

City of Lemon Grove

Lemon Grove, California

Basic Financial Statements

For the year ended June 30, 2016

City of Lemon Grove

For the year ended June 30, 2016

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City of Lemon Grove

For the year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2016, 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, 2016, 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, defined benefit pension plan information, and other post-employment benefits on pages 5-9 and 72-77, 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 82-112 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 82-112 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 82-112 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Lemon Grove
Lemon Grove, CA
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, 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 the City's internal control over financial reporting and compliance.

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

Badawi & Associates, CPAs
Oakland, California
March 16, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2016. 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 plus deferred outflows of the City exceeded its liabilities and deferred inflows of the City by \$78.3 million.
- The net position value increased from the previous year by \$3.1 million, or 4.12 percent.
- The City's governmental funds reported a combined ending fund balance of \$16.2 million, an increase from the previous year of \$0.2 million, or 1.25 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, 2016 and 2015
(Amounts in Millions)

	Governmental Activities			Business-type Activities		
	2016	2015	Change	2016	2015	Change
Assets:						
Cash and investments	\$6.1	\$6.9	(\$0.8)	\$16.5	\$16.1	\$0.4
Other assets	15.3	13.7	1.6	0.1	0.7	(0.6)
Capital assets, net	41.6	41.9	(0.3)	5.7	5.6	0.1
Total Assets	63.0	62.5	0.5	22.3	22.4	(0.1)
Deferred Outflows of Resources:						
Deferred outflows	2.7	0.8	1.9	1.0	0.2	
Total Deferred Outflows	2.7	0.8	1.9	1.0	0.2	-
Liabilities:						
Long-term liabilities	5.7	5.4	0.3	1.9	1.6	0.3
Other liabilities	2.1	2.1	-	0.1	0.1	-
Total Liabilities	7.8	7.5	0.3	2.0	1.7	0.3
Deferred Inflows of Resources:						
Deferred inflows	0.7	0.9	(0.2)	0.1	0.3	
Total Deferred Inflows	0.7	0.9	(0.2)	0.1	0.3	-
Net Position:						
Net investment in capital assets	41.5	41.8	(0.3)	5.7	5.7	-
Restricted	10.4	16.1	(5.7)	-	-	-
Unrestricted	5.3	(3.0)	8.3	15.4	14.9	0.5
Total Net Position	\$57.2	\$54.9	\$2.3	\$21.1	\$20.6	\$0.5

The City's total net position increased by 4.12 percent over last year. Net position from governmental activities increased by 4.2 percent while net position from business activities increased by 2.4 percent. The City's assets exceeded its liabilities by approximately \$78.3 million.

Approximately 60 percent of the City's net position reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 13 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, 2016 and 2015						
(Amounts in Millions)						
	Governmental Activities			Business-type Activities		
	2016	2015	Change	2016	2015	Change
Revenues:						
Program revenues:						
Charges for services	1.9	2.3	(\$0.4)	\$6.3	\$6.6	(\$0.3)
Operating grants and contributions	1.4	2.3	(0.9)	-	-	-
Capital grants and contributions	2.0	1.5	0.5	-	-	-
Total program revenues	5.3	6.1	(0.8)	6.3	6.6	(0.3)
General revenues:						
Taxes:						
General property taxes	2.6	3.7	(1.1)	-	-	-
Sales tax	5.3	3.8	1.5	-	-	-
Franchise tax	1.0	1.0	-	-	-	-
Investment earnings	0.3	-	0.3	0.2	-	0.2
Other	2.3	2.1	0.2	-	-	-
Transfers	0.7	0.7	-	(0.7)	(0.7)	-
Total general revenues	12.2	11.3	0.9	(0.5)	(0.7)	0.2
Total Revenues	17.5	17.4	0.1	5.8	5.9	(0.1)
Expenses:						
General government	0.9	2.0	(1.1)	-	-	-
Public safety	8.9	9.2	(0.3)	-	-	-
Public works	3.9	1.6	2.3	-	-	-
Community development	1.3	2.2	(0.9)	-	-	-
Sanitation	-	-	-	5.2	3.9	1.3
Interest on long-term debt	-	-	-	-	-	-
Total Expenses	15.0	15.0	0.0	5.2	3.9	1.3
Increase (decrease) in net position	2.5	2.4	0.1	0.6	2.0	(1.4)
Net position - beginning (as restated)	54.7	52.4	2.3	20.5	18.6	1.9
Net position - ending	\$57.2	\$54.8	\$2.4	\$21.1	\$20.6	\$0.5

The governmental activities increased the City's net position by \$3.1 million. Governmental program revenues offset 35 percent of program expenditures, a 6% decrease when compared with prior year. General revenues and transfers of \$12.2 million did not meet total expenditures. There was a 4.3 percent increase to governmental activities net position.

The business-type activities increased the City's net position by \$.6 million. Business-type program revenues exceeded expenditures, resulting in a 2.4 percent increase to business-type net position. This is the ninth 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, 2016, the City's governmental funds reported a combined ending fund balance of \$16.1 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$3.7 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, 2016, its unassigned fund balance is approximately 4.6 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 2.5 percent and an increase of for the Internal Service fund of 6.3 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 \$26.8 million. Approximately \$17.6 million was invested with the Local Agency Investment Fund. Approximately \$1.8 million was held and invested by bond trustees, and the balance was deposited in the City's checking accounts.

Note 5 - Capital Assets: Capital assets for the City's governmental activities were valued at \$41.5 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$5.7 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

Note 6 - Long-Term Liabilities: The City had a total long-term debt outstanding of \$1.2 million. The majority of this amount, \$809,718 is comprised of compensated absences. The City's total long-term debt stayed relatively the same from the prior year. 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 2015.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund experienced a gain of expected revenues and transfers of \$1,682,316 while the expenditures were over what was expected by \$501,821. The actual revenues and expenditures resulted in a net gain of \$953,995. The difference between expected gain and actual is \$1,180,495.

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 grojas@lemongrove.ca.gov.

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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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,180,661	\$ 16,535,940	\$ 22,716,601
Receivables:			
Accounts, net	3,291,306	73,682	3,364,988
Prepays	101,265	4,592	105,857
Total current assets	<u>9,573,232</u>	<u>16,614,214</u>	<u>26,187,446</u>
Noncurrent assets:			
Restricted cash and investments	25,000	-	25,000
Notes receivable	8,084,288	-	8,084,288
Due from Successor Agency	3,719,687	-	3,719,687
Property held for resale	84,471	-	84,471
Capital assets:			
Capital assets, not being depreciated	7,874,401	260,314	8,134,715
Capital assets, depreciated, net	33,673,606	5,447,716	39,121,322
Total capital assets	<u>41,548,007</u>	<u>5,708,030</u>	<u>47,256,037</u>
Total noncurrent assets	<u>53,461,453</u>	<u>5,708,030</u>	<u>59,169,483</u>
Total assets	<u>63,034,685</u>	<u>22,322,244</u>	<u>85,356,929</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow - pension related amounts	963,121	196,610	1,159,731
Deferred outflow - employer pension contributions	1,796,955	774,920	2,571,875
Total deferred outflows of resources	<u>2,760,076</u>	<u>971,530</u>	<u>3,731,606</u>
LIABILITIES			
Accounts payable	1,201,422	35,505	1,236,927
Accrued wages	108,661	34,531	143,192
Deposits payable	177,148	-	177,148
Unearned revenue	317,206	-	317,206
Claims payable, due within one year	50,000	-	50,000
Compensated absences, due within one year	242,915	-	242,915
Total current liabilities	<u>2,097,352</u>	<u>70,036</u>	<u>2,167,388</u>
Noncurrent liabilities:			
Net OPEB obligation	376,881	-	376,881
Net pension liability	4,755,061	1,871,702	6,626,763
Claims payable, due in more than one year	43,941	94,846	138,787
Compensated absences, due in more than one year	566,803	-	566,803
Total noncurrent liabilities	<u>5,742,686</u>	<u>1,966,548</u>	<u>7,709,234</u>
Total liabilities	<u>7,840,038</u>	<u>2,036,584</u>	<u>9,876,622</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflow - pension related amounts	743,429	139,781	883,210
Total deferred inflow of resources	<u>743,429</u>	<u>139,781</u>	<u>883,210</u>
NET POSITION			
Net investment in capital assets	<u>41,548,007</u>	<u>5,708,030</u>	<u>47,256,037</u>
Restricted:			
Construction of capital assets	-	-	-
Streets, highways, bikeways, public transit and other related purposes	1,015,280	-	1,015,280
Community development	333,082	-	333,082
Public safety	230,600	-	230,600
Housing	8,741,981	-	8,741,981
Unrestricted	5,342,344	15,409,379	20,751,723
Total net position	<u>\$ 57,211,294</u>	<u>\$ 21,117,409</u>	<u>\$ 78,328,703</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 913,892	\$ 468,405	\$ 633,196		\$ 1,101,601
Public safety	8,858,907	518,866	114,618		633,484
Public works	3,975,465	637,507	446,318	2,043,592	3,127,417
Community development	1,299,116	216,744	230,356		447,100
Total governmental activities	15,047,380	1,841,522	1,424,488	2,043,592	5,309,602
Business-type activities:					
Sanitation	5,194,291	6,312,436	-	-	6,312,436
Total business-type activities	5,194,291	6,312,436	-	-	6,312,436
Total primary government	\$ 20,241,671	\$ 8,153,958	\$ 1,424,488	\$ 2,043,592	\$ 11,622,038

