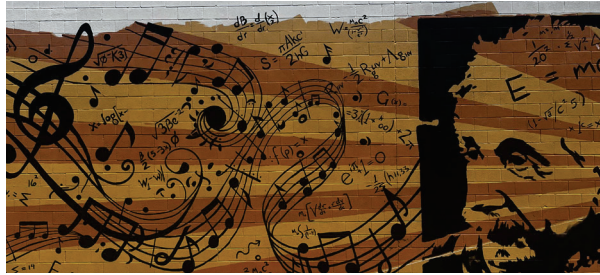
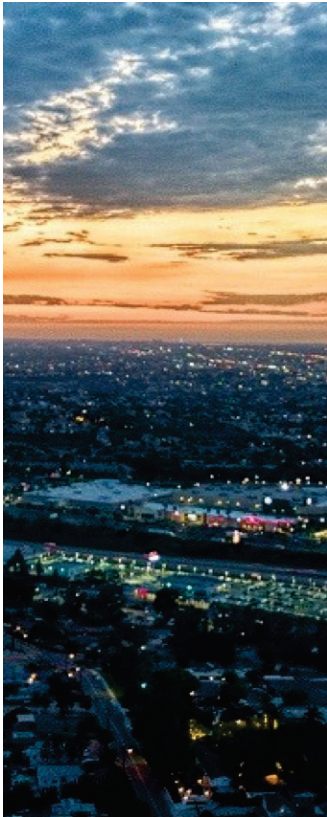




ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023



City of Lemon Grove
Lemon Grove, California

Annual Financial Report
For the Year Ended June 30, 2023

Prepared by the Finance Department of the City of Lemon Grove

City of Lemon Grove
Annual Financial Report
For the year ended June 30, 2023
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required pension and OPEB schedules on pages 5-14 and 71-80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

To the Honorable Mayor and Members of the City Council
of the City of Lemon Grove
Lemon Grove, California
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We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

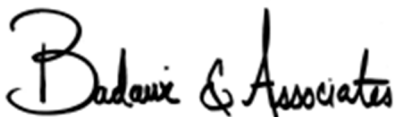
Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is stylized, with a large, looped "B" at the beginning.

Badawi & Associates, CPAs
Berkeley, California
December 16, 2024

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**CITY OF LEMON GROVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2023**

The City of Lemon Grove (City) offers readers this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2023. It should be read in conjunction with the Basic Financial Statements and their associated notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$105.8 million (net position). The net position value increased from the previous year's restated net position by \$8.6 million, or 8.8 percent, which was driven by \$5.0 million increase in governmental activities and \$3.6 million increase in business-type activities.
- The City's overall revenues was \$36.2 million compared to expenses of \$27.7 million. Expenses were increased by \$3.6 million or 15.0 percent primarily due to increased cost of goods and services, and one-time liability insurance claims. Revenues overall increased by \$7.6 million or 26.4 percent mainly driven by a combination of increases in taxes, lease revenues, investment earnings, and a one-time reimbursement of liability insurance claims.
- The City's governmental funds reported a combined ending fund balance of \$29.5 million, an increase from the previous year's restated balance by \$3.6 million, or 14.0 percent. The increase was mainly driven by increases in taxes, intergovernmental revenues, lease revenues, and investment earnings.
- At the end of the fiscal year, the General Fund's fund balance (the total of the Nonspendable, Restricted and Unassigned components of fund balance) was \$15.9 million. Of this amount, \$14.4 million was unassigned, or 75.8 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provided here is intended to serve as an introduction to the City's Basic Financial Statements, which comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information (RSI) and other supplementary information intended to furnish additional detail to support 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 private-sector business. They present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, which means the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

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

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

Immediately following the required supplementary information are the Nonmajor Governmental Fund supplementary schedules on Balance Sheet and Revenues, Expenditures and Change in Fund Balances followed by Budgetary Comparison schedules for each of these funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Citywide Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	\$ 41,511	\$ 34,387	\$ 31,453	\$ 27,474	\$ 72,964	\$ 61,861
Noncurrent assets	54,916	53,774	8,937	8,935	63,853	62,709
Total Assets	<u>96,427</u>	<u>88,161</u>	<u>40,390</u>	<u>36,409</u>	<u>136,817</u>	<u>124,570</u>
Deferred outflows of resource:	3,754	2,146	1,566	562	5,320	2,708
Liabilities:						
Current liabilities	9,041	5,440	1,026	74	10,067	5,514
Noncurrent liabilities	10,878	6,731	3,857	2,185	14,735	8,916
Total Liabilities	<u>19,919</u>	<u>12,171</u>	<u>4,883</u>	<u>2,259</u>	<u>24,802</u>	<u>14,430</u>
Deferred inflows of resources	11,011	13,860	493	1,710	11,504	15,570
Net Position:						
Net investment in capital assets	43,118	42,555	7,173	7,202	50,291	49,757
Restricted	19,416	19,148	1,765	1,733	21,181	20,881
Unrestricted	6,717	2,573	27,642	24,067	34,359	26,640
Total Net Position	<u>\$ 69,251</u>	<u>\$ 64,276</u>	<u>\$ 36,580</u>	<u>\$ 33,002</u>	<u>\$ 105,831</u>	<u>\$ 97,278</u>

As the Condensed Statement of Net Position schedule illustrates, fiscal year 2023 reported \$50.3 million as net investment in capital assets, which represents 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, they are not available for future spending.

A portion of the City's fiscal year 2023 net position is restricted, \$21.2 million, and represents 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.

Unrestricted net position can be used to finance daily operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Fiscal year 2023 unrestricted net position of \$34.3 million is comprised of \$6.7 million from governmental activities and \$27.6 million from business-type activities. Unrestricted net position increased by \$7.7 million or 29.0 percent.

Statement of Activities: This statement presents information showing all of the City's revenues and expenses and their impact on net position during the most recent fiscal year. All changes in net 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 displays a summary of the City's statement of activities.

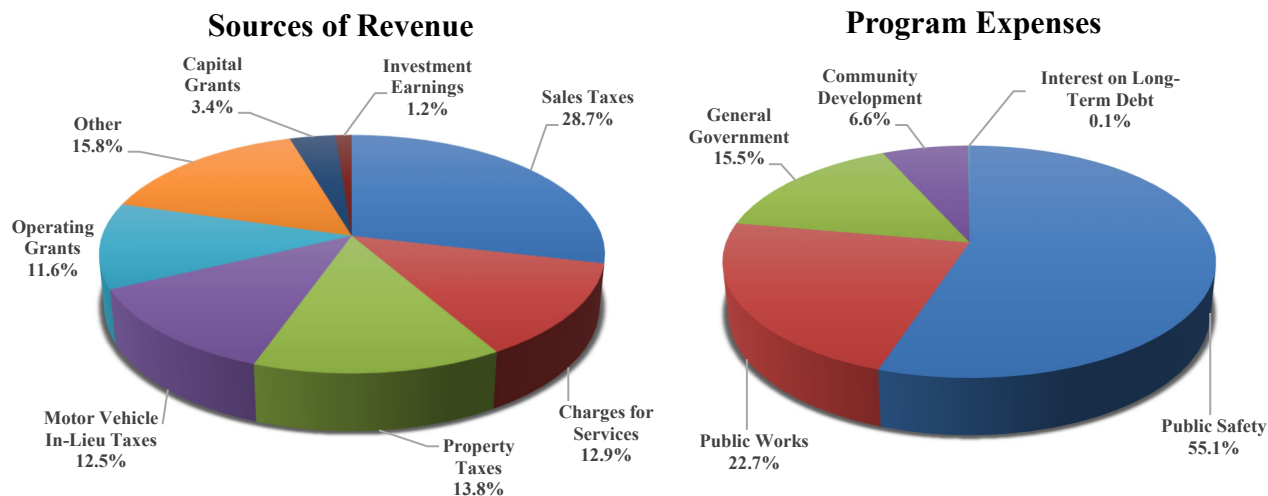
Condensed Statement of Activities

(In Thousands)

	Governmental Activities		Business-Type Activities		Citywide Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for Services	\$ 3,538	\$ 3,309	\$ 8,492	\$ 7,713	\$ 12,030	\$ 11,022
Operating grants & contributions	3,181	2,232	-	-	3,181	2,232
Capital grants & contributions	932	342	-	-	932	342
Total Program Revenues	7,651	5,883	8,492	7,713	16,143	13,596
General revenues:						
Taxes:						
Property taxes	3,785	3,519	-	-	3,785	3,519
Sales taxes	7,846	7,126	-	-	7,846	7,126
Franchise taxes	1,145	1,028	-	-	1,145	1,028
Motor vehicle in lieu taxes	3,416	3,107	-	-	3,416	3,107
Other taxes	1,025	1,041	-	-	1,025	1,041
Investment earnings	329	(356)	453	(528)	782	(884)
Miscellaneous	2,065	123	-	-	2,065	123
Total general revenues	19,611	15,588	453	(528)	20,064	15,060
Total Revenues	27,262	21,471	8,945	7,185	36,207	28,656
Expenses:						
General government	3,465	2,163	-	-	3,465	2,163
Public safety	12,339	11,120	-	-	12,339	11,120
Public works	5,079	4,853	-	-	5,079	4,853
Community development	1,480	999	-	-	1,480	999
Sanitation	-	-	5,267	4,921	5,267	4,921
Interest on long-term debt	24	-	-	-	24	-
Total Expenses	22,387	19,135	5,267	4,921	27,654	24,056
Excess (deficiency) before transfers	4,875	2,336	3,678	2,264	8,553	4,600
Transfers in (out)	100	100	(100)	(100)	-	-
Change in net position	4,975	2,436	3,578	2,164	8,553	4,600
Beginning net position	64,276	61,449	33,002	30,838	97,278	92,287
Restatement of net position	-	391	-	-	-	391
Net Position	\$ 69,251	\$ 64,276	\$ 36,580	\$ 33,002	\$ 105,831	\$ 97,278

Governmental Activities:

The governmental activities increased the City's net position by \$5.0 million, which represents the total revenues including net transfers of \$27.4 million exceeded total expenses of \$22.4 million. Below is a breakdown of the sources of revenue and program expenses.



