

**City of Lemon Grove  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2009**

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**City of Lemon Grove  
Annual Financial Report  
Fiscal Year Ended June 30, 2009**

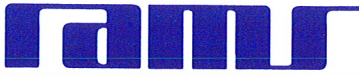
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The Honorable City Council  
 City of Lemon Grove  
 Lemon Grove, California

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California (City) as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Rogers, Anderson, Melby & Smith, LLP*

November 4, 2009

*Management's Discussion and Analysis*

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

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As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2009. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify any material deviations from the approved budget.

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

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities by \$52.9 million.
- The net asset value decreased from the previous year by over \$4.8 million, or -8.4 percent.
- The City's governmental funds reported a combined ending fund balance of \$20.2 million, a decrease from the previous year of \$7.6 million, or -28 percent. This is due to many factors, including a reduction in revenue (sales tax, gas tax, motor vehicle license fees, and traffic fines), and planned expenditures on street and redevelopment projects (using funds set aside in previous years).
- The General Fund balance includes \$700 thousand in unreserved, undesignated funds, which are carried forward to provide resources for future economic adversity, or to fund future capital projects if not otherwise needed.

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

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

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

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

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

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

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

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

	Governmental activities			Business-type activities		
	2009	2008	Change	2009	2008	Change
Cash and investments	\$ 21,775,893	\$ 29,830,917	\$ (8,055,024)	\$ 8,356,224	\$ 8,148,927	\$ 207,297
Other assets	12,306,258	6,183,682	6,122,576	50,174	80,231	(30,057)
Capital assets	43,574,845	42,873,836	701,009	6,041,979	4,414,529	1,627,450
Total assets	<u>77,656,996</u>	<u>78,888,435</u>	<u>(1,231,439)</u>	<u>14,448,377</u>	<u>12,643,687</u>	<u>1,804,690</u>
Current liabilities	10,453,898	4,790,198	5,663,700	180,406	83,111	97,295
Noncurrent liabilities	28,572,033	28,894,505	(322,472)	-	-	-
Total liabilities	<u>39,025,931</u>	<u>33,684,703</u>	<u>5,341,228</u>	<u>180,406</u>	<u>83,111</u>	<u>97,295</u>
Net assets						
Invested in capital assets, net of debt	32,982,741	33,152,916	(170,175)	6,041,979	4,414,529	1,627,450
Restricted	9,874,529	13,485,478	(3,610,949)	-	-	-
Unrestricted	(4,226,205)	(1,434,662)	(2,791,543)	8,225,992	8,146,047	79,945
Total net assets	<u>\$ 38,631,065</u>	<u>\$ 45,203,732</u>	<u>\$ (6,572,667)</u>	<u>\$ 14,267,971</u>	<u>\$ 12,560,576</u>	<u>\$ 1,707,395</u>

The City's total net assets decreased by 8.4 percent over last year. Net assets from governmental activities decreased by 14.5 percent while net assets from business activities increased by 13.6 percent. The City's assets exceeded its liabilities by approximately \$52.9 million.

Approximately 74 percent of the City's net assets reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 19 percent of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, law or regulations of other governments. The remaining 7 percent of the City's net assets is unrestricted and may be used to meet the City's ongoing obligations to residents and creditors.

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

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

	Governmental activities			Business-type activities		
	2009	2008	Change	2009	2008	Change
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,037,772	\$ 1,179,901	\$ (142,129)	\$ 4,683,052	\$ 4,214,059	\$ 468,993
Operating grants and contributions	770,403	799,679	(29,276)	-	-	-
Capital grants and contributions	1,207,715	1,537,785	(330,070)	-	-	-
General revenues:						
Property tax	7,360,253	7,523,052	(162,799)	-	-	-
Sales tax	3,592,985	4,407,881	(814,896)	-	-	-
Other taxes	799,596	736,869	62,727	-	-	-
Motor vehicle in lieu	87,060	113,433	(26,373)	-	-	-
Investment earnings	969,939	1,609,800	(639,861)	249,131	336,379	(87,248)
Other	337,778	231,242	106,536	332,969	-	332,969
Total revenues	<u>16,163,501</u>	<u>18,139,642</u>	<u>(1,976,141)</u>	<u>5,265,152</u>	<u>4,550,438</u>	<u>714,714</u>
<b>Expenses</b>						
General government	1,517,680	1,398,156	119,524	-	-	-
Public safety	8,590,186	8,160,412	429,774	-	-	-
Public works	4,202,929	3,793,265	409,664	-	-	-
Community development	6,827,905	3,618,254	3,209,651	-	-	-
Parks and recreation	1,208,851	1,021,606	187,245	-	-	-
Sanitation	-	-	-	2,432,657	2,470,401	(37,744)
Interest on long-term debt	1,513,717	1,687,160	(173,443)	-	-	-
Total expenses	<u>23,861,268</u>	<u>19,678,853</u>	<u>4,182,415</u>	<u>2,432,657</u>	<u>2,470,401</u>	<u>(37,744)</u>
Excess (deficiency) before transfers	(7,697,767)	(1,539,211)	(6,158,556)	2,832,495	2,080,037	752,458
Transfers	1,125,100	1,143,700	(18,600)	(1,125,100)	(1,143,700)	18,600
Change in net assets	(6,572,667)	(395,511)	(6,177,156)	1,707,395	936,337	771,058
Net assets, beginning of year	45,203,732	45,599,243	(395,511)	12,560,576	11,624,239	936,337
Net assets, end of year	<u>\$ 38,631,065</u>	<u>\$ 45,203,732</u>	<u>\$ (6,572,667)</u>	<u>\$ 14,267,971</u>	<u>\$ 12,560,576</u>	<u>\$ 1,707,395</u>

The governmental activities decreased the City's net assets by \$6,572,667. Governmental program revenues offset 12.6 percent of program expenditures. General revenues and transfers of \$14.3 million did not meet total expenditures, resulting in a 14.5 percent decrease to governmental net assets.

The business-type activities increased the City's net assets by \$1,707,395. Business-type program revenues exceeded expenditures, resulting in a 13.9 percent increase to business-type net assets. This is the fourth year that the Lemon Grove Sanitation District has had staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs.

### Fund Financial Statements

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

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

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

As of June 30, 2009, the City's governmental funds reported a combined ending fund balance of \$20.2 million. Approximately 23 percent of this amount, \$2.5 million, constitutes *unreserved, undesignated fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

The City maintains thirty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds; General, Community Development Agency (comprised of nine individual funds, combined to represent the following three categories: Housing Set-Aside, Debt Service, and Capital Projects), and Capital Projects Reserve. Data from the other twenty governmental funds are combined into a single, aggregated presentation entitled Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the supplementary information section of this report.

The General Fund is the chief operating fund of the City. As of June 30, 2009, its unreserved, undesignated fund balance totaled \$713 thousand. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. This comparison indicates an unreserved fund balance of approximately 5 percent of total annual General Fund expenditures.

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

There are no restricted net assets for these funds, and the changes in net assets show a growth over last year for Sanitation of 13.6 percent and a decrease for the Internal Service fund of 6 percent.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City has had only one such fund, used to account for assets donated by the Thren Family Trust for the creation of the Virginia Spencer Thren Library. This fund has grown each year as interest was added and no expenditures were incurred. In this fiscal year, all funds were transferred to the Lemon Grove School District to be used for a joint use library currently in the planning stages. Thus the City no longer manages a fiduciary fund.

### Notes to Basic Financial Statements

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

**Note 3 – Cash and Investments:** The City's total cash and investments at the end of the fiscal year totaled \$31.0 million. Approximately \$27.1 million was invested with the Local Agency Investment Fund and the San Diego County Pool (both money market type accounts). Approximately \$2.0 million was invested in longer term, higher yield, less liquid investments, managed by San Diego County. Approximately \$1.9 million was held and invested by bond trustees, and the balance was deposited in the City's three checking accounts.

**Note 7 – Capital Assets:** Capital assets for the City's governmental activities were valued at \$43.6 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$6.0 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

Capital asset events included \$165 thousand spent for structural improvements, \$140 thousand spent for vehicles and equipment, and \$500 thousand spent for infrastructure improvements.

**Note 8 – Long-Term Liabilities:** The City had a total long-term debt outstanding of \$28.6 million. The majority of this amount, \$28 million, is comprised of tax allocation bonds backed by pledged Community Development Agency tax revenues. The City's total debt decreased this year by \$322 thousand, due to regularly scheduled payments to reduce debt.

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

### Required Supplementary Information

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

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June, 2008. This budget was revised mid-year to account for new information.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a loss of expected revenues and transfers of \$981,063, while the expenditures were under what was expected by \$322,910. The final budget expected that a net loss of \$230,425 would occur. The actual revenues and expenditures resulted in a net loss of \$888,578. The difference between expected loss and actual is \$658,153.

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

Due to uncertainty surrounding the State of California budget, the State's borrowing of over \$400 thousand dollars of City property tax revenue, and the continued slow economy in general, the City was conservative in the preparation of the fiscal year 2009-10 budget. Total General Fund revenues were estimated to be approximately \$12.4 million, a decrease of just over \$1 million, or 8 percent less than the previous year. The total General Fund expenditures were reduced to \$13.1 million, a decrease of approximately \$450,000, or 3 percent. The use of over reserves (\$700 thousand in FY 10) continues to be a necessity in this difficult economy.