General Revenues:

Taxes:

Property tax

Sales tax

Transient occupancy tax

Franchise tax

Motor vehicle in lieu tax - unrestricted

Total taxes

Investment earnings

Miscellaneous revenue

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
\$ 187,709	\$ -	\$ 187,709
(8,225,423)	-	(8,225,423)
(848,048)	-	(848,048)
(852,016)	-	(852,016)
<u>(9,737,778)</u>	<u>-</u>	<u>(9,737,778)</u>
-	1,118,145	1,118,145
-	1,118,145	1,118,145
<u>\$ (9,737,778)</u>	<u>\$ 1,118,145</u>	<u>\$ (8,619,633)</u>

2,650,773	-	2,650,773
5,388,718	-	5,388,718
53,184	-	53,184
965,068	-	965,068
2,135,491	-	2,135,491
<u>11,193,234</u>	<u>-</u>	<u>11,193,234</u>
261,750	131,711	393,461
131,113		131,113
652,400	(652,400)	-
<u>12,238,497</u>	<u>(520,689)</u>	<u>11,717,808</u>
2,500,719	597,456	3,098,175
54,710,575	20,519,953	75,230,528
<u>\$ 57,211,294</u>	<u>\$ 21,117,409</u>	<u>\$ 78,328,703</u>

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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, 2016

	General	Special Revenue Housing	Total Nonmajor Government Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,803,200	\$ 426,851	\$ 1,840,698	\$ 5,070,749
Receivables, net:				
Accounts	1,737,296	264,319	1,283,619	3,285,234
Notes	-	8,084,288	-	8,084,288
Prepaid expenses	100,830	-	435	101,265
Property held for resale	84,471	-	-	84,471
Due from other funds	1,066,445	-	-	1,066,445
Due from Successor Agency	3,719,687	-	-	3,719,687
Total assets	\$ 9,511,929	\$ 8,775,458	\$ 3,124,752	\$ 21,412,139
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 813,480	\$ 33,477	\$ 354,465	\$ 1,201,422
Accrued wages	93,346	-	15,315	108,661
Due to other funds	-	-	1,066,445	1,066,445
Deposits payable	121,146	-	56,002	177,148
Unearned revenue	22,355	-	294,851	317,206
Total liabilities	1,050,327	33,477	1,787,078	2,870,882
Deferred inflows of resources				
Unavailable revenues	-	1,655,545	692,601	2,348,146
Total deferred inflows of resources	-	1,655,545	692,601	2,348,146
Fund Balances:				
Nonspendable:				
Prepaid expenses	100,830	-	-	100,830
Advances to Successor Agency	3,719,687	-	-	3,719,687
Restricted:				
Public safety	-	-	230,600	230,600
Community	-	-	333,082	333,082
Public works	-	-	1,015,280	1,015,280
Housing	-	7,086,436	-	7,086,436
Unassigned	4,641,085	-	(933,889)	3,707,196
Total fund balances	8,461,602	7,086,436	645,073	16,193,111
Total liabilities, deferred inflows of resources and fund balances	\$ 9,511,929	\$ 8,775,458	\$ 3,124,752	\$ 21,412,139

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds	\$ 16,193,111
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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	\$ 7,874,401
Depreciable, net	33,673,606
Total capital assets	41,548,007

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. 2,348,146

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. 1,047,043

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. 1,796,955

For cost sharing pension plans, on the government-wide statements certain differences created due to differences in proportion are deferred and amortized over a period of time. There are no transactions recorded on the governmental fund statements. 963,121

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension and differences due to changes in proportion are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. (743,429)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Internal Service Funds	Government- Wide Statement of Net Position
Claims and judgments payable - due within one year	\$ (50,000)	\$ 50,000
Compensated leave payable - due within one year	(242,915)	-
Net pension liability	(4,755,061)	-
Compensated leave payable - due after one year	(566,803)	-
Claims and judgments payable - due after one year	(43,941)	43,941
Net OPEB obligation	(376,881)	-
Total long-term liabilities	\$ (6,035,601)	\$ 93,941

Net Position of Governmental Activities	\$ 57,211,294
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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, 2016

	General Fund	Special Revenue Housing Fund	Total Nonmajor Government Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 10,886,038	\$ -	\$ 307,196	\$ 11,193,234
Licenses and permits	673,798	-	-	673,798
Fines, forfeitures and penalties	125,713	-	-	125,713
Intergovernmental	78,753	-	2,432,408	2,511,161
Charges for services	543,614	24,135	193,185	760,934
Use of money and property	278,816	-	12,835	291,651
Other	214,119	59,321	46,023	319,463
Total revenues	12,800,851	83,456	2,991,647	15,875,954
EXPENDITURES:				
Current:				
General government	935,596	-	928,096	1,863,692
Public safety	9,264,798	-	16,589	9,281,387
Public works	1,201,977	-	1,409,598	2,611,575
Community development	972,762	-	201,076	1,173,838
Capital outlay	79,867	264,320	1,055,834	1,400,021
Debt service:				
Principal	22,621	-	-	22,621
Total expenditures	12,477,621	264,320	3,611,193	16,353,134
REVENUES OVER (UNDER) EXPENDITURES	323,230	(180,864)	(619,546)	(477,180)
OTHER FINANCING SOURCES (USES):				
Transfers in	710,400	-	179,635	890,035
Transfers out	(79,635)	-	(133,000)	(212,635)
Total other financing sources (uses)	630,765	-	46,635	677,400
Net change in fund balances	953,995	(180,864)	(572,911)	200,220
FUND BALANCES:				
Beginning of year	7,507,607	7,267,300	1,217,984	15,992,891
End of year	<u>\$ 8,461,602</u>	<u>\$ 7,086,436</u>	<u>\$ 645,073</u>	<u>\$ 16,193,111</u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 200,220
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.	1,467,524
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	(1,765,613)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable decreased compensated leave liabilities in the Government-Wide Statement of Net Position.	(96,002)
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.	(56,412)
Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	1,796,955
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(136,645)
Certain revenues did not meet the revenue recognition criteria in the governmental funds but were recognized as revenue in the Government-Wide Financial Statements	1,005,352
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.	22,621
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	<u>62,719</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,500,719</u></u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Sanitation Enterprise 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, 2016

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Cash and investments	\$ 16,535,940	\$ 1,109,912
Accounts receivable, net	73,682	6,072
Prepays	4,592	-
Total current assets	16,614,214	1,115,984
Noncurrent assets:		
Restricted cash and investments	-	25,000
Capital assets:		
Land	3,724	-
Construction in progress	256,590	-
Depreciable infrastructure	12,174,611	-
Depreciable equipment	1,366,481	-
Accumulated depreciation	(8,093,376)	-
Total capital assets	5,708,030	-
Total noncurrent assets	5,708,030	25,000
Total assets	22,322,244	1,140,984
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow - pension related amounts	196,610	-
Deferred outflow - employer pension contributions	774,920	-
Total deferred outflows of resources	971,530	-
LIABILITIES		
Current liabilities:		
Accounts payable	35,505	-
Accrued wages	34,531	-
Claims payable, due within one year	-	50,000
Total current liabilities	70,036	50,000
Noncurrent liabilities:		
Claims payable, due in more than one year	94,846	43,941
Net pension liability	1,871,702	-
Total noncurrent liabilities	1,966,548	43,941
Total liabilities	2,036,584	93,941
DEFERRED INFLOW OF RESOURCES		
Deferred inflow - pension related amounts	139,781	-
Total deferred inflows of resources	139,781	-
NET POSITION		
Net investment in capital assets	5,708,030	-
Unrestricted	15,409,379	1,047,043
Total net position	\$ 21,117,409	\$ 1,047,043