Revenues

Overall, revenues for the year ended June 30, 2023, increased by \$5.8 million, or 27.0 percent. The following is a list of notable changes compared to the prior year:

- Sales taxes increased by \$0.7 million or 10.1% due to higher consumer spending.
- Operating grants increased by \$0.9 million or 42.5 percent partially due to first year expending the American Rescue Plan Act (ARPA) grant.
- Capital grants and contributions increased by \$0.6 million or 172.5 percent mainly due to completing some planned capital projects that were delayed in prior year as a result of staff shortages.
- Investment earnings increased by \$0.7 million mainly due to higher interest rates and better market conditions resulted in positive earnings in fiscal year 2023 comparing to negative earnings in fiscal year 2022.
- Miscellaneous revenue increased by \$1.9 million or 1,578.9 percent, of which \$1.5 million is reimbursement for liability insurance claims reported in the Internal Service Fund.

Expenses

Total expenses increased by \$3.3 million or 17.0 percent. The following are the notable changes compared to the prior year:

- General government increased by \$1.3 million or 60.2 percent mainly related to the one-time liability insurance claims reported in the Internal Service Fund.
- Public safety increased by \$1.2 million or 11.0 percent due to increase in the San Diego County Sheriff contract, and overall Fire and animal control operating expenses.
- Community Development increased by \$0.5 million or 48.1 percent mainly due to increased permit and building activity in Lemon Grove.

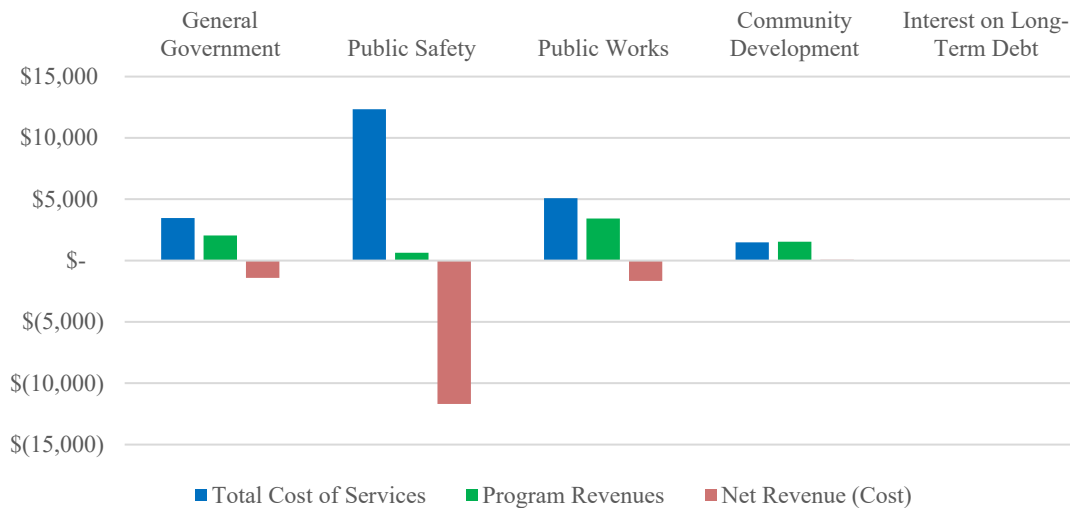
Net Revenue or Cost of Governmental Activities:

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

Net Revenue or Cost of Governmental Activities
(In Thousands)

	Total Cost of Services		Program Revenues		Net Revenue (Cost)	
	2023	2022	2023	2022	2023	2022
General Government	\$ 3,465	\$ 2,163	\$ 2,048	\$ 416	\$ (1,417)	\$ (1,747)
Public Safety	12,339	11,120	641	1,239	(11,698)	(9,881)
Public Works	5,079	4,853	3,423	2,744	(1,656)	(2,109)
Community Development	1,480	999	1,539	1,484	59	485
Interest on Long-Term Debt	24	-	-	-	(24)	-
Total Governmental Activities	\$ 22,387	\$ 19,135	\$ 7,651	\$ 5,883	\$ (14,736)	\$ (13,252)

**Total Cost of Services, Program Revenues
& Net Cost of Governmental Activities**
(In Thousands)



Business-Type Activities:

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

The business-type activities increased the City's net position by \$3.6 million. Business-type program revenues exceeded expenses, resulted in a 10.8 percent increase to business-type net position. This activity is the Lemon Grove Sanitation District which has City staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs. The Sanitation District has plans for future capital investments in local transportation lines.

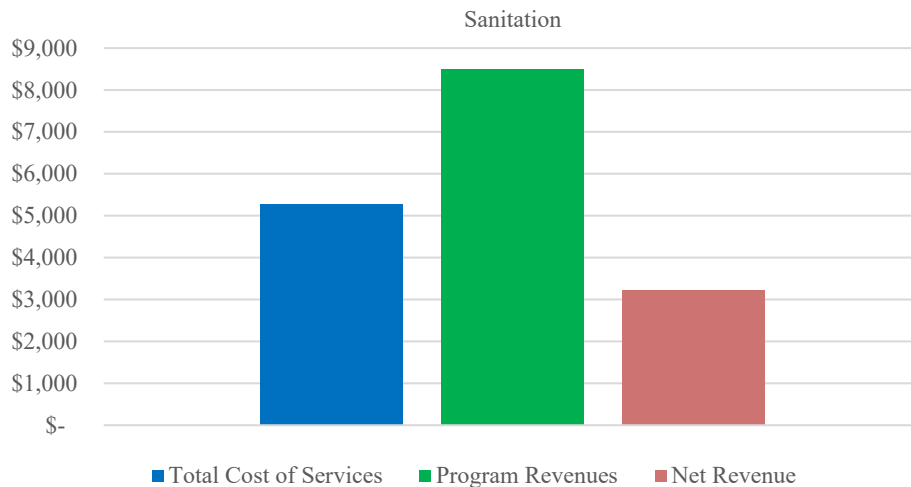
Net Revenue of Business-Type Activities

(In Thousands)

	Total Cost of Services		Program Revenues		Net Revenue	
	2023	2022	2023	2022	2023	2022
Sanitation	\$ 5,267	\$ 4,921	\$ 8,492	\$ 7,713	\$ 3,225	\$ 2,792
Total Business Activities	\$ 5,267	\$ 4,921	\$ 8,492	\$ 7,713	\$ 3,225	\$ 2,792

Total Cost of Services, Program Revenues & Net Revenue of Business Activities

(In Thousands)



The \$3.6 million increase in net position was primarily due to:

- Charges for Services of \$8.5 million exceeding operational expenses of \$5.3 million.
- Sanitation revenues are set to a level to build up reserves for capital maintenance and expansion of the sanitation transportation system as well as to support the transportation treatment and disposal of sewage through the City of San Diego's Metropolitan Wastewater JPA.

FUND HIGHLIGHTS

Governmental Fund

As of June 30, 2023, the City's governmental funds reported a combined ending fund balance of \$29.5 million. The Unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$13.8 million. The remainder of fund balance is Restricted or Nonspendable to indicate that it is not available for new spending because it has been restricted for purposes including low and moderate housing, road maintenance, parks, stormwater and household hazardous waste programs.

Governmental Funds Changes in Fund Balances (In Thousands)

	General Fund		Housing Fund		Transnet Fund		Nonmajor Governmental Funds	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues:								
General revenues	\$ 20,136	\$ 16,984	\$ 136	\$ 127	\$ 1	\$ (1)	\$ 503	\$ 417
Charges for Services	451	961	-	-	-	-	304	529
Intergovernmental Revenues	626	688	-	-	886	193	1,889	1,571
Total Revenues	21,213	18,633	136	127	887	192	2,696	2,517
Expenditures:								
Current	17,811	15,892	-	-	116	124	1,290	1,358
Capital Outlay	1,183	443	-	-	687	629	941	565
Total Expenditures	18,994	16,335	-	-	803	753	2,231	1,923
Net Transfers	105	109	-	-	-	-	(4)	(10)
Debt Issuance	618	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 2,942	\$ 2,407	\$ 136	\$ 127	\$ 84	\$ (561)	\$ 461	\$ 584

Fund Balances (In Thousands)

	General Fund		Housing Fund		Transnet Fund		Nonmajor Governmental Funds	
	2023	2022	2023	2022	2023	2022	2023	2022
FUND BALANCE								
Nonspendable	\$ 3	\$ 11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,491	1,395	11,100	10,963	-	-	3,055	2,537
Unassigned	14,405	11,552	-	-	(157)	(240)	(432)	(375)
Total FUND BALANCE	\$15,899	\$ 12,958	\$ 11,100	\$ 10,963	\$ (157)	\$ (240)	\$ 2,623	\$ 2,162

General Fund Balance: This fund is the chief operating fund of the City. At June 30, 2023, the total fund balance was \$15.9 million, of which \$14.4 million is considered unassigned fund balance and therefore available for discretionary use. Overall, the change in fund balance was driven by increases in taxes, lease revenues and investment earnings. The City incurred debt in current fiscal year due to the purchase of an emergency fire engine through financing.

Housing Fund Balance: This fund is restricted for low to moderate income housing projects. In current fiscal year, participating developers paid \$136 thousand in required fees to this fund. There were no expenditures reported in this fiscal year, creating an increase in the fund balance.

Transnet Fund Balance: This fund is a reimbursable account, which the project expenditures are made by the City and then funding is requested for reimbursement. There is a balance due of \$190 thousand for project work completed in current fiscal year.

Propriety Fund

Sanitation Fund Balance: There is \$1.8 million of restricted net position in the Sanitation fund, which must be spent on pension expenses. Change in net position shows a growth over last year for Sanitation fund of 65.3 percent. The unrestricted balance of \$27.6 million at June 30, 2023 is available for discretionary use, which will be used to maintain the sanitation facilities and infrastructure.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in the performance of City functions. Capital assets include land, building, improvements, vehicles, machinery, equipment, infrastructure and construction in progress. Total capital assets, net of depreciation, had a net increase of \$1.2 million or 2.3 percent to a total of \$50.9 million.