**REQUESTS FOR INFORMATION**

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

*Government-wide Financial Statements*

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**City of Lemon Grove  
Statement of Net Assets  
June 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 19,911,391	\$ 8,356,224	\$ 28,267,615
Cash with fiscal agent – restricted	1,864,502	-	1,864,502
Receivables:			
Accounts, net	190,027	30,566	220,593
Notes/contracts	9,513,162	-	9,513,162
Interest	60,199	19,608	79,807
Due from other governments	895,273	-	895,273
Prepays	25,000	-	25,000
Deferred charges, net	1,622,597	-	1,622,597
Capital assets, not being depreciated	7,520,853	138,007	7,658,860
Capital assets, depreciated, net	36,053,992	5,903,972	41,957,964
	<u>77,656,996</u>	<u>14,448,377</u>	<u>92,105,373</u>
<b>Liabilities</b>			
Accounts payable	842,331	180,406	1,022,737
Accrued expenses	169,908	-	169,908
Interest payable	572,464	-	572,464
Claims payable	100,000	-	100,000
Deposits payable	57,486	-	57,486
Deferred revenue	8,711,709	-	8,711,709
Noncurrent liabilities:			
Due within one year	818,051	-	818,051
Due in more than one year	27,753,982	-	27,753,982
	<u>39,025,931</u>	<u>180,406</u>	<u>39,206,337</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	32,982,741	6,041,979	39,024,720
Restricted:		-	
Construction of capital assets	6,419,555	-	6,419,555
Streets, highways, bikeways, public transit and other related purposes	2,535,473	-	2,535,473
Housing	911,302	-	911,302
Public safety	8,199	-	8,199
Unrestricted	(4,226,205)	8,225,992	3,999,787
	<u>\$ 38,631,065</u>	<u>\$ 14,267,971</u>	<u>\$ 52,899,036</u>

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

**City of Lemon Grove  
Statement of Activities  
For the year ended June 30, 2009**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 1,517,680	\$ 7,098	\$ -
Public safety	8,590,186	483,334	219,894
Public works	4,202,929	220,893	455,875
Community development	6,827,905	220,401	94,634
Parks and recreation	1,208,851	106,046	-
Interest on long-term debt	1,513,717	-	-
Total governmental activities	<u>23,861,268</u>	<u>1,037,772</u>	<u>770,403</u>
Business-type activities:			
Sanitation	<u>2,432,657</u>	<u>4,683,052</u>	<u>-</u>
Total business-type activities	<u>2,432,657</u>	<u>4,683,052</u>	<u>-</u>
Total primary government	<u>\$ 26,293,925</u>	<u>\$ 5,720,824</u>	<u>\$ 770,403</u>

General revenues:

- Taxes
  - Property tax, levied for general purposes
  - Sales tax
  - Transient occupancy tax
  - Franchise tax
  - Motor vehicle in lieu tax - unrestricted
- Unrestricted investment earnings
- Other
- Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,510,582)	\$ -	\$ (1,510,582)
-	(7,886,958)	-	(7,886,958)
1,207,715	(2,318,446)	-	(2,318,446)
-	(6,512,870)	-	(6,512,870)
-	(1,102,805)	-	(1,102,805)
-	(1,513,717)	-	(1,513,717)
<u>1,207,715</u>	<u>(20,845,378)</u>	<u>-</u>	<u>(20,845,378)</u>
<u>-</u>	<u>-</u>	<u>2,250,395</u>	<u>2,250,395</u>
<u>-</u>	<u>-</u>	<u>2,250,395</u>	<u>2,250,395</u>
<u>\$ 1,207,715</u>	<u>(20,845,378)</u>	<u>2,250,395</u>	<u>(18,594,983)</u>
	7,360,253	-	7,360,253
	3,592,985	-	3,592,985
	32,591	-	32,591
	767,005	-	767,005
	87,060	-	87,060
	969,939	249,131	1,219,070
	337,778	332,969	670,747
	1,125,100	(1,125,100)	-
	<u>14,272,711</u>	<u>(543,000)</u>	<u>13,729,711</u>
	(6,572,667)	1,707,395	(4,865,272)
	<u>45,203,732</u>	<u>12,560,576</u>	<u>57,764,308</u>
	<u>\$ 38,631,065</u>	<u>\$ 14,267,971</u>	<u>\$ 52,899,036</u>

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*Fund Financial Statements*

**City of Lemon Grove  
Balance Sheet  
Governmental Funds  
June 30, 2009**

	General	Community Development	
		Housing Set-Aside	Debt Service
<b>Assets</b>			
Cash and investments	\$ 902,415	\$ 843,686	\$ 804,279
Cash with fiscal agent – restricted	-	-	1,864,502
Receivables, net:			
Due from other governments	477,329	15,313	45,339
Accounts	122,361	55,735	-
Interest	9,001	2,476	4,710
Notes	-	7,042,906	-
Due from other funds	90,289	-	-
Advances to other funds	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,601,395</u>	<u>\$ 7,960,116</u>	<u>\$ 2,718,830</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 660,271	\$ 5,908	\$ 60,200
Accrued expenditures	169,908	-	-
Claims payable	-	-	-
Due to other funds	-	-	-
Deposits payable	57,486	-	-
Advances from other funds	-	-	3,917,741
Deferred revenue	-	7,042,906	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>887,665</u>	<u>7,048,814</u>	<u>3,977,941</u>
Fund balances:			
Reserved for:			
Low and moderate housing	-	911,302	-
Long-term advances	-	-	-
Unreserved:			
Designated, reported in:			
Capital projects fund	-	-	-
Undesignated, reported in:			
General fund	713,730	-	-
Special revenue fund	-	-	-
Debt service fund	-	-	(1,259,111)
Capital projects fund	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>713,730</u>	<u>911,302</u>	<u>(1,259,111)</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 1,601,395</u>	<u>\$ 7,960,116</u>	<u>\$ 2,718,830</u>

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

Community Development Capital Projects	Capital Projects Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,680,084	\$ 2,217,356	\$ 3,099,998	\$ 18,547,818
-	-	-	1,864,502
-	-	357,292	895,273
-	8,949	2,982	190,027
36,490	1,110	6,412	60,199
2,470,256	-	-	9,513,162
-	25,000	-	115,289
-	3,917,741	-	3,917,741
<u>\$ 13,186,830</u>	<u>\$ 6,170,156</u>	<u>\$ 3,466,684</u>	<u>\$ 35,104,011</u>
\$ 35,545	\$ 4,319	\$ 74,996	\$ 841,239
-	-	-	169,908
-	100,000	-	100,000
-	-	90,289	90,289
-	-	-	57,486
-	-	-	3,917,741
2,470,256	-	252,755	9,765,917
<u>2,505,801</u>	<u>104,319</u>	<u>418,040</u>	<u>14,942,580</u>
-	-	-	911,302
-	3,917,741	-	3,917,741
10,681,029	2,148,096	-	12,829,125
-	-	-	713,730
-	-	1,890,931	1,890,931
-	-	-	(1,259,111)
-	-	1,157,713	1,157,713
<u>10,681,029</u>	<u>6,065,837</u>	<u>3,048,644</u>	<u>20,161,431</u>
<u>\$ 13,186,830</u>	<u>\$ 6,170,156</u>	<u>\$ 3,466,684</u>	<u>\$ 35,104,011</u>

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**City of Lemon Grove  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets  
June 30, 2009**

<b>Fund balances of governmental funds</b>	<b>\$ 20,161,431</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Capital assets	70,290,409
Accumulated depreciation	(26,715,564)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>	
1998 Tax allocation refunding bonds	(8,115,000)
2004 Tax allocation bonds	(5,760,000)
2007 Tax allocation bonds	(13,830,000)
Lease payable	(204,202)
Compensated absences	(662,831)
<p>Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.</p>	
	(572,464)
<p>Notes and interest receivable are offset with deferred revenue in the governmental funds but not in the statement of net assets.</p>	
	1,054,208
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>	
Deferred charges, net	1,622,597
<p>Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.</p>	
	1,362,481
<b>Net assets of governmental activities</b>	<b>\$ 38,631,065</b>

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

**City of Lemon Grove**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2009**

	General	Community Development	
		Housing Set-Aside	Debt Service
<b>Revenues</b>			
Taxes	\$ 8,627,583	\$ 603,752	\$ 2,415,010
Licenses and permits	316,680	-	-
Fines, forfeitures and penalties	212,773	-	-
Intergovernmental	87,060	54,134	-
Charges for services	287,321	-	-
Investment earnings	300,227	59,787	41,478
Other	627,206	85,498	-
Total revenues	10,458,850	803,171	2,456,488
<b>Expenditures</b>			
Current:			
General government	1,350,887	-	-
Public safety	8,238,095	-	-
Public works	1,920,802	-	-
Community development	648,657	4,115,030	34,150
Parks and recreation	1,008,924	-	-
Capital outlay	-	-	-
Debt service:			
Principal	93,061	-	275,000
Interest and fiscal changes	13,064	-	1,452,016
Pass-through payments	-	-	1,106,493
Total expenditures	13,273,490	4,115,030	2,867,659
Excess (deficiency) of revenues over Expenditures	(2,814,640)	(3,311,859)	(411,171)
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,926,926	273,697	378,029
Transfers out	(864)	(378,029)	(1,786,428)
Total other financing sources (uses)	1,926,062	(104,332)	(1,408,399)
Net change in fund balances	(888,578)	(3,416,191)	(1,819,570)
Fund balances, beginning of year	1,602,308	4,327,493	560,459
Fund balances, end of year	\$ 713,730	\$ 911,302	\$ (1,259,111)