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, 2016

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
OPERATING REVENUES:		
Charges for services	\$ 6,081,422	-
Other revenue	231,014	134,726
Total operating revenues	6,312,436	134,726
OPERATING EXPENSES:		
Personnel costs	2,189,180	\$ -
Contractual services	105,758	-
Materials and supplies	31,480	-
Repairs and maintenance	83,764	-
Dump fees	2,348,494	-
Utilities	8,502	-
Insurance and claims	200,509	61,400
Depreciation	226,604	-
Total operating expenses	5,194,291	61,400
OPERATING INCOME	1,118,145	73,326
NONOPERATING REVENUES:		
Investment earnings	131,711	14,393
Total nonoperating revenues	131,711	14,393
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	1,249,856	87,719
Transfers out	(652,400)	(25,000)
Total transfers	(652,400)	(25,000)
Change in net position	597,456	62,719
NET POSITION		
Beginning of year, as restated	20,519,953	984,324
End of year	\$ 21,117,409	\$ 1,047,043

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

	Business-Type Activities Enterprise Fund Sanitation	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 6,868,387	\$ -
Cash received from user departments	-	128,850
Cash payments to employees	(2,890,720)	-
Cash payments to suppliers for goods and services	(2,760,076)	(193,354)
Net cash provided by (used in) operating activities	1,217,591	(64,504)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	-	(25,000)
Net cash provided by noncapital financing activities	-	(25,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfer to other departments	(652,400)	-
Purchase of capital assets	(284,364)	-
Net cash provided by (used in) capital and related financing activities	(936,764)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	131,711	14,393
Net cash provided by investing activities	131,711	14,393
NET CHANGE IN CASH AND CASH EQUIVALENTS	412,538	(75,111)
CASH AND CASH EQUIVALENTS - Beginning of year	16,123,402	1,210,023
CASH AND CASH EQUIVALENTS - End of year	\$ 16,535,940	\$ 1,134,912
FINANCIAL STATEMENT PRESENTATION:		
Cash and investments	\$ 16,535,940	\$ 1,109,912
Restricted cash and investments with fiscal agents	-	25,000
Total	\$ 16,535,940	\$ 1,134,912
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ 1,118,145	\$ 73,326
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	226,604	-
Loss on disposal of capital asset	-	-
Changes in assets and liabilities:		
Accounts receivable	555,951	(5,876)
Prepays	60,957	-
Deferred outflow of resources - employer contribution	(534,498)	-
Deferred outflow of resources - pension related amounts	(185,139)	-
Accounts payable	(42,526)	-
Accrued wages	16,189	-
Net pension liability	269,945	-
Deferred inflow of resources - pension related amounts	(194,779)	-
Claims payable	(73,258)	(131,954)
Total adjustments	99,446	(137,830)
Net cash provided by (used in) operating activities	\$ 1,217,591	\$ (64,504)

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, 2016

Successor Agency
to the Lemon
Grove Community
Development
Agency Private
Purpose Trust Fund

ASSETS

Cash and investments	\$	2,303,982
Cash and investments with fiscal agent - restricted		1,815,968
Accounts receivable		1,102
Notes receivable		3,967,178
Property held for resale		689,910
Capital assets:		
Non-depreciable		
Land		5,845,452
Construction in progress		412,528
Depreciable		
Infrastructure		300,258
Total assets		15,336,378

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding		307,561
Deferred outflow - pension related		42,047
Deferred outflow - employer pension contributions		165,721
Total deferred outflows of resources		515,329

LIABILITIES

Accounts payable		1,150
Accrued wages		681
Interest payable		447,926
Due to City of Lemon Grove		3,719,687
Bonds payable, due in less than one year		685,000
Total current liabilities		4,854,444
Noncurrent liabilities:		
Net pension liability		400,274
Bonds payable, due in more than one year		23,746,242
Total noncurrent liabilities		24,146,516
Total liabilities		29,000,960

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - pension related amounts		29,893
Total deferred inflows of resources		29,893

NET POSITION

Net position:

Net position held for dissolution of the Community Development Agency		(13,179,146)
Total net position	\$	(13,179,146)

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, 2016

	Successor Agency to the Lemon Grove Community Development Agency Private Purpose Trust Fund
ADDITIONS:	
Investment income	21,689
RDA property tax trust fund distribution	2,488,723
Other	94,510
Total additions	<u>2,604,922</u>
DEDUCTIONS:	
Administration	131,578
Interest expense	1,102,933
Depreciation	16,378
Total Deductions	<u>1,250,889</u>
Change in net position	1,354,033
NET POSITION:	
Beginning of year, as restated	<u>(14,533,179)</u>
End of year	<u><u>\$ (13,179,146)</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

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

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

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

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has two types of fiduciary funds, 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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

C. Cash, Cash Equivalents, and Investments

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

D. Restricted Cash and Investments

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

E. Compensated Absences

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

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

F. Property Taxes

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

G. 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, 2016.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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 furnishings	3 to 20
Computer equipment	3 to 10

H. 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.

I. 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.

J. 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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), 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.

L. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts, 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 are expensed when bonds are issued.

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

M. Net Position

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

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Fund Balances

Non-spendable Fund Balances

These include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, e.g., the principal of an endowment fund. Examples of “not in spendable form” include inventory, prepaid amounts, 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 non-spendable classification. A debt service reserve fund held by a trustee is an example of fund balance in non-spendable form that is classified as restricted instead of non-spendable since the reserve is eventually liquidated to make the final debt service principal payment.

Restricted Fund Balances

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

Committed Fund Balances

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

Assigned Fund Balances

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

Unassigned Fund Balance

The residual classification for the General Fund is unassigned fund balance. The General Fund is the only fund that may report a positive unassigned 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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 City reports unamortized deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price, and deferred employer pension contributions as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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 City reports two items in this category, unavailable revenues and amounts related to changes in the City's net pension liability that are deferred and amortized over a stated number of years. Unavailable revenue arises only under a modified accrual basis of accounting and accordingly is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: sales tax revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Certain changes in the City's net pension liability are required to be deferred and reflected in pension expense over a closed amortization period. The City reported the unamortized net difference between projected and actual earning on pension plans and unamortized adjustments due to differences in proportions as deferred inflows of resources in the government-wide and enterprise funds' statement of net position.

P. Pensions

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. New Accounting Pronouncements

In 2016, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*– This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*- The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on beginning net position as part of implementation of this accounting standard
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*– The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. New Accounting Pronouncements, Continued

(1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact on beginning net position as part of implementation of this accounting standard.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 6,180,661	\$ 16,535,940	\$ 2,303,982	\$ 25,020,583
Restricted cash and investments	25,000	-	1,815,968	1,840,968
Total cash and investments	\$ 6,205,661	\$ 16,535,940	\$ 4,119,950	\$ 26,861,551

Cash and investment as of June 30, 2016 consist of the following:

Cash on hand	\$ 1,700
Deposits with financial institution	2,789,345
Total cash on hand and deposits	2,791,045
Local Agency Investment funds	17,688,734
Certificates of deposits	4,540,804
Total investments	22,229,538
Total City Treasury	25,020,583
Cash with fiscal agent	1,840,968
Total cash and investments	\$ 26,861,551

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the City’s cash deposit was a positive amount of \$2,789,345 at June 30, 2016. Bank balances before reconciling items amounted to \$3,080,022 at June 30, 2016. 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.

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	None
Certificates of deposits	5 years	30%	None

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

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.

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

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Local Agency Investment Fund	\$ 17,688,734	\$ 17,688,734	\$ -	\$ -	\$ -
Certificates of Deposits	4,540,804	497,335	988,457	3,055,012	-
Held by fiscal agents:					
US Bank money market	1,840,968	1,840,968	-	-	-
	<u>\$ 24,070,506</u>	<u>\$ 20,027,037</u>	<u>\$ 988,457</u>	<u>\$ 3,055,012</u>	<u>\$ -</u>

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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

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.

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End		
			Aa1	Aa3	Rated
Local Agency Investment Fund	\$ 17,688,734	N/A	\$ -	\$ -	\$ 17,688,734
Certificates of Deposits	4,540,804	N/A	-	-	4,540,804
Held by fiscal agents:					
US Bank money market	1,840,968	N/A	1,840,968	-	-
Total	\$ 24,070,506		\$ 1,840,968	\$ -	\$ 22,229,538

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, no major 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, 2016, 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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

J. External Investment Pools, Continued

As of June 30, 2016, the City had \$17,688,734 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.08% in the previous year. The LAIF fair value factor as of June 30, 2016 was 1.000621222, which was used to calculate the fair value of the investments in LAIF.

K. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2016 are described on the following page.

Investments included in restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Local Agency Investment Fund	\$ 17,688,734	\$ -	\$ 17,688,734	\$ -
Certificates of Deposits	4,540,804	-	4,540,804	-
Total investments subject to fair value	22,229,538	\$ -	\$ 22,229,538	\$ -

The City's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) is based on the fair market value factors provided by LAIF that are calculated based on the total fair market value of the pool. Certificates of Deposits categorized as Level 2 are valued based on matrix pricing which use observable market inputs such as yield curves and market indices that are derived principally from or corroborated by observable market data by correlation to other means.

LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets and investments categorized as Level 2 such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices derived principally from, or corroborated by, observable market data by correlation to other means.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

3. NOTES RECEIVABLE

Notes receivable as of June 30, 2016, totaled \$12,047,768 and were recorded in the financial statements are as follows:

Description	Balance June 30, 2016
<p>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 \$1,500,000 for Citronica Three, all at 3.0% interest secured by a deed of trust for each note creating a valid lien upon the developer's interest in the development parcels. The funds are being used to construct a 54 unit mixed-use affordable housing, including 3,650 square feet of commercial space (Citronica One) and a 75-100 unit mixed use affordable housing, including 4,700 square feet of commercial space (Citronica Two). The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs. 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 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, 2016, the City had advanced \$4,263,292 and \$2,500,000 (Citronica One and Two, respectively) to the borrower. In addition \$811,731 and \$560,249 (Citronica One and Two, respectively) of accrued interest was incurred.</p>	\$ 8,135,272
<p>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, 2016, the City had advanced \$3,130,000 to the borrower. In addition, \$786,194 of accrued interest was incurred.</p>	3,916,194
Total notes receivable	<u>\$ 12,051,466</u>
As of June 30, 2016, notes receivable is reported as follow:	
Primary Government	\$ 8,084,288
Successor Agency to the Lemon Grove Community Development Agency	3,967,178
	<u>\$ 12,051,466</u>

4. DUE FROM SUCCESSOR AGENCY

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, 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, 2016, 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. As of June 30, 2016, the amount due from the Successor Agency was \$3,719,687.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for governmental activities for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land and improvements	\$ 7,520,853	\$ -	\$ -	\$ 7,520,853
Construction in progress	353,548	-	-	353,548
Total capital assets, not being depreciated	<u>7,874,401</u>	-	-	<u>7,874,401</u>
Capital assets, being depreciated:				
Buildings and improvements	9,318,302	266,477	-	9,584,779
Vehicles and equipment	2,639,998	3,826	-	2,643,824
Infrastructure	56,985,432	1,197,221	-	58,182,653
Total capital assets, being depreciated	<u>68,943,732</u>	<u>1,467,524</u>	-	<u>70,411,256</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,056,300)	(246,893)	-	(6,303,193)
Vehicles and equipment	(1,384,086)	(146,605)	-	(1,530,691)
Infrastructure	(27,531,651)	(1,372,115)	-	(28,903,766)
Total accumulated depreciation	<u>(34,972,037)</u>	<u>(1,765,613)</u>	-	<u>(36,737,650)</u>
Total capital assets, being depreciated, net	<u>33,971,695</u>	<u>(298,089)</u>	-	<u>33,673,606</u>
Governmental activities, capital assets, net	<u>\$ 41,846,096</u>	<u>\$ (298,089)</u>	<u>\$ -</u>	<u>\$ 41,548,007</u>

Depreciation expense by program for capital assets for the year ended June 30, 2016 was as follows:

General government	\$ 70,641
Public safety	120,766
Public works	1,442,041
Community development	<u>132,165</u>
Total depreciation expense	<u>\$ 1,765,613</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. CAPITAL ASSETS, Continued

B. Business-type Activities

Capital asset activity for business-type activities for the fiscal year ended June 30, 2016, was as follows:

Business-type Activities	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in progress	256,590	-	-	256,590
Total capital assets, not being depreciated	260,314	-	-	260,314
Capital assets, being depreciated:				
Machinery and equipment	1,366,481	-	-	1,366,481
Infrastructure	11,890,247	284,364	-	12,174,611
Total capital assets, being depreciated	13,256,728	284,364	-	13,541,092
Less accumulated depreciation	(7,866,772)	(226,604)	-	(8,093,376)
Total capital assets, being depreciated, net	5,389,956	57,760	-	5,447,716
Business-type activities, capital assets, net	\$ 5,650,270	\$ 57,760	\$ -	\$ 5,708,030

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, 2016:

	July 1, 2015 Balance	Additions	Reductions	June 30, 2016 Balance	Due Within One Year
Governmental activities:					
Capital lease payable	\$ 21,833	\$ -	\$ (21,833)	\$ -	\$ -
Compensated absences	714,016	124,665	(28,963)	809,718	242,915
OPEB liability	320,469	188,909	(132,497)	376,881	-
Claims payable	225,895		(131,954)	93,941	50,000
Governmental activities Long-term liabilities	\$ 1,282,213	\$ 313,574	\$ (315,247)	\$ 1,280,540	\$ 292,915

For governmental activities, lease payable as well as compensated absences are generally liquidated by the General Fund.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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. During the year ended June 30, 2016, the lease liability is fully paid off.

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:

	2016	2015	2014
Liability, July 1	\$ 225,895	\$ 393,999	\$ 393,999
Incurred claims and changes in estimates	-	-	8,734
Claim payments	(131,954)	(168,104)	(8,734)
Liability, June 30	<u>\$ 93,941</u>	<u>\$ 225,895</u>	<u>\$ 393,999</u>
Due within one year	\$ 50,000	\$ 50,000	\$ 50,000
Due in more than one year	43,941	175,895	343,999
	<u>\$ 93,941</u>	<u>\$ 225,895</u>	<u>\$ 393,999</u>

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 \$2,500,000 and the individual self insured retention of \$125,000 each occurrence. Commercial excess liability insurance is provided from \$2,500,000 up to \$44,500,000 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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

6. LONG-TERM DEBT, Continued

A. Governmental activities, Continued

Claims Payable, Continued

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.

Segmented information for the fiscal year ended June 30, 2016 taken from the audited financial statements of SANDPIPA are as follows:

	<u>2016</u>
Statement of Net Position	
Assets:	
Cash and investments	\$ 27,123,913
Other assets	142,250
Total assets	<u>27,266,163</u>
Deferred Outflows of Resources	<u>46,558</u>
Liabilities:	
Claims payable	6,914,243
Other liabilities	617,466
Total liabilities	<u>7,531,709</u>
Deferred Inflows of Resources	<u>24,267</u>
Net position	<u>\$ 19,756,745</u>
Total Revenues	\$ 7,251,952
Total Expenses	12,127,198
Net Increase/(Decrease)	<u>\$ (4,875,246)</u>

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 \$394,480 reported at June 30, 2016 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.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans or the Safety Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (miscellaneous classic tier 1, miscellaneous classic tier 2, miscellaneous PEPRA, safety fire classic, and safety fire PEPRA). Benefit provisions under the Plan are established by State statute and the City's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	9.67% to 6.70%	6.24%
	<u>Safety</u>	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	9%	11.50%
Required employer contribution rates	16.52%	11.15%

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$100,039 and \$338,057 for safety and miscellaneous respectively, in fiscal year 2016.

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

For the year ended June 30, 2016, the contributions recognized against net pension liability for the Plan is \$1,194,245.

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

As of June 30, 2016, the City reported net pension liability for its proportionate share of the net pension liability of the Plan is \$7,027,037.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability of the CalPERS pooled plans. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 were as follows:

Proportion - June 30, 2014	0.101819%
Proportion - June 30, 2015	0.102377%
Change - Increase (Decrease)	<u>0.000558%</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. DEFINED BENEFIT PENSION PLAN, Continued

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

For the year ended June 30, 2016, the City recognized pension expense of \$295,753. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,737,596	\$ -
Differences between expected and actual experience	29,642	62,049
Changes of assumptions	-	565,829
Changes in employer's proportion	658,482	-
Differences between the employer's contributions and the employer's proportionate share of contributions	513,654	-
Net differences between projected and actual earnings on plan investments	-	285,225
Total	<u>\$ 3,939,374</u>	<u>\$ 913,103</u>

\$2,737,596 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources, Net
2017	\$ 55,825
2018	51,832
2019	(2,556)
2020	183,575

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. DEFINED BENEFIT PENSION PLAN, Continued

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.65%
Mortality	(1) Derived by CalPERS membership data for all funds

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. DEFINED BENEFIT PENSION PLAN, Continued

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$10,719,200
Current Discount Rate	7.65%
Net Pension Liability	\$7,027,037
1% Increase	8.65%
Net Pension Liability	\$3,984,179

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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 2015-16, the City contributed \$132,497 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	<u>(4,947)</u>
Annual OPEB cost	188,909
Payments made	<u>(132,497)</u>
Increase in net OPEB obligation	56,412
Net OPEB obligation - beginning of the year	<u>320,469</u>
Net OPEB obligation - ending of year	<u><u>\$ 376,881</u></u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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 2016 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2014	\$ 188,909	73%	\$ 258,017
6/30/2015	188,909	67%	320,469
6/30/2016	188,909	70%	376,881

Funded Status and Funding Progress

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. OTHER POSTEMPLOYMENT BENEFITS, Continued

Methods and Assumptions, 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 – 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

Based on the historical and expected returns, a discount rate of 3.5 percent was used. In addition, as simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 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, 2016.

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

10. SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND 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.

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Redevelopment Tax Allocation Bonds:					
Series 2007	12,810,000	-	(205,000)	12,605,000	205,000
Series 2010, Refunding	6,600,000	-	(355,000)	6,245,000	365,000
Series 2014, Refunding	5,740,000		(100,000)	5,640,000	115,000
Less deferred amounts:					
For issuance discounts	(63,538)	-	4,780	(58,758)	-
Total long term debt	\$ 25,086,462	\$ -	\$ 660,000	\$ 24,431,242	\$ 685,000

2007 Tax Allocation Bonds

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

The scheduled annual minimum debt service requirements at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	205,000	555,699	760,699
2018	215,000	547,278	762,278
2019	225,000	538,412	763,412
2020	230,000	529,084	759,084
2021	230,000	519,540	749,540
2022-2026	1,345,000	2,435,667	3,780,667
2027-2031	1,710,000	2,097,698	3,807,698
2032-2036	5,055,000	1,451,588	6,506,588
2037-2038	3,390,000	154,350	3,544,350
Total	\$ 12,605,000	\$ 8,829,314	\$ 21,434,314

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

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.

The scheduled annual minimum debt service requirements at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	365,000	293,398	658,398
2018	380,000	280,068	660,068
2019	395,000	265,043	660,043
2020	410,000	248,430	658,430
2021	425,000	230,155	655,155
2022-2026	2,470,000	802,831	3,272,831
2027-2029	1,800,000	144,900	1,944,900
Total	\$ 6,245,000	\$ 2,264,824	\$ 8,509,824

2014 Tax Allocation Bonds

In August 2014, the Agency issued \$5,740,000 of Tax Allocation Bonds with interest rates varying from 2.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2034. The Bond proceeds 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 \$143,546. 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 \$388,353 and resulted in an economic gain of \$244,087.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

B. Successor Agency Trust Long Term Debt, Continued

The scheduled annual minimum debt service requirements at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	115,000	214,461	329,461
2018	115,000	211,874	326,874
2019	120,000	208,636	328,636
2020	125,000	204,961	329,961
2021	130,000	201,136	331,136
2022-2026	705,000	928,456	1,633,456
2027-2031	2,210,000	718,053	2,928,053
2032-2035	2,120,000	133,400	2,253,400
Total	\$ 5,640,000	\$ 2,820,978	\$ 8,460,978

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, 2015	Additions	Retirements	Balance June 30, 2016
Non-depreciable assets:				
Land	\$ 5,845,452	\$ -	\$ -	\$ 5,845,452
Construction in progress	412,528	-	-	412,528
Depreciable assets				
Infrastructure	327,555	-	-	327,555
Total capital assets	6,585,535	-	-	6,585,535
Less accumulated depreciation for:				
Infrastructure	10,919	16,378	-	27,297
Total accumulated depreciation	10,919	16,378	-	27,297
Total capital assets, net	\$ 6,574,616	\$ (16,378)	\$ -	\$ 6,558,238

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

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, 2016 (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 as of June 30, 2016:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Gas Tax Fund	\$ 2,490
Sundry Grant Fund	\$ 607,300
TDA Fund	\$ 20,859
Transnet Fund	\$ 301,637
Capital Projects Fund:	
Main Street Promenade CFD	\$ 1,603

The deficit is expected to be eliminated with the receipt of grant awards and future revenues.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustments:

Government-wide Statements, Proprietary Funds and Fiduciary Funds

	Prior Period Adjustments						Net Position, as Restated
	Net Position, as Previously Reported	Deferred Employer Contributions	Deferred Outflows/ (Inflows)	Claim Liability	Note Receivable	Due to the City	
Government-wide	\$ 54,856,998	\$ 158,205	\$ (73,608)	\$ -	\$ (231,020)	\$ -	\$ 54,710,575
Sanitary Fund	20,600,077	87,980	-	(168,104)			20,519,953
Successor Agency	(14,227,766)	18,815	-	-	234,718	(558,946)	(14,533,179)
Total	<u>\$ 61,229,309</u>	<u>\$ 265,000</u>	<u>\$ (73,608)</u>	<u>\$ (168,104)</u>	<u>\$ 3,698</u>	<u>\$ (558,946)</u>	<u>\$ 60,697,349</u>

These prior period adjustments were recorded: 1) to correct the City's deferred contributions made for pension, deferred outflows/inflows as of June 30, 2015; 2) to adjust the claim liability under Sanitation fund; 3) to correct notes receivable amount under government-wise activities and Successor Agency and 4) to correct the amount payable to the City by the Successor Agency.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Lemon Grove
Required Supplementary Information, Continued
For the year ended June 30, 2016

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Control and Budgetary Accounting

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

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

Budgets are adopted for all funds.

B. Encumbrances

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

C. Continuing Appropriations

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

D. Budget Basis of Accounting

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

City of Lemon Grove
Required Supplementary Information, Continued
For the year ended June 30, 2016

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 Amounts	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES:				
Taxes	\$10,631,400	\$10,631,400	\$ 10,886,038	\$ 254,638
Licenses and permits	374,700	374,700	673,798	299,098
Fines and forfeitures	81,500	81,500	125,713	44,213
Intergovernmental	8,000	8,000	78,753	70,753
Charges for services	415,300	415,300	543,614	128,314
Investment earnings	230,400	230,400	278,816	48,416
Other revenues	8,000	8,000	214,119	206,119
Total revenues	11,749,300	11,749,300	12,800,851	1,051,551
EXPENDITURES:				
Current:				
General government:				
City council	68,300	68,300	69,783	(1,483)
City manager	464,100	464,100	381,659	82,441
City attorney	141,500	141,500	192,993	(51,493)
Finance	231,800	231,800	291,161	(59,361)
Total general government	905,700	905,700	935,596	(29,896)
Public safety:				
Sheriff	5,261,200	5,261,200	5,240,335	20,865
Animal control	-	-	-	-
Fire	4,143,200	4,143,200	4,024,463	118,737
Total public safety	9,404,400	9,404,400	9,264,798	139,602
Public works	1,062,300	1,062,300	1,201,977	(139,677)
Community development	515,500	515,500	972,762	(457,262)
Capital outlay	65,200	65,200	79,867	(14,667)
Debt service:				
Principal	22,700	22,700	22,621	79
Interest	-	-	-	-
Total debt service	22,700	22,700	22,621	79
Total expenditures	11,975,800	11,975,800	12,477,621	(501,821)
REVENUES OVER (UNDER) EXPENDITURES	(226,500)	(226,500)	323,230	549,730
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	710,400	710,400
Transfers out	-	-	(79,635)	(79,635)
Total other financing sources (uses)	-	-	630,765	630,765
Net change in fund balance	\$ (226,500)	\$ (226,500)	953,995	\$ 1,180,495
FUND BALANCE:				
Beginning of year			7,507,607	
End of year			<u>\$ 8,461,602</u>	

City of Lemon Grove
Required Supplementary Information, Continued
For the year ended June 30, 2016

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

E. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charge for services	\$ -	\$ -	\$ 24,135	\$ 24,135
Other revenue	-	-	59,321	59,321
Total revenues	-	-	83,456	83,456
EXPENDITURES:				
Capital outlay	-	-	264,320	(264,320)
Total expenditures	-	-	264,320	(264,320)
REVENUES OVER (UNDER) EXPENDITURE	-	-	(180,864)	(180,864)
Net change in fund balance	\$ -	\$ -	(180,864)	\$ (180,864)
FUND BALANCE:				
Beginning of year			7,267,300	
End of year			<u>\$ 7,086,436</u>	

City of Lemon Grove
Required Supplementary Information, Continued
For the year ended June 30, 2016

2. DEFINED BENEFIT PENSION PLAN

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - Last 10 Years*

	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2015	6/30/2014
Proportion of the net pension liability	0.102377%	0.101819%
Proportionate share of the net pension liability	\$ 7,027,037	\$ 6,335,672
Covered - employee payroll	3,854,444	3,916,214
Proportionate Share of the net pension liability as percentage of covered-employee payroll	182.31%	161.78%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

Notes to Schedule:

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

City of Lemon Grove
Required Supplementary Information, Continued
For the year ended June 30, 2016

2. DEFINED BENEFIT PENSION PLAN, Continued

SCHEDULE OF CONTRIBUTIONS - Last 10 Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 909,279	\$ 929,245
Contribution in relation to the actuarially determined contributions	2,737,596	1,194,245
Contribution deficiency (excess)	<u>\$ (1,828,317)</u>	<u>\$ (265,000)</u>
Covered-employee payroll	\$ 3,854,444	\$ 3,854,444
Contributions as a percentage of covered-employee payroll	71.02%	30.98%

Note to Schedule

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

City of Lemon Grove
Required Supplementary Information, Continued
For the year ended June 30, 2016

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A schedule of funding progress for the actuarial valuation of June 30, 2016 is presented below.

Valuation Date *	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2012	-	2,697,679	0.0%	3,742,383	72.1%
6/30/2014		2,803,349	0.0%	3,916,214	71.6%
6/30/2016	-	2,895,202	0.0%	3,854,444	75.1%

* Based on the most recent valuation available

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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, 2016

	Special Revenue			
	Gas	Parkland	Supplemental	Sundry
	Tax	Dedication	Law Enforcement Service	Grants
ASSETS				
Cash and investments	\$ -	\$ 116,907	\$ 14,575	\$ -
Accounts receivable	45,285	105	-	840,484
Prepays	315	-	-	-
Total assets	\$ 45,600	\$ 117,012	\$ 14,575	\$ 840,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	5,267	3,826	-	3,905
Accrued wages	6,045	-	-	-
Deposit payable	-	-	-	-
Due to other funds	36,778	-	-	751,278
Unearned revenue	-	-	-	-
Total liabilities	48,090	3,826	-	755,183
Deferred inflows of resources:				
Unavailable revenue	-	-	-	692,601
Total deferred inflows of resources	-	-	-	692,601
Fund Balances:				
Restricted:				
Public safety	-	-	14,575	-
Community development	-	113,186	-	-
Public works	-	-	-	-
Unassigned	(2,490)	-	-	(607,300)
Total fund balances	(2,490)	113,186	14,575	(607,300)
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,600	\$ 117,012	\$ 14,575	\$ 840,484

Special Revenue

CDBG	TDA	Lighting District	Transnet	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 432,446	\$ -	\$ 12,037	\$ 197,618	\$ 5,277
173,738	121,123	2,197	84,827	-	1,463	4
-	27	45	47	-	1	-
<u>\$ 173,738</u>	<u>\$ 121,150</u>	<u>\$ 434,688</u>	<u>\$ 84,874</u>	<u>\$ 12,037</u>	<u>\$ 199,082</u>	<u>\$ 5,281</u>
173,738	5,391	16,782	132,193	11,344	160	354
-	1,216	2,115	4,337	693	702	143
-	-	-	-	-	56,002	-
-	27,632	-	249,981	-	-	-
-	107,770	-	-	-	-	-
<u>173,738</u>	<u>142,009</u>	<u>18,897</u>	<u>386,511</u>	<u>12,037</u>	<u>56,864</u>	<u>497</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	4,784
-	-	415,791	-	-	142,218	-
-	(20,859)	-	(301,637)	-	-	-
<u>-</u>	<u>(20,859)</u>	<u>415,791</u>	<u>(301,637)</u>	<u>-</u>	<u>142,218</u>	<u>4,784</u>
<u>\$ 173,738</u>	<u>\$ 121,150</u>	<u>\$ 434,688</u>	<u>\$ 84,874</u>	<u>\$ 12,037</u>	<u>\$ 199,082</u>	<u>\$ 5,281</u>

City of Lemon Grove
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue			Capital Projects
	PEG (Public/Education/ Government)	Serious Traffic Offender Program	Total Special Revenue Funds	Street Construction
ASSETS				
Cash and investments	\$ 201,333	\$ 36,735	\$ 1,016,928	\$ 158,132
Accounts receivable	13,779	32	1,283,037	143
Prepays	-	-	435	-
Total assets	\$ 215,112	\$ 36,767	\$ 2,300,400	\$ 158,275
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	678	353,638	-
Accrued wages	-	64	15,315	-
	-	-	56,002	-
Due to other funds	-	-	1,065,669	-
Unearned revenue	-	-	107,770	-
Total liabilities	-	742	1,598,394	-
Deferred inflows of resources:				
Unavailable revenue	-	-	692,601	-
Total deferred inflows of resources	-	-	692,601	-
Fund Balances:				
Restricted:				
Public safety	-	36,025	50,600	-
Community development	215,112	-	333,082	-
Public works	-	-	558,009	158,275
Unassigned	-	-	(932,286)	-
Total fund balances	215,112	36,025	9,405	158,275
Total liabilities, deferred inflows of resources, and fund balances	\$ 215,112	\$ 36,767	\$ 2,300,400	\$ 158,275

Capital Projects					
Sidewalk Reserve	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Capital Projects Funds	Total
\$ 23,101	\$ -	\$ 180,000	\$ 462,537	\$ 823,770	\$ 1,840,698
21	-	-	418	582	1,283,619
-	-	-	-	-	435
<u>\$ 23,122</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 462,955</u>	<u>\$ 824,352</u>	<u>\$ 3,124,752</u>
-	827	-	-	827	\$ 354,465
-	-	-	-	-	15,315
-	-	-	-	-	56,002
-	776	-	-	776	1,066,445
-	-	-	187,081	187,081	294,851
-	1,603	-	187,081	188,684	1,787,078
-	-	-	-	-	692,601
-	-	-	-	-	692,601
-	-	180,000	-	180,000	230,600
-	-	-	-	-	333,082
23,122	-	-	275,874	457,271	1,015,280
-	(1,603)	-	-	(1,603)	(933,889)
<u>23,122</u>	<u>(1,603)</u>	<u>180,000</u>	<u>275,874</u>	<u>635,668</u>	<u>645,073</u>
<u>\$ 23,122</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 462,955</u>	<u>\$ 824,352</u>	<u>\$ 3,124,752</u>

City of Lemon Grove
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	554,443	-	114,618	377,302
Charges for services	-	64,881	-	-
Use of money and property	-	804	-	-
Other	-	-	-	31,968
Total revenues	554,443	65,685	114,618	409,270
EXPENDITURES:				
Current:				
General government	753,673	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	731,464
Community development	-	-	-	191,896
Capital outlay	-	3,827	-	-
Total expenditures	753,673	3,827	-	923,360
REVENUES OVER (UNDER) EXPENDITURES	(199,230)	61,858	114,618	(514,090)
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	-	-	-
Transfers out	-	-	(100,000)	-
Total other financing sources (uses)	100,000	-	(100,000)	-
Net change in fund balances	(99,230)	61,858	14,618	(514,090)
FUND BALANCES:				
Beginning of the year	96,740	51,328	(43)	(93,210)
End of the year	<u>\$ (2,490)</u>	<u>\$ 113,186</u>	<u>\$ 14,575</u>	<u>\$ (607,300)</u>

Special Revenue

CDBG	TDA	Lighting District	Transnet	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 263,032	\$ -	\$ -	\$ 25,595	\$ 9,097
173,738	121,170	-	818,556	-	-	-
-	-	-	-	70,524	-	-
-	161	3,535	-	-	1,619	38
439	-	-	-	-	3	-
<u>174,177</u>	<u>121,331</u>	<u>266,567</u>	<u>818,556</u>	<u>70,524</u>	<u>27,217</u>	<u>9,135</u>
-	-	-	109,385	-	29,916	-
-	-	-	-	-	-	-
173,738	66,523	286,713	-	150,160	-	-
-	-	-	-	-	-	9,180
-	58,327	-	975,820	-	-	-
<u>173,738</u>	<u>124,850</u>	<u>286,713</u>	<u>1,085,205</u>	<u>150,160</u>	<u>29,916</u>	<u>9,180</u>
<u>439</u>	<u>(3,519)</u>	<u>(20,146)</u>	<u>(266,649)</u>	<u>(79,636)</u>	<u>(2,699)</u>	<u>(45)</u>
-	-	-	-	79,635	-	-
-	(17,400)	(14,300)	-	-	(1,200)	(100)
-	(17,400)	(14,300)	-	79,635	(1,200)	(100)
<u>439</u>	<u>(20,919)</u>	<u>(34,446)</u>	<u>(266,649)</u>	<u>(1)</u>	<u>(3,899)</u>	<u>(145)</u>
(439)	60	450,237	(34,988)	1	146,117	4,929
<u>\$ -</u>	<u>\$ (20,859)</u>	<u>\$ 415,791</u>	<u>\$ (301,637)</u>	<u>\$ -</u>	<u>\$ 142,218</u>	<u>\$ 4,784</u>

City of Lemon Grove
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue			Street Construction
	PEG (Public Education Government)	Serious Traffic Offender Program	Total Special Revenue Funds	
REVENUES:				
Taxes	\$ -	\$ -	\$ 297,724	\$ -
Intergovernmental	-	-	2,159,827	-
Charges for services	57,780	-	193,185	-
Use of money and property	1,627	270	8,054	1,291
Other	-	13,325	45,735	-
Total revenues	59,407	13,595	2,704,525	1,291
EXPENDITURES:				
Current:				
General government	35,122	-	928,096	-
Public safety	-	5,254	5,254	-
Public works	1,000	-	1,409,598	-
Community development	-	-	201,076	-
Capital outlay	17,860	-	1,055,834	-
Total expenditures	53,982	5,254	3,599,858	-
REVENUES OVER (UNDER) EXPENDITURES	5,425	8,341	(895,333)	1,291
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	179,635	-
Transfers out	-	-	(133,000)	-
Total other financing sources (uses)	-	-	46,635	-
Net change in fund balances	5,425	8,341	(848,698)	1,291
FUND BALANCES:				
Beginning of the year	209,687	27,684	858,103	156,984
End of the year	\$ 215,112	\$ 36,025	\$ 9,405	\$ 158,275

Capital Projects					
Sidewalk Reserve	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Capital Projects Funds	Total
\$ -	\$ 9,472	\$ -	\$ -	\$ 9,472	\$ 307,196
-	-	-	272,581	272,581	2,432,408
-	-	-	-	-	193,185
197	-	-	3,293	4,781	12,835
-	288	-	-	288	46,023
197	9,760	-	275,874	287,122	2,991,647
-	-	-	-	-	928,096
-	11,335	-	-	11,335	16,589
-	-	-	-	-	1,409,598
-	-	-	-	-	201,076
-	-	-	-	-	1,055,834
-	11,335	-	-	11,335	3,611,193
197	(1,575)	-	275,874	275,787	(619,546)
-	-	-	-	-	179,635
-	-	-	-	-	(133,000)
-	-	-	-	-	46,635
197	(1,575)	-	275,874	275,787	(619,546)
22,925	(28)	180,000	-	359,881	1,217,984
\$ 23,122	\$ (1,603)	\$ 180,000	\$ 275,874	\$ 635,668	\$ 645,073

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 650,800	\$ 650,800	\$ 554,443	\$ (96,357)
Total revenues	650,800	650,800	554,443	(96,357)
EXPENDITURES:				
Current:				
General government	799,800	799,800	753,673	46,127
Total expenditures	799,800	799,800	753,673	46,127
REVENUES OVER (UNDER) EXPENDITURES	(149,000)	(149,000)	(199,230)	(50,230)
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
Transfers out	(44,500)	(44,500)	-	44,500
Total other financing sources (uses)	55,500	55,500	100,000	44,500
Net change in fund balance	\$ (93,500)	\$ (93,500)	(99,230)	\$ (5,730)
FUND BALANCE:				
Beginning of year			96,740	
End of year			\$ (2,490)	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 5,000	\$ 5,000	\$ 64,881	\$ 59,881
Use of money and property	-	-	804	804
Total revenues	5,000	5,000	65,685	60,685
EXPENDITURES:				
Current:				
Capital outlay	64,200	64,200	3,827	60,373
Total expenditures	64,200	64,200	3,827	60,373
Net change in fund balance	\$ (59,200)	\$ (59,200)	61,858	\$ 121,058
FUND BALANCE:				
Beginning of year			51,328	
End of year			\$ 113,186	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 114,618	\$ 14,618
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>114,618</u>	<u>14,618</u>
EXPENDITURES:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>100,000</u>	<u>100,000</u>	<u>114,618</u>	<u>14,618</u>
OTHER FINANCING SOURCES (USES):				
Transfers out			(100,000)	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net change in fund balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	14,618	<u>\$ (85,382)</u>
FUND BALANCE:				
Beginning of year			(43)	
End of year			<u>\$ 14,575</u>	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,513,600	\$ 1,513,600	\$ 377,302	\$ (1,136,298)
Other	-	-	31,968	31,968
Total revenues	1,513,600	1,513,600	409,270	(1,104,330)
EXPENDITURES:				
Current:				
Public works	430,000	430,000	731,464	(301,464)
Community development	149,700	149,700	191,896	(42,196)
Total expenditures	579,700	579,700	923,360	(343,660)
Net change in fund balance	\$ 933,900	\$ 933,900	(514,090)	\$ (1,447,990)
FUND BALANCE:				
Beginning of year			(93,210)	
End of year			\$ (607,300)	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 173,738	\$ 173,738
Other	-	-	439	439
Total revenues	-	-	174,177	174,177
EXPENDITURES:				
Current:				
Public works	169,000	169,000	173,738	(4,738)
Total expenditures	169,000	169,000	173,738	(4,738)
Net change in fund balance	\$ (169,000)	\$ (169,000)	439	\$ 169,439
FUND BALANCE:				
Beginning of year			(439)	
End of year			\$ -	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 306,100	\$ 306,100	\$ 121,170	\$ (184,930)
Use of money and property	100	100	161	61
Total revenues	306,200	306,200	121,331	(184,869)
EXPENDITURES:				
Current:				
Public works	65,500	65,500	66,523	(1,023)
Capital outlay	201,000	201,000	58,327	142,673
Total expenditures	266,500	266,500	124,850	141,650
REVENUES OVER (UNDER) EXPENDITURES	(266,500)	(266,500)	(124,850)	(43,219)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(17,400)	(17,400)
Total other financing sources (uses)	-	-	(17,400)	(17,400)
Net change in fund balance	\$ 39,700	\$ 39,700	(20,919)	\$ (60,619)
FUND BALANCE:				
Beginning of year			60	
End of year			\$ (20,859)	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 251,000	\$ 251,000	\$ 263,032	\$ 12,032
Use of money and property	900	900	3,535	2,635
Total revenues	251,900	251,900	266,567	14,667
EXPENDITURES:				
Current:				
Public works	314,100	314,100	286,713	27,387
Total expenditures	314,100	314,100	286,713	27,387
REVENUES OVER (UNDER) EXPENDITURES	(314,100)	(314,100)	(286,713)	42,054
OTHER FINANCING SOURCES (USES):				
Transfers out			(14,300)	(14,300)
Total other financing sources (uses)	-	-	(14,300)	(14,300)
Net change in fund balance	\$ (62,200)	\$ (62,200)	(34,446)	\$ 27,754
FUND BALANCE:				
Beginning of year			450,237	
End of year			\$ 415,791	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,911,000	\$ 1,911,000	\$ 818,556	\$ (1,092,444)
Total revenues	<u>1,911,000</u>	<u>1,911,000</u>	<u>818,556</u>	<u>(1,092,444)</u>
EXPENDITURES:				
Current				
General government	103,100	103,100	109,385	(6,285)
Capital outlay	2,517,766	2,517,766	975,820	1,541,946
Total expenditures	<u>2,620,866</u>	<u>2,620,866</u>	<u>1,085,205</u>	<u>1,535,661</u>
REVENUE OVER (UNDER) EXPENDITURES	(709,866)	(709,866)	(266,649)	443,217
Net change in fund balance	<u>\$ (709,866)</u>	<u>\$ (709,866)</u>	(266,649)	<u>\$ 443,217</u>
FUND BALANCE:				
Beginning of year			<u>(34,988)</u>	
End of year			<u>\$ (301,637)</u>	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 60,800	\$ 60,800	\$ 70,524	\$ 9,724
Total revenues	<u>60,800</u>	<u>60,800</u>	<u>70,524</u>	<u>9,724</u>
EXPENDITURES:				
Current:				
Public works	217,700	217,700	150,160	67,540
Total expenditures	<u>217,700</u>	<u>217,700</u>	<u>150,160</u>	<u>67,540</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(156,900)</u>	<u>(156,900)</u>	<u>(79,636)</u>	<u>77,264</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	156,200	156,200	79,635	(76,565)
Total other financing sources (uses)	<u>156,200</u>	<u>156,200</u>	<u>79,635</u>	<u>(76,565)</u>
Net change in fund balance	<u>\$ (700)</u>	<u>\$ (700)</u>	<u>(1)</u>	<u>\$ 699</u>
FUND BALANCE:				
Beginning of year			<u>1</u>	
End of year			<u>\$ -</u>	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 22,000	\$ 22,000	\$ 25,595	\$ 3,595
Use of money and property	300	300	1,619	1,319
Other	-	-	3	3
Total revenues	22,300	22,300	27,217	4,917
EXPENDITURES:				
Current:				
General government	41,500	41,500	29,916	11,584
Total expenditures	41,500	41,500	29,916	11,584
REVENUES OVER (UNDER) EXPENDITURES	(19,200)	(19,200)	(2,699)	16,501
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(1,200)	(1,200)
Total other financing sources (uses)	-	-	(1,200)	(1,200)
Net change in fund balance	\$ (19,200)	\$ (19,200)	(3,899)	\$ 15,301
FUND BALANCE:				
Beginning of year			146,117	
End of year			\$ 142,218	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 9,100	\$ 9,100	\$ 9,097	\$ (3)
Use of money and property	-	-	38	38
Total revenues	9,100	9,100	9,135	35
EXPENDITURES:				
Current:				
Community development	7,900	7,900	9,180	(1,280)
Total expenditures	7,900	7,900	9,180	(1,280)
REVENUE OVER (UNDER) EXPENDITURES	1,200	1,200	(45)	(1,245)
OTHER FINANCING SOURCES (USES):				
Transfers out	(100)	(100)	(100)	-
Total other financing sources (uses)	(100)	(100)	(100)	-
Net change in fund balance	\$ 1,100	\$ 1,100	(145)	\$ (1,245)
FUND BALANCE:				
Beginning of year			4,929	
End of year			\$ 4,784	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 56,000	\$ 56,000	\$ 57,780	\$ 1,780
Use of money and property	400	400	1,627	1,227
Total revenues	56,400	56,400	59,407	3,007
EXPENDITURES:				
Current:				
General government	36,000	36,000	35,122	878
Public works	3,000	3,000	1,000	2,000
Capital outlay	50,000	50,000	17,860	32,140
Total expenditures	89,000	89,000	53,982	35,018
Net change in fund balance	\$ (32,600)	\$ (32,600)	5,425	\$ 38,025
FUND BALANCE:				
Beginning of year			209,687	
End of year			\$ 215,112	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 100	\$ 100	\$ 270	\$ 170
Other	9,500	-	13,325	13,325
Total revenues	9,600	100	13,595	13,495
EXPENDITURES:				
Current:				
Public safety	12,500	12,500	5,254	7,246
Total expenditures	12,500	12,500	5,254	7,246
Net change in fund balance	\$ (2,900)	\$ (12,400)	8,341	\$ 20,741
FUND BALANCE:				
Beginning of year			27,684	
End of year			\$ 36,025	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 700	\$ 700	\$ 1,291	\$ 591
Total revenues	<u>700</u>	<u>700</u>	<u>1,291</u>	<u>591</u>
EXPENDITURES:				
Capital outlay	100,000	100,000	-	100,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	<u>\$ (99,300)</u>	<u>\$ (99,300)</u>	1,291	<u>\$ 100,591</u>
FUND BALANCE:				
Beginning of year			<u>156,984</u>	
End of year			<u>\$ 158,275</u>	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 197	\$ 197
Total revenues	-	-	197	197
Net change in fund balance	\$ -	\$ -	197	\$ 197
FUND BALANCE:				
Beginning of year			22,925	
End of year			\$ 23,122	

City of Lemon Grove

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

Main Street Promenade Community Facilities District

For the year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 14,600	\$ 14,600	\$ 9,472	\$ (5,128)
Other	-	-	288	288
Total revenues	14,600	14,600	9,760	(4,840)
EXPENDITURES:				
Public safety	17,800	17,800	11,335	6,465
Total expenditures	17,800	17,800	11,335	6,465
REVENUES OVER (UNDER) EXPENDITURES	(3,200)	(3,200)	(1,575)	1,625
Net change in fund balance	\$ (3,200)	\$ (3,200)	(1,575)	\$ 1,625
FUND BALANCE:				
Beginning of year			(28)	
End of year			\$ (1,603)	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			180,000	
End of year			\$ 180,000	

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, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 34,000	\$ 34,000	\$ 272,581	\$ 238,581
Use of money and property	-	-	3,293	3,293
Total revenues	34,000	34,000	275,874	241,874
EXPENDITURES:				
Capital outlay	34,000	34,000	-	34,000
Total expenditures	34,000	34,000	-	34,000
Net change in fund balance	\$ -	\$ -	275,874	\$ 275,874
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 275,874	

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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Self-Insured Workers' Compensation Fund accounts for the administration of the City's self-insured Workers' Compensation Insurance Program.

Self-Insured General Liabilities Fund accounts for the administration of the City's General Liabilities Insurance Program.

City of Lemon Grove
Combining Statement of Net Position
All Internal Service Funds
June 30, 2016

	Self-Insured Workers' Compensation Fund	Self-Insured General Liabilities Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 654,467	455,445	\$ 1,109,912
Accounts receivable	593	5,479	6,072
Total current assets	655,060	460,924	1,115,984
Noncurrent assets:			
Restricted cash and investments	25,000	-	25,000
Total noncurrent assets	25,000	-	25,000
Total assets	680,060	460,924	1,140,984
LIABILITIES			
Liabilities:			
Current liabilities:			
Claims payable, due within one year	-	50,000	50,000
Total current liabilities	-	50,000	50,000
Noncurrent liabilities:			
Claims payable, due in more than one year	43,460	481	43,941
Total noncurrent liabilities	43,460	481	43,941
Total liabilities	43,460	50,481	93,941
NET POSITION			
Unrestricted	636,600	410,443	1,047,043
Total net position	\$ 636,600	\$ 410,443	\$ 1,047,043

City of Lemon Grove
Combining Statement of Revenues, Expenses and Changes in Net Position
All Internal Service Funds
For the year ended June 30, 2016

	Self-Insured Workers' Compensation Fund	Self-Insured General Liabilities Fund	Total
OPERATING REVENUES:			
Other revenue	\$ 132,639	\$ 2,087	\$ 134,726
Total operating revenues	132,639	2,087	134,726
OPERATING EXPENSES:			
Insurance and claims	1,973	59,427	61,400
Total operating expenses	1,973	59,427	61,400
OPERATING INCOME (LOSS)	130,666	(57,340)	73,326
NONOPERATING REVENUES EXPENSES:			
Interest income	5,369	9,024	14,393
Total nonoperating revenues (expenses)	5,369	9,024	14,393
INCOME (LOSS) BEFORE TRANSFERS	136,035	(48,316)	87,719
Transfers out	(25,000)	-	(25,000)
Total transfers in (out)	(25,000)	-	(25,000)
Change in net position	111,035	(48,316)	62,719
NET POSITION:			
Beginning of year	525,565	458,759	984,324
End of year	\$ 636,600	\$ 410,443	\$ 1,047,043

City of Lemon Grove
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2016

	Self-Insured Workers' Compensation Fund	Self-Insured General Liabilities Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user departments	\$ 132,070	\$ (3,220)	\$ 128,850
Cash payments to suppliers for goods and services	(134,408)	(58,946)	(193,354)
Net cash provided by (used in) operating activities	(2,338)	(62,166)	(64,504)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(25,000)	-	(25,000)
Net cash provided by (used in) noncapital financing activities	(25,000)	-	(25,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	5,369	9,024	14,393
Net cash provided by investing activities	5,369	9,024	14,393
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,969)	(53,142)	(75,111)
CASH AND CASH EQUIVALENTS - Beginning of year	701,436	508,587	1,210,023
CASH AND CASH EQUIVALENTS - End of year	\$ 679,467	\$ 455,445	\$ 1,134,912
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 654,467	\$ 455,445	\$ 1,109,912
Restricted cash and investments with fiscal agents	25,000	-	25,000
Total	\$ 679,467	\$ 455,445	\$ 1,134,912
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 130,666	\$ (57,340)	\$ 73,326
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Accounts receivable	(569)	(5,307)	(5,876)
Claims payable	(132,435)	481	(131,954)
Total adjustments	(133,004)	(4,826)	(137,830)
Net cash provided by (used in) operating activities	\$ (2,338)	\$ (62,166)	\$ (64,504)