54,166	1,401,823	608,386
2019	1,768,300,999	306,952,073	58,396,558	55,249	1,429,855	620,550
2020	1,868,579,982	315,378,878	59,081,156	56,353	1,458,450	712,183
2021	1,977,527,606	325,886,979	62,536,537	104,500	4,087,617	645,613
2022	2,108,319,726	338,561,315	68,596,065	105,582	4,129,962	652,298

Source: San Diego County Assessor 2010/11 - 2021/22 Combined Tax Rolls

City of Lemon Grove

Assessed Value of Taxable Property (Unaudited)(continued) Last Ten Fiscal Years

Fiscal Year	Vacant	SBE Nonunitary	Unsecured	Total	Total Direct Rate
2013	20,793,432	185,698	55,502,436	1,602,033,389	0.3179%
2014	26,370,679	185,698	54,255,944	1,647,679,232	0.1577%
2015	25,721,861	185,698	53,060,383	1,721,287,242	0.1529%
2016	29,711,514	185,698	52,105,351	1,813,136,243	0.1527%
2017	30,538,789	185,698	53,011,755	1,918,929,336	0.1521%
2018	28,155,314	185,698	55,245,950	2,062,363,045	0.1517%
2019	21,703,893	310,770	57,193,680	2,214,963,627	0.1517%
2020	24,732,809	310,770	62,404,902	2,332,713,463	0.1502%
2021	24,681,534	310,770	65,758,892	2,461,540,048	0.1516%
2022	25,515,423	310,770	66,391,913	2,612,583,054	0.1516%

THE CITY OF LEMON GROVE

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Last 10 Fiscal Years										
Agency	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Grossmont Healthcare District Bond	0.02005	0.02005	0.02005	0.02352	0.02352	0.02352	0.02352	0.02490	0.02490	0.02459
Grossmont High Bond	0.06103	0.06167	0.06118	0.06053	0.05717	0.06613	0.06482	0.06704	0.06326	0.06448
Grossmont-Cuyamaca Community College	0.03173	0.04752	0.04650	0.04539	0.04005	0.04671	0.04225	0.04038	0.03797	0.04115
Lemon Grove School Bond	0.06212	0.06229	0.05963	0.08611	0.08472	0.08466	0.08179	0.08239	0.08166	0.07617
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Total Direct & Overlapping² Tax Rates	1.17843	1.19503	1.19086	1.21905	1.20896	1.22452	1.21588	1.21821	1.21129	1.20989
City's Share of 1% Levy Per Prop 13³	0.15842	0.15842	0.15842	0.15842	0.15842	0.15842	0.15842	0.15842	0.15842	0.15842
Voter Approved City Debt Rate										
Redevelopment Rate⁴										
Total Direct Rate⁵	0.31398	0.15296	0.15289	0.15270	0.15214	0.15168	0.15165	0.15164	0.15157	0.15154

Notes:
¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.
³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The ERAF portion of the City's Levy has been subtracted where known.
⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

City of Lemon Grove

Principal Property Tax Payers (Unaudited) Current and Ten Years Ago

	2013		2022	
	Taxable Assessed Value	% of Total Assessed Valuation	Taxable Assessed Value	% of Total Assessed Valuation
Principal Taxpayers				
EDCO Disposal Corporation	\$ 16,391,355	1.02%	\$ 26,339,082	1.01%
Home Depot USA Inc	14,632,207	0.91%	22,719,245	0.87%
Starboard Lemon Grove Dst			20,586,275	0.79%
LHM TSD LLC			20,023,916	0.77%
Citronica 1031 LLC			18,493,804	0.71%
8413 Broadway LLC			17,175,071	0.66%
Retail Portfolio 30-1 LLC	14,494,418	0.90%	16,865,004	0.65%
Raul M Ducanay			15,252,757	0.58%
AC I Real Estate Company LLC			14,789,443	0.57%
Terrace Gardens LLC	12,246,925	0.76%	14,211,361	0.54%
TRCMM LLC	13,621,201	0.85%		
William Kobusch Revocable Trust	13,281,996	0.83%		
ABS CA-O LLC	13,085,000	0.82%		
Lemon Grove Holdings LLC	9,025,643	0.56%		
Food 4 Less of California Inc	8,388,004	0.52%		
Rekab Properties	7,202,368	0.45%		
Principal Taxpayer's Totals	<u>\$ 122,369,117</u>	<u>7.62%</u>	<u>\$ 186,455,958</u>	<u>7.15%</u>

Source: San Diego County Assessor Tax Rolls and HdL Coren & Cone

City of Lemon Grove

Property Tax Levies and Collections (Unaudited) Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	% of Levy		Amount	% of Levy
2013	1,948,684	1,903,574	97.7%	40,561	1,944,135	99.8%
2014	2,039,893	1,986,818	97.4%	34,829	2,021,648	99.1%
2015	2,075,906	2,040,187	98.3%	28,944	2,069,131	99.7%
2016	2,199,719	2,163,332	98.3%	26,963	2,190,295	99.6%
2017	2,341,473	2,298,563	98.2%	26,163	2,324,726	99.3%
2018	2,490,166	2,449,526	98.4%	28,992	2,478,518	99.5%
2019	2,651,596	2,601,502	98.1%	24,641	2,626,144	99.0%
2020	3,002,906	2,933,825	97.7%	30,888	2,964,713	98.7%
2021	3,155,096	3,089,988	97.9%	44,705	3,134,693	99.4%
2022	3,386,097	3,296,061	97.3%	41,343	3,337,404	98.6%

Source: County of San Diego Tax/Revenue Accountability Report

City of Lemon Grove

Taxable Sales by Category (Unaudited)

Last Ten Calendar Years

(In Thousands, Adjusted for Economic Data)

	Fiscal Year			
	2012	2013	2014	2015
Auto Dealers and Supplies	\$ 90,933	\$ 118,538	\$ 136,415	\$ 133,969
Building Materials	83,986	92,104	94,237	105,437
Eating and Drinking Places	32,554	34,559	37,616	41,080
Other Retail Stores	28,452	34,928	38,557	40,031
Food Stores	22,472	24,998	32,684	31,743
Service Stations	50,277	46,260	45,027	39,217
General Merchandise	11,974	11,854	11,967	12,784
Apparel Stores	6,811	6,217	7,450	7,743
All Other Outlets	59,132	70,783	83,585	85,714
Total Taxable Sales	<u>\$ 386,591</u>	<u>\$ 440,241</u>	<u>\$ 487,538</u>	<u>\$ 497,718</u>

Sources: State Board of Equalization, California Department of Taxes and Fees
Administration, State Controller's Office, The HDL Companies

Note: Due to Confidentiality Issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

City of Lemon Grove

Taxable Sales by Category (Unaudited)(Continued)

Last Ten Calendar Years

(In Thousands, Adjusted for Economic Data)

		Fiscal Year									
		2016	2017	2018	2019	2020	2021				
\$	131,294	\$	150,839	\$	150,410	\$	146,263	\$	158,022	\$	193,052
	110,581		118,172		124,696		122,655		133,194		149,535
	43,288		46,063		47,662		49,072		50,050		58,574
	39,627		44,904		40,414		34,663		39,821		46,867
	31,651		31,425		33,475		31,104		27,811		27,627
	37,937		39,398		44,735		41,640		26,645		42,003
	13,385		13,200		13,225		11,453		9,150		9,872
	7,820		7,837		6,647		4,648		3,656		4,166
	91,075		99,691		102,902		109,107		166,611		164,918
\$	<u>506,658</u>	\$	<u>551,529</u>	\$	<u>564,166</u>	\$	<u>550,605</u>	\$	<u>614,960</u>	\$	<u>696,614</u>

City of Lemon Grove

Top 25 Sales Tax Producers (Unaudited) Current and Ten Years Ago

Fiscal Year 2012-13		Fiscal Year 2020-21	
Business Name	Business Category	Business Name	Business Category
99 Cents Only	Variety Stores	Albertsons	Grocery Stores
Albertsons	Grocery Stores	Arco AM PM	Service Stations
Arco	Service Stations	Chevron	Service Stations
Arco AM PM	Service Stations	Discount Tire	Automotive Supply Stores
Bob Baker Toyota	New Motor Vehicle Dealers	EW Truck & Equipment Company	New Motor Vehicle Dealers
Chevron	Service Stations	Food 4 Less	Grocery Stores
DCH Honda	New Motor Vehicle Dealers	Golden State Gasoline	Service Stations
Discount Tire	Automotive Supply Stores	GTM Discount General Store	Variety Stores
EW Truck & Equipment Company	New Motor Vehicle Dealers	Harbor Freight Tools	Building Materials
Factory 2 U	Family Apparel	Home Depot	Building Materials
Food 4 Less	Grocery Stores	Honda Lease Trust	Auto Lease
Golden State Gasoline	Service Stations	In N Out Burger	Quick Service Restaurants
GTM Discount General Store	Variety Stores	Larry H Miller Toyota Lemon Grove	New Motor Vehicle Dealers
Home Depot	Building Materials	Larry H Miller Toyota Lemon Grove	New Motor Vehicle Dealers
In N Out Burger	Quick Service Restaurants	McDonalds	Quick Service Restaurants
Jack in the Box	Quick Service Restaurants	Mossy Honda Lemon Grove	New Motor Vehicle Dealers
McDonalds	Quick Service Restaurants	Onyx Moto	Boats/Motorcycles
Mossy Honda Lemon Grove	New Motor Vehicle Dealers	Petco	Specialty Stores
RCP Block & Brick	Contractors	RCP Block & Brick	Contractors
Rite Aid	Drug Stores	Shell	Service Stations
Tesoro Refining & Marketing	Service Stations	Shell	Service Stations
Texaco	Service Stations	Texaco	Service Stations
Thompson Building Materials	Building Materials	The Boulevard	Cannabis Related
USA Gas	Service Stations	Thompson Building Materials	Building Materials
USA Gasoline	Service Stations	Wellgreens Dispensary	Cannabis Related

Notes: Businesses Listed Alphabetically

Percent of Fiscal Year Total Sales Tax Paid By Top 25 Accounts = 73.92% in FY 2012-13; 75.87% in FY 2020-21

Sources: State Board of Equalization, California Department of Taxes and Fees
Administration, State Controller's Office, The HDL Companies

City of Lemon Grove

Ratios of Outstanding Debt by Type (Unaudited) Last Ten Fiscal Years

Fiscal Year	Capital Lease	Redevelopment Bonds	Total	Population	Debt Per Capita	Percent of Assessed Value ¹
2013	62,500	-	62,500	25,554	2	0.00%
2014	42,644	-	42,644	25,928	2	0.00%
2015	21,833	-	21,833	25,856	1	0.00%
2016	-	-	-	26,611	0	0.00%
2017	325,963	-	325,963	26,795	12	0.02%
2018	247,489	-	247,489	26,834	9	0.01%
2019	167,037	-	167,037	27,208	6	0.01%
2020	84,557	-	84,557	26,526	3	0.00%
2021	-	-	-	26,345	0	0.00%
2022	-	-	-	27,242	0	0.00%

¹Assessed value has been used because the value or personal income is not readily available in California

City of Lemon Grove

Overlapping Tax and Assessment Debt (Unaudited)

2021-22 Assessed Valuation: \$2,613,040,602

	Total Debt 6/30/22	% Applicable (1)	City's Share of Debt 6/30/22
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$20,175,000	0.077	\$ 15,535
Grossmont-Cuyamaca Community College District	381,640,377	4.421	16,872,321
Grossmont Union High School District	618,237,843	4.549	28,123,639
Lemon Grove School District	24,278,444	74.198	18,014,120
City of Lemon Grove	0	100.	0
Grossmont Healthcare District	243,787,076	4.175	<u>10,178,110</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$73,203,725
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$245,340,000	0.431%	\$1,057,415
San Diego County Pension Obligation Bonds	340,825,000	0.431	1,468,956
San Diego County Superintendent of Schools Certificates of Participation	7,780,000	0.431	33,532
Grossmont Union High School District General Fund Obligations	32,420,000	4.549	<u>1,474,786</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			\$4,034,689
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$18,935,000	100. %	\$18,935,000
COMBINED TOTAL DEBT			\$96,173,414 (2)

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$0)..... **0.00%**
 Total Direct Overlapping Tax and Assessment Debt2.80%
 Combined Total Debt3.68%

Ratio to Successor Agency Redevelopment Incremental Valuation (\$534,991,220):

Total Overlapping Tax Increment Debt3.54%

Source: California Municipal Statistics

City of Lemon Grove

Legal Debt Margin (Unaudited) June 30, 2022

Net assessed value of all taxable property	\$	2,612,583,054
Conversion percentage		<u>25.00%</u>
Adjusted assessed valuation		653,145,764
Debt limit percentage		<u>15.00%</u>
Debt limit		97,971,865
Total net debt applicable to limit		<u>-</u>
Legal debt margin	\$	<u><u>97,971,865</u></u>

The City of Lemon Grove has had no indebtedness applicable to the limit during the past ten fiscal years

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with 1981-82 fiscal year, each parcel is assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data from the current full valuation to the 25% level that was in effect at the time that the legal debt was enacted by the State of California for local governments located within the state.

City of Lemon Grove

Principal Employers by Employee Size (Unaudited) Last Four Calendar Years

Employer	2019	2020	2021	2022
EDCO Waste Services	1,000 - 4,999	1,000 - 4,999	1,000 - 4,999	1,000 - 4,999
Home Depot	250 - 499	250 - 499	250 - 499	250 - 499
Lemon Grove School District	250 - 499	250 - 499	250 - 499	250 - 499
Albertsons	100 - 249	100 - 249	100 - 249	100 - 249
Aztec Landscaping	100 - 249	100 - 249	100 - 249	100 - 249
Bella Vista Health Center	100 - 249	100 - 249	100 - 249	100 - 249
Lemon Grove Care & Rehab Center	100 - 249	100 - 249	100 - 249	100 - 249
Trident Maritime Systems	100 - 249	100 - 249	100 - 249	100 - 249
Larry H Miller Toyota	50 - 99	50 - 99	50 - 99	50 - 99
Mossy Honda Lemon Grove	50 - 99	50 - 99	50 - 99	50 - 99

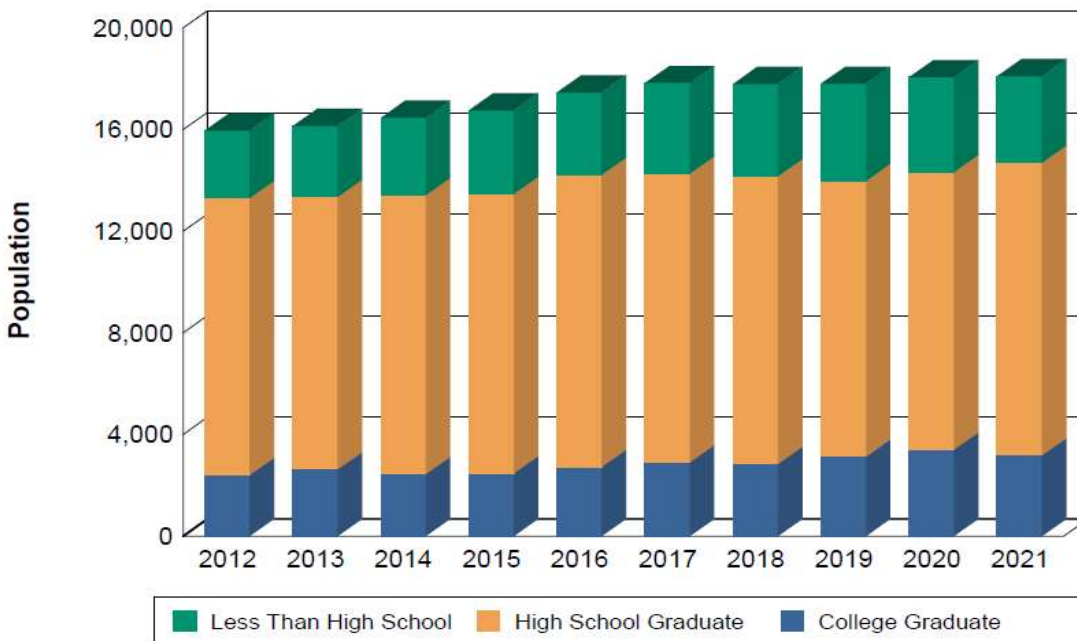
Source: City of Lemon Grove and Reference Solutions

City of Lemon Grove

Demographic and Economic Statistics (Unaudited) Last Ten Years

Calendar Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate
2012	25,554	\$557,026	\$21,798	8.7%
2013	25,928	\$568,108	\$21,911	7.6%
2014	25,856	\$572,245	\$22,132	8.4%
2015	26,611	\$568,975	\$21,381	6.8%
2016	26,795	\$587,240	\$21,916	6.2%
2017	26,834	\$610,981	\$22,768	4.7%
2018	27,208	\$605,847	\$22,267	3.8%
2019	26,526	\$641,998	\$24,202	3.7%
2020	26,345	\$664,816	\$25,235	11.7%
2021	27,242	\$703,230	\$25,814	8.3%

Education Level Attained for Population 25 and Over



Sources: HdL Coren & Cone report prepared on 09/20/22

Population: California State Department of Finance. Unemployment Data: California Employment Development Department.

2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries.

2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey.

City of Lemon Grove

Full-Time Equivalent City Government Employees by Function (Unaudited) Last Four Fiscal Years

Function	Fiscal Year			
	2019	2020	2021	2022
General Government	12	12	9	10
Public Safety (Fire)	21.5	21.5	20	20
Community Development	6	6	5	4
Public Works	17.5	17.5	11	13
Community Services	7.5	7.5	7	8
Sanitation District	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	69.5	69.5	57	60

Source: City Organizational Chart and Classification Summary published in the Annual Budget

City of Lemon Grove

Capital Asset Statistics by Function (Unaudited) Last Three Fiscal Years

	Fiscal Year		
	2020	2021	2022
Public Safety			
Number of Law Enforcement Stations	1	1	1
Number of Fire Stations	1	1	1
Public Works			
Miles of Streets	62	70	70
Number of St Lights (city owned)	450	450	450
Community Services			
Number of Parks	6	6	6
Acres of Parks	14.2	14.2	14.2
Recreation & Senior Centers	2	2	2
Utilities			
Miles of Sanitary Sewer	67	67	67
Miles of Storm Sewer System	25	25	25

Source: City of Lemon Grove Operating Departments