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

Community Development Capital Projects	Capital Projects Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 197,629	\$ 11,843,974
-	-	-	316,680
-	-	27,563	240,336
-	-	1,700,180	1,841,374
-	-	217,467	504,788
232,963	124,094	96,289	854,838
7,697	5,500	17,170	743,071
<u>240,660</u>	<u>129,594</u>	<u>2,256,298</u>	<u>16,345,061</u>
-	89,259	-	1,440,146
-	17,255	88,899	8,344,249
-	146,276	323,172	2,390,250
3,140,102	-	19,606	7,957,545
-	182,468	47,063	1,238,455
-	-	813,034	813,034
-	-	-	368,061
-	-	-	1,465,080
-	-	-	1,106,493
<u>3,140,102</u>	<u>435,258</u>	<u>1,291,774</u>	<u>25,123,313</u>
<u>(2,899,442)</u>	<u>(305,664)</u>	<u>964,524</u>	<u>(8,778,252)</u>
1,512,731	-	105,118	4,196,501
-	(96,254)	(809,826)	(3,071,401)
<u>1,512,731</u>	<u>(96,254)</u>	<u>(704,708)</u>	<u>1,125,100</u>
(1,386,711)	(401,918)	259,816	(7,653,152)
<u>12,067,740</u>	<u>6,467,755</u>	<u>2,788,828</u>	<u>27,814,583</u>
<u>\$ 10,681,029</u>	<u>\$ 6,065,837</u>	<u>\$ 3,048,644</u>	<u>\$ 20,161,431</u>

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**City of Lemon Grove  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the year ended June 30, 2009**

**Net change in fund balances – total governmental funds** \$ (7,653,152)

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

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

Cost of assets capitalized, less the net book value of disposals	2,260,584
Depreciation expense	(1,559,575)

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

Principal payments on debt:	
1998 Tax allocation refunding bonds	215,000
2004 Tax allocation bonds	60,000
Lease	83,725
Note	9,336
Amortization of deferred charges	(64,512)

Accrued interest on the note receivables are deferred in the fund financial statements but recognized in the statement of net assets.	189,340
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Accrued interest expense related to long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.	15,875
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(45,589)
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Internal service funds are used by management to charge the costs of certain activities, including insurance claims and expenses, to individual funds. The net revenues/(expenses) of the internal service fund are reported with governmental activities on the statement of activities.	(83,699)
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**Change in net assets of governmental activities** \$ (6,572,667)

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

**City of Lemon Grove  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009**

	<u>Business-type Activities - Enterprise Fund Sanitation</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 8,356,224	\$ 1,363,573
Prepays	-	25,000
Accounts receivable, net	30,566	-
Interest receivable	19,608	-
	<hr/>	<hr/>
Total current assets	8,406,398	1,388,573
	<hr/>	<hr/>
Noncurrent assets:		
Capital assets		
Land	3,724	-
Construction in progress	134,283	-
Depreciable infrastructure	11,556,792	-
Depreciable equipment	614,643	-
Accumulated depreciation	(6,267,463)	-
	<hr/>	<hr/>
Total noncurrent assets	6,041,979	-
	<hr/>	<hr/>
Total assets	14,448,377	1,388,573
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	180,406	1,092
Due to other funds	-	25,000
	<hr/>	<hr/>
Total liabilities	180,406	26,092
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in capital assets	6,041,979	-
Unrestricted	8,225,992	1,362,481
	<hr/>	<hr/>
Total net assets	<u>\$ 14,267,971</u>	<u>\$ 1,362,481</u>

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

**City of Lemon Grove**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2009**

	Business-type Activities - Enterprise Fund Sanitation	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>		
Charges for services	\$ 4,683,052	\$ -
Other	332,969	-
	5,016,021	-
<b>Operating Expenses</b>		
Contractual services	9,732	-
Materials and supplies	20,561	-
Repairs and maintenance	42,962	-
Dump fees	2,074,214	-
Utilities	428	-
Insurance	40,410	99,838
Depreciation	244,350	-
	2,432,657	99,838
Total operating expenses	2,432,657	99,838
Operating income	2,583,364	(99,838)
<b>Nonoperating Revenues</b>		
Investment earnings	249,131	16,139
Income before transfers	2,832,495	(83,699)
Transfers out	(1,125,100)	-
Change in net assets	1,707,395	(83,699)
Net assets, beginning of year	12,560,576	1,446,180
Net assets, end of year	\$ 14,267,971	\$ 1,362,481

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

**City of Lemon Grove  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2009**

	Business-type Activities - Enterprise Fund Sanitation	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 5,026,282	\$ -
Cash payments to suppliers for goods and services	(2,090,551)	(100,208)
Net cash provided (used) by operating activities	2,935,731	(100,208)
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers to other funds	(1,125,100)	-
Net cash (used) by noncapital financing activities	(1,125,100)	-
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(1,871,800)	-
Net cash (used) by capital financing activities	(1,871,800)	-
<b>Cash Flows From Investing Activities</b>		
Interest received	268,466	23,011
Net increase (decrease) in cash and cash equivalents	207,297	(77,197)
Cash and cash equivalents, beginning of year	8,148,927	1,440,770
Cash and cash equivalents, end of year	\$ 8,356,224	\$ 1,363,573
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ 2,583,364	\$ (99,838)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	244,350	-
Decrease in accounts receivable	10,261	-
Decrease in prepaids	461	-
Increase/(decrease) in accounts payable	97,295	(370)
Net cash provided (used) by operating activities	\$ 2,935,731	\$ (100,208)
<b>Noncash Financing, Capital and Investing Activities:</b>		
None		

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



**City of Lemon Grove  
Statement of Fiduciary Net Assets  
Private Purpose Trust Fund  
June 30, 2009**

<b>Assets</b>	\$ -
	<hr/>
<b>Liabilities</b>	-
	<hr/>
<b>Net Assets</b>	\$ -
	<hr/> <hr/>

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

**City of Lemon Grove**  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the year ended June 30, 2009**

<b>Additions</b>		
Investment earnings	\$	7,090
<b>Deletions</b>		
Library		<u>326,422</u>
Change in net assets		(319,332)
Net assets, beginning of year		<u>319,332</u>
Net assets, end of year	\$	<u><u>-</u></u>

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

*NOTES TO BASIC FINANCIAL STATEMENTS*

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**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

**a.       Description of the Reporting Entity**

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

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

***Lemon Grove Community Development Agency***

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

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

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

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

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

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

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

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

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

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

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

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



**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

*Cash and Cash Equivalents*

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

*Cash and Investments*

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

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

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

*Receivables and Payables*

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

*Property Taxes*

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

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

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

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

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

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

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

*Inventories*

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

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

*Restricted Assets*

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

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

*Capital Assets*

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2009.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

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

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

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

*Claims and Judgments*

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

*Compensated Absences*

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

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

*Long-Term Obligations*

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

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

*Net Assets and Fund Equity*

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

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

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

**e. Estimates**

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

***General Budget Policies***

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

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

Budgets are adopted for all funds.

*Encumbrances*

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

*Continuing Appropriations*

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

*Budget Basis of Accounting*

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

*Fund Deficits*

The following funds contained a deficit of fund balance as of June 30, 2009:

Major Funds		
Debt Service Funds:		
Community Development Debt Service	\$	(1,259,111)
Nonmajor Funds		
Special Revenue Funds:		
TDA	\$	(936)

The deficits in the funds are due to expenditures being incurred before the revenue has been received.

*Excess of Expenditures over Appropriations*

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

Fund	Final appropriation	Expenditure	Excess
<i>Nonmajor Governmental Funds:</i>			
Serious Traffic Offender Program	\$ 20,000	\$ 23,667	\$ 3,667

**Note 3: Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 28,267,615
Cash and investments with fiscal agent - restricted	<u>1,864,502</u>
Total cash and investments	<u><u>\$ 30,132,117</u></u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	(887,981)
Investments	<u>31,018,798</u>
Total cash and investments	<u><u>\$ 30,132,117</u></u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

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

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

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

**b. Investments Authorized by Debt Agreements**

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

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

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



**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

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

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

Investment type	Totals	Remaining maturity (in months)			
		12 or less	13 to 24	25 to 60	More than 60
Local Agency Investment Fund	\$23,338,174	\$23,338,174	\$ -	\$ -	\$ -
Federal Home Loan Mortgage	522,850	-	522,850	-	-
Medium term notes	1,520,350	1,006,400	513,950	-	-
San Diego County Pool	3,772,922	3,772,922	-	-	-
Held by bond trustee:					
US Bank Money Market	1,864,502	1,864,502	-	-	-
<b>Total investments</b>	<b>\$31,018,798</b>	<b>\$29,981,998</b>	<b>\$ 1,036,800</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

**e. Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is 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 agreement, and the actual rating as of fiscal year end for each investment type.