Capital Assets Net of Depreciation (In Thousands)

	Governmental Activities		Business-Type Activities		Citywide Total	
	2023	2022	2023	2022	2023	2022
Land & Improvements	\$ 7,521	\$ 7,521	\$ 4	\$ 4	\$ 7,525	\$ 7,525
Construction in Progress	1,998	1,619	331	589	2,329	2,208
Buildings & Improvements	2,233	2,376	-	-	2,233	2,376
Vehicles, Machinery & Equipment	393	501	92	90	485	591
Infrastructure	31,591	30,538	6,746	6,519	38,337	37,057
Net Capital Assets	\$ 43,736	\$ 42,555	\$ 7,173	\$ 7,202	\$ 50,909	\$ 49,757

Debt Administration

At June 30, 2023, the City had a total \$15.0 million debt, of which \$11.1 million in governmental debt and \$3.9 million in business-type debt. The majority of the debt, \$13.8 million, is comprised of net pension and OPEB liabilities, which increased by \$5.6 million from the prior year mainly due to the lowering of the discount rate from 7.15 percent to 6.90 percent. The City does maintain a trust fund outside CalPERS to partially offset the net pension liability. The balance in this account at June 30, 2023 was \$3.3 million.

Outstanding Long-Term Liabilities (In Thousands)

	Governmental Activities		Business Activities		Citywide Total	
	2023	2022	2023	2022	2023	2022
Financed Purchase	\$ 618	\$ -	\$ -	\$ -	\$ 618	\$ -
Compensated Absences	539	546	49	66	588	612
OPEB Liability	2,277	2,540	569	635	2,846	3,175
Pension Liability	7,642	3,521	3,275	1,490	10,917	5,011
Claims Payable	46	590	-	5	46	595
Total Liabilities	\$ 11,122	\$ 7,197	\$ 3,893	\$ 2,196	\$ 15,015	\$ 9,393

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

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2022. A revised mid-year budget was adopted in March 2023.

The General Fund Budgetary Comparison Schedule shows that, for the fiscal year ended June 30, 2023, General Fund revenues and transfers exceeded projections by \$3.2 million, while the expenditures came in \$328 thousand over budget. The actual revenues and expenditures resulted in a net surplus of \$2.5 million.

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. Any questions concerning any of the information provided in this report or requests for additional financial information, contact the City's Finance Department, at the City of Lemon Grove, 3232 Main Street, Lemon Grove, CA 91945 or go online at <https://www.lemongrove.ca.gov>.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Lemon Grove
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 24,065,639	\$ 31,042,200	\$ 55,107,839
Receivables:			
Accounts	3,176,196	409,417	3,585,613
Interest	3,687,750	-	3,687,750
Leases	78,755	-	78,755
Notes and loans receivable	9,893,292	-	9,893,292
Due from other government	606,196	-	606,196
Prepaid items	3,356	1,194	4,550
Total current assets	41,511,184	31,452,811	72,963,995
Noncurrent assets:			
Restricted cash and investments	1,534,924	1,764,768	3,299,692
Leases	9,644,338	-	9,644,338
Capital assets:			
Nondepreciable	9,518,780	335,174	9,853,954
Depreciable	81,814,773	16,126,192	97,940,965
Less accumulated depreciation	(47,597,167)	(9,288,463)	(56,885,630)
Total capital assets	43,736,386	7,172,903	50,909,289
Total noncurrent assets	54,915,648	8,937,671	63,853,319
Total assets	96,426,832	40,390,482	136,817,314
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	3,513,565	1,505,813	5,019,378
Deferred outflows - OPEB	240,522	60,131	300,653
Total deferred outflows of resources	3,754,087	1,565,944	5,320,031
LIABILITIES			
Current liabilities:			
Accounts payable	2,395,692	983,261	3,378,953
Accrued liabilities	75,323	7,278	82,601
Deposits payable	419,982	-	419,982
Unearned revenue	5,882,710	-	5,882,710
Interest payable	23,754	-	23,754
Compensated absences - current	25,805	386	26,191
Total OPEB liability-current portion	139,209	34,802	174,011
Long-term debt - current portion	78,401	-	78,401
Total current liabilities	9,040,876	1,025,727	10,066,603
Noncurrent liabilities:			
Compensated absences	513,007	48,188	561,195
Claims payable	45,999	-	45,999
Net Pension liability	7,642,002	3,275,144	10,917,146
Total OPEB liability	2,137,717	534,430	2,672,147
Long-term debt	539,898	-	539,898
Total noncurrent liabilities	10,878,623	3,857,762	14,736,385
Total liabilities	19,919,499	4,883,489	24,802,988
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - Leases	9,438,169	-	9,438,169
Deferred inflows of resources - Pension	559,257	239,681	798,938
Deferred inflows of resources - OPEB	1,013,100	253,275	1,266,375
Total deferred inflows of resources	11,010,526	492,956	11,503,482
NET POSITION			
Net investment in capital assets	43,118,087	7,172,903	50,290,990
Restricted for:			
Pensions	1,512,529	1,764,768	3,277,297
Transportation	1,658,577	-	1,658,577
Community development	1,380,111	-	1,380,111
Public safety	91,355	-	91,355
Housing	14,627,106	-	14,627,106
Public-access television	145,786	-	145,786
Total restricted	19,415,464	1,764,768	21,180,232
Unrestricted	6,717,343	27,642,310	34,359,653
Total net position	\$ 69,250,894	\$ 36,579,981	\$ 105,830,875

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,464,894	\$ 1,483,082	\$ 519,159	\$ 46,246	\$ 2,048,487
Public safety	12,339,093	457,384	183,224	-	640,608
Public works	5,079,083	637,137	1,899,179	886,182	3,422,498
Community development	1,480,867	960,589	578,983	-	1,539,572
Interest on long-term debt	23,754	-	-	-	-
Total governmental activities	22,387,691	3,538,192	3,180,545	932,428	7,651,165
Business-type Activities:					
Sanitation	5,267,145	8,492,277	-	-	8,492,277
Total business-type activities	5,267,145	8,492,277	-	-	8,492,277
Total primary government	\$ 27,654,836	\$ 12,030,469	\$ 3,180,545	\$ 932,428	\$ 16,143,442

General Revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Motor vehicle in-lieu taxes (unrestricted)

Other Taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,416,407)	\$ -	\$ (1,416,407)
(11,698,485)	-	(11,698,485)
(1,656,585)	-	(1,656,585)
58,705	-	58,705
(23,754)	-	(23,754)
(14,736,526)	-	(14,736,526)
-	3,225,132	3,225,132
-	3,225,132	3,225,132
(14,736,526)	3,225,132	(11,511,394)
3,785,392	-	3,785,392
7,845,820	-	7,845,820
52,525	-	52,525
1,145,142	-	1,145,142
3,415,841	-	3,415,841
971,745	-	971,745
17,216,465	-	17,216,465
329,470	453,234	782,704
2,065,397	-	2,065,397
100,000	(100,000)	-
19,711,332	353,234	20,064,566
4,974,806	3,578,366	8,553,172
64,276,088	33,001,615	97,277,703
<u>\$ 69,250,894</u>	<u>\$ 36,579,981</u>	<u>\$ 105,830,875</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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City of Lemon Grove
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Housing Fund	Transnet Fund		
ASSETS					
Cash and investments	\$ 19,606,147	\$ 1,206,523	\$ -	\$ 3,252,969	\$ 24,065,639
Accounts receivable	1,450,472	-	92	191,294	1,641,858
Interest receivable	-	3,687,750	-	-	3,687,750
Leases Receivable	9,723,093	-	-	-	9,723,093
Notes and loans	-	9,893,292	-	-	9,893,292
Due from other funds	1,605,050	-	-	-	1,605,050
Due from other government	-	-	109,246	496,950	606,196
Prepaid items	3,249	-	-	107	3,356
Restricted cash	1,490,894	-	2,395	21,635	1,514,924
Total assets	\$ 33,878,905	\$ 14,787,565	\$ 111,733	\$ 3,962,955	\$ 52,741,158
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,216,017	\$ -	\$ 18,116	\$ 159,102	\$ 2,393,235
Accrued liabilities	70,896	-	349	4,078	75,323
Due to other funds	-	-	140,653	369,876	510,529
Deposits payable	128,585	-	-	291,397	419,982
Unearned revenue	5,848,352	-	-	34,358	5,882,710
Total liabilities	8,263,850	-	159,118	858,811	9,281,779
Deferred Inflows of Resources					
Deferred inflows - Leases	9,438,169	-	-	-	9,438,169
Unavailable revenue	277,500	3,687,751	109,246	481,383	4,555,880
Total deferred inflows of resources	9,715,669	3,687,751	109,246	481,383	13,994,049
Fund Balances:					
Nonspendable	3,249	-	-	-	3,249
Restricted	1,490,894	11,099,814	-	3,055,322	15,646,030
Unassigned	14,405,243	-	(156,631)	(432,561)	13,816,051
Total fund balances	15,899,386	11,099,814	(156,631)	2,622,761	29,465,330
Total liabilities, deferred inflows of resources and fund balances	\$ 33,878,905	\$ 14,787,565	\$ 111,733	\$ 3,962,955	\$ 52,741,158

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, 2023

Total Fund Balances - Total Governmental Funds	\$ 29,465,330
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

Nondepreciable	9,518,780
Depreciable, net	34,217,606
	<hr/>
Total capital assets	43,736,386

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.

411,361

Unavailable revenues recorded in the fund financial statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.

4,555,880

In the Government-Wide Financial Statements, deferred employer contributions for pension and OPEB, certain differences between actuarial estimates and actual results, and other adjustments resulting from changes in assumptions and benefits are deferred in the current year.

Deferred outflows of resources related to pension	3,513,565
Deferred outflows of resources related to OPEB	240,522
Deferred inflows of resources related to pension	(559,257)
Deferred inflows of resources related to OPEB	(1,013,100)

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

New debt issued during the year	(618,299)
Compensated absences - due within one year	(25,805)
Interest payable	(23,754)
Compensated absences - due in more than one year	(513,007)
Net pension liability	(7,642,002)
Total OPEB liability	(2,276,926)
	<hr/>
Total long-term liabilities	(11,099,793)

Net Position of Governmental Activities	\$ 69,250,894
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City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2023

	General Fund	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Housing Fund	Transnet Fund		
REVENUES:					
Taxes and special assessments	\$ 17,188,432	\$ -	\$ -	\$ 439,948	\$ 17,628,380
Licenses, fees and permits	931,146	-	-	-	931,146
Fines, forfeitures and penalties	592,488	-	-	-	592,488
Intergovernmental revenues	625,770	-	886,182	1,889,117	3,401,069
Charges for services	450,525	-	-	303,953	754,478
Use of money and property	875,705	136,341	1,443	37,213	1,050,702
Other revenues	549,237	-	-	25,924	575,161
Total revenues	21,213,303	136,341	887,625	2,696,155	24,933,424
EXPENDITURES:					
Current:					
General government	1,767,480	-	-	18,365	1,785,845
Public safety	12,252,886	-	-	24,806	12,277,692
Public works	2,461,815	-	116,568	1,098,396	3,676,779
Community development	1,323,343	-	-	95,554	1,418,897
Capital outlay	1,188,770	-	687,312	993,936	2,870,018
Total expenditures	18,994,294	-	803,880	2,231,057	22,029,231
REVENUES OVER (UNDER)	2,219,009	136,341	83,745	465,098	2,904,193
EXPENDITURES	2,219,009	136,341	83,745	465,098	2,904,193
OTHER FINANCING SOURCES (USES):					
Transfers in	213,600	-	-	279,280	492,880
Transfers out	(109,280)	-	-	(283,600)	(392,880)
Proceeds from long-term debt	618,299	-	-	-	618,299
Total other financing sources (uses)	722,619	-	-	(4,320)	718,299
Net change in fund balances	2,941,628	136,341	83,745	460,778	3,622,492
FUND BALANCES:					
Beginning of year	\$ 12,954,019	\$ 10,963,473	\$ (240,376)	\$ 2,217,712	\$ 25,894,828
Restatement	3,739	-	-	(55,729)	(51,990)
Beginning of year, as restated	12,957,758	10,963,473	(240,376)	2,161,983	25,842,838
End of year	<u>\$ 15,899,386</u>	<u>\$ 11,099,814</u>	<u>\$ (156,631)</u>	<u>\$ 2,622,761</u>	<u>\$ 29,465,330</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities For the year ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 3,622,492
Amounts reported for governmental activities in the Government-Wide Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated lives as depreciation expense. This was the amount of capital assets recorded in the current period, net of the amount related to internal service funds.	2,887,921
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds, net of the amount related to internal service funds.	(1,556,621)
Loss on deletion of capital assets are reported in the Government-Wide Statement of Activities does not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	(150,068)
Accrued compensated leave payments were reported as expenditures in the governmental funds, however expense is recognized in the Government-Wide Statement of Activities based on earned leave accruals.	7,360
Debt proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Issuance of long-term debt	(618,299)
Interest Expense were reported as expenditures in the governmental funds, however expense is recognized in the Government-Wide Statement of Activities based on interest payable accruals.	(23,754)
Current year employer pension and OPEB contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as deferred outflow of resources in the Government-Wide Statement of Net Position.	1,497,301
Pension and OPEB expenses are reported in the Government-Wide Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	(1,245,705)
Unavailable revenues recorded in the fund financial statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.	786,447
Internal service funds were used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue of the Internal service funds was reported with governmental activities.	(232,268)
Change in Net Position of Governmental Activities	\$ 4,974,806

City of Lemon Grove
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities Sanitation Fund	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash and investments	\$ 31,042,200	\$ -
Accounts receivable	409,417	1,534,338
Prepaid items	1,194	-
Total current assets	<u>31,452,811</u>	<u>1,534,338</u>
Noncurrent:		
Restricted cash and investments	1,764,768	20,000
Capital assets:		
Nondepreciable capital assets	335,174	-
Depreciable capital assets	16,126,192	-
Accumulated depreciation	<u>(9,288,463)</u>	<u>-</u>
Net capital assets	<u>7,172,903</u>	<u>-</u>
Total noncurrent assets	<u>8,937,671</u>	<u>20,000</u>
Total assets	<u>40,390,482</u>	<u>1,554,338</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	1,505,813	-
Deferred outflows - OPEB	60,131	-
Total deferred outflows of resources	<u>1,565,944</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	983,261	2,457
Accrued liabilities	7,278	-
Due to other funds	-	1,094,521
Compensated absences - current	386	-
Total OPEB liability - current	<u>34,802</u>	<u>-</u>
Total current liabilities	<u>1,025,727</u>	<u>1,096,978</u>
Noncurrent liabilities:		
Compensated absences	48,188	-
Claims payable	-	45,999
Net pension liability	3,275,144	-
Total OPEB liability	<u>534,430</u>	<u>-</u>
Total noncurrent liabilities	<u>3,857,762</u>	<u>45,999</u>
Total liabilities	<u>4,883,489</u>	<u>1,142,977</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	239,681	-
Deferred inflows - OPEB	253,275	-
Total deferred inflows of resources	<u>492,956</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	7,172,903	-
Restricted for pension	1,764,768	-
Unrestricted	<u>27,642,310</u>	<u>411,361</u>
Total net position	<u>\$ 36,579,981</u>	<u>\$ 411,361</u>

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2023

	Business-Type Activities Sanitation Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES:		
Charges for sales and services	\$ 8,492,277	\$ -
Other revenues	-	1,529,956
Total operating revenues	8,492,277	1,529,956
OPERATING EXPENSES:		
Personnel costs	637,023	-
Contractual services	523,515	10,354
Materials and supplies	61,966	-
Repairs and maintenance	99,128	-
Capacity and treatment	3,631,021	-
Utilities	7,263	-
Insurance and claims	65,076	1,764,541
Depreciation	242,153	-
Total operating expenses	5,267,145	1,774,895
Operating income (loss)	3,225,132	(244,939)
NONOPERATING REVENUES (EXPENSES):		
Interest income	453,234	12,671
Total nonoperating revenues (expenses)	453,234	12,671
Income before contributions and transfers	3,678,366	(232,268)
CONTRIBUTIONS AND TRANSFERS:		
Transfers out	(100,000)	-
Total contributions and transfers	(100,000)	-
Change in net position	3,578,366	(232,268)
NET POSITION:		
Beginning of year	33,001,615	200,943
Restatements	-	442,686
Beginning of year, as restated	33,001,615	643,629
End of year	\$ 36,579,981	\$ 411,361

See accompanying Notes to Basic Financial Statements.

City of Lemon Grove
Combining Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2023

	Business-Type Activities Sanitation Fund	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 8,366,207	\$ (3,355)
Payments to suppliers for goods and services	(3,461,302)	(1,877,601)
Payments to employees for services	(1,155,782)	-
Net cash provided by (used in) operating activities	3,749,123	(1,880,956)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash paid to/received from other funds	(100,000)	1,094,521
Net cash provided by (used in) noncapital financing activities	(100,000)	1,094,521
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(213,076)	
Net cash provided by (used in) capital and related financing activities	(213,076)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	453,234	12,671
Net cash provided by (used in) investing activities	453,234	12,671
Net cash flows	3,889,281	(773,764)
CASH AND INVESTMENTS - Beginning of year	28,917,687	793,764
CASH AND INVESTMENTS - End of year	\$ 32,806,968	\$ 20,000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 3,225,132	\$ (244,939)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	242,153	-
(Increase) decrease in accounts receivable	(126,070)	(1,533,311)
(Increase) decrease in prepaids	4,358	-
(Increase) decrease in deferred outflows	(1,003,827)	-
Increase (decrease) in accounts payable and accrued liabilities	927,339	(995)
Increase (decrease) in compensated absences payable	(17,035)	-
Increase (decrease) in claims payable	(5,030)	(101,711)
Increase (decrease) in total OPEB liability	(65,883)	-
Increase (decrease) in net pension liability	1,784,893	-
Increase (decrease) in deferred inflows	(1,216,907)	-
Net cash provided by (used in) operating activities	\$ 3,749,123	\$ (1,880,956)

See accompanying Notes to Basic Financial Statements.

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City of Lemon Grove
Statement of Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2023

	Private-Purpose Trust Fund Successor Agency of the Former RDA
ASSETS	
Cash and investments	\$ 544,274
Cash and investments with fiscal agents	1,144,430
Property held for resale	6,535,362
Total assets	8,224,066
LIABILITIES	
Interest payable	283,335
Due to the City of Lemon Grove	1,963,496
Long-term liabilities:	
Long-term debt - due within one year	820,000
Long-term debt - due in more than one year	17,632,297
Total liabilities	20,704,378
NET POSITION	
Restricted for:	
Net position held in trust for Sucessor Agency	(12,480,312)
Total Net Position	\$ (12,480,312)

City of Lemon Grove
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2023

	Private-Purpose Trust Fund Successor Agency of the Former RDA
ADDITIONS:	
Property taxes	\$ 2,048,909
Interest revenue	59
Total additions	<u>2,048,968</u>
DEDUCTIONS:	
Administration	60,830
Interest expense	<u>646,953</u>
Total deductions	<u>707,783</u>
Change in net position	1,341,185
NET POSITION:	
Beginning of year	<u>(13,821,497)</u>
End of year	<u><u>\$ (12,480,312)</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

Separate financial statements for these component units are not prepared.

B. Basis of Accounting and Measurement Focus

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

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

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

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

Governmental Fund Financial Statements

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

The City reports the following proprietary funds:

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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

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

Fiduciary Fund Financial Statements

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

The City reports the following fiduciary fund:

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

C. Cash, Cash Equivalents, and Investments

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

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

D. Restricted Cash and Investments

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

E. Compensated Absences

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

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

F. Property Taxes

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

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 exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

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

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

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

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

G. Capital Assets

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

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Interest Payable

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

I. Unavailable and unearned revenue

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

J. Claims and Judgments

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

K. Use of Estimates

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

L. Long-term Obligations

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position

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

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

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

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

N. Fund Balances

Non-spendable Fund Balances

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

Restricted Fund Balances

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

Committed Fund Balances

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

Assigned Fund Balances

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Fund Balances, Continued

Unassigned Fund Balance

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

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

O. Deferred Outflows/Inflows of Resources

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

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

P. Pensions

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

Q. New Accounting Pronouncements

In 2023, the City adopted the new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

- **GASB Statement 91, Conduit Debt Obligations** – The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement did not apply to the City for the current fiscal year.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. New Accounting Pronouncements, Continued

- **GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements** – The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this statement did not apply to the City for the current fiscal year.
- **GASB Statement No. 96, Subscription-Based Information Technology Arrangements** – The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement did not apply to the City for the current fiscal year.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	Government-wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Investments	\$ 24,065,639	\$ 31,042,200	\$ 544,274	\$ 55,652,113
Restricted Cash and Investments	1,534,924	1,764,768	1,144,430	4,444,122
Total Cash and Investments	<u>\$ 25,600,563</u>	<u>\$ 32,806,968</u>	<u>\$ 1,688,704</u>	<u>\$ 60,096,235</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

Cash and investments as of June 30, 2023 consist of the following:

Cash on Hand	\$ 1,900
Deposits with Financial Institutions	18,481,433
Total Cash on Hand and Deposits	18,483,333
Local Agency Investment Fund	31,670,844
Certificates of Deposit	4,344,490
US Agency Securities	1,153,546
Total Investments	37,168,880
Restricted Cash and Investments :	
Mutual Funds	3,299,592
Cash and Investment with Fiscal Agents:	
Money Market Mutual Fnds	1,144,430
Total Cash and Investments	\$ 60,096,235

B. Deposits

The carrying amount of the City's deposits was \$18,483,333 at June 30, 2023. Bank balances before reconciling items amounted to \$18,842,884 at June 30, 2023. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institution in the City's name.

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

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

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

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

D. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity (in Months)			
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$31,670,844	\$31,670,844	\$ -	\$ -
Certificate of Deposits	4,344,490	970,200	428,204	2,946,086
US Agency Securities	1,153,546	-	790,750	362,796
Total	<u>\$37,168,880</u>	<u>\$32,641,044</u>	<u>\$1,218,954</u>	<u>\$3,308,882</u>

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

F. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	AA+	Unrated
Local Agency Investment Fund	\$31,670,844	N/A	\$ -	\$31,670,844
Certificate of Deposit	4,344,490	N/A	-	4,344,490
US Agency Securities	1,153,546	N/A	1,153,546	-
Total	<u>\$37,168,880</u>		<u>\$1,153,546</u>	<u>\$36,015,334</u>

G. Concentration of Credit Risk

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

H. Custodial Credit Risk

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

I. External Investment Pools

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

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

J. Investment Valuation

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

J. Investment Valuation, Continued

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

Restricted cash and investments included money market accounts and guaranteed investment contracts which are not subject to fair value measurement. The City has the following recurring fair value measurements as of June 30, 2023:

- US Agency Securities of \$1,153,546 are valued using quoted market prices (Level 2 inputs).
- Certificates of Deposit of \$4,344,490 are valued using a matrix pricing model (Level 2 inputs).

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

3. NOTES RECEIVABLE

As of June 30, 2023, notes receivable of \$9,893,292 consisted of the following:

Hitzke Development Corporation

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

During the fiscal year ended June 30, 2013, the City executed another promissory note with the Developer in an amount not-to-exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable two (2) years from the date of the execution of the notes or rolled over as additional assistance into the development and disposition agreement. As of June 30, 2023, the City had advanced \$6,763,292 to the borrower. In addition, \$2,485,857 of cumulative interest is accrued as of June 30, 2023.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

3. NOTES RECEIVABLE, Continued

Community Collective

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

As of June 30, 2023, the City had advanced \$3,130,000 to the borrower. In addition, \$1,201,894 of cumulative interest is accrued as of June 30, 2023.

4. LEASES RECEIVABLE

Pursuant to GASB 87, the City has the following lease receivables:

Outfront Media LLC:

On 10/15/2019, the City entered into a Digital Billboard lease agreement with Outfront Media LLC. Under the lease, the lessee pays the City \$27,083 per month from 6/10/2022 – 5/10/2023 and with 3% increase each year from 6/10/2023 – 6/10/2052. Term of the lease is 20 years with two additional successive extension periods of 5 years. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%. In fiscal year 2023, the City recognized \$40,327 of lease revenue and \$285,486 of interest revenue under the lease.

Mossy Automotive Group LLC:

On 10/20/2020, the City entered into a lease with Mossy Automotive Group, LLC for space located at Northeast corner of Lemon Grove Boulevard and North Avenue. Under the lease, the lessee pays the City \$2,500 per month with 2% increase each year from 11/1/2021 – 11/1/2030. Lease agreement is renewal for 9 years after the 1st initial lease term. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2%. In fiscal year 2023, the City recognized \$29,823 of lease revenue and \$4,870 of interest revenue under the lease.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

4. LEASES RECEIVABLE, Continued

The future revenue payments as of June 30, 2023, are as follows:

Year Ending June 30,	Outfront Media LLC		Mossy Automotive Group		Leases Receivable		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 51,463	\$ 284,124	\$ 27,292	\$ 4,336	\$ 78,755	\$ 288,460	\$ 367,215
2025	63,235	282,420	28,480	3,780	91,715	286,200	377,915
2026	75,671	280,353	29,705	3,199	105,376	283,552	388,928
2027	88,801	277,903	30,967	2,593	119,768	280,496	400,264
2028	102,656	275,050	32,266	1,962	134,922	277,012	411,934
2029	117,266	271,771	33,611	1,305	150,877	273,076	423,953
2030-2034	834,329	1,293,085	46,890	670	881,219	1,293,755	2,174,974
2035-2039	1,333,595	1,132,660	-	-	1,333,595	1,132,660	2,466,255
2040-2044	1,969,194	888,447	-	-	1,969,194	888,447	2,857,641
2045-2049	2,779,994	534,446	-	-	2,779,994	534,446	3,314,440
2050-2054	2,077,678	95,944	-	-	2,077,678	95,944	2,173,622
Total	\$ 9,493,882	\$ 5,616,203	\$ 229,211	\$ 17,845	\$ 9,723,093	\$ 5,634,048	\$ 15,357,141

5. DUE FROM SUCCESSOR AGENCY

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, following the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Successor Agency Private-purpose Trust Fund. The repayment of the original advances is currently uncertain and is subject to approval by the State Department of Finance under applicable redevelopment agency dissolution law. As of June 30, 2023, the amount due from the Successor Agency was \$1,963,496 and is offset by an allowance for doubtful accounts.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

6. CAPITAL ASSETS

The following represents the capital asset activity for the year ended June 30, 2023:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfer	Ending Balance
Capital Assets, Not Being Depreciated:					
Land and Improvements	\$ 7,520,853	\$ -	\$ -	\$ -	\$ 7,520,853
Construction in Progress	1,619,547	2,887,921	(134,475)	(2,375,066)	1,997,927
Total Capital Assets, Not Being Depreciated	9,140,400	2,887,921	(134,475)	(2,375,066)	9,518,780
Capital Assets, Being Depreciated:					
Buildings and Improvements	10,021,713	-	-	-	10,021,713
Vehicles and Equipment	2,741,647	-	(60,716)	-	2,680,931
Infrastructure	66,737,063	-	-	2,375,066	69,112,129
Total Capital Assets, Being Depreciated	79,500,423	-	(60,716)	2,375,066	81,814,773
Less Accumulated Depreciation:					
Building and Improvements	(7,646,245)	(142,754)	-	-	(7,788,999)
Vehicles and Equipment	(2,240,719)	(91,927)	45,124	-	(2,287,522)
Infrastructure	(36,198,706)	(1,321,940)	-	-	(37,520,646)
Total Accumulated Depreciation	(46,085,670)	(1,556,621)	45,124	-	(47,597,167)
Capital Assets Being Depreciated, Net	33,414,753	(1,556,621)	(15,592)	2,375,066	34,217,606
Total Capital Assets - Governmental Activities	\$ 42,555,153	\$ 1,331,300	\$ (150,067)	\$ -	\$ 43,736,386
Business-type Activities	Beginning Balance	Additions	Deletions	Transfer	Ending Balance
Capital Assets, Not Being Depreciated:					
Land and Improvements	\$ 3,724	\$ -	\$ -	\$ -	\$ 3,724
Construction in Progress	588,977	149,028	-	(406,555)	331,450
Total Capital Assets, Not Being Depreciated	592,701	149,028	-	(406,555)	335,174
Capital Assets, Being Depreciated:					
Machinery and Equipment	1,367,216	64,048	(382,288)	-	1,048,976
Infrastructure	14,670,661	-	-	406,555	15,077,216
Total Capital Assets, Being Depreciated	16,037,877	64,048	(382,288)	406,555	16,126,192
Less Accumulated Depreciation:					
Machinery and Equipment	(1,277,073)	(61,736)	382,288	-	(956,521)
Infrastructure	(8,151,525)	(180,417)	-	-	(8,331,942)
Total Accumulated Depreciation	(9,428,598)	(242,153)	382,288	-	(9,288,463)
Capital Assets Being Depreciated, Net	6,609,279	(178,105)	-	406,555	6,837,729
Total Capital Assets - Business-type Activities	\$ 7,201,980	\$ (29,077)	\$ -	\$ -	\$ 7,172,903

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

General Government	\$ 42,138
Public Safety	61,970
Public Works	142,020
Community Development	1,310,493
Total Government Depreciation	<u>\$ 1,556,621</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financed Purchase	\$ -	\$ 618,299	\$ -	\$ 618,299	\$ 78,401
Compensated Absences	546,172	429,176	(436,536)	538,812	25,805
Total OPEB Liability	2,540,458	-	(263,532)	2,276,926	139,209
Net Pension Liability	3,520,467	4,121,535	-	7,642,002	-
Claims Payable	590,396	-	(544,397)	45,999	-
Total	<u>\$ 7,197,493</u>	<u>\$ 5,169,010</u>	<u>\$ (1,244,465)</u>	<u>\$ 11,122,038</u>	<u>\$ 243,415</u>
Business-type Activities					
Compensated Absences	\$ 65,609	\$ 59,172	\$ (76,207)	\$ 48,574	\$ 386
Total OPEB Liability	635,115	-	(65,883)	569,232	34,802
Net Pension Liability	1,490,251	1,784,893	-	3,275,144	-
Claims Payable	5,030	-	(5,030)	-	-
Total	<u>\$ 2,196,005</u>	<u>\$ 1,844,065</u>	<u>\$ (147,120)</u>	<u>\$ 3,892,950</u>	<u>\$ 35,188</u>

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

REV Financial Services Finance Purchase: On July 10, 2022, the City entered into a financing purchase agreement with REV Financial Services, LLC (Lender) in the amount of \$618,299, bearing an interest rate of 3.95%. The funds will be used to finance the purchase of one fire truck. Principal and interest payments are due annually, commencing July 2023, maturing in July 2029.

As of June 30, 2023, the outstanding balance of the debt, including accrued interest was \$642,053.

The annual debt service requirements to mature the debts outstanding at June 30, 2023 were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 78,401	\$ 24,423	\$ 102,824
2025	81,498	21,326	102,824
2026	84,717	18,107	102,824
2027	88,064	14,760	102,824
2028	91,542	11,282	102,824
2029	95,158	7,666	102,824
2030	98,917	3,907	102,824
	<u>\$ 618,299</u>	<u>\$ 101,471</u>	<u>\$ 719,770</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT, Continued

Fiduciary Fund Long-term Debt

A summary of the Successor Agency Fiduciary Fund long-term debt for the 2022-2023 fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
Series 2014, Refunding	\$ 4,900,000	\$ -	\$ (135,000)	\$ 4,765,000	\$ 145,000
Series 2019, Refunding	14,035,000	-	(665,000)	13,370,000	675,000
Premium	352,552	-	(35,255)	317,297	-
	<u>\$ 19,287,552</u>	<u>\$ -</u>	<u>\$ (835,255)</u>	<u>\$ 18,452,297</u>	<u>\$ 820,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 145,000	\$ 186,786	\$ 331,786
2025	140,000	179,661	319,661
2026	150,000	172,411	322,411
2027	165,000	165,877	330,877
2028	165,000	160,205	325,205
2029	170,000	154,215	324,215
2030	835,000	135,456	970,456
2031	875,000	102,300	977,300
2032	910,000	66,600	976,600
2033	505,000	38,300	543,300
2034	345,000	21,300	366,300
2035	360,000	7,200	367,200
	<u>\$ 4,765,000</u>	<u>\$1,390,311</u>	<u>\$ 6,155,311</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT, Continued

Fiduciary Fund Long-term Debt, Continued

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 675,000	\$ 478,195	\$ 1,153,195
2025	725,000	454,433	1,179,433
2026	745,000	429,040	1,174,040
2027	765,000	402,434	1,167,434
2028	795,000	374,556	1,169,556
2029	815,000	345,411	1,160,411
2030	350,000	324,912	674,912
2031	350,000	312,903	662,903
2032	370,000	299,832	669,832
2033	845,000	277,774	1,122,774
2034	1,055,000	243,279	1,298,279
2035	1,095,000	204,246	1,299,246
2036	1,535,000	154,794	1,689,794
2037	1,590,000	94,591	1,684,591
2038	1,660,000	31,980	1,691,980
	<u>\$13,370,000</u>	<u>\$4,428,380</u>	<u>\$17,798,380</u>

8. DEFINED BENEFIT PENSION PLAN

A. General Information about the Defined Benefit Pension Plan

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

8. DEFINED BENEFIT PENSION PLAN, Continued

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

Benefits Provided - The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2021 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2021 actuarial valuation report. This report is a publicly available valuation report that can be obtained at the CalPERS' website under Forms and Publications.

The rate plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPRA
Hire Date	Prior to November 12, 2005	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55 single highest year	2% @ 60 36 month average	2% @ 62 36 month average
Benefit vesting schedule	5 years service	5 years service	5 years services
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.5%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	12.21% + \$571,212	8.63% + \$3,403	7.47% + \$3,481

	Safety	Safety PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	single highest year	36 month average
Benefit payments	5 years service	5 years service
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.4% to 3%	2% to 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	21.84% + \$209,295	12.78% + \$2,949

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

8. DEFINED BENEFIT PENSION PLAN, Continued

A. General Information about the Defined Benefit Pension Plan, 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 \$ 764,050 in fiscal year 2023.

The City's contributions to the Plan for the year ended June 30, 2023 were \$1,323,289.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2023, the City reported a liability of \$10,917,146 for its proportionate share of the net pension liability. The City's net pension liability for the Plan is measured as of June 30, 2022, 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, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the Plan's net pension liability as of June 30, 2021 and 2022 was as follows:

Proportion - June 30, 2021	0.09265%
Proportion - June 30, 2022	0.09451%
Change - Increase (Decrease)	0.00187%

For the year ended June 30, 2023, the City recognized pension expense of \$720,308. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,323,290	\$ -
Differences between actual and expected experience	1,113,545	138,712
Changes in employer's proportion	375,976	-
Differences between employer's contribution and the employer's proportionate share of contributions	286,042	-
contributions	-	660,226
Net differences between projected and actual earnings on plan investments	1,920,525	-
Total	<u>\$ 5,019,378</u>	<u>\$ 798,938</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

8. DEFINED BENEFIT PENSION PLAN, Continued

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

The \$1,323,290 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2024	\$ 752,778
2025	629,766
2026	340,750
2027	1,173,856

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation dates	June 30, 2021
Measurement date	June 30 2022
Actuarial cost method	entry-age-normal
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Projected salary increase	Varies by Entry age and service
Investment rate of return	6.90%
Mortality rate table (1)	Derived using CalPERS' Membership Data for all Funds

1-The Mortality table was developed based on CalPERS specific data. The rate incorporate generational mortality to capture ongoing mortality improvement using 80% of scale MP 2020 published by the society of Actuaries. For more details refer to the 2021 experience study report that can be found on the CalPERS website.

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

Long-term Expected Rate of Return - In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

8. DEFINED BENEFIT PENSION PLAN, Continued

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

The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed asset allocation	Real return ^{1,2}
Global Equity - Cap-weighted	30%	4.54%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate - The discount rate used to measure the total pension liability as of the measurement date of June 30, 2022 for the Plan was 6.90%, which differs from the discount rate used as of the measurement date of June 30, 2021, of 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections can be obtained from the CalPERS website.

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	5.90%
Net Pension Liability	\$16,756,342
Current Discount Rate	6.90%
Net Pension Liability	\$10,917,146
1% Increase	7.90%
Net Pension Liability	\$ 6,123,905

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

8. DEFINED BENEFIT PENSION PLAN, Continued

B. Payable to the Pension Plan

At June 30, 2023, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2023.

9. OTHER POST EMPLOYEE BENEFITS

A. General Information About the OPEB Plan

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

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

Employees Covered by Benefit Terms - As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees currently receiving benefits	36
Active employees	48
	<hr/>
	84

Contributions - The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contributions to the Plan are based on the costs to provide the benefits as described above on a pay as you go basis. For the fiscal year ended June 30, 2023, the City's pay-as-you-go costs were \$130,855.

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

9. OTHER POST EMPLOYEE BENEFITS, Continued

A. General Information About the OPEB Plan, Continued

Total OPEB Liability - The City's Total OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-age, Level Percent of Pay
Salary Changes	3.00%
Inflation Rate	2.50%
Age at Retirement	50
Health Care Trend Rate	6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, 4% thereafter
Pre-retirement Mortality	Pre-retirement mortality rate for Public agency Miscellaneous,
Post-retirement Mortality	Pre-retirement mortality rate for Public agency Miscellaneous,
Discount Rate:	Fire, police from CalPERS Experience study (2000-2019)
As of 6/30/2017	3.60%, net of investment, including inflation
As of 6/30/2018	3.90%, net of investment, including inflation
As of 6/30/2019	3.50%, net of investment, including inflation
As of 6/30/2020	2.60%, net of investment, including inflation
As of 6/30/2021	1.92%, net of investment, including inflation
As of 6/30/2022	3.69%, net of investment, including inflation
As of 6/30/2023	3.86%, net of investment, including inflation

Discount Rate - The discount rate used to measure the total OPEB liability was 3.86 percent and is based on the tax-exempt general obligations municipal bonds AA - 20 Years index.

B. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 3,175,573
Changes in the year:	
Service Cost	130,619
Interest on the total OPEB liability	118,817
Differences between expected and actual experience	(460,971)
Changes in assumptions	56,131
Benefit payments, including implicit subsidy	(174,011)
Net changes	(329,415)
Balance at June 30, 2023	\$ 2,846,158

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

9. OTHER POST EMPLOYEE BENEFITS, Continued

B. Changes in the Total OPEB Liability, Continued

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB liability	\$ 3,195,766	\$ 2,846,158	\$ 2,553,639

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

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ 2,627,733	\$ 2,846,158	\$ 3,174,716

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2023, the City recognized OPEB expense of \$23,672. As of June 30, 2023, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (762,209)
Changes in assumptions	300,653	(504,166)
Total	\$ 300,653	\$ (1,266,375)

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

Year Ending June 30,	
2024	(261,433)
2025	(223,177)
2026	(209,234)
2027	(123,268)
2028	(51,246)
Thereafter	(97,364)

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

10. RISK MANAGEMENT

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

Risk Pool Membership

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The Authority arranges and administers programs for the pooling of self-insured losses, purchases excess insurance and reinsurance, and arranges for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Authority's Board of Directors. The Board operates through a nine-member Executive Committee.

Primary Liability program

Liability coverage includes auto liability, employment practices liability, public officials' errors and omissions, bodily injury, personal injury, third party property damage, advertising injury, and employee benefit administration liability. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>

Excess Workers' Compensation Program

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

The City also participates in the following coverage programs provided by the Authority:

- (A) Pollution Legal Liability Insurance Program. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.
- (B) Crime Insurance Program. Formerly called Blanket Fidelity Bond, this policy covers faithful performance, depositor's forgery, theft of money and securities, and computer fraud related to the transfer of money. The policy limit is \$1,000,000, and the deductible is \$5,000

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

11. FUND BALANCES

The details of fund balances as of June 30, 2023 are as follows:

	General Fund	Housing Fund	Transnet Fund	Nonmajor Government Funds	Total
Nonspendable:					
Prepaid Items	\$ 3,249	\$ -	\$ -	\$ -	\$ 3,249
Restricted for:					
Pensions	1,490,894	-	-	-	1,490,894
Housing	-	11,099,814	-	-	11,099,814
Public Safety	-	-	-	91,477	91,477
Streets and Transportation	-	-	-	1,669,867	1,669,867
Community Development	-	-	-	1,148,192	1,148,192
Parks and Recreation	-	-	-	145,786	145,786
Unassigned	14,405,243	-	(156,631)	(432,561)	13,816,051
Total Fund Balances	\$ 15,899,386	\$ 11,099,814	\$ (156,631)	\$ 2,622,761	\$ 29,465,330

12. JOINT POWERS AUTHORITY

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2023. Complete financial statements may be obtained at the City of El Cajon, Finance City, 200 E. Main Street, El Cajon, CA 92020.

The City is a member of Heartland Fire Training Authority (HFTA). The purpose of HFTA is to provide a fire-fighting training facility and training courses for personnel of the member agencies. HFTA was created on October 1, 1999, as amended, by a Joint Powers Agreement (JPA) between a number of cities and fire protection districts in San Diego County. For the current fiscal year, the JPA members consist of the Cities of El Cajon, La Mesa, Lemon Grove, and Santee, the Fire Protection Districts of Alpine, Bonita-Sunnyside, Lakeside, and San Miguel, the Viejas Band of Kumeyaay Indians, and the Barona Band of Mission Indians. One elected official from each member agency is appointed to the HFTA Commission. The Commission approves an annual budget based on the costs of operating the facility and providing training to member agency personnel. Lemon Grove's membership cost was \$13,513 for the fiscal year ending June 30, 2023.

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

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

13. SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY

A. Background

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

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

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

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

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

14. COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Successor Agency

Amounts paid and accrued for the year ended June 30, 2023 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the fiduciary for the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City.

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

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

14. COMMITMENTS AND CONTINGENCIES, Continued

C. Other Commitments and Contingencies

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

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The \$1,605,050 reported in the General Fund as due from other funds represents amounts due from nonmajor governmental funds and internal service fund. These represent temporary, interfund borrowings resulting from routine cash flows and are expected to be repaid within the next fiscal year.

The following is a summary of interfund transfers for the year ended June 30,2023:

Transfers In	Transfers Out	Amount
General Fund	Non-major governmental funds	\$ 213,600
Non-major governmental funds	General Fund	109,280
Non-major governmental funds	Non-major governmental funds	70,000
Non-major governmental funds	Sanitation	100,000
		<u>\$ 492,880</u>

Transfers of \$109,280 and \$100,000 were made from the General Fund and Sanitation Fund, respectively, to nonmajor governmental funds to fund various project costs.

16. DEFICIT FUND BALANCES

Deficit fund balances in the nonmajor governmental funds will be eliminated through future collection and recognition of applicable revenues. As of June 30, 2023, city reported deficit fund balances in the following funds:

<u>Funds</u>	<u>Deficiency</u>
Transnet Fund	\$ (156,631)
Sundry Grants	(308,269)
CDBG	(63,994)
TDA	(57,523)
Wildflower Assessment	(2,775)
Total	<u>\$ (589,192)</u>

City of Lemon Grove
Notes to Basic Financial Statements
For the year ended June 30, 2023

17. PRIOR PERIOD ADJUSTMENTS

For the year ended June 30, 2023, the City recorded prior period adjustments to record a revenue refund in the correct period, adjust claims payable related to updated insurance coverage, and to recognize lease related balances as a result of implementation of GASB No. 87. The opening balances of Governmental Activities, Governmental Funds and Internal Service Fund were restated to apply the change retrospectively.

	Net Position/ Fund Balance as Previously Reported	Prior Period Adjustments			Net Position/ Fund Balance Net Position as Restated
		Lease Receivable Adjustments	Claims Payable Adjustments	Prior Year Revenue Adjustments	
Governmental activities	\$ 63,885,392	\$ 3,739	\$ 442,686	\$ (55,729)	\$ 64,276,088
Fund Financial Statements					
<i>Governmental Fund</i>					
General Fund	\$ 12,954,019	\$ 3,739	\$ -	\$ -	\$ 12,957,758
Transportation Mitigation	\$ 389,518	\$ -	\$ -	\$ (55,729)	\$ 333,789
<i>Internal Service Fund</i>					
Self Insured Fund	\$ 200,943	\$ -	\$ 442,686	\$ -	\$ 643,629

REQUIRED SUPPLEMENTARY INFORMATION

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City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes and special assessments	\$ 14,776,056	\$ 15,538,581	\$ 17,188,432	\$ 1,649,851
Licenses, fees and permits	720,654	720,654	931,146	210,492
Fines, forfeitures and penalties	98,106	580,106	592,488	12,382
Intergovernmental revenues	144,603	144,603	625,770	481,167
Charges for services	725,237	725,237	450,525	(274,712)
Use of money and property	563,985	563,985	875,705	311,720
Other revenues	7,500	7,500	549,237	541,737
Total revenues	17,036,141	18,280,666	21,213,303	2,932,637
EXPENDITURES:				
Current:				
General government	2,050,917	1,633,175	1,767,480	(134,305)
Public safety	12,533,875	12,623,875	12,252,886	370,989
Public works	2,908,791	2,273,730	2,461,815	(188,085)
Community development	1,242,823	1,099,610	1,323,343	(223,733)
Capital outlay	1,010,433	1,010,433	1,188,770	(178,337)
Total expenditures	19,771,839	18,665,823	18,994,294	(328,471)
REVENUES OVER (UNDER) EXPENDITURES	(2,735,698)	(385,157)	2,219,009	2,604,166
OTHER FINANCING SOURCES (USES):				
Transfers in	457,942	457,942	213,600	(244,342)
Transfers out	-	-	(109,280)	(109,280)
Total other financing sources (uses)	457,942	457,942	722,619	(353,622)
Net change in fund balances	\$ (2,277,756)	\$ 72,785	2,941,628	\$ 2,250,544
FUND BALANCES:				
Beginning of year			12,954,019	
Restatement			3,739	
Beginning of year, as restated			12,957,758	
End of year			<u>\$ 15,899,386</u>	

City of Lemon Grove

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

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 136,341	\$ 136,341
Total revenues	-	-	136,341	136,341
Net change in fund balances	\$ -	\$ -	136,341	\$ 136,341
FUND BALANCES:				
Beginning of year			10,963,473	
End of year			\$ 11,099,814	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Transnet Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental revenues	\$ 3,255,346	\$ 3,255,346	\$ 886,182	\$ (2,369,164)
Total revenues	3,255,346	3,255,346	887,625	(2,367,721)
EXPENDITURES:				
Current:				
Public works	91,332	91,402	116,568	(25,166)
Capital outlay	3,367,000	3,367,000	687,312	2,679,688
Total expenditures	3,458,332	3,458,402	803,880	2,654,522
REVENUES OVER (UNDER) EXPENDITURES	(202,986)	(203,056)	83,745	286,801
Net change in fund balances	\$ (202,986)	\$ (203,056)	83,745	\$ 286,801
FUND BALANCES:				
Beginning of year			(240,376)	
End of year			<u>\$ (156,631)</u>	

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2023

DEFINED BENEFIT PENSION PLANS

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

<u>Fiscal Year End:</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Measurement Date	6/30/2022	6/30/2021	6/30/2020
City's proportion of the net pension liability	0.09451%	0.09265%	0.08393%
City's proportionate share of the net pension liability	\$ 10,917,146	\$ 5,010,718	\$ 9,131,695
City's covered payroll (plan year)	\$ 3,884,925	\$ 3,981,855	\$ 3,993,095
City's proportionate share of the net pension liability as a percentage of its covered payroll	281.01%	125.84%	228.69%
City's fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	76.06%

Notes to the schedule:

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

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

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
0.08102%	0.07749%	0.07749%	0.07711%	0.10238%	0.10182%
\$ 8,301,768	\$ 7,557,212	\$ 7,685,061	\$ 6,672,556	\$ 7,027,037	\$ 6,335,672
\$ 3,915,557	\$ 4,285,339	\$ 4,129,783	\$ 3,966,818	\$ 4,140,577	\$ 3,916,214
212.02%	176.35%	186.09%	168.21%	169.71%	161.78%
77.21%	77.89%	76.39%	74.06%	78.40%	79.82%

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2023

DEFINED BENEFIT PENSION PLANS, Continued

Schedule of Pension Contributions - Last Ten Fiscal Years

Contributions for the fiscal year ending June 30,	2023	2022	2021
Contractually required contribution	\$ 1,323,290	\$ 1,232,401	\$ 1,154,805
Contributions in relation to the contractually required contribution	(1,323,290)	(1,232,401)	(1,154,805)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered payroll (City's fiscal year)	\$ 4,023,692	\$ 3,884,925	\$ 3,981,855
Contributions as a percentage of covered payroll	32.89%	31.72%	29.00%

Notes to the schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2020	6/30/2019	6/30/2018
Actuarial cost method:	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value

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

(1) Level percentage of payroll, closed

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

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

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

2020	2019	2018	2017	2016	2015
\$ 1,049,105	\$ 962,913	\$ 894,949	\$ 813,911	\$ 909,279	\$ 929,245
(1,049,105)	(962,913)	(894,949)	(813,911)	(2,737,595)	(1,194,245)
\$ -	\$ -	\$ -	\$ -	\$ (1,828,316)	\$ (265,000)
\$ 3,993,095	\$ 3,915,557	\$ 4,285,339	\$ 4,129,783	\$ 3,966,818	\$ 3,854,444
26.27%	24.59%	20.88%	19.71%	69.01%	30.98%

6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)	(2)
7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)	(4)

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2023

OTHER POST EMPLOYMENT BENEFIT PLANS (OPEB)

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

Measurement Period	<u>FY2022/23</u>	<u>FY2021/22</u>	<u>FY2020/21</u>
Total OPEB liability - beginning of year	\$ 3,175,573	\$ 3,874,381	\$ 3,979,861
Service cost	130,619	193,009	165,231
Interest	118,817	76,413	88,935
Differences between expected and actual experience	(460,971)	-	(453,019)
Changes in assumptions	56,131	(792,262)	299,664
Benefit payments	(174,011)	(175,968)	(206,291)
Net change in total OPEB liability	<u>(329,415)</u>	<u>(698,808)</u>	<u>(105,480)</u>
Total OPEB liability - end of year	<u>\$ 2,846,158</u>	<u>\$ 3,175,573</u>	<u>\$ 3,874,381</u>
Covered employee payroll	\$ 4,023,692	\$ 3,884,925	\$ 3,981,855
City's total OPEB liability as a percentage of covered payroll	70.73%	81.74%	97.30%

Notes to the schedule:

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

*Changes in assumptions: In fiscal year 2022-2023, discount rate changed from 3.69% to 3.86%

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

<u>FY 2019/20</u>	<u>FY 2018/19</u>	<u>FY 2017/18</u>
\$ 4,127,787	\$ 3,907,420	\$ 4,017,427
116,516	114,804	111,460
144,633	152,187	144,569
(768,359)	(14,999)	(6,897)
577,083	193,343	(139,883)
(217,799)	(224,968)	(219,256)
<u>(147,926)</u>	<u>220,367</u>	<u>(110,007)</u>
<u>\$ 3,979,861</u>	<u>\$ 4,127,787</u>	<u>\$ 3,907,420</u>
\$ 3,995,000	\$ 4,347,161	\$ 4,220,545
99.62%	94.95%	92.58%

City of Lemon Grove
Required Supplementary Information
For the year ended June 30, 2023

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Control and Budgetary Accounting

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

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

Budgets are adopted for all funds.

B. Encumbrances

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

C. Continuing Appropriations

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

D. Budget Basis of Accounting

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

SUPPLEMENTARY INFORMATION

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**CITY OF LEMON GROVE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Opioid Settlement Fund accounts for settlement from the National Opioid Settlement against manufacturers, distributors and other entities responsible for aiding the opioid epidemic. The use of fund is restricted for opioid abatement activities.

Capital Projects Funds

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

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

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

City of Lemon Grove
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
ASSETS				
Cash and investments	\$ 1,035,705	\$ 145,222	\$ 66,692	\$ -
Accounts receivable	172,821	564	-	-
Due from other government	-	-	-	423,886
Prepaid items	107	-	-	-
Restricted cash	17,520	-	-	-
Total assets	\$ 1,226,153	\$ 145,786	\$ 66,692	\$ 423,886
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 34,723	\$ -	\$ -	\$ 17,232
Accrued liabilities	3,195	-	-	-
Due to other funds	-	-	-	283,908
Deposits payable	-	-	-	-
Unearned Revenue	-	-	-	7,129
Total liabilities	37,918	-	-	308,269
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	423,886
Total deferred inflows of resources	-	-	-	423,886
Fund Balances:				
Restricted	1,188,235	145,786	66,692	-
Unassigned	-	-	-	(308,269)
Total fund balances	1,188,235	145,786	66,692	(308,269)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,226,153	\$ 145,786	\$ 66,692	\$ 423,886

Special Revenue Funds								
CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Opioid Settlement
\$ -	\$ -	\$ 409,257	\$ 170,072	\$ 477,762	\$ -	\$ 359,987	\$ 11,291	\$ 27,229
-	-	2,188	-	2,423	-	11,072	155	-
15,567	57,497	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	2,096	696	1,015	186	-	122	-
<u>\$ 15,567</u>	<u>\$ 57,497</u>	<u>\$ 413,541</u>	<u>\$ 170,768</u>	<u>\$ 481,200</u>	<u>\$ 186</u>	<u>\$ 371,059</u>	<u>\$ 11,568</u>	<u>\$ 27,229</u>
\$ 52,500	\$ 692	\$ 50,762	\$ 168	\$ 710	\$ 766	\$ 291	\$ 45	\$ -
-	102	402	164	166	17	-	32	-
27,061	56,729	-	-	-	2,178	-	-	-
-	-	-	-	291,397	-	-	-	-
-	-	-	-	-	-	-	-	27,229
<u>79,561</u>	<u>57,523</u>	<u>51,164</u>	<u>332</u>	<u>292,273</u>	<u>2,961</u>	<u>291</u>	<u>77</u>	<u>27,229</u>
-	57,497	-	-	-	-	-	-	-
-	57,497	-	-	-	-	-	-	-
-	-	362,377	170,436	188,927	-	370,768	11,491	-
(63,994)	(57,523)	-	-	-	(2,775)	-	-	-
<u>(63,994)</u>	<u>(57,523)</u>	<u>362,377</u>	<u>170,436</u>	<u>188,927</u>	<u>(2,775)</u>	<u>370,768</u>	<u>11,491</u>	<u>-</u>
<u>\$ 15,567</u>	<u>\$ 57,497</u>	<u>\$ 413,541</u>	<u>\$ 170,768</u>	<u>\$ 481,200</u>	<u>\$ 186</u>	<u>\$ 371,059</u>	<u>\$ 11,568</u>	<u>\$ 27,229</u>

City of Lemon Grove
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Capital Project Funds			Total Nonmajor Governmental Funds
	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	
ASSETS				
Cash and investments	\$ 56,696	\$ 13,294	\$ 479,762	\$ 3,252,969
Accounts receivable	201	-	1,870	191,294
Due from other government	-	-	-	496,950
Prepaid items	-	-	-	107
Restricted cash	-	-	-	21,635
Total assets	\$ 56,897	\$ 13,294	\$ 481,632	\$ 3,962,955
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,213	\$ -	\$ -	\$ 159,102
Accrued liabilities	-	-	-	4,078
Due to other funds	-	-	-	369,876
Deposits payable	-	-	-	291,397
Unearned Revenue	-	-	-	34,358
Total liabilities	1,213	-	-	858,811
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	481,383
Total deferred inflows of resources	-	-	-	481,383
Fund Balances:				
Restricted	55,684	13,294	481,632	3,055,322
Unassigned	-	-	-	(432,561)
Total fund balances	55,684	13,294	481,632	2,622,761
Total liabilities, deferred inflows of resources and fund balances	\$ 56,897	\$ 13,294	\$ 481,632	\$ 3,962,955

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City of Lemon Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2023

	Special Revenue Funds				
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants	CDBG
REVENUES:					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	1,311,984	-	165,271	69,915	246,862
Charges for services	-	38,133	-	-	-
Use of money and property	13,708	1,152	-	-	-
Other revenues	-	-	-	-	-
Total revenues	1,325,692	39,285	165,271	69,915	246,862
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	17,314	-
Public works	608,837	-	-	(7,070)	-
Community development	-	-	-	38,366	35,286
Capital outlay	624,816	10,419	-	122,372	209,098
Total expenditures	1,233,653	10,419	-	170,982	244,384
REVENUES OVER (UNDER) EXPENDITURES	92,039	28,866	165,271	(101,067)	2,478
OTHER FINANCING SOURCES (USES):					
Transfers in	100,000	-	-	-	-
Transfers out	(30,000)	-	(160,000)	-	-
Total other financing sources (uses)	70,000	-	(160,000)	-	-
Net change in fund balances	162,039	28,866	5,271	(101,067)	2,478
FUND BALANCES:					
Beginning of year	\$ 1,026,196	\$ 116,920	\$ 61,421	\$ (207,202)	\$ (66,472)
Restatement	-	-	-	-	-
Beginning of year, as restated	1,026,196	116,920	61,421	(207,202)	(66,472)
End of year	<u>\$ 1,188,235</u>	<u>\$ 145,786</u>	<u>\$ 66,692</u>	<u>\$ (308,269)</u>	<u>\$ (63,994)</u>

Special Revenue Funds							
TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Opioid Settlement
\$ -	\$ 374,799	\$ -	\$ 27,747	\$ 10,820	\$ -	\$ -	\$ -
95,085	-	-	-	-	-	-	-
-	-	80,499	-	-	40,883	-	-
-	6,124	112	6,368	17	5,363	535	-
-	-	22,414	-	-	-	3,510	-
95,085	380,923	103,025	34,115	10,837	46,246	4,045	-
-	-	-	22	-	18,343	-	-
-	-	-	-	-	-	7,492	-
17,813	354,165	105,987	11	11,949	-	-	-
-	-	-	21,902	-	-	-	-
27,231	-	-	-	-	-	-	-
45,044	354,165	105,987	21,935	11,949	18,343	7,492	-
50,041	26,758	(2,962)	12,180	(1,112)	27,903	(3,447)	-
-	70,000	109,280	-	-	-	-	-
(8,000)	(84,300)	-	(1,200)	(100)	-	-	-
(8,000)	(14,300)	109,280	(1,200)	(100)	-	-	-
42,041	12,458	106,318	10,980	(1,212)	27,903	(3,447)	-
\$ (99,564)	\$ 349,919	\$ 64,118	\$ 177,947	\$ (1,563)	\$ 342,865	\$ 14,938	\$ -
-	-	-	-	-	-	-	-
(99,564)	349,919	64,118	177,947	(1,563)	342,865	14,938	-
\$ (57,523)	\$ 362,377	\$ 170,436	\$ 188,927	\$ (2,775)	\$ 370,768	\$ 11,491	\$ -

City of Lemon Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2023

	Capital Project Funds			Total Nonmajor Governmental Funds
	Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	
REVENUES:				
Taxes and special assessments	\$ 26,582	\$ -	\$ -	\$ 439,948
Intergovernmental revenues	-	-	-	1,889,117
Charges for services	-	-	144,438	303,953
Use of money and property	429	-	3,405	37,213
Other revenues	-	-	-	25,924
Total revenues	27,011	-	147,843	2,696,155
EXPENDITURES:				
Current:				
General government	-	-	-	18,365
Public safety	-	-	-	24,806
Public works	6,704	-	-	1,098,396
Community development	-	-	-	95,554
Capital outlay	-	-	-	993,936
Total expenditures	6,704	-	-	2,231,057
REVENUES OVER (UNDER) EXPENDITURES	20,307	-	147,843	465,098
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	279,280
Transfers out	-	-	-	(283,600)
Total other financing sources (uses)	-	-	-	(4,320)
Net change in fