# City of Lemon Grove

## Lemon Grove, California

*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings*

*For the year ended June 30, 2014*

BADAWI & ASSOCIATES

BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2015.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2014-001, 2014-002, and 2014-003 that we consider to be significant deficiencies.

Address: [illegible] Phone [illegible] Fax [illegible]

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi & Associates

Badawi & Associates
Certified Public Accountants
Oakland, California
January 27, 2015

## 2014-001 RESTATMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

**Criteria:**
The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

**Condition:**
The City recorded a prior period adjustment to reallocate previously recorded expenditures that were recorded in an incorrect fund.

**Cause:**
The City's internal controls over financial reporting did not identify the misstatements in a timely manner.

**Context and Effect:**
The previously issued financial statements were not presented in conformity with accounting principles generally accepted in the United States of America for accrual basis of accounting purposes.

**Recommendation:**
We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all nonroutine and nonsystematic transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

**Management Response:**
The City recognizes that it was deficient in its grants tracking. Due to budget constraints, when the person responsible for grant administration for the Redevelopment Agency (including the Housing component) retired due to the elimination of the Agency, the position was not able to be filled. Now that the economy is in a recovery mode, and the revenues of the City are on the rise, the City Council just approved the addition of a new position (Administrative Analyst)—duties assigned include grant tracking. The City believes this will eliminate internal controls over grants, and result in accurate reporting of expenditures and timely requests for grant reimbursements.

## 2014-002 GRANT MANAGEMENT AND NEGATIVE FUND BALANCES

**Criteria:**
The City should have internal controls in place to ensure all grants and related activities are accounted for correctly.

The City should request for funding reimbursements on a frequent enough basis to provide for better cash management and fund equity.

**Condition:**
The City recorded a prior period adjustment to reallocate previously recorded expenditures that were recorded in an incorrect fund.

The City reported significant negative fund equity in the Housing Special Revenue Fund, Sundry Grants Revenue Fund, and Transnet Special Revenue Fund.

After receipt of all grant reimbursements by the City, there is still a deficit in cash of approximately $250,000 that will never be reimbursed by grants and the City needs to determine how to cover this deficit.

**Cause:**
The City employee previously responsible for managing the related grants resigned from the City. Due to limited staffing, the employee given responsibility for managing the grant activities had to learn the compliance and related accounting requirements of the grant.

**Context and Effect:**
Grant activities may not be accounted for correctly.

**Recommendation:**
We recommend that the City enhance its internal control over grant management by implementing additional policies and procedures such as but not limited to updating the written grant management policy, cross-training employees with regard to grant management, monitoring grant expenditures, and encompassing grant activities in year-end closing procedures.

**Management Response:**
Relevant Staff has been apprised of this deficiency, and Finance is checking in on a monthly basis to ensure grant requests are being submitted on a timely basis. In addition, I believe the addition of the Administrative Analyst will assist in this task. This will also cover the cross training recommendation by the auditor. Additional tasks for either the Finance Department or the new Analyst will include reviewing all expenditures for proper classification.

## 2014-003 RECORDING OF AUDIT ADJUSTING ENTRIES

**Criteria:**
The City should have processes in place to ensure proper and timely recording of audit adjustments proposed by the auditors.

**Condition:**
The City did not record prior period audit adjustments proposed by the auditors to the general ledger

**Cause:**
The City currently does not have a process in place for ensuring that all audit adjustments proposed by the auditors are properly recorded in the general ledger.

**Context and Effect:**
The general ledger does not reflect the correct beginning balances from the prior period.

**Recommendation:**
We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all audit adjusting entries are posted in the proper period.

**Management Response:**
The City was undergoing a system conversion at the same time the audit was winding down. Staff had no time to review the journal list, and decide which ones needed to be entered, as well as which ones had already been recorded. I was reviewing the list to decide which ones to book—I ultimately did book the entries, and the Fund Balances are in agreement with the FY 13 audited financial statements. I will make sure the current list is booked within a month of receipt (again, I need to review the list, as I believe many of the items have already been input, and the balance sheet ones don't need to be booked (Revenues Receivable/Deferred Revenue). Due to staffing limitations, the journal entries cannot be reviewed immediately upon receipt.

# City of Lemon Grove

Lemon Grove, California

*Auditors' Communication with Those Charged with Governance*

*For the year ended June 30, 2014*

BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

January 28, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove (City) for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 22, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the timing previously communicated to you on the engagement letter.

Address: 180 Grand Avenue, Suite 1500 Oakland, CA 94612 • Phone: 510.768.8251 • Fax: 510.768.8249

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to financial reporting by adopting the following Statements of Governmental Accounting Standards (GASB Statement):

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

As described in Note 13 to the financial statements, the City restated beginning net position due to the implementation of GASB Statement No. 65. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Investment Valuation
- Allowance for uncollectible accounts
- Pension Plans
- OPEB Obligations
- Self-insurance liabilities

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Summary of Significant Accounting Policies
- Cash and Investments
- Capital Assets
- Defined Benefit Pension Plan
- Other Post Employment Benefits
- Successor Agency Private Purpose Trust for Assets of Former Redevelopment Agency
- Fund Deficits
- Prior Period Adjustments

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 28, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, and schedules of funding progress for pension and other post-employment benefit plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on budgetary comparison information and combining schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Badawi & Associates

Badawi & Associates
Certified Public Accountants
Oakland, California
January 28, 2015

# City of Lemon Grove

Lemon Grove, California

*Basic Financial Statements*

*For the year ended June 30, 2014*

BADAWI & ASSOCIATES

# City of Lemon Grove

## For the year ended June 30, 2014

## Table of Contents


Page

INTRODUCTORY SECTION

Table of Contents ..... i

FINANCIAL SECTION

**Independent Auditors' Report** ..... 1

**Management's Discussion and Analysis** ..... 5

**Basic Financial Statements:**

Government-Wide Financial Statements:
- Statement of Net Position ..... 15
- Statement of Activities ..... 16

Fund Financial Statements:

Governmental Fund Financial Statements:
- Balance Sheet ..... 22
- Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position ..... 23
- Statement of Revenues, Expenditures and Changes in Fund Balances ..... 24
- Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position ..... 25

Proprietary Fund Financial Statements:
- Statement of Net Position ..... 28
- Statement of Revenues, Expenses and Changes in Net Position ..... 29
- Statement of Cash Flows ..... 30

Fiduciary Fund Financial Statements:
- Statement of Fiduciary Net Position ..... 32
- Statement of Changes in Fiduciary Net Position ..... 33

Notes to Basic Financial Statements ..... 36

Page

FINANCIAL SECTION, Continued

**Required Supplementary Information (Unaudited):**

Budgets and Budgetary Accounting ..... 73
Defined Benefit Pension Plan ..... 76
Other Post Employment Benefits (OPEB) ..... 76

**Supplementary Information:**

Non-Major Governmental Funds:
Combining Balance Sheet ..... 80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 84
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:
Gas Tax Special Revenue Fund ..... 88
Parkland Dedication Special Revenue Fund ..... 89
Supplemental Law Enforcement Service Special Revenue Fund ..... 90
Sundry Grants Special Revenue Fund ..... 91
CDBG Special Revenue Fund ..... 92
TDA Special Revenue Fund ..... 93
Lighting District Special Revenue Fund ..... 94
Transnet Special Revenue Fund ..... 95
Storm Water Special Revenue Fund ..... 96
Household Hazardous Waste Special Revenue Fund ..... 97
Wild Flower Assessment Service Special Revenue Fund ..... 98
PEG (Public/Education/Government) Special Revenue Fund ..... 99
Serious Traffic Offender Program Special Revenue Fund ..... 100
Street Construction Capital Projects Fund ..... 101
Sidewalk Reserve Capital Projects Fund ..... 102
Safety Capital Purchases Capital Projects Fund ..... 103
Transportation Mitigation Capital Projects Fund ..... 104

BADAWI & ASSOCIATES

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, California (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress for defined benefit pension plans and other post employment benefits on pages 5–10 and 72-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 80-87 and 88-105 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 80-87 and 88-104 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 80-87 and 88-105 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Badawi & Associates

Badawi & Associates, CPAs
Oakland, California
January 27, 2015

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# CITY OF LEMON GROVE

"Best Climate On Earth"

Office of the City Manager


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

City Hall
619-825-3800

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2014. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify any material deviations from the approved budget.

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

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by $77.4 million.
- The net position value increased from the previous year by $1.5 million, or .65 percent.
- The City's governmental funds reported a combined ending fund balance of $6.4 million, an increase from the previous year of $.5 million, or 8.5 percent. This is due to several factors, including revenue increases as well as grant revenues due from prior year projects. These increases were partially offset by capital expenditures.

## OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

### Government-wide Financial Statements

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

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

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

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

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

**Comparative Statements of Position**
**June 30, 2014 and 2013**
**(Amounts in Millions)**

| | Governmental Activities | | | Business-type Activities | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| **Assets:** | | | | | | |
| Cash and investments | $4.9 | $4.3 | $0.6 | $14.6 | $14.0 | $0.6 |
| Other assets | 14.5 | 14.4 | 0.1 | - | - | - |
| Capital assets, net | 42.6 | 42.9 | (0.3) | 5.9 | 5.3 | 0.6 |
| **Total Assets** | 62.0 | 61.6 | 0.4 | 20.5 | 19.3 | 1.2 |
| **Liabilities:** | | | | | | |
| Long-term liabilities | 1.2 | 1.1 | 0.1 | - | - | - |
| Other liabilities | 3.8 | 2.8 | 1.0 | 0.1 | 0.2 | (0.1) |
| **Total Liabilities** | 5.0 | 3.9 | 1.1 | 0.1 | 0.2 | (0.1) |
| **Net Position:** | | | | | | |
| Net investment in capital assets | 42.7 | 42.9 | (0.2) | 5.9 | 5.3 | 0.6 |
| Restricted | 8.0 | 9.0 | (1.0) | - | - | - |
| Unrestricted | 6.3 | 5.8 | 0.5 | 14.5 | 13.8 | 0.7 |
| **Total Net Position** | $57.0 | $57.7 | ($0.7) | $20.4 | $19.1 | $1.3 |

The City's total net position increased by .8 percent over last year. Net position from governmental activities did not increase measurably while net position from business activities increased by 7 percent. The City's assets exceeded its liabilities by approximately $77.4 million.

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

Approximately 16 percent of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, and laws or regulations of other governments.

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

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

**Comparative Statements of Activities**
**June 30, 2014 and 2013**
**(Amounts in Millions)**

| | Governmental Activities | | | Business-type Activities | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| **Revenues:** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 1.5 | $1.2 | $0.3 | $5.9 | $5.6 | $0.3 |
| Operating grants and contributions | 1.5 | 0.5 | 1.0 | - | - | - |
| Capital grants and contributions | 1.6 | 1.8 | (0.2) | - | - | - |
| Total program revenues | 4.6 | 3.5 | 1.1 | 5.9 | 5.6 | 0.3 |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| General property taxes | 4.0 | 4.1 | (0.1) | - | - | - |
| Sales tax | 4.3 | 3.9 | 0.4 | - | - | - |
| Franchise tax | 1.0 | 0.8 | 0.2 | - | - | - |
| Investment earnings | - | 0.4 | (0.4) | - | - | - |
| Other | - | 0.1 | (0.1) | - | - | - |
| Transfers | 1.5 | - | 1.5 | - | - | - |
| Total general revenues | 10.8 | 9.3 | 1.5 | - | - | - |
| **Total Revenues** | 15.4 | 12.8 | 2.6 | 5.9 | 5.6 | 0.3 |
| **Expenses:** | | | | | | |
| General government | 2.0 | 0.9 | 1.1 | - | - | - |
| Public safety | 8.8 | 8.7 | 0.1 | - | - | - |
| Public works | 3.4 | 1.8 | 1.6 | - | - | - |
| Community development | 1.0 | 0.5 | 0.5 | - | - | - |
| Sanitation | - | - | - | 4.6 | 4.4 | 0.2 |
| Interest on long-term debt | - | - | - | - | - | - |
| **Total Expenses** | 15.2 | 11.9 | 3.3 | 4.6 | 4.4 | 0.2 |
| Increase (decrease) in net position | 0.2 | 0.9 | (0.7) | 1.3 | 1.2 | 0.1 |
| Net position - beginning | 56.8 | 55.9 | 0.9 | 19.1 | 17.9 | 1.2 |
| Net position - ending | $57.0 | $56.8 | $0.2 | $20.4 | $19.1 | $1.3 |

The governmental activities increased the City's net position by $0.2 million. Governmental program revenues offset 30.3 percent of program expenditures, a 6.9% decrease when compared with prior year. General revenues and transfers of $10.8 million did not meet total expenditures. There was a .3 percent increase to governmental activities net position.

The business-type activities increased the City's net position by $1.3 million. Business-type program revenues exceeded expenditures, resulting in a 6.81 percent increase to business-type net position. This is the seventh year that the Lemon Grove Sanitation District has had staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs.

**Fund Financial Statements**

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

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

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

As of June 30, 2014, the City's governmental funds reported a combined ending fund balance of $6.4 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at $2.2 million. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

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

The General Fund is the chief operating fund of the City. As of June 30, 2014, its unassigned fund balance is approximately 3.4 million.

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

There are no restricted net position for these funds, and the changes in net position show a growth over last year for Sanitation of 6.81 percent and an increase of for the Internal Service fund of 13.97 percent.

**Notes to the Basic Financial Statements**

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

**Note 2 - Cash and Investments:** The City's total cash and investments at the end of the fiscal year totaled $23 million. Approximately $20.6 million was invested with the Local Agency Investment Fund and the San Diego County Pool (both money market type accounts). Approximately $1.8 million was held and invested by bond trustees, and the balance was deposited in the City's checking accounts.

**Note 5 - Capital Assets:** Capital assets for the City's governmental activities were valued at $42.7 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at $5.9 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

Capital asset events included $.6 million spent on pavement management and street improvements and repairs, all of which was covered by Transnet.

**Note 6 - Long-Term Liabilities:** The City had a total long-term debt outstanding of $1.2 million. The majority of this amount, $546,808, is comprised of compensated absences. The City's total long-term debt increased this year by $83,360, due to net increases in its OPEB liability and its claims payable. The City's business-type activity does not have long-term debt.

**Required Supplementary Information**

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

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2013.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a gain of expected revenues and transfers of $343,700, while the expenditures were over what was expected by $117,800. The final budget expected that a net gain of $208,100 would occur. The actual revenues and expenditures resulted in a net gain of $669,600. The difference between expected gain and actual is $461,500.

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

Even as the economy continues its steady recovery, and City's revenues continue to grow, due to stock market uncertainty and new PERS rate calculation methodologies, the City continues to be cautious as it develops the budget. In fiscal year 2013-14, total General Fund revenues and other financing sources were budgeted at $13.3 million, an increase of approximately $329,900 over fiscal year fiscal year 2012-13, or 2.6 percent more than the previous year. The actual revenue received was $13.64 million, an increase of approximately $343,700 versus the fiscal year 2013-14 budget. The total General Fund expenditures were reduced to $12.97 million, versus a budget of $13.09 million in 2013-14, a decrease of approximately $117,800, or .1 percent. Overall the City had a surplus of $669,600 versus a budgeted surplus of $208,100, an increase of $461,500.

## REQUESTS FOR INFORMATION

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

# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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# City of Lemon Grove
## Statement of Net Position
## June 30, 2014

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and investments | $ 4,852,760 | $ 14,550,187 | $ 19,402,947 |
| Receivables: | | | |
| Accounts, net | 517,629 | 48,298 | 565,927 |
| Due from other governments | 2,544,949 | - | 2,544,949 |
| Prepaids | 49,867 | 928 | 50,795 |
| Total current assets | 7,965,205 | 14,599,413 | 22,564,618 |
| Noncurrent assets: | | | |
| Restricted cash and investments | 25,000 | - | 25,000 |
| Notes receivable | 7,907,040 | - | 7,907,040 |
| Due from Successor Agency | 3,160,741 | - | 3,160,741 |
| Property held for resale | 325,000 | - | 325,000 |
| Capital assets: | | | |
| Capital assets, not being depreciated | 7,936,706 | 349,096 | 8,285,802 |
| Capital assets, depreciated, net | 34,715,534 | 5,501,730 | 40,217,264 |
| Total capital assets | 42,652,240 | 5,850,826 | 48,503,066 |
| Total noncurrent assets | 54,070,021 | 5,850,826 | 59,920,847 |
| **Total assets** | 62,035,226 | 20,450,239 | 82,485,465 |
| **LIABILITIES** | | | |
| Accounts payable | 1,488,758 | 64,695 | 1,553,453 |
| Cash overdraft | 545,223 | - | 545,223 |
| Accrued expenses | 87,214 | - | 87,214 |
| Interest payable | 1,801 | - | 1,801 |
| Deposits payable | 213,656 | - | 213,656 |
| Unearned revenue | 1,172,785 | - | 1,172,785 |
| Claims payable, due within one year | 50,000 | - | 50,000 |
| Compensated absences, due within one year | 234,346 | - | 234,346 |
| Capital lease payable, due within one year | 20,821 | - | 20,821 |
| Total current liabilities | 3,814,604 | 64,695 | 3,879,299 |
| Noncurrent liabilities: | | | |
| Net OPEB obligation | 258,017 | - | 258,017 |
| Claims payable, due in more than one year | 343,999 | - | 343,999 |
| Compensated absences, due in more than one year | 546,808 | - | 546,808 |
| Capital lease payable, due in more than one year | 21,823 | - | 21,823 |
| Total noncurrent liabilities | 1,170,647 | - | 1,170,647 |
| **Total liabilities** | 4,985,251 | 64,695 | 5,049,946 |
| **NET POSITION** | | | |
| Net investment in capital assets | 42,652,240 | 5,850,826 | 48,503,066 |
| Restricted: | | | |
| Construction of capital assets | 3,381 | - | 3,381 |
| Streets, highways, bikeways, public transit and other related purposes | 390,137 | - | 390,137 |
| Community development | 7,559,107 | - | 7,559,107 |
| Public safety | 87,697 | - | 87,697 |
| Unrestricted | 6,357,413 | 14,534,718 | 20,892,131 |
| **Total net position** | $ 57,049,975 | $ 20,385,544 | $ 77,435,519 |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove
## Statement of Activities
## For the year ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Program Revenues: Total |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| **Governmental activities:** | | | | | |
| General government | $ 1,990,375 | $ 415,728 | $ - | $ - | $ 415,728 |
| Public safety | 8,802,464 | 395,513 | 1,302,077 | - | 1,697,590 |
| Public works | 3,386,086 | 353,144 | 137,508 | 1,595,665 | 2,086,317 |
| Community development | 974,490 | 306,285 | 58,595 | 14,050 | 378,930 |
| Interest on long-term debt | 2,766 | - | - | - | - |
| Total governmental activities | 15,156,181 | 1,470,670 | 1,498,180 | 1,609,715 | 4,578,565 |
| **Business-type activities:** | | | | | |
| Sanitation | 4,657,485 | 5,872,436 | - | - | 5,872,436 |
| Total business-type activities | 4,657,485 | 5,872,436 | - | - | 5,872,436 |
| **Total primary government** | $ 19,813,666 | $ 7,343,106 | $ 1,498,180 | $ 1,609,715 | $ 10,451,001 |

**General Revenues:**

Taxes:

Property tax

Sales tax

Transient occupancy tax

Franchise tax

Motor vehicle in lieu tax - unrestricted

Total taxes

Investment earnings

Other

Transfers

**Total general revenues and transfers**

**Change in net position**

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

**Net position - end of year**

See accompanying Notes to Basic Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-Type Activities | Total |
| $ (1,574,647) | $ - | $ (1,574,647) |
| (7,104,874) | - | (7,104,874) |
| (1,299,769) | - | (1,299,769) |
| (595,560) | - | (595,560) |
| (2,766) | - | (2,766) |
| (10,577,616) | - | (10,577,616) |
| - | 1,214,951 | 1,214,951 |
| - | 1,214,951 | 1,214,951 |
| $ (10,577,616) | $ 1,214,951 | $ (9,362,665) |
| 4,013,905 | - | 4,013,905 |
| 4,294,760 | - | 4,294,760 |
| 39,392 | - | 39,392 |
| 923,592 | - | 923,592 |
| 11,086 | - | 11,086 |
| 9,282,735 | - | 9,282,735 |
| 38,158 | 33,680 | 71,838 |
| 27,986 | - | 27,986 |
| 1,506,682 | - | 1,506,682 |
| 10,855,561 | 33,680 | 10,889,241 |
| 277,945 | 1,248,631 | 1,526,576 |
| 56,772,030 | 19,136,913 | 75,908,943 |
| $ 57,049,975 | $ 20,385,544 | $ 77,435,519 |

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# FUND FINANCIAL STATEMENTS

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Funds Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

# City of Lemon Grove
## Balance Sheet
## Governmental Funds
## June 30, 2014

| | General | Special Revenue Housing | Total Nonmajor Government Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 2,317,401 | $ - | $ 1,393,348 | $ 3,710,749 |
| Receivables, net: | | | | |
| Due from other governments | 607,180 | 957,011 | 980,758 | 2,544,949 |
| Accounts | 281,741 | 213,599 | 18,731 | 514,071 |
| Notes | - | 7,907,040 | - | 7,907,040 |
| Due from other funds | 1,708,882 | - | - | 1,708,882 |
| Prepaid expenses | 49,679 | - | 188 | 49,867 |
| Property held for resale | - | 325,000 | - | 325,000 |
| Due from Successor Agency | 3,160,741 | - | - | 3,160,741 |
| **Total assets** | $ 8,125,624 | $ 9,402,650 | $ 2,393,025 | $ 19,921,299 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ 1,181,180 | $ - | $ 307,578 | $ 1,488,758 |
| Cash overdraft | - | 545,223 | - | 545,223 |
| Accrued expenditures | 87,214 | - | - | 87,214 |
| Due to other funds | - | 871,091 | 837,791 | 1,708,882 |
| Deposits payable | 213,656 | - | - | 213,656 |
| Unearned revenue | - | 1,172,785 | - | 1,172,785 |
| **Total liabilities** | 1,482,050 | 2,589,099 | 1,145,369 | 5,216,518 |
| **Deferred inflows of resources:** | | | | |
| Unavailable revenues | $ 21,759 | $ 7,907,040 | 328,555 | $ 8,257,354 |
| **Fund Balances:** | | | | |
| Nonspendable: | | | | |
| Prepaid expenses | 49,679 | - | - | 49,679 |
| Advances to Successor Agency | 3,160,741 | - | - | 3,160,741 |
| Restricted: | | | | |
| Public safety | - | - | 34,629 | 34,629 |
| Community | - | - | 194,713 | 194,713 |
| Public works | - | - | 798,804 | 798,804 |
| Unassigned | 3,411,395 | (1,093,489) | (109,044) | 2,208,862 |
| **Total fund balances** | 6,621,815 | (1,093,489) | 919,101 | 6,447,427 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 8,125,624 | $ 9,402,650 | $ 2,393,025 | $ 19,921,299 |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove

## Reconciliation of the Governmental Funds Balance Shee to the Government-Wide Statement of Net Position

## June 30, 2014

| | |
|---|---|
| **Total Fund Balances - Total Governmental Funds** | $ 6,447,427 |
| Amounts reported for governmental activities in the Statement of Net Position were different because: | |
| Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. | |
| Non-depreciable | $ 7,936,706 |
| Depreciable, net | 34,715,534 |
| Total capital assets | 42,652,240 |
| Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. | 8,257,354 |
| Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. | (1,801) |
| Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position. | 776,570 |
| Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. | |

| | Government-Wide Statement of Net Position | Internal Service Funds | Total |
|---|---|---|---|
| Claims and judgments payable - due within one year | $ (50,000) | $ 50,000 | $ - |
| Compensated leave payable - due within one year | (234,346) | - | (234,346) |
| Capital lease payable - due within one year | (20,821) | - | (20,821) |
| Long term liabilities - due in more than one year | (1,170,647) | 343,999 | (826,648) |
| Total long-term liabilities | $ (1,475,814) | $ 393,999 | (1,081,815) |

| | |
|---|---|
| **Net Position of Governmental Activities** | $ 57,049,975 |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove

## Statement of Revenues, Expenditures and Changes in Fund Balances
## Governmental Funds
## For the year ended June 30, 2014

| | General Fund | Special Revenue Housing Fund | Total Nonmajor Government Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Taxes | $ 9,302,400 | $ - | $ 277,450 | $ 9,579,850 |
| Licenses and permits | 415,580 | - | - | 415,580 |
| Fines, forfeitures and penalities | 73,883 | - | 9,490 | 83,373 |
| Intergovernmental | 6,932 | - | 2,766,703 | 2,773,635 |
| Charges for services | 411,377 | 14,050 | 128,358 | 553,785 |
| Use of money and property | 337,591 | - | 3,401 | 340,992 |
| Other | 28,967 | - | 123,213 | 152,180 |
| **Total revenues** | 10,576,730 | 14,050 | 3,308,615 | 13,899,395 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 790,233 | - | 1,087,888 | 1,878,121 |
| Public safety | 8,604,082 | - | 196,755 | 8,800,837 |
| Public works | 1,173,504 | - | 870,071 | 2,043,575 |
| Community development | 819,083 | (134,640) | 195,191 | 879,634 |
| Capital outlay | 87,148 | 394,566 | 735,915 | 1,217,629 |
| Debt service: | | | | |
| Principal | 19,391 | - | - | 19,391 |
| Interest and fiscal charges | 3,231 | - | - | 3,231 |
| **Total expenditures** | 11,496,672 | 259,926 | 3,085,820 | 14,842,418 |
| **REVENUES OVER (UNDER) EXPENDITURES** | (919,942) | (245,876) | 222,795 | (943,023) |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Transfers in | 1,506,682 | - | - | 1,506,682 |
| Transfers out | (50,000) | - | - | (50,000) |
| **Total other financing sources (uses)** | 1,456,682 | - | - | 1,456,682 |
| **Net change in fund balances** | 536,740 | (245,876) | 222,795 | 513,659 |
| **FUND BALANCES:** | | | | |
| Beginning of year, as restated | 6,085,075 | (847,613) | 696,306 | 5,933,768 |
| End of year | $ 6,621,815 | $ (1,093,489) | $ 919,101 | $ 6,447,427 |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities

## For the year ended June 30, 2014

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | $ | 513,659 |
| Amounts reported for governmental activities in the Statement of Activities were different because: | | |
| Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. | | 1,329,270 |
| Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds | | (1,623,655) |
| Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position. | | (7,103) |
| OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | (49,109) |
| Long term debt proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position. | | |
| Long-term debt repayments | | 19,391 |
| Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year. | | 465 |
| Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities. | | 95,027 |
| **Change in Net Positon of Governmental Activities** | $ | 277,945 |

See accompanying Notes to Basic Financial Statements.

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## PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

# City of Lemon Grove
## Statement of Net Position
## Proprietary Funds
## June 30, 2014

| | Business-Type Activities Enterprise Fund Sanitation | Governmental Activities Internal Service Fund |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and investments | 14,550,187 | 1,142,011 |
| Accounts receivable, net | 48,298 | 3,558 |
| Prepaids | 928 | - |
| Total current assets | 14,599,413 | 1,145,569 |
| Noncurrent assets: | | |
| Restricted cash and investments | - | 25,000 |
| Capital assets: | | |
| Land | 3,724 | - |
| Construction in progress | 345,372 | - |
| Depreciable infastructure | 11,767,936 | - |
| Depreciable equipment | 1,357,684 | - |
| Accumulated depreciation | (7,623,890) | - |
| Total capital assets | 5,850,826 | - |
| Total noncurrent assets | 5,850,826 | 25,000 |
| **Total assets** | 20,450,239 | 1,170,569 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | 64,695 | - |
| Claims payable, due within one year | - | 50,000 |
| Total current liabilities | 64,695 | 50,000 |
| Noncurrent liabilities: | | |
| Claims payable, due in more than one year | - | 343,999 |
| Total noncurrent liabilities | - | 343,999 |
| **Total liabilities** | 64,695 | 393,999 |
| **NET POSITION** | | |
| Net investment in capital assets | 5,850,826 | - |
| Unrestricted | 14,534,718 | 776,570 |
| **Total net position** | 20,385,544 | 776,570 |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove

## Statement of Revenues, Expenses and Changes in Fund Net Position

## Proprietary Funds

## For the year ended June 30, 2014

| | Business-Type Activities Enterprise Fund Sanitation | Governmental Activities Internal Service Fund |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Charges for services | $ 5,872,420 | $ - |
| Other revenue | 16 | 8,245 |
| **Total operating revenues** | 5,872,436 | 8,245 |
| **OPERATING EXPENSES:** | | |
| Personnel costs | 1,662,196 | - |
| Contractual services | 90,302 | - |
| Materials and supplies | 20,593 | - |
| Repairs and maintenance | 102,820 | - |
| Dump fees | 2,359,808 | - |
| Utilities | 5,474 | - |
| Insurance and claims | 162,160 | (8,733) |
| Depreciation | 254,132 | - |
| **Total operating expenses** | 4,657,485 | (8,733) |
| **OPERATING INCOME** | 1,214,951 | 16,978 |
| **NONOPERATING REVENUES:** | | |
| Investment earnings | 33,680 | 28,049 |
| **Total nonoperating revenues** | 33,680 | 28,049 |
| **INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS** | 1,248,631 | 45,027 |
| Transfers in | - | 50,000 |
| **Total transfers** | - | 50,000 |
| **Change in net position** | 1,248,631 | 95,027 |
| **NET POSITION** | | |
| Beginning of year | 19,136,913 | 681,543 |
| End of year | $ 20,385,544 | $ 776,570 |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove
## Statement of Cash Flows
## Proprietary Funds
## For the year ended June 30, 2014

| | Business-Type Activities Enterprise Fund Sanitation | Governmental Activities Internal Service Fund |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash received from customers | $ 5,869,109 | $ - |
| Cash received from user departments | - | 27,081 |
| Cash received from others | - | 8,245 |
| Cash payments to employees | (1,662,196) | - |
| Cash payments to suppliers for goods and services | (2,854,041) | (131,130) |
| **Net cash provided by (used in) operating activities** | 1,352,872 | (95,804) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Transfer from other departments | - | 50,000 |
| Purchase of capital assets | (817,164) | - |
| **Net cash provided by (used in) capital and related financing activities** | (817,164) | 50,000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest received | 33,680 | 28,049 |
| **Net cash provided by investing activities** | 33,680 | 28,049 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 569,388 | (17,755) |
| **CASH AND CASH EQUIVALENTS - Beginning of year** | 13,980,799 | 1,184,766 |
| **CASH AND CASH EQUIVALENTS - End of year** | $ 14,550,187 | $ 1,167,011 |
| **FINANCIAL STATEMENT PRESENTATION:** | | |
| Cash and investments | $ 14,550,187 | $ 1,142,011 |
| Restricted cash and investments with fiscal agents | - | 25,000 |
| **Total** | $ 14,550,187 | $ 1,167,011 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:** | | |
| Operating income | $ 1,214,951 | $ 16,978 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Depreciation | 254,132 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (3,327) | 27,081 |
| Prepaids | (584) | - |
| Accounts payable | (112,300) | (139,863) |
| Claims payable | - | - |
| **Total adjustments** | 137,921 | (112,782) |
| **Net cash provided by (used in) operating activities** | $ 1,352,872 | $ (95,804) |

See accompanying Notes to Basic Financial Statements.

# FIDUCIARY FUND FINANCIAL STATEMENTS

## Private Purpose Trust Funds

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

# City of Lemon Grove
## Statement of Fiduciary Net Position
## Fiduciary Funds
## June 30, 2014

| | Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund |
|---|---|
| **ASSETS** | |
| Cash and investments | 2,262,036 |
| Cash and investments with fiscal agent - restricted | 1,813,606 |
| Interest receiveable | 931 |
| Notes receivable | 3,597,557 |
| Prepaids | 18 |
| Property held for resale | 689,910 |
| Capital assets: | |
| Non-depreciable | |
| Land | 5,845,452 |
| Construction in progress | 354,200 |
| Depreciable | |
| Infrastructure | 76,381 |
| **Total assets** | 14,640,091 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred loss on refunding | 199,626 |
| **Total deferred outflows of resources** | 199,626 |
| **LIABILITIES** | |
| **Liabilities:** | |
| Accounts payable | 99,110 |
| Interest payable | 867,368 |
| Due to City of Lemon Grove | 3,160,741 |
| Bonds payable, due in less than one year | 610,000 |
| Total current liabilities | 4,737,219 |
| Noncurrent liabilities: | |
| Bonds payable, due in more than one year | 24,701,682 |
| Total noncurrent liabilities | 24,701,682 |
| **Total liabilities** | 29,438,901 |
| **NET POSITION** | |
| **Net position:** | |
| Net position held for dissolution of the Community Development Agency | (14,599,184) |
| **Total net position** | (14,599,184) |

See accompanying Notes to Basic Financial Statements.

# City of Lemon Grove
## Statement of Changes in Fiduciary Net Position
## Fiduciary Funds
## For the year ended June 30, 2014

| | Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund |
|---|---|
| **ADDITIONS:** | |
| Investment income | $ 99,965 |
| RDA property tax trust fund distribution | 2,331,544 |
| Other | 9,000 |
| **Total additions** | 2,440,509 |
| **DEDUCTIONS:** | |
| Administration | 266,572 |
| Extraordinary item | 134,640 |
| Interest expense | 1,569,083 |
| **Total Deductions** | 1,970,295 |
| **Change in net position** | 470,214 |
| **NET POSITION:** | |
| Beginning of year, as restated | (15,069,398) |
| End of year | $ (14,599,184) |

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# NOTES TO BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### *J. Financial Reporting Entity*

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

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

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

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

Separate financial statements for the Sanitation District and Landscape and Lighting District are not available.

### *K. Basis of Accounting and Measurement Focus*

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

**Government-Wide Financial Statements**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

**Government-Wide Financial Statements, Continued**

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

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

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

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

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

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

**Governmental Fund Financial Statements**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

**Governmental Fund Financial Statements, Continued**

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

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

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

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

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

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

**Proprietary Fund Financial Statements**

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

**Proprietary Fund Financial Statements, Continued**

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

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

The City reports the Sanitation Enterprise Fund and Self Insurance Internal Service Funds as proprietary funds of the City.

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

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

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

**Fiduciary Fund Financial Statements**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

**Fiduciary Fund Financial Statements**

The City reports the following fiduciary funds:

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

### L. *Cash, Cash Equivalents, and Investments*

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.
In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

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

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

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

### M. *Restricted Cash and Investments*

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

### N. *Compensated Absences*

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

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

### O. *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 XIIIA 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### F. *Property Taxes, Continued*

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

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

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

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

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

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

### P. *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, 2014.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### G. *Capital Assets, Continued*

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

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

### Q. *Interest Payable*

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

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

### R. *Unavailable and unearned revenue*

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

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

### S. *Claims and Judgments*

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### T. *Use of Estimates*

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

### U. *Inventory*

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

### V. *Long-term Obligations*

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### *W. Net Position*

**Government-Wide Financial Statements**

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

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

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

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

### *X. Fund Balances*

**Fund Financial Statements**

**Nonspendable Fund Balances**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### O. *Fund Balances, Continued*

**Restricted Fund Balances**

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

**Committed Fund Balances**

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

**Assigned Fund Balances**

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

**Unassigned Fund Balance**

The residual classification for the general fund is unassigned fund balance. The general fund is the only fund that may report a positive unassigned balance. Negative fund balance reported in special revenue funds are classified as unassigned fund balance.

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

### P. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### *Q. New Accounting Pronouncements*

In 2014, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City restated beginning net position as part of implementation of this standard.

- GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62* - The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and *No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* There was no effect on net position as part of implementation of this standard.

- GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* - The objective of this statement is to improve financial reporting by state and local governmental pension plans. There was no effect on net position as part of implementation of this standard.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There was no effect on net position as part of implementation of this standard.

## 2. CASH AND INVESTMENTS

### A. *Summary of Cash and Investments*

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

| | Government-Wide Statement of Net Position | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Fiduciary Funds | Total |
| Cash and investments | 4,307,537 | 14,550,187 | 2,262,036 | 21,119,760 |
| Restricted cash and investments | 25,000 | - | 1,813,606 | 1,838,606 |
| **Total cash and investments** | $ 4,332,537 | $ 14,550,187 | $ 4,075,642 | $ 22,958,366 |

## 2. CASH AND INVESTMENTS, CONTINUED

Cash and investment as of June 30, 2014 consist of the following:

| | |
|---|---|
| Cash on hand | $ 1,943 |
| Deposits with financial institution | 557,037 |
| Total cash on hand and deposits | 558,980 |
| | |
| Local Agency Investment funds | 13,471,167 |
| San Diego County Pool | 7,089,613 |
| Total investments | 20,560,780 |
| | |
| **Total City Treasury** | 21,119,760 |
| | |
| Cash with fiscal agent | 1,838,606 |
| | |
| **Total cash and investments** | $ 22,958,366 |

### *B. Deposits*

The carrying amount of the City's cash deposit was a positive amount of $557,038 at June 30, 2014. Bank balances before reconciling items amounted to $573,165 at June 30, 2014. The City has not waived the collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institutions in the City's name.

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

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

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

## 2. CASH AND INVESTMENTS, CONTINUED

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

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

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

* Maximum allowed by LAIF

### D. *Investments Authorized by Debt Agreements*

Investments of debt proceeds held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

### E. *Disclosures Relating to Interest Rate Risk*

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

## 2. CASH AND INVESTMENTS, Continued

### *E. Disclosures Relating to Interest Rate Risk, Continued*

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

| | | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | Totals | 12 Months Or Less | 13 to 24 Months | 25-60 Months | More Than 60 Months |
| Local Agency Investment Fund | $ 13,471,167 | $ 13,471,167 | $ - | $ - | $ - |
| San Diego County Pool | 7,089,613 | 7,089,613 | - | - | - |
| Held by fiscal agents: | | | | | |
| US Bank money market | 1,813,606 | 1,813,606 | - | - | - |
| | $ 22,374,386 | $ 22,374,386 | $ - | $ - | $ - |

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

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

### *G. Disclosures Relating to Credit Risk*

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

## 2. CASH AND INVESTMENTS, Continued

### G. *Disclosures Relating to Credit Risk. Continued*

| Investment Type | Amount | Minimum Legal Rating | Rating as of Fiscal Year End | | |
|---|---|---|---|---|---|
| | | | Aa1 | Aa3 | Not Rated |
| Local Agency Investment Fund | $ 13,471,167 | N/A | $ - | $ - | $ 13,471,167 |
| San Diego County Pool | 7,089,613 | N/A | 7,089,613 | - | - |
| Held by fiscal agents: | | | | | |
| US Bank money market | 1,813,606 | N/A | - | 1,813,606 | - |
| Total | $ 22,374,386 | | $ 7,089,613 | $ 1,813,606 | $ 13,471,167 |

### H. *Concentration of Credit Risk*

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

### I. *Custodial Credit Risk*

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

### J. *External Investment Pools*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2014, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

## 2. CASH AND INVESTMENTS, Continued

### *J. External Investment Pools, Continued*

As of June 30, 2014, the City had $13,471,167 invested in LAIF, which had invested 1.99% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.96% in the previous year. The LAIF fair value factor as of June 30, 2014 was 1.00029875 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Diego County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor to calculate the fair value of the investments in the County Pool is not available.

## 3. NOTES RECEIVABLE

Notes receivable as of June 30, 2014, totaled $11,544,032 and were recorded in the financial statements as follows:

| Description | Balance June 30, 2014 |
|---|---|
| During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (the Developer) for the development of several projects within the City's project area. In addition, the City entered into promissory notes with the Developers with amounts not to exceed (excluding accrued interest) $2,763,292 for Citronica One, $2,500,000 for Citronica Two and $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 puchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs. During the fiscal year ended June 30, 2013, the City entered into another promissory note with the Developer with amount not to exceed (excluding interest) $1,323,031 for Citronica One. The notes are due and payable on the earliest of the following: | |
| 1) 270 days from the date of the notes 2) 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, 2014, the City had advanced $4,263,292 and $2,500,000 (Citronica One and Two, respectively) to the borrower. In addition $555,583 and $410,249 (Citronica One and Two, respectively) of accrued interest was incurred. | 7,729,124 |
| Note to Community Collective with an amount not to exceed $3,130,000 at 3.0% interest secured by a deed of trust, assignment of rents, security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use multi-family residential housing project for extremely low, very low, and low income persons. The note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note) from the project, Community Collective shall pay the City one-half of the available surplus cash. As of June 30, 2014, the City had advanced $3,130,000 to the borrower. In addition, $645,473 of accrued interest was incurred. | 3,775,473 |
| Total notes receivable | 11,504,597 |

As of June 30, 2014, notes receivable is reported as follow:

| | |
|---|---|
| Primary Government | 7,907,040 |
| Successor Agency to the Lemon Grove Community Development Agency | 3,597,557 |
| | $ 11,504,597 |

## 4. INTERFUND ACTIVITY

The following represents interfund activity of the City for the fiscal year ended June 30, 2014:

### A. *Due To/From Other Funds*

The amounts due to the General Fund from other funds represent reclassified temporary negative cash balances pending grant reimbursements or other receivables. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

### B. *Advances Due from Successor Agency*

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, after the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Private-purpose trust fund - Successor Agency to the Lemon Grove Community Development Agency. The repayment of this amount is uncertain as of June 30, 2014, and is subject to the approval of the State Department of Finance as an enforceable obligation of the Successor Agency under redevelopment agency dissolution law under AB 1484.

## 5. CAPITAL ASSETS

### A. *Governmental Activities*

Capital asset activity for governmental activities for the fiscal year ended June 30, 2014, was as follows:

| Governmental Activities | Balance July 1, 2013 | Additions | Deletions | Transfers | Balance June 30, 2014 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land and improvements | $ 7,520,853 | $ - | $ - | $ - | $ 7,520,853 |
| Construction in progress | 2,342,403 | 373,686 | - | (2,300,236) | 415,853 |
| Total capital assets, not being depreciated | 9,863,256 | 373,686 | - | (2,300,236) | 7,936,706 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 9,219,426 | - | - | - | 9,219,426 |
| Vehicles and equipment | 2,583,670 | 309,544 | (727,487) | - | 2,165,727 |
| Infrastructure | 53,851,081 | 646,040 | - | 2,300,236 | 56,797,357 |
| Total capital assets, being depreciated | 65,654,177 | 955,584 | (727,487) | 2,300,236 | 68,182,510 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (5,605,631) | (230,486) | - | - | (5,836,117) |
| Vehicles and equipment | (2,044,252) | (125,258) | 727,487 | - | (1,442,023) |
| Infrastructure | (24,920,925) | (1,267,911) | - | - | (26,188,836) |
| Total accumulated depreciation | (32,570,808) | (1,623,655) | 727,487 | - | (33,466,976) |
| Total capital assets, being depreciated, net | 33,083,369 | (668,071) | - | 2,300,236 | 34,715,534 |
| Governmental activities, capital assets, net | $ 42,946,625 | $ (294,385) | $ - | $ - | $ 42,652,240 |

Depreciation expense by program for capital assets for the year ended June 30, 2014 was as follows:

| | |
|---|---|
| General government | $ 57,539 |
| Public safety | 74,478 |
| Public works | 1,363,085 |
| Community development | 128,553 |
| **Total depreciation expense** | **$ 1,623,655** |

## 5. CAPITAL ASSETS, Continued

### A. *Business-type Activities*

Capital asset activity for business-type activities for the fiscal year ended June 30, 2014, was as follows:

| Business-type Activities | Balance July 1, 2013 | Additions | Deletions | Transfers | Balance June 30, 2014 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 3,724 | $ - | $ - | $ - | $ 3,724 |
| Construction in progress | 114,653 | 246,719 | (16,000) | - | 345,372 |
| Total capital assets, not being depreciated | 118,377 | 246,719 | (16,000) | - | 349,096 |
| Capital assets, being depreciated: | | | | | |
| Machinery and equipment | 787,239 | 570,445 | - | - | 1,357,684 |
| Infrastructure | 11,751,936 | - | - | 16,000 | 11,767,936 |
| Total capital assets, being depreciated | 12,539,175 | 570,445 | - | 16,000 | 13,125,620 |
| Less accumulated depreciation | (7,369,758) | (254,132) | - | - | (7,623,890) |
| Total capital assets, being depreciated, net | 5,169,417 | 316,313 | - | 16,000 | 5,501,730 |
| Business-type activities, capital assets, net | $ 5,287,794 | $ 563,032 | $ (16,000) | $ 16,000 | $ 5,850,826 |

## 6. LONG-TERM DEBT

### A. *Governmental activities*

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2014:

| Governmental activities: | July 1, 2013 Balance | Additions | Reductions | June 30, 2014 Balance | Due Within One Year |
|---|---|---|---|---|---|
| Capital lease payable | $ 62,500 | $ - | $ (19,856) | $ 42,644 | $ 20,821 |
| Compensated absences | 774,051 | 47,515 | (40,412) | 781,154 | 234,346 |
| OPEB liability | 208,908 | 188,909 | (139,800) | 258,017 | - |
| Claims payable | 393,999 | 8,734 | (8,734) | 393,999 | 50,000 |
| Governmental activities Long-term liabilities | $ 1,439,458 | $ 245,158 | $ (208,802) | $ 1,475,814 | $ 305,167 |

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

## 6. LONG-TERM DEBT, Continued

### A. *Governmental activities, Continued*

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

*Capital Lease Payable*

On November 1, 2005, the City entered into a lease purchase agreement for a facility extension of a fire station in the amount of $178,000. The City will make 20 payments of $11,311 semi-annually on January 1 and July 1 with accrued interest at 4.8% per annum. The future minimum lease obligations and the present value of these minimum lease payments as of June 30, 2014 were as follows:

| Fiscal Year Ended June 30, | Total |
|---|---|
| 2015 | 22,622 |
| 2016 | 22,622 |
| Total requirements | 45,244 |
| Less: interest | (2,600) |
| Present value of remaining payments | $ 42,644 |

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

| | Governmental Activities |
|---|---|
| Asset: | |
| Buildings and improvements | $ 178,000 |
| Less: accumulated depreciation | (40,050) |
| Total | $ 137,950 |

## 6. LONG-TERM DEBT, Continued

### B. *Governmental activities, Continued*

*Claims Payable*

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Liability, July 1 | $ 393,999 | $ 498,000 | $ 177,170 |
| Incurred claims and changes in estimates | 8,734 | 25,130 | 496,802 |
| Claim payments | (8,734) | (129,131) | (175,972) |
| Liability, June 30 | $ 393,999 | $ 393,999 | $ 498,000 |
| | | | |
| Due within one year | 50,000 | 100,000 | - |
| Due in more than one year | 343,999 | 293,999 | 498,000 |
| | $ 393,999 | $ 393,999 | $ 498,000 |

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

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

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

## 6. LONG-TERM DEBT, Continued

### A. *Governmental activities, Continued*

*Claims Payable, Continued*

Segmented information for the fiscal year ended June 30, 2014 taken from the audited financial statements of SANDPIPA are as follows:

| | 2014 |
|---|---|
| Statement of Net Positon | |
| Assets: | |
| Cash and investments | $ 30,443,652 |
| Other assets | 281,532 |
| Total assets | 30,725,184 |
| Liabilities: | |
| Claims payable | 6,987,270 |
| Other liabilities | 562,945 |
| Total liabilities | 7,550,215 |
| Net position | 23,174,969 |
| Total Revenues | $ 8,756,545 |
| Total Expenses | 6,976,333 |
| Net Increase/(Decrease) | $ 1,780,212 |

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

Numerous claims and suits have been filed against the City in the normal course of business. The City's estimated claims liability of $393,999 reported at June 30, 2014 is based on requirements of Governmental Accounting Standards Board Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

## 7. DEFINED BENFIT 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, or the Public Employee Pension Reform Act (PEPRA) 2% at age 62 plan. All full time, safety employees are in the 3% at age 55 plan, or the Public Employee Pension Reform Act (PEPRA) 2.7% at age 57 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.

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 is required to contribute (the employer share) at an actuarially determined rate established each year by PERS; the current rate is 19.982% for miscellaneous employees Tier 1, 8.049% for miscellaneous employees Tier 2 employees and 23.869% 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.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. This State law applies to employees hired after January 1, 2013 who are new to PERS. These employees are termed PEPRA members and employees that were enrolled in PERS (without significant separation) prior to January 1, 2013 are now referred to as classic members. PEPRA miscellaneous members will be enrolled in a 2% at 62 plan and PEPRA safety members will be enrolled in a 2.7% at 57 plan. PEPRA members will be required to pay half the normal cost of their plans.

## 7. DEFINED BENEFIT PENSION PLAN, Continued

### Annual Pension Cost

For the fiscal year ending June 30, 2014, the City's annual pension cost of $833,530 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.30% to 14.20% for miscellaneous employees and from 3.30% to 14.20% for safety employees depending on age, service, and type of employment, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2011, was 21 years for miscellaneous and 20 years for safety employees for prior and current service unfunded liability.

**Three-Year Trend Information For PERS**

| Fiscal Year | Pension Cost (APC) | of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/2012 | 821,232 | 100% | - |
| 6/30/2013 | 808,459 | 100% | - |
| 6/30/2014 | 833,530 | 100% | - |

### Funding Status as of the Most Recent Actuarial Date

The City retirement plans for safety and miscellaneous employees are part of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's safety and miscellaneous employees are no longer available.

## 8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

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

Funding Policy

The contribution requirement of the City are established and may be amended by the City Council. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2013-14, the City contributed $139,800 to the plan, which was 100% of the total current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

| | |
|---|---|
| Annual required contribution | $ 191,268 |
| Interest on net OPEB obligation | 2,588 |
| Amortization of net OPEB obligation | (4,947) |
| Annual OPEB cost | 188,909 |
| Payments made | (139,800) |
| Decrease in net OPEB obligation | 49,109 |
| Net OPEB obligation - beginning of the year | 208,908 |
| Net OPEB obligation - ending of year | $ 258,017 |

## 8. OTHER POSTEMPLOYMENT BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

| Fiscal Year | OPEB Cost (AOC) | of AOC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/2012 | 176,082 | 72% | 162,285 |
| 6/30/2013 | 176,082 | 74% | 208,908 |
| 6/30/2014 | 188,909 | 73% | 258,017 |

Funded Status and Funding Progress

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

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

## 8. OTHER POSTEMPLOYMENT BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

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

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

*Health insurance premiums* - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

## 9. JOINT POWERS AUTHORITY

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participants proportionate share of fund equity as of June 30, 2014.

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

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

### A. *Background*

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

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

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

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

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

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

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

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

The following is a summary of long-term debt transactions including amortization for the year ended June 30, 2014:

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 | Due Within One Year |
|---|---|---|---|---|---|
| Redevelopment Tax Allocation Bonds: | | | | | |
| Series 2004 | $ 5,505,000 | $ - | $ (70,000) | $ 5,435,000 | $ 75,000 |
| Series 2007 | 13,185,000 | - | (185,000) | 13,000,000 | 190,000 |
| Series 2010, Refunding | 7,285,000 | - | (340,000) | 6,945,000 | 345,000 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (73,098) | - | 4,780 | (68,318) | - |
| **Total long term debt** | $ 25,901,902 | $ - | $ (590,220) | $ 25,311,682 | $ 610,000 |

*2004 Tax Allocation Bonds*

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

The scheduled annual minimum debt service requirements at June 30, 2014 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 75,000 | $ 270,428 | $ 345,428 |
| 2016 | 75,000 | 267,269 | 342,269 |
| 2017 | 80,000 | 263,896 | 343,896 |
| 2018 | 80,000 | 260,336 | 340,336 |
| 2019-2023 | 485,000 | 1,237,281 | 1,722,281 |
| 2024-2028 | 605,000 | 1,100,891 | 1,705,891 |
| 2029-2033 | 3,305,000 | 647,873 | 3,952,873 |
| 2034-2035 | 730,000 | 28,395 | 758,395 |
| **Total** | $ 5,435,000 | $ 4,076,369 | $ 9,511,369 |

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

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

*2007 Tax Allocation Bonds*

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

The scheduled annual minimum debt service requirements at June 30, 2014 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 190,000 | $ 571,838 | $ 761,838 |
| 2016 | 205,000 | 563,919 | 768,919 |
| 2017 | 205,000 | 555,699 | 760,699 |
| 2018 | 215,000 | 547,278 | 762,278 |
| 2019-2023 | 1,180,000 | 2,595,852 | 3,775,852 |
| 2024-2028 | 1,495,000 | 2,311,460 | 3,806,460 |
| 2029-2033 | 2,315,000 | 1,927,688 | 4,242,688 |
| 2034-2038 | 7,195,000 | 891,338 | 8,086,338 |
| **Total** | $ 13,000,000 | $ 9,965,072 | $ 22,965,072 |

*2010 Tax Allocation Bonds*

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

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

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

*2010 Tax Allocation Bonds*

The scheduled annual minimum debt service requirements at June 30, 2014 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 345,000 | $ 315,529 | $ 660,529 |
| 2016 | 355,000 | 305,194 | 660,194 |
| 2017 | 365,000 | 293,398 | 658,398 |
| 2018 | 380,000 | 280,068 | 660,068 |
| 2019-2023 | 2,145,000 | 1,140,003 | 3,285,003 |
| 2024-2028 | 2,725,000 | 534,819 | 3,259,819 |
| 2029 | 630,000 | 16,538 | 646,538 |
| **Total** | $ 6,945,000 | $ 2,885,549 | $ 9,830,549 |

### C. *Capital Assets*

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

| | Balance July 1, 2013 | Additions | Retirements | Reclassification | Balance June 30, 2014 |
|---|---|---|---|---|---|
| Non-depreciable assets: | | | | | |
| Land | $ 5,845,452 | $ - | $ - | $ - | $ 5,845,452 |
| Construction in progress | 180,921 | 249,660 | - | (76,381) | 354,200 |
| Depreciable assets | | | | | |
| Infrastructure | - | 76,381 | - | - | 76,381 |
| **Total capital assets** | $ 6,026,373 | $ 326,041 | $ - | $ (76,381) | $ 6,276,033 |

## 11. RISKS AND UNCERTANITIES

### A. *Grants*

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

### B. *Successor Agency*

Amounts paid and accrued for the year ended June 30, 2014 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

## 12. FUND DEFICITS

The following funds have negative fund balance/net position as of June 30, 2014:

Housing Special Revenue Fund $1,093,489

- The deficit fund balance is due to the City expending funds for projects in excess of revenues received. The City expects to recover fund balance by repayments that are due on outstanding loan receivables that are currently offset by unavailable revenue.

Supplemental Law Enforcement Service Special Revenue Fund $43

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

Sundry Grants Special Revenue Fund $63,474

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

CDBG Special Revenue Fund $439

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

Transnet Special Revenue Fund $45,088

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

## 13. PRIOR PERIOD ADJUSTMENTS

The City recorded a prior period adjustment to correctly record expenditures for the Housing Fund that was incorrectly recorded in the Sundry Grants Special Revenue Fund. As part of the GASB 65 implementation, the City also recorded a prior period adjustment to correctly record bond issuance costs in the private purpose trust fund - Successor Agency to former Lemon Grove Community Development Agency.

*Fund Statements*

| | Net Position, as | Prior Period Adjustment | | Net Position, as |
|---|---|---|---|---|
| | Previously Reported | Expenditures | Bond Issuance Costs | Restated |
| Fund Statements | | | | |
| *Governmental funds* | | | | |
| Housing Special Revenue Fund | (631,829) | (215,784) | - | (847,613) |
| Sundry Grants Special Revenue Fund | $ (637,427) | $ 215,784 | $ - | $ (421,643) |
| *Fiduciary Funds* | | | | |
| Private purpose trust fund - Successor Agency to forner Lemon Grove Community Development Agency | $ (13,780,942) | $ - | $ (1,288,456) | $ (15,069,398) |

The effect on prior year's governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance was that expenditures were overstated in the Sundry Grants fund by $215,784 and were understated in the Housing Fund by $215.784. The effect on prior year's Statement of Changes in Fiduciary Net Position for the Private purpose trust fund - Successor Agency to former Lemon Grove Community Development Agency was overstated Bond Issuance Cost of $1,288,456.

# REQUIRED SUPPLEMENTARY INFORMATION

## 1. BUDGETS AND BUDGETARY ACCOUNTING

### A. *Budgetary Control and Budgetary Accounting*

The City Council approves each fiscal year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the council. Supplemental appropriations, where required during the period, are also approved by the Council. Budget transfers that affect the total appropriations for any fund require City Council approval. Budget transfers within a budget code with no change in appropriation within the budget code are approved by the City Manager only and do not require approval by the City Council. A budget code could be a program, or a division of a department, or a 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.

Budgets are adopted for all funds.

### B. *Encumbrances*

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

### C. *Continuing Appropriations*

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

### D. *Budget Basis of Accounting*

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

## 1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

### E. *Budgetary Comparison Schedules*

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

Budgetary Comparison Schedule General Fund

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES: | | | | |
| Taxes | $ 9,040,500 | $ 9,136,000 | $ 9,302,400 | $ 166,400 |
| Licenses and permits | 357,000 | 358,600 | 415,580 | 56,980 |
| Fines, forfeitures and penalties | 110,000 | 125,500 | 73,883 | (51,617) |
| Intergovernmental | 13,400 | 11,000 | 6,932 | (4,068) |
| Charges for services | 367,800 | 333,300 | 411,377 | 78,077 |
| Use of money and property | 325,400 | 325,400 | 337,591 | 12,191 |
| Other revenues | 50,000 | 39,000 | 28,967 | (10,033) |
| Total revenues | 10,264,100 | 10,328,800 | 10,576,730 | 247,930 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government: | | | | |
| City council | 131,900 | 129,800 | 130,105 | (305) |
| City manager | 505,500 | 519,500 | 137,543 | 381,957 |
| City attorney | 151,500 | 121,500 | 112,577 | 8,923 |
| Finance | 402,600 | 412,800 | 410,008 | 2,792 |
| Total general government | 1,191,500 | 1,183,600 | 790,233 | 393,367 |
| Public safety: | | | | |
| Sherriff | 4,809,000 | 4,809,000 | 4,891,825 | (82,825) |
| Animal control | 208,900 | 206,900 | 193,814 | 13,086 |
| Fire | 3,715,300 | 3,675,500 | 3,518,443 | 157,057 |
| Total public safety | 8,733,200 | 8,691,400 | 8,604,082 | 87,318 |
| Public Works | 1,923,500 | 1,908,200 | 1,173,504 | 734,696 |
| Community development | 1,270,500 | 1,278,000 | 819,083 | 458,917 |
| Capital outlay | - | - | 87,148 | (87,148) |
| Debt service: | | | | |
| Principal | - | - | 19,391 | (19,391) |
| Interest | - | - | 3,231 | (3,231) |
| Total expenditures | 13,118,700 | 13,061,200 | 11,496,672 | 1,674,298 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 1,506,682 | 1,506,682 |
| Transfers out | - | - | (50,000) | (50,000) |
| Total other financing sources (uses) | - | - | 1,456,682 | 3,018,864 |
| Net change in fund balance | $ (2,854,600) | $ (2,732,400) | $ 536,740 | $ 1,592,496 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 6,085,075 | |
| End of year | | | $ 6,621,815 | |

## 1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

### D. *Budgetary Comparison Schedules, Continued*

Budgetary Comparison Schedule, Housing Special Revenue Fund

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Other | $ 1,000 | $ 13,000 | $ 14,050 | $ 1,050 |
| **Total revenues** | 1,000 | 13,000 | 14,050 | 1,050 |
| **EXPENDITURES:** | | | | |
| Community development | - | 200 | (134,525) | 134,725 |
| Capital outlay | 102,000 | 395,000 | 394,451 | |
| **Total expenditures** | 102,000 | 395,200 | 259,926 | 134,725 |
| **Net change in fund balance** | $ (101,000) | $ (382,200) | (245,876) | $ 135,775 |
| **FUND BALANCE:** | | | | |
| Beginning of year, as restated | | | (847,613) | |
| End of year | | | $ (1,093,489) | |

## 2. DEFINED BENEFIT PENSION PLAN

The City retirement plans for safety and miscellaneous employees are part of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's safety and miscellaneous employees are no longer available.

## 3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A schedule of funding progress for the actuarial valuation of June 30, 2014 is presented below.

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

* Based on the most recent valuation available

** Annual payroll of active employees covered by the plan

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# SUPPLEMENTARY INFORMATION

# NON-MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

## CAPITAL PROJECT FUND

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

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

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

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

# City of Lemon Grove
## Combining Balance Sheet
## Non-Major Governmental Funds
## June 30, 2014

| | Special Revenue | | | |
|---|---|---|---|---|
| | Gas Tax | Parkland Dedication | Supplemental Law Enforcement Service | Sundry Grants |
| **ASSETS** | | | | |
| Cash and investments | $ - | $ 19,122 | $ - | $ - |
| Due from other governments | 81,295 | - | 16,145 | 751,723 |
| Accounts receivable | - | 12 | - | - |
| Prepaids | 168 | - | - | - |
| **Total assets** | $ 81,463 | $ 19,134 | $ 16,145 | $ 751,723 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ - | $ - | $ - | $ 104,570 |
| Unearned and unavailable revenue | - | - | - | - |
| Due to other funds | 81,463 | - | 16,188 | 710,627 |
| **Total liabilities** | 81,463 | - | 16,188 | 815,197 |
| **Deferred inflows of resources:** | | | | |
| Unavailable revenue | - | - | - | - |
| **Total deferred inflows of resources** | - | - | - | - |
| **Fund Balances:** | | | | |
| Restricted: | | | | |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Public works | - | 19,134 | - | - |
| Unassigned | - | - | (43) | (63,474) |
| **Total fund balances** | - | 19,134 | (43) | (63,474) |
| **Total liabilities, deferred inflows of resources, and fund balances** | $ 81,463 | $ 19,134 | $ 16,145 | $ 751,723 |

| Special Revenue | | | | | | |
|---|---|---|---|---|---|---|
| CDBG | TDA | Lighting District | Transnet | Storm Water | Household Hazardous Waste | Wild Flower Assessment |
| $ - | $ 83,243 | $ 520,607 | $ - | $ 41,707 | $ 146,632 | $ 5,183 |
| - | 121,228 | 1,600 | 8,767 | - | - | - |
| - | - | - | - | - | 1,199 | 3 |
| - | 15 | 5 | - | - | - | - |
| $ - | $ 204,486 | $ 522,212 | $ 8,767 | $ 41,707 | $ 147,831 | $ 5,186 |
| $ - | $ 4,813 | $ 14,298 | $ 24,781 | $ 38,326 | $ 1,521 | $ 305 |
| - | - | - | - | - | - | - |
| 439 | - | - | 29,074 | - | - | - |
| 439 | 4,813 | 14,298 | 53,855 | 38,326 | 1,521 | 305 |
| - | 199,674 | - | - | - | 57,415 | |
| - | 199,674 | - | - | - | 57,415 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 4,881 |
| - | - | 507,914 | - | 3,381 | 88,895 | - |
| (439) | - | - | (45,088) | - | - | - |
| (439) | (1) | 507,914 | (45,088) | 3,381 | 88,895 | 4,881 |
| $ - | $ 204,486 | $ 522,212 | $ 8,767 | $ 41,707 | $ 147,831 | $ 5,186 |

# City of Lemon Grove
## Combining Balance Sheet
## Non-Major Governmental Funds
## June 30, 2014

| | Special Revenue | | | Capital Projects |
|---|---|---|---|---|
| | PEG (Public/Education/ Government) | Serious Traffic Offender Program | Total Special Revenue Funds | Street Construction |
| **ASSETS** | | | | |
| Cash and investments | $ 190,540 | $ 33,309 | $ 1,040,343 | $ 264,253 |
| Due from other governments | - | - | 980,758 | - |
| Accounts receivable | 15,014 | 2,295 | 18,523 | 160 |
| | - | - | 188 | - |
| **Total assets** | $ 205,554 | $ 35,604 | $ 2,039,812 | $ 264,413 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ 328 | $ 975 | 189,917 | $ 107,811 |
| Unearned and unavailable revenue | - | - | - | - |
| Due to other funds | - | - | 837,791 | - |
| **Total liabilities** | 328 | 975 | 1,027,708 | 107,811 |
| **Deferred inflows of resources:** | | | | |
| Unavailable revenue | 15,394 | - | 272,483 | - |
| **Total deferred inflows of resources** | 15,394 | - | 272,483 | - |
| **Fund Balances:** | | | | |
| Restricted: | | | | |
| Public safety | - | 34,629 | 34,629 | - |
| Community development | 189,832 | - | 194,713 | - |
| Public works | - | - | 619,324 | 156,602 |
| Unassigned | - | - | (109,044) | - |
| **Total fund balances** | 189,832 | 34,629 | 739,621 | 156,602 |
| **Total liabilities, deferred inflows of resources, and fund balances** | $ 205,554 | $ 35,604 | $ 2,039,812 | $ 264,413 |

| Sidewalk Reserve | Safety Capital Purchases | Transportation Mitigation | Total Capital Projects Funds | Total |
|---|---|---|---|---|
| $ 22,864 | $ 9,850 | $ 56,038 | $ 353,005 | $ 1,393,348 |
| - | - | - | - | 980,758 |
| 14 | - | 34 | 208 | 18,731 |
| - | - | - | - | 188 |
| $ 22,878 | $ 9,850 | $ 56,072 | $ 353,213 | $ 2,393,025 |
| | | | | |
| $ - | $ 9,850 | $ - | 117,661 | $ 307,578 |
| - | - | - | - | - |
| - | - | - | - | 837,791 |
| - | 9,850 | - | 117,661 | 1,145,369 |
| | | | | |
| - | - | 56,072 | 56,072 | 328,555 |
| - | - | 56,072 | 56,072 | 328,555 |
| | | | | |
| - | - | - | - | 34,629 |
| - | - | - | - | 194,713 |
| 22,878 | - | - | 179,480 | 798,804 |
| - | - | - | - | (109,044) |
| 22,878 | - | - | 179,480 | 919,101 |
| | | | | |
| $ 22,878 | $ 9,850 | $ 56,072 | $ 353,213 | $ 2,393,025 |

# City of Lemon Grove

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Nonmajor Governmental Funds

## For the year ended June 30, 2014

| | Special Revenue | | | |
|---|---|---|---|---|
| | Gas Tax | Parkland Dediation | Supplemental Law Enforcement Service | Sundry Grants |
| **REVENUES:** | | | | |
| Taxes | $ - | $ - | $ - | $ - |
| Fines, forfeitures and penalties | - | - | - | - |
| Intergovernmental | 827,388 | - | 100,000 | 1,071,038 |
| Charges for services | - | 9,000 | - | - |
| Use of money and property | - | 49 | - | 171 |
| Other | - | - | - | - |
| **Total revenues** | 827,388 | 9,049 | 100,000 | 1,071,209 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 827,388 | - | - | - |
| Public safety | - | - | 100,000 | - |
| Public works | - | - | - | 577,990 |
| Community development | - | - | - | 135,050 |
| Capital outlay | - | 13,542 | - | - |
| **Total expenditures** | 827,388 | 13,542 | 100,000 | 713,040 |
| **REVENUES OVER (UNDER) EXPENDITURES** | - | (4,493) | - | 358,169 |
| **Net change in fund balances** | - | (4,493) | - | 358,169 |
| **FUND BALANCES:** | | | | |
| Beginning of the year, as restated | - | 23,627 | (43) | (421,643) |
| End of the year | $ - | $ 19,134 | $ (43) | $ (63,474) |

| Special Revenue | | | | | | |
|---|---|---|---|---|---|---|
| CDBG | TDA | Lighting District | Transnet | Storm Water | Household Hazardous Waste | Wild Flower Assessment |
| $ - | $ - | $ 243,455 | $ - | $ - | $ 25,325 | $ 8,670 |
| - | - | - | - | - | - | - |
| - | 120,994 | - | 647,283 | - | - | - |
| - | - | - | - | 60,763 | - | - |
| - | 258 | 1,298 | - | - | 341 | 10 |
| - | - | 6,130 | 29,795 | - | - | - |
| - | 121,252 | 250,883 | 677,078 | 60,763 | 25,666 | 8,680 |
| - | 64,200 | 86,400 | 81,700 | - | 28,200 | - |
| - | - | - | - | - | - | - |
| - | 45,653 | 218,795 | - | 21,803 | 530 | 5,300 |
| - | 11,400 | - | - | 39,000 | 6,900 | 2,841 |
| - | | - | 530,291 | - | - | - |
| - | 121,253 | 305,195 | 611,991 | 60,803 | 35,630 | 8,141 |
| - | (1) | (54,312) | 65,087 | (40) | (9,964) | 539 |
| - | (1) | (54,312) | 65,087 | (40) | (9,964) | 539 |
| (439) | - | 562,226 | (110,175) | 3,421 | 98,859 | 4,342 |
| $ (439) | $ (1) | $ 507,914 | $ (45,088) | $ 3,381 | $ 88,895 | $ 4,881 |

# City of Lemon Grove

## Statement of Revenues, Expenditures and Changes in Fund Balances
## Nonmajor Governmental Funds
## For the year ended June 30, 2014

| | Special Revenue | | | Capital Projects |
|---|---|---|---|---|
| | PEG (Public/Education/ Government) | Serious Traffic Offender Program | Total Special Revenue Funds | Street Construction |
| **REVENUES:** | | | | |
| Taxes | $ - | $ - | $ 277,450 | $ - |
| Fines, forfeitures and penalties | - | 9,490 | 9,490 | - |
| Intergovernmental | - | - | 2,766,703 | - |
| Charges for services | 58,595 | - | 128,358 | - |
| Use of money and property | 396 | 84 | 2,607 | 738 |
| Other | - | - | 35,925 | - |
| **Total revenues** | 58,991 | 9,574 | 3,220,533 | 738 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | - | - | 1,087,888 | - |
| Public safety | - | 9,467 | 109,467 | - |
| Public works | - | - | 870,071 | - |
| Community development | - | - | 195,191 | - |
| Capital outlay | 1,256 | - | 545,089 | 190,826 |
| **Total expenditures** | 1,256 | 9,467 | 2,807,706 | 190,826 |
| **REVENUES OVER (UNDER) EXPENDITURES** | 57,735 | 107 | 412,827 | (190,088) |
| **Net change in fund balances** | 57,735 | 107 | 412,827 | (190,088) |
| **FUND BALANCES:** | | | | |
| Beginning of the year | 132,097 | 34,522 | 326,794 | 346,690 |
| End of the year | $ 189,832 | $ 34,629 | $ 739,621 | $ 156,602 |

| Capital Projects | | | | |
|---|---|---|---|---|
| Sidewalk Reserve | Safety Capital Purchases | Transportation Mitigation | Total Capital Projects Funds | Total |
| $ - | $ - | $ - | $ - | $ 277,450 |
| - | - | - | - | 9,490 |
| - | - | - | - | 2,766,703 |
| - | - | - | - | 128,358 |
| 56 | - | - | 794 | 3,401 |
| - | 87,288 | - | 87,288 | 123,213 |
| 56 | 87,288 | - | 88,082 | 3,308,615 |
| - | - | - | - | 1,087,888 |
| - | 87,288 | - | 87,288 | 196,755 |
| - | - | - | - | 870,071 |
| - | - | - | - | 195,191 |
| - | - | - | 190,826 | 735,915 |
| - | 87,288 | - | 278,114 | 3,085,820 |
| 56 | - | - | (190,032) | 222,795 |
| 56 | - | - | (190,032) | 222,795 |
| 22,822 | - | - | 369,512 | 696,306 |
| $ 22,878 | $ - | $ - | $ 179,480 | $ 919,101 |

# City of Lemon Grove

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

### Gas Tax Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Intergovernmental revenue | $ 848,200 | $ 831,000 | $ 827,388 | $ (3,612) |
| **Total revenues** | 848,200 | 831,000 | 827,388 | (3,612) |
| **EXPENSES:** | | | | |
| Current: | | | | |
| General government | 848,300 | 831,000 | 827,388 | 3,612 |
| Public works | - | - | - | - |
| Community Development | - | - | - | - |
| **Total expenses** | 848,300 | 831,000 | 827,388 | 3,612 |
| **Net change in fund balance** | $ (100) | $ - | - | $ - |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | - | |
| End of year | | | $ - | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Parkland Dedication Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Charges for services | $ 2,700 | $ 9,000 | $ 9,000 | $ - |
| Use of money and property | 100 | 100 | 49 | (51) |
| **Total revenues** | 2,800 | 9,100 | 9,049 | (51) |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Capital outlay | 24,000 | 25,200 | 13,542 | 11,658 |
| **Total expenditures** | 24,000 | 25,200 | 13,542 | 11,658 |
| **Net change in fund balance** | $ (21,200) | $ (16,100) | (4,493) | $ 11,607 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 23,627 | |
| End of year | | | $ 19,134 | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Supplemental Law Enforcement Service Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Intergovernmental | $ 100,000 | $ 100,000 | $ 100,000 | $ - |
| **Total revenues** | 100,000 | 100,000 | 100,000 | - |
| **REVENUE OVER (UNDER) EXPENDITURES** | 100,000 | 100,000 | 100,000 | - |
| **EXPENSES:** | | | | |
| Current: | | | | |
| Public Safety | 100,000 | 100,000 | 100,000 | - |
| **Total expenses** | 100,000 | 100,000 | 100,000 | - |
| **Net change in fund balance** | $ - | $ - | - | $ - |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | (43) | |
| End of year | | | $ (43) | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Sundry Grants Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Intergovernmental | $ 707,800 | $ 1,008,200 | $ 1,071,038 | $ 62,838 |
| Investment earnings | - | - | 171 | 171 |
| **Total revenues** | 707,800 | 1,008,200 | 1,071,209 | 63,009 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Public Safety | 24,000 | 29,000 | - | |
| Public works | 683,800 | 571,000 | 577,990 | (6,990) |
| Community development | 5,200 | 92,000 | 135,050 | (43,050) |
| **Total expenditures** | 689,000 | 663,000 | 713,040 | (50,040) |
| **Net change in fund balance** | $ 18,800 | $ 345,200 | 358,169 | $ 12,969 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | (421,643) | 637,427 |
| End of year | | | $ (63,474) | |

# City of Lemon Grove

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

### CDBG Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Intergovernmental | $ (400) | $ (400) | $ - | $ 400 |
| **Total revenues** | (400) | (400) | - | 400 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| **Total expenditures** | - | - | - | - |
| **Net change in fund balance** | $ (400) | $ (400) | - | $ 400 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | (439) | |
| End of year | | | $ (439) | |

# City of Lemon Grove

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

### TDA Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Intergovernmental | $ 121,200 | $ 121,200 | $ 120,994 | $ (206) |
| Investment earnings | 153,000 | 44,000 | 258 | (43,742) |
| **Total revenues** | 274,200 | 165,200 | 121,252 | (43,948) |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 64,200 | 64,200 | 64,200 | - |
| Public works | 80,000 | 76,000 | 45,653 | 30,347 |
| Community development | 15,000 | 25,000 | 11,400 | 13,600 |
| Capital outlay | 120,000 | - | - | - |
| **Total expenditures** | 279,200 | 165,200 | 121,253 | 43,947 |
| **Net change in fund balance** | $ (5,000) | $ - | $ (1) | $ (87,895) |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | - | |
| End of year | | | $ (1) | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Lighting District Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Taxes | $ 240,600 | $ 237,000 | $ 243,455 | $ 6,455 |
| Use of money and property | 1,500 | 1,200 | 1,298 | 98 |
| Other | - | - | 6,130 | 6,130 |
| **Total revenues** | 242,100 | 238,200 | 250,883 | 12,683 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 86,000 | 86,400 | 86,400 | - |
| Public works | 233,900 | 256,200 | 218,795 | 37,405 |
| Community Development | - | - | - | - |
| **Total expenditures** | 319,900 | 342,600 | 305,195 | 37,405 |
| **Net change in fund balance** | $ (77,800) | $ (104,400) | $ (54,312) | $ (24,722) |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 562,226 | |
| End of year | | | $ 507,914 | |

# City of Lemon Grove

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

### Transnet Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Intergovernmental | $ 999,400 | $ 744,900 | $ 647,283 | $ (97,617) |
| Other | - | 29,800 | 29,795 | (5) |
| **Total revenues** | 999,400 | 774,700 | 677,078 | (97,622) |
| **EXPENDITURES:** | | | | |
| Current | | | | |
| General government | 80,800 | 81,700 | 81,700 | - |
| Capital outlay | 1,073,000 | 571,000 | 530,291 | 40,709 |
| **Total expenditures** | 1,153,800 | 652,700 | 611,991 | 40,709 |
| **Net change in fund balance** | $ (154,400) | $ 122,000 | 65,087 | $ (56,913) |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | (110,175) | |
| End of year | | | $ (45,088) | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Storm Water Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Charges for services | $ 149,100 | $ 136,200 | $ 60,763 | $ (75,437) |
| **Total revenues** | 149,100 | 136,200 | 60,763 | (75,437) |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Public works | 110,600 | 100,600 | 21,803 | 78,797 |
| Community development | 38,500 | 39,000 | 39,000 | - |
| **Total expenditures** | 149,100 | 139,600 | 60,803 | 78,797 |
| **Net change in fund balance** | $ - | $ (3,400) | (40) | $ 3,360 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 3,421 | |
| End of year | | | $ 3,381 | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Household Hazardous Waste Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Taxes | $ 30,000 | $ 30,000 | $ 25,325 | $ (4,675) |
| Use of money and property | 500 | 400 | 341 | (59) |
| **Total revenues** | 30,500 | 30,400 | 25,666 | (4,734) |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 28,200 | 28,200 | 28,200 | - |
| Public works | 7,500 | 500 | 530 | (30) |
| Community development | 8,500 | 8,500 | 6,900 | 1,600 |
| **Total expenditures** | 44,200 | 37,200 | 35,630 | 1,570 |
| **Net change in fund balance** | $ (13,700) | $ (6,800) | $ (9,964) | $ (6,304) |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 98,859 | |
| End of year | | | $ 88,895 | |

# City of Lemon Grove

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

### Wild Flower Assessment Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Taxes | $ 8,600 | $ 8,600 | $ 8,670 | $ 70 |
| Investment earnings | - | - | 10 | 10 |
| **Total revenues** | 8,600 | 8,600 | 8,680 | 80 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Public works | 3,200 | 3,200 | 5,300 | (2,100) |
| Community development | 5,500 | 5,300 | 2,841 | 2,459 |
| **Total expenditures** | 8,700 | 8,500 | 8,141 | 359 |
| **Net change in fund balance** | $ (100) | $ 100 | 539 | $ 439 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 4,342 | |
| End of year | | | $ 4,881 | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## PEG (Public/Education/Government) Special Revenue Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Charges for services | $ 60,000 | $ 58,000 | $ 58,595 | $ 595 |
| Use of money and property | 400 | 300 | 396 | 96 |
| **Total revenues** | 60,400 | 58,300 | 58,991 | 691 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Capital outlay | 110,000 | 55,000 | 1,256 | 53,744 |
| **Total expenditures** | 110,000 | 55,000 | 1,256 | 53,744 |
| **Net change in fund balance** | $ (49,600) | $ 3,300 | $ 57,735 | $ (53,053) |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 132,097 | |
| End of year | | | $ 189,832 | |

# City of Lemon Grove

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

### Serious Traffic Offender Program Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Fines, forfeitures and penalities | $ 12,000 | $ 7,000 | $ 9,490 | $ 2,490 |
| Use of money and property | 100 | 100 | 84 | (16) |
| **Total revenues** | 12,100 | 7,100 | 9,574 | 2,474 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Public safety | 12,000 | 12,000 | 9,467 | 2,533 |
| **Total expenditures** | 12,000 | 12,000 | 9,467 | 2,533 |
| **Net change in fund balance** | $ 100 | $ (4,900) | 107 | $ 5,007 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 34,522 | |
| End of year | | | $ 34,629 | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Street Construction Capital Projects Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Use of money and property | $ 1,000 | $ 800 | $ 738 | $ (62) |
| **Total revenues** | 1,000 | 800 | 738 | (62) |
| **EXPENDITURES:** | | | | |
| Capital outlay | 302,500 | 202,500 | 190,826 | 11,674 |
| **Total expenditures** | 302,500 | 202,500 | 190,826 | 11,674 |
| **Net change in fund balance** | $ (301,500) | $ (201,700) | (190,088) | $ 11,612 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 346,690 | |
| End of year | | | $ 156,602 | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Sidewalk Reserve Capital Projects Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Use of money and property | $ - | $ 100 | $ 56 | $ (44) |
| **Total revenues** | - | 100 | 56 | (44) |
| **EXPENDITURES:** | | | | |
| Capital outlay | 22,900 | 22,900 | - | 22,900 |
| **Total expenditures** | 22,900 | 22,900 | - | 22,900 |
| **Net change in fund balance** | $ (22,900) | $ (22,800) | 56 | $ 22,856 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 22,822 | |
| End of year | | | $ 22,878 | |

# City of Lemon Grove

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## Safety Capital Purchases Capital Projects Fund
## For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Other | $ - | $ - | $ 87,288 | $ 87,288 |
| **Total revenues** | - | - | 87,288 | 87,288 |
| **EXPENDITURES:** | | | | |
| Capital outlay | 87,300 | 87,300 | 87,288 | 12 |
| **Total expenditures** | 87,300 | 87,300 | 87,288 | 12 |
| **Net change in fund balance** | $ - | $ - | 87,288 | $ 87,288 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | - | |
| End of year | | | $ - | |

# City of Lemon Grove

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

### Transportation Mitigation Special Revenue Fund

### For the year ended June 30, 2014

| | Budget Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES: | | | | |
| Charges for services | $ 4,200 | $ - | $ - | $ - |
| **Total revenues** | 4,200 | - | - | - |
| **Net change in fund balance** | $ 4,200 | $ - | - | $ - |
| FUND BALANCE: | | | | |
| Beginning of year | | | - | |
| End of year | | | $ - | |