Investment type	Amount	Minimum legal rating	Ratings at fiscal year end		
			Aaa	Aa2	Not rated
State Investment Pool	\$ 23,338,174	N/A	\$ -	\$ -	\$ 23,338,174
Federal Home Loan Mortgage	522,850	N/A	522,850	-	-
Medium term notes	1,520,350	N/A	-	1,520,350	-
San Diego County Pool	3,772,922	N/A	-	-	3,772,922
Held by bond trustee:					
US Bank Money Market	1,864,502	N/A	1,864,502	-	-
<b>Total investments</b>	<b>\$ 31,018,798</b>		<b>\$ 2,387,352</b>	<b>\$ 1,520,350</b>	<b>\$ 27,111,096</b>

**City of Lemon Grove  
Notes to the Basic Financial Statements  
June 30, 2009**

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

**f. Concentration of Credit Risk**

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

**g. Custodial Credit Risk**

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

As of June 30, 2009, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2009, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment type</u>	<u>Reported amount</u>
Federal Home Loan Mortgage Co. Medium term notes	\$ 522,850 1,520,350

**h. Investment in State Investment Pool**

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**Note 4: Notes Receivable**

Notes receivable as of June 30, 2009, totaled \$9,513,162 and were recorded as follows:

Home Purchase Second Trust Deed Loan Program loans to assist low income residents for housing mortgage and property rehabilitation and construction.	\$	65,000
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During the current fiscal year, the Agency entered into Owner Participation Agreements with Hitzke Development Corporation (the Developer) for the development of several projects within the Agency's project area. In addition, the Agency entered into promissory notes with the Developer with amounts not to exceed (excluding accrued interest) \$2,763,292 for Citronica One, \$2,500,000 for Citronica Two and \$765,000 for Citronica Three, all at 3.0% interest secured by a deed of trust for each note creating a valid lien upon the developer's interest in the development parcels. The funds are being used to construct a 54 unit mixed-use affordable housing, including 3,650 square feet of commercial space (Citronica One) and a 75-100 unit mixed use affordable housing, including 4,700 square feet of commercial space (Citronica Two). The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs. The notes are due and payable on the earliest of the following: 1) 270 days from the date of the notes, 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, 2009 the Agency had advanced \$2,724,516, \$2,500,000 and \$765,000 (Citronica One, Two and Three, respectively) to the borrower. In addition, \$21,813, \$34,838 and \$21,000 (Citronica One, Two and Three, respectively) of accrued interest was incurred.

6,067,167

Note to Community Collective with an amount not to exceed \$2,829,000 at 3.0% interest secured by a deed of trust, assignment of rents, security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use multi-family residential housing project for extremely low, very low and low income persons. The note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note) from the project, Community Collective shall pay the Agency ½ of the available surplus cash. As of June 30, 2009, the Agency had advances \$2,632,339 to the borrower. In addition, \$130,094 of accrued interest was incurred.

2,762,433

Note to Lemon Grove Builders, LLC at 6.25% interest secured by a deed of trust. Due in varying annual installment starting July 20, 2007 and maturing June 20, 2009. During 2009, the City extended the note to allow Lemon Grove Builders, LLC to seek financing to pay off the note. Also, the City suspended any additional interest accruals on the note.

618,562

Total	\$	<u><u>9,513,162</u></u>
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**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**Note 5: Deferred Charges**

Deferred charges consist of issuance costs and discounts for debt issues. The following is the list of deferred charges at June 30, 2009:

	Amortization period in months	Deferred charges	Accumulated amortization	Amortization for the fiscal year
1998 Tax Allocation Refunding Bonds	364	\$ 427,962	\$ 157,548	\$ 14,109
2004 Tax Allocation Bonds	360	564,979	94,163	18,832
2007 Tax Allocation Bonds	360	947,139	65,772	31,571
Totals		<u>\$ 1,940,080</u>	<u>\$ 317,483</u>	<u>\$ 64,512</u>

**Note 6: Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2009:

**a. Transfers**

Fund	Transfers in	Transfers out
<i>Major Funds:</i>		
General	\$ 1,926,926	\$ (864)
Community Development Agency Housing Set-Aside	273,697	(378,029)
Community Development Agency Capital Projects	1,512,731	-
Community Development Agency Debt Service	378,029	(1,786,428)
Capital Projects Reserve	-	(96,254)
<i>Major enterprise fund:</i>		
Sanitation	-	(1,125,100)
<i>Nonmajor Governmental Funds:</i>		
Gas Tax	95,800	(516,844)
Supplemental Law Enforcement Service	-	(101,658)
Sundry Grants	864	-
TDA	-	(77,385)
Lighting District	-	(12,000)
Transnet	-	(32,571)
Storm Water	-	(67,600)
Wild Flower Assessment	8,454	(700)
Serious Traffic Offender Program	-	(1,068)
Total transfers	<u>\$ 4,196,501</u>	<u>\$ (4,196,501)</u>

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

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

Receivable fund	Payable fund	Amount
General Fund	Gas Tax	\$ 37,472
	Supplemental Law Enforcement	39,269
	CDBG	13,548
Capital Projects Reserve	Internal service fund	25,000
Totals		\$ 115,289

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

**c. Advances**

At June 30, 2009, the funds below have made/received advances that were not expected to be repaid within one year.

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

The advances payable have no stated interest rate. Interest expense is computed monthly using the rate currently being paid by the Local Agency Investment Fund. This resulted in an average rate of 2.20% for the fiscal year resulting in a total interest expense of \$85,894. This advance will be repaid based on a schedule to be agreed upon by the City and the Agency. There is no future minimum debt service requirement as repayment will be made when funds are available.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**Note 7: Capital Assets**

**a. Governmental Activities**

Capital assets for governmental activities for the fiscal year ended June 30, 2009 were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 5,643,942	\$ 1,876,911	\$ -	\$ 7,520,853
Construction in progress	230,424	-	(230,424)	-
	<u>5,874,366</u>	<u>1,876,911</u>	<u>(230,424)</u>	<u>7,520,853</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Building and improvements	8,931,883	195,401	-	9,127,284
Vehicle and equipment	3,200,560	156,847	(310,633)	3,046,774
Infrastructure	50,157,568	437,930	-	50,595,498
	<u>62,290,011</u>	<u>790,178</u>	<u>(310,633)</u>	<u>62,769,556</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Building and improvements	(4,463,045)	(223,298)	-	(4,686,343)
Vehicle and equipment	(1,895,208)	(165,840)	134,552	(1,926,496)
Infrastructure	(18,932,288)	(1,170,437)	-	(20,102,725)
	<u>(25,290,541)</u>	<u>(1,559,575)</u>	<u>134,552</u>	<u>(26,715,564)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>36,999,470</u>	<u>(769,397)</u>	<u>(176,081)</u>	<u>36,053,992</u>
Governmental activities capital assets, net	<u>\$ 42,873,836</u>	<u>\$ 1,107,514</u>	<u>\$ (406,505)</u>	<u>\$ 43,574,845</u>

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

	<u>Governmental activities</u>
General government	\$ 56,461
Public safety	104,184
Public works	1,270,402
Parks and recreation	118,658
Community development	9,870
	<u>9,870</u>
Total depreciation expense	<u>\$ 1,559,575</u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

Capital assets for business-type activities for the fiscal year ended June 30, 2009 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in progress	-	134,283	-	134,283
Total capital assets not being depreciated	3,724	134,283	-	138,007
Capital assets, being depreciated:				
Infrastructure	9,819,275	1,737,517	-	11,556,792
Machinery & equipment	614,643	-	-	614,643
Total capital assets, being depreciated	10,433,918	1,737,517	-	12,171,435
Less accumulated depreciation	(6,023,113)	(244,350)	-	(6,267,463)
Total capital assets, being depreciated, net	4,410,805	1,493,167	-	5,903,972
Business-type activities capital assets, net	<u>\$ 4,414,529</u>	<u>\$ 1,627,450</u>	<u>\$ -</u>	<u>\$ 6,041,979</u>

**Note 8: Long-Term Liabilities**

**a. The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2009:**

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
<b>Governmental activities:</b>					
1999 TABS	\$ 8,330,000	\$ -	\$ (215,000)	\$ 8,115,000	\$ 225,000
2004 TABS	5,820,000	-	(60,000)	5,760,000	60,000
2007 TABS	13,830,000	-	-	13,830,000	130,000
Subtotal bonds	27,980,000	-	(275,000)	27,705,000	415,000
Lease payable	287,927	-	(83,725)	204,202	204,202
Note payable	9,336	-	(9,336)	-	-
Compensated absences	617,242	257,837	(212,248)	662,831	198,849
Subtotal other	914,505	257,837	(305,309)	867,033	403,051
Total	<u>\$ 28,894,505</u>	<u>\$ 257,837</u>	<u>\$ (580,309)</u>	<u>\$ 28,572,033</u>	<u>\$ 818,051</u>

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

**b. Governmental long-term debt at June 30, 2009 consisted of the following:**

**A. 1998 Tax Allocation Refunding Bonds**

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

Agency tax increment revenue is pledged for the repayment of these bonds. Interest is payable semi-annually each August 1 and February 1 through 2029.

The scheduled annual minimum debt service requirements at June 30, 2009 are as follows:

Fiscal years ended June 30,	Principal	Interest	Total
2010	\$ 225,000	\$ 460,144	\$ 685,144
2011	240,000	446,775	686,775
2012	255,000	432,544	687,544
2013	265,000	417,594	682,594
2014	285,000	401,781	686,781
2015-2019	1,680,000	1,737,363	3,417,363
2020-2024	2,225,000	1,179,469	3,404,469
2025-2029	2,940,000	441,313	3,381,313
Totals	<u>\$ 8,115,000</u>	<u>\$ 5,516,983</u>	<u>\$ 13,631,983</u>



**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

*B. 2004 Tax Allocation Bonds*

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

The scheduled annual minimum debt service requirements at June 30, 2009 are as follows:

Fiscal years ended June 30,	Principal	Interest	Total
2010	\$ 60,000	\$ 282,746	\$ 342,746
2011	60,000	280,804	340,804
2012	65,000	278,613	343,613
2013	70,000	276,105	346,105
2014	70,000	273,375	343,375
2015-2019	395,000	1,318,511	1,713,511
2020-2024	515,000	1,212,721	1,727,721
2025-2029	630,000	1,069,638	1,699,638
2030-2034	3,520,000	475,499	3,995,499
2035	375,000	9,635	384,635
Totals	<u>\$ 5,760,000</u>	<u>\$ 5,477,647</u>	<u>\$ 11,237,647</u>

*C. 2007 Tax Allocation Bonds*

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

Fiscal years ended June 30,	Principal	Interest	Total
2010	\$ 130,000	\$ 603,718	\$ 733,718
2011	165,000	597,103	762,103
2012	170,000	590,286	760,286
2013	180,000	583,068	763,068
2014	185,000	575,648	760,648
2015-2019	1,040,000	2,756,249	3,796,249
2020-2024	1,215,000	2,519,667	3,734,667
2025-2029	1,575,000	2,208,930	3,783,930
2030-2034	3,060,000	1,737,900	4,797,900
2035-2038	6,110,000	454,500	6,564,500
Totals	<u>\$ 13,830,000</u>	<u>\$12,627,069</u>	<u>\$ 26,457,069</u>

*D. Leases Payable*

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

Fiscal year ended June 30,	Principal	Interest	Total
2010	\$ 71,049	\$ 3,120	\$ 74,169
Totals	<u>\$ 71,049</u>	<u>\$ 3,120</u>	<u>\$ 74,169</u>

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

Fiscal year ended June 30,	Principal	Interest	Total
2010	\$ 16,424	\$ 6,197	\$ 22,621
2011	17,222	5,399	22,621
2012	18,059	4,562	22,621
2013	18,936	3,685	22,621
2014	19,856	2,765	22,621
2015-2017	42,656	2,589	45,245
Totals	<u>\$ 133,153</u>	<u>\$ 25,197</u>	<u>\$ 158,350</u>

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

	Governmental activities
Asset:	
Buildings and improvements	\$ 178,000
Vehicles and equipment	326,599
Less: accumulated depreciation	(104,893)
Total	\$ 399,706

*E. Note Payable*

In July 2005, the City entered into an agreement to purchase two vehicles for \$65,480 with a down payment of \$18,800 and the issuance of a note for \$46,680. Terms of the note call for monthly payments of \$778 with zero percent interest. As of June 30, 2009, the note was paid in full.

*F. Claims Payable*

The City is one member of the San Diego Pooled Insurance Program Authority (SANDPIPA). This organization was created by a joint powers authority to provide liability, property, and casualty coverage to its members. Under the joint powers agreement SANDPIPA provides liability insurance coverage for the City for the difference between \$2,000,000 and the individual self insured retention of \$100,000, each occurrence, \$15,000,000 annual aggregate for the pool. Commercial excess liability insurance is provided from the \$2,000,000 up to \$30,000,000 per occurrence. The premiums billed by the JPA to member cities are planned to match the expenses of the self insurance as well as the cost of providing the excess layer coverage and the cost of administering the plan.

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

Segmented information for the fiscal year ended June 30, 2009 taken from the audited financial statements of JPA are as follows:

<i>Operations</i>	
Total revenues	\$ 8,014,585
Total expenses	<u>4,109,153</u>
Change in net assets	<u><u>\$ 3,905,432</u></u>
 <i>Statement of net assets</i>	
Assets:	
Cash and investments	\$ 25,551,058
Other assets	<u>395,617</u>
Total assets	<u><u>\$ 25,946,675</u></u>
 Liabilities:	
Claims payable	\$ 11,347,202
Other liabilities	<u>210,139</u>
Total liabilities	<u>11,557,341</u>
Net assets	<u><u>\$ 14,389,334</u></u>

Numerous claims and suits have been filed against the City in the normal course of business. The City's estimated claims liability of \$100,000 reported at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**Note 9: Defined Benefit Pension Plan**

*Plan Description*

The City of Lemon Grove contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. All full time, miscellaneous employees are in the 2.5% at age 55 plan. All full time, safety employees are in the 3% at age 55 plan. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

*Funding Policy*

Active plan members are required to contribute a set percentage of their annual covered salary; eight percent for miscellaneous employees and nine percent for safety employees. The City pays seven of the eight percent on behalf on the miscellaneous employees, and the entire nine percent on behalf of safety employees. In addition, the safety employees benefit from employer paid member contributions conversion (EPMC). This was established by resolution and the Memorandum of Understanding between the City and the Local 2728-IAFF, requiring the City to report the nine percent paid by the City on behalf of safety members as special compensation, thus increasing reported salary, and requiring the City to pay the employer share on this nine percent as well. The City is required to contribute (the employer share) at an actuarially determined rate established each year by PERS; the current rate is 15.358% for miscellaneous employees and 18.206% for safety employees, of annual covered payroll. Benefit provisions and all other requirements are established by state statute agreements between any city unions and the city and city council actions.

THREE-YEAR TREND INFORMATION

Fiscal year	Annual pension cost (employer contribution)	Percentage of APC contributed	Net pension obligation
6/30/2007	\$ 597,167	100%	\$ -
6/30/2008	693,369	100%	-
6/30/2009	722,514	100%	-

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

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

*Reserves*

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

*Designations*

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

**City of Lemon Grove**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**Note 11:      Litigation**

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

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

Net assets restricted by enabling legislation in the Governmental Activities Statement of Net Assets total \$671,586.

*Required Supplementary Information*

**Required Supplementary Information**  
**City of Lemon Grove**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2009**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 10,082,500	\$ 9,307,900	\$ 8,627,583	\$ (680,317)
Licenses and permits	468,500	466,500	316,680	(149,820)
Fines, forfeitures and penalties	293,000	268,000	212,773	(55,227)
Intergovernmental revenue	150,000	150,000	87,060	(62,940)
Charges for services	315,600	385,300	287,321	(97,979)
Investment earnings	288,775	296,775	300,227	3,452
Other	478,600	517,100	627,206	110,106
<b>Total revenues</b>	<b>12,076,975</b>	<b>11,391,575</b>	<b>10,458,850</b>	<b>(932,725)</b>
<b>Expenditures</b>				
Current:				
General government:				
City council	146,100	135,100	140,141	(5,041)
City manager	586,900	589,000	582,275	6,725
City attorney	157,100	142,100	169,167	(27,067)
Finance	511,300	465,500	459,304	6,196
<b>Total general government</b>	<b>1,401,400</b>	<b>1,331,700</b>	<b>1,350,887</b>	<b>(19,187)</b>
Public safety:				
Sheriff	4,893,500	4,831,900	4,799,416	32,484
Animal control	168,000	168,000	171,142	(3,142)
Fire	3,308,200	3,346,900	3,267,537	79,363
<b>Total public safety</b>	<b>8,369,700</b>	<b>8,346,800</b>	<b>8,238,095</b>	<b>108,705</b>
Public works:				
Grounds maintenance	469,100	428,550	410,510	18,040
Street maintenance	797,050	738,550	676,521	62,029
Sanitation	193,000	197,300	184,204	13,096
Engineering and other	787,200	689,300	649,567	39,733
<b>Total public works</b>	<b>2,246,350</b>	<b>2,053,700</b>	<b>1,920,802</b>	<b>132,898</b>
Community development	766,800	734,700	648,657	86,043
Parks and recreation:				
Recreation	742,100	701,800	689,591	12,209
Facilities	331,200	321,500	319,333	2,167
<b>Total park and recreation</b>	<b>1,073,300</b>	<b>1,023,300</b>	<b>1,008,924</b>	<b>14,376</b>
Debt service:				
Principal	93,127	93,127	93,061	66
Interest	13,073	13,073	13,064	9
<b>Total debt service</b>	<b>106,200</b>	<b>106,200</b>	<b>106,125</b>	<b>75</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,886,775)</b>	<b>(2,204,825)</b>	<b>(2,814,640)</b>	<b>(609,815)</b>



**Required Supplementary Information**  
**City of Lemon Grove**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2009**  
**(continued)**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Other financing sources (uses)</b>				
Transfers in	\$ 1,914,100	\$ 1,974,400	\$ 1,926,926	\$ (47,474)
Transfers out	-	-	(864)	(864)
Total other financing sources (uses)	1,914,100	1,974,400	1,926,062	(48,338)
Net change in fund balances	27,325	(230,425)	(888,578)	(658,153)
Fund balance, beginning of year	1,602,308	1,602,308	1,602,308	-
Fund balances, end of year	<u>\$ 1,629,633</u>	<u>\$ 1,371,883</u>	<u>\$ 713,730</u>	<u>\$ (658,153)</u>

**Required Supplementary Information**  
**City of Lemon Grove**  
**Budgetary Comparison Schedule**  
**Community Development Housing Set-Aside Fund**  
**For the year ended June 30, 2009**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 654,000	\$ 654,000	\$ 603,752	\$ (50,248)
Investment earnings	197,800	108,200	59,787	(48,413)
Intergovernmental revenue	-	5,000,000	54,134	(4,945,866)
Other	-	83,000	85,498	2,498
<b>Total revenues</b>	<u>851,800</u>	<u>5,845,200</u>	<u>803,171</u>	<u>(5,042,029)</u>
<b>Expenditures</b>				
Current:				
Community development	1,914,600	7,603,400	4,115,030	3,488,370
<b>Total expenditures</b>	<u>1,914,600</u>	<u>7,603,400</u>	<u>4,115,030</u>	<u>3,488,370</u>
Excess of revenues over (under) expenditures	<u>(1,062,800)</u>	<u>(1,758,200)</u>	<u>(3,311,859)</u>	<u>(1,553,659)</u>
<b>Other financing sources (uses)</b>				
Transfers in	355,200	91,000	273,697	182,697
Transfers out	<u>(435,300)</u>	<u>(457,800)</u>	<u>(378,029)</u>	<u>79,771</u>
<b>Total other financial sources (uses)</b>	<u>(80,100)</u>	<u>(366,800)</u>	<u>(104,332)</u>	<u>262,468</u>
<b>Net change in fund balance</b>	<u>(1,142,900)</u>	<u>(2,125,000)</u>	<u>(3,416,191)</u>	<u>(1,291,191)</u>
<b>Fund balance, beginning of year</b>	<u>4,327,493</u>	<u>4,327,493</u>	<u>4,327,493</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,184,593</u>	<u>\$ 2,202,493</u>	<u>\$ 911,302</u>	<u>\$ (1,291,191)</u>

*Other Supplemental Information*

**City of Lemon Grove  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2009**

	Special Revenue Funds			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>Assets</b>				
Cash and investments	\$ -	\$ 15,097	\$ -	\$ 493
Due from other governments	37,472	-	39,269	58,858
Accounts receivable, net	-	-	-	-
Interest receivable	-	35	-	106
<b>Total assets</b>	<b><u>\$ 37,472</u></b>	<b><u>\$ 15,132</u></b>	<b><u>\$ 39,269</u></b>	<b><u>\$ 59,457</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,195
Deferred revenue	-	-	-	-
Due to other funds	37,472	-	39,269	-
<b>Total liabilities</b>	<b><u>37,472</u></b>	<b><u>-</u></b>	<b><u>39,269</u></b>	<b><u>1,195</u></b>
<b>Fund balances (deficit):</b>				
Unreserved:				
Undesignated	-	15,132	-	58,262
<b>Total fund balances (deficit)</b>	<b><u>-</u></b>	<b><u>15,132</u></b>	<b><u>-</u></b>	<b><u>58,262</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 37,472</u></b>	<b><u>\$ 15,132</u></b>	<b><u>\$ 39,269</u></b>	<b><u>\$ 59,457</u></b>

Special Revenue Funds

CDBG	TDA	Lighting District	Transnet	Traffic Congestion Relief	Storm Water
\$ -	\$ 125,339	\$ 598,070	\$ 907,762	\$ 176,930	\$ 898
46,173	121,170	2,247	-	52,103	-
-	-	-	-	-	1,901
-	361	1,394	2,151	-	-
<u>\$ 46,173</u>	<u>\$ 246,870</u>	<u>\$ 601,711</u>	<u>\$ 909,913</u>	<u>\$ 229,033</u>	<u>\$ 2,799</u>
\$ 32,625	\$ 3,144	\$ 14,729	\$ 258	\$ -	\$ 12
-	244,662	-	-	-	-
13,548	-	-	-	-	-
<u>46,173</u>	<u>247,806</u>	<u>14,729</u>	<u>258</u>	<u>-</u>	<u>12</u>
-	(936)	586,982	909,655	229,033	2,787
-	(936)	586,982	909,655	229,033	2,787
<u>\$ 46,173</u>	<u>\$ 246,870</u>	<u>\$ 601,711</u>	<u>\$ 909,913</u>	<u>\$ 229,033</u>	<u>\$ 2,799</u>

**City of Lemon Grove  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2009  
(continued)**

	Special Revenue Funds			Total Special Revenue Funds
	Household Hazardous Waste	Wild Flower Assessment	Serious Traffic Offender Program	
<b>Assets</b>				
Cash and investments	\$ 95,453	\$ 3,769	\$ 12,507	\$ 1,936,318
Due from other governments	-	-	-	357,292
Accounts receivable, net	1,081	-	-	2,982
Interest receivable	214	8	17	4,286
<b>Total assets</b>	<b><u>\$ 96,748</u></b>	<b><u>\$ 3,777</u></b>	<b><u>\$ 12,524</u></b>	<b><u>\$ 2,300,878</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 17,952	\$ 756	\$ 4,325	\$ 74,996
Deferred revenue	-	-	-	244,662
Due to other funds	-	-	-	90,289
<b>Total liabilities</b>	<b><u>17,952</u></b>	<b><u>756</u></b>	<b><u>4,325</u></b>	<b><u>409,947</u></b>
<b>Fund balances:</b>				
Unreserved:				
Undesignated	<u>78,796</u>	<u>3,021</u>	<u>8,199</u>	<u>1,890,931</u>
<b>Total fund balances (deficit)</b>	<b><u>78,796</u></b>	<b><u>3,021</u></b>	<b><u>8,199</u></b>	<b><u>1,890,931</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 96,748</u></b>	<b><u>\$ 3,777</u></b>	<b><u>\$ 12,524</u></b>	<b><u>\$ 2,300,878</u></b>

Capital Projects Funds

Street Construction	Prop 1b	Sidewalk Reserve	Transportation Mitigation	Total Capital Projects Funds	Total
\$ 330,814	\$ 802,708	\$ 22,079	\$ 8,079	\$ 1,163,680	\$ 3,099,998
-	-	-	-	-	357,292
-	-	-	-	-	2,982
774	1,287	51	14	2,126	6,412
<u>\$ 331,588</u>	<u>\$ 803,995</u>	<u>\$ 22,130</u>	<u>\$ 8,093</u>	<u>\$ 1,165,806</u>	<u>\$ 3,466,684</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,996
-	-	-	8,093	8,093	252,755
-	-	-	-	-	90,289
-	-	-	8,093	8,093	418,040
331,588	803,995	22,130	-	1,157,713	3,048,644
331,588	803,995	22,130	-	1,157,713	3,048,644
<u>\$ 331,588</u>	<u>\$ 803,995</u>	<u>\$ 22,130</u>	<u>\$ 8,093</u>	<u>\$ 1,165,806</u>	<u>\$ 3,466,684</u>

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Funds**  
**For the year ended June 30, 2009**

	Special Revenue Funds			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>Revenues</b>				
Taxes	\$ -	\$ 2,700	\$ -	\$ -
Fines, fees and forfeitures		-	-	-
Intergovernmental revenue	421,044	-	100,000	122,687
Charges for services	-	-	-	-
Investment earnings	-	726	1,658	1,457
Other	-	-	-	-
Total revenues	<u>421,044</u>	<u>3,426</u>	<u>101,658</u>	<u>124,144</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	65,232
Public works	-	-	-	14,096
Community development	-	-	-	-
Parks and recreation	-	17,063	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>17,063</u>	<u>-</u>	<u>79,328</u>
Excess (deficiency) of revenues over expenditures	<u>421,044</u>	<u>(13,637)</u>	<u>101,658</u>	<u>44,816</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	95,800	-	-	864
Transfers out	<u>(516,844)</u>	<u>-</u>	<u>(101,658)</u>	<u>-</u>
Total other financing sources (uses)	<u>(421,044)</u>	<u>-</u>	<u>(101,658)</u>	<u>864</u>
Net change in fund balances	-	(13,637)	-	45,680
Fund balances, beginning of year	<u>-</u>	<u>28,769</u>	<u>-</u>	<u>12,582</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 15,132</u>	<u>\$ -</u>	<u>\$ 58,262</u>



Special Revenue Funds

CDBG	TDA	Lighting District	Transnet	Traffic Congestion Relief	Storm Water
\$ -	\$ -	\$ 171,142	\$ -	\$ -	\$ -
-	-	-	-	-	-
40,500	124,711	-	296,096	216,779	-
-	-	85,588	-	-	124,454
-	5,166	16,423	41,756	2,395	-
-	-	306	8,414	-	-
<u>40,500</u>	<u>129,877</u>	<u>273,459</u>	<u>346,266</u>	<u>219,174</u>	<u>124,454</u>
-	-	-	-	-	-
-	52,492	179,148	-	-	60,139
10,500	-	-	-	-	-
30,000	-	-	-	-	-
-	-	-	813,034	-	-
<u>40,500</u>	<u>52,492</u>	<u>179,148</u>	<u>813,034</u>	<u>-</u>	<u>60,139</u>
-	77,385	94,311	(466,768)	219,174	64,315
-	-	-	-	-	-
-	(77,385)	(12,000)	(32,571)	-	(67,600)
-	(77,385)	(12,000)	(32,571)	-	(67,600)
-	-	82,311	(499,339)	219,174	(3,285)
-	(936)	504,671	1,408,994	9,859	6,072
<u>\$ -</u>	<u>\$ (936)</u>	<u>\$ 586,982</u>	<u>\$ 909,655</u>	<u>\$ 229,033</u>	<u>\$ 2,787</u>

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Funds**  
**For the year ended June 30, 2009**  
**(continued)**

	Special Revenue Funds			Total Special Revenue Funds
	Household Hazardous Waste	Wild Flower Assessment	Serious Traffic Offender Program	
<b>Revenues</b>				
Taxes	\$ 23,787	\$ -	\$ -	\$ 197,629
Fines, fees and forfeitures	-	-	27,563	27,563
Intergovernmental revenue	-	-	-	1,321,817
Charges for services	-	7,425	-	217,467
Investment earnings	2,594	27	100	72,302
Other	8,450	-	-	17,170
	<u>34,831</u>	<u>7,452</u>	<u>27,663</u>	<u>1,853,948</u>
Total revenues				
	<u>34,831</u>	<u>7,452</u>	<u>27,663</u>	<u>1,853,948</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	23,667	88,899
Public works	17,297	-	-	323,172
Community development	-	9,106	-	19,606
Parks and recreation	-	-	-	47,063
Capital outlay	-	-	-	813,034
	<u>17,297</u>	<u>9,106</u>	<u>23,667</u>	<u>1,291,774</u>
Total expenditures				
	<u>17,297</u>	<u>9,106</u>	<u>23,667</u>	<u>1,291,774</u>
Excess (deficiency) of revenues over expenditures	<u>17,534</u>	<u>(1,654)</u>	<u>3,996</u>	<u>562,174</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	8,454	-	105,118
Transfers out	-	(700)	(1,068)	(809,826)
	<u>-</u>	<u>7,754</u>	<u>(1,068)</u>	<u>(704,708)</u>
Total other financing sources (uses)				
	<u>-</u>	<u>7,754</u>	<u>(1,068)</u>	<u>(704,708)</u>
Net change in fund balances	17,534	6,100	2,928	(142,534)
Fund balances, beginning of year	<u>61,262</u>	<u>(3,079)</u>	<u>5,271</u>	<u>2,033,465</u>
Fund balances, end of year	<u>\$ 78,796</u>	<u>\$ 3,021</u>	<u>\$ 8,199</u>	<u>\$ 1,890,931</u>

Capital Projects Funds

Street Construction	Prop 1B	Sidewalk Reserve	Transportation Mitigation	Total Capital Projects Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,629
-	-	-	-	-	27,563
-	378,363	-	-	378,363	1,700,180
-	-	-	-	-	217,467
9,974	13,331	682	-	23,987	96,289
-	-	-	-	-	17,170
<u>9,974</u>	<u>391,694</u>	<u>682</u>	<u>-</u>	<u>402,350</u>	<u>2,256,298</u>
-	-	-	-	-	88,899
-	-	-	-	-	323,172
-	-	-	-	-	19,606
-	-	-	-	-	47,063
-	-	-	-	-	813,034
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,291,774</u>
<u>9,974</u>	<u>391,694</u>	<u>682</u>	<u>-</u>	<u>402,350</u>	<u>964,524</u>
-	-	-	-	-	105,118
-	-	-	-	-	(809,826)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(704,708)</u>
9,974	391,694	682	-	402,350	259,816
321,614	412,301	21,448	-	755,363	2,788,828
<u>\$ 331,588</u>	<u>\$ 803,995</u>	<u>\$ 22,130</u>	<u>\$ -</u>	<u>\$ 1,157,713</u>	<u>\$ 3,048,644</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 539,800	\$ 421,044	\$ (118,756)
Total revenues	539,800	421,044	(118,756)
<b>Expenditures</b>			
Current:			
Public works	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	539,800	421,044	(118,756)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	95,800	95,800
Transfers out	(539,800)	(516,844)	22,956
Total other financing sources (uses)	(539,800)	(421,044)	118,756
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Parkland Dedication Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 6,300	\$ 2,700	\$ (3,600)
Investment earnings	700	726	26
Total revenues	<u>7,000</u>	<u>3,426</u>	<u>(3,574)</u>
<b>Expenditures</b>			
Current:			
Parks and recreation	<u>35,800</u>	<u>17,063</u>	<u>18,737</u>
Total expenditures	<u>35,800</u>	<u>17,063</u>	<u>18,737</u>
Net change in fund balance	(28,800)	(13,637)	15,163
Fund balance, beginning of year	<u>28,769</u>	<u>28,769</u>	<u>-</u>
Fund balance, end of year	<u>\$ (31)</u>	<u>\$ 15,132</u>	<u>\$ 15,163</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Supplemental Law Enforcement Service Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 100,000	\$ 100,000	\$ -
Investment earnings	1,000	1,658	658
Total revenues	<u>101,000</u>	<u>101,658</u>	<u>658</u>
<b>Expenditures</b>			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>101,000</u>	<u>101,658</u>	<u>658</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(101,000)</u>	<u>(101,658)</u>	<u>(658)</u>
Total other financing sources (uses)	<u>(101,000)</u>	<u>(101,658)</u>	<u>(658)</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Sundry Grants Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 2,342,250	\$ 122,687	\$ (2,219,563)
Investment earnings	300	1,457	1,157
	<hr/>	<hr/>	<hr/>
Total revenues	2,342,550	124,144	(2,218,406)
<b>Expenditures</b>			
Current:			
Public safety	899,650	65,232	834,418
Public works	-	14,096	(14,096)
Parks and recreation	288,600	-	288,600
Capital outlay	1,154,000	-	1,154,000
	<hr/>	<hr/>	<hr/>
Total expenditures	2,342,250	79,328	2,262,922
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>
	300	44,816	44,516
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	864	864
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	864	864
Net change in fund balance	300	45,680	45,380
Fund balance, beginning of year	12,582	12,582	-
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 12,882	\$ 58,262	\$ 45,380
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**CDBG Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 252,600	\$ 40,500	\$ (212,100)
Total revenues	252,600	40,500	(212,100)
<b>Expenditures</b>			
Current:			
Community development	10,500	10,500	-
Parks and recreation	-	30,000	(30,000)
Capital outlay	242,100	-	242,100
Total expenditures	252,600	40,500	212,100
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**TDA Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 121,200	\$ 124,711	\$ 3,511
Investment earnings	6,200	5,166	(1,034)
Total revenues	<u>127,400</u>	<u>129,877</u>	<u>2,477</u>
<b>Expenditures</b>			
Current:			
Public works	<u>257,000</u>	<u>52,492</u>	<u>204,508</u>
Excess (deficiency) of revenues over expenditures	<u>(129,600)</u>	<u>77,385</u>	<u>206,985</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>-</u>	<u>(77,385)</u>	<u>(77,385)</u>
Total other financing sources (uses)	<u>-</u>	<u>(77,385)</u>	<u>(77,385)</u>
Net change in fund balance	(129,600)	-	129,600
Fund balance, beginning of year	<u>(936)</u>	<u>(936)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (130,536)</u></u>	<u><u>\$ (936)</u></u>	<u><u>\$ 129,600</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Lighting District Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 160,000	\$ 171,142	\$ 11,142
Charges for services	82,200	85,588	3,388
Investment earnings	13,400	16,423	3,023
Other	300	306	6
	<u>255,900</u>	<u>273,459</u>	<u>17,559</u>
<b>Expenditures</b>			
Current:			
Public works	211,500	179,148	32,352
	<u>44,400</u>	<u>94,311</u>	<u>49,911</u>
Excess (deficiency) of revenues over expenditures	<u>44,400</u>	<u>94,311</u>	<u>49,911</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(12,000)	(12,000)	-
	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Net change in fund balance	32,400	82,311	49,911
Fund balance, beginning of year	<u>504,671</u>	<u>504,671</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 537,071</u></u>	<u><u>\$ 586,982</u></u>	<u><u>\$ 49,911</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Transnet Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 595,000	\$ 296,096	\$ (298,904)
Investment earnings	35,300	41,756	6,456
Other	-	8,414	8,414
	<u>630,300</u>	<u>346,266</u>	<u>(284,034)</u>
<b>Expenditures</b>			
Capital outlay	1,978,200	813,034	1,165,166
	<u>1,978,200</u>	<u>813,034</u>	<u>1,165,166</u>
Excess (deficiency) of revenues over expenditures	<u>(1,347,900)</u>	<u>(466,768)</u>	<u>881,132</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(65,000)</u>	<u>(32,571)</u>	<u>32,429</u>
	<u>(65,000)</u>	<u>(32,571)</u>	<u>32,429</u>
Net change in fund balance	(1,412,900)	(499,339)	913,561
Fund balance, beginning of year	<u>1,408,994</u>	<u>1,408,994</u>	<u>-</u>
Fund balance, end of year	<u>\$ (3,906)</u>	<u>\$ 909,655</u>	<u>\$ 913,561</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Traffic Congestion Relief Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 62,500	\$ 216,779	\$ 154,279
Investment earnings	1,800	2,395	595
Total revenues	64,300	219,174	154,874
<b>Expenditures</b>			
Capital outlay	74,200	-	74,200
Total expenditures	74,200	-	74,200
Net change in fund balance	(9,900)	219,174	229,074
Fund balance, beginning of year	9,859	9,859	-
Fund balance, end of year	\$ (41)	\$ 229,033	\$ 229,074

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Storm Water Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Charges for services	\$ 140,000	\$ 124,454	\$ (15,546)
Total revenues	140,000	124,454	(15,546)
<b>Expenditures</b>			
Current:			
Public works	67,000	60,139	6,861
Total expenditures	67,000	60,139	6,861
Excess (deficiency) of revenues over expenditures	73,000	64,315	(8,685)
<b>Other Financing Sources (Uses)</b>			
Transfers out	(67,600)	(67,600)	-
Total other financing sources (uses)	(67,600)	(67,600)	-
Net change in fund balance	5,400	(3,285)	(8,685)
Fund balance, beginning of year	6,072	6,072	-
Fund balance, end of year	\$ 11,472	\$ 2,787	\$ (8,685)

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Household Hazardous Waste Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 25,000	\$ 23,787	\$ (1,213)
Investment earnings	2,200	2,594	394
Other	-	8,450	8,450
	<u>27,200</u>	<u>34,831</u>	<u>7,631</u>
<b>Expenditures</b>			
Current:			
Public works	<u>30,000</u>	<u>17,297</u>	<u>12,703</u>
	<u>30,000</u>	<u>17,297</u>	<u>12,703</u>
Net change in fund balance	(2,800)	17,534	20,334
Fund balance, beginning of year	<u>61,262</u>	<u>61,262</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 58,462</u></u>	<u><u>\$ 78,796</u></u>	<u><u>\$ 20,334</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Wild Flower Assessment Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Charges for services	\$ 7,600	\$ 7,425	\$ (175)
Investment earnings	100	27	(73)
	<u>7,700</u>	<u>7,452</u>	<u>(248)</u>
<b>Expenditures</b>			
Current:			
Community development	<u>9,500</u>	<u>9,106</u>	<u>394</u>
Excess (deficiency) of revenues over expenditures	<u>(1,800)</u>	<u>(1,654)</u>	<u>146</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	8,454	8,454
Transfers out	<u>700</u>	<u>(700)</u>	<u>(1,400)</u>
Total other financing sources (uses)	<u>700</u>	<u>7,754</u>	<u>7,054</u>
Net change in fund balance	(1,100)	6,100	7,200
Fund balance, beginning of year	<u>(3,079)</u>	<u>(3,079)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (4,179)</u>	<u>\$ 3,021</u>	<u>\$ 7,200</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Serious Traffic Offender Program Special Revenue Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Fines, fees and forfeitures	\$ 20,000	\$ 27,563	\$ 7,563
Investment earnings	400	100	(300)
	<u>20,400</u>	<u>27,663</u>	<u>7,263</u>
<b>Expenditures</b>			
Current:			
Public safety	20,000	23,667	(3,667)
	<u>400</u>	<u>3,996</u>	<u>3,596</u>
Excess (deficiency) of revenues over expenditures			
	<u>400</u>	<u>3,996</u>	<u>3,596</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(2,200)	(1,068)	1,132
	<u>(2,200)</u>	<u>(1,068)</u>	<u>1,132</u>
Net change in fund balance	(1,800)	2,928	4,728
Fund balance, beginning of year	5,271	5,271	-
Fund balance, end of year	<u>\$ 3,471</u>	<u>\$ 8,199</u>	<u>\$ 4,728</u>



**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Street Construction Capital Projects Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 8,000	\$ 9,974	\$ 1,974
Total revenues	8,000	9,974	1,974
<b>Expenditures</b>			
Current:			
Public works	135,500	-	135,500
Total expenditures	135,500	-	135,500
Net change in fund balance	(127,500)	9,974	137,474
Fund balance, beginning of year	321,614	321,614	-
Fund balance, end of year	<u>\$ 194,114</u>	<u>\$ 331,588</u>	<u>\$ 137,474</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Prop 1b Capital Projects Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Intergovernmental revenue	\$ 378,000	\$ 378,363	\$ 363
Investment earnings	5,200	13,331	8,131
Total revenues	383,200	391,694	8,494
<b>Expenditures</b>			
Current:			
Public works	417,500	-	417,500
Total expenditures	417,500	-	417,500
Net change in fund balance	(34,300)	391,694	425,994
Fund balance, beginning of year	412,301	412,301	-
Fund balance, end of year	\$ 378,001	\$ 803,995	\$ 425,994

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Sidewalk Reserve Capital Projects Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 500	\$ 682	\$ 182
Total revenues	500	682	182
<b>Expenditures</b>			
Current:			
Public works	21,900	-	21,900
Total expenditures	21,900	-	21,900
Net change in fund balance	(21,400)	682	22,082
Fund balance, beginning of year	21,448	21,448	-
Fund balance, end of year	\$ 48	\$ 22,130	\$ 22,082

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**Transportation Mitigation Capital Projects Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 10,000	\$ -	\$ (10,000)
Investment earnings	200	-	(200)
Total revenues	10,200	-	(10,200)
<b>Expenditures</b>			
Current:			
Public works	-	-	-
Total expenditures	-	-	-
Net change in fund balance	10,200	-	(10,200)
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ 10,200</u>	<u>\$ -</u>	<u>\$ (10,200)</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual – Major Fund**  
**Community Development Debt Service Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Taxes	\$ 2,616,000	\$ 2,415,010	\$ (200,990)
Investment earnings	105,700	41,478	(64,222)
<b>Total revenues</b>	<u>2,721,700</u>	<u>2,456,488</u>	<u>(265,212)</u>
<b>Expenditures</b>			
Current:			
Community development	25,000	34,150	(9,150)
Debt service:			
Principal	275,000	275,000	-
Interest	1,571,100	1,452,016	119,084
Pass-through payments	1,412,700	1,106,493	306,207
<b>Total expenditures</b>	<u>3,283,800</u>	<u>2,867,659</u>	<u>416,141</u>
Excess of revenues over (under) expenditures	<u>(562,100)</u>	<u>(411,171)</u>	<u>150,929</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	457,800	378,029	(79,771)
Transfers out	(1,064,900)	(1,786,428)	(721,528)
<b>Total other financing sources (uses)</b>	<u>(607,100)</u>	<u>(1,408,399)</u>	<u>(801,299)</u>
Net change in fund balance	(1,169,200)	(1,819,570)	(650,370)
Fund balance, beginning of year	560,459	560,459	-
Fund balance, end of year	<u>\$ (608,741)</u>	<u>\$ (1,259,111)</u>	<u>\$ (650,370)</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual – Major Fund**  
**Community Development Capital Projects Fund**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 214,300	\$ 232,963	\$ 18,663
Other	-	7,697	7,697
Total revenues	214,300	240,660	26,360
<b>Expenditures</b>			
Current:			
Community development	7,066,700	3,140,102	3,926,598
Total expenditures	7,066,700	3,140,102	3,926,598
Excess of revenues over (under) expenditures	(6,852,400)	(2,899,442)	3,952,958
<b>Other Financing Sources (Uses)</b>			
Transfers in	973,900	1,512,731	538,831
Transfers out	(370,900)	-	370,900
Total other financing sources (uses)	603,000	1,512,731	909,731
Net change in fund balance	(6,249,400)	(1,386,711)	4,862,689
Fund balance, beginning of year	12,067,740	12,067,740	-
Fund balance, end of year	<u>\$ 5,818,340</u>	<u>\$ 10,681,029</u>	<u>\$ 4,862,689</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual – Major Fund**  
**Capital Projects Reserve**  
**For the year ended June 30, 2009**

	Final budgeted amounts	Actual amounts	Variance with final budget
<b>Revenues</b>			
Investment earnings	\$ 246,300	\$ 124,094	\$ (122,206)
Other	5,000	5,500	500
<b>Total revenues</b>	<b>251,300</b>	<b>129,594</b>	<b>(121,706)</b>
<b>Expenditures</b>			
Current:			
General government	161,000	89,259	71,741
Public safety	29,500	17,255	12,245
Public works	171,000	146,276	24,724
Parks and recreation	242,500	182,468	60,032
<b>Total expenditures</b>	<b>604,000</b>	<b>435,258</b>	<b>168,742</b>
Excess of revenues over (under) expenditures	(352,700)	(305,664)	47,036
<b>Other Financing Sources (Uses)</b>			
Transfers out	(87,800)	(96,254)	(8,454)
<b>Total other financing sources (uses)</b>	<b>(87,800)</b>	<b>(96,254)</b>	<b>(8,454)</b>
Net change in fund balance	(440,500)	(401,918)	38,582
Fund balance, beginning of year	6,467,755	6,467,755	-
Fund balance, end of year	<u>\$ 6,027,255</u>	<u>\$ 6,065,837</u>	<u>\$ 38,582</u>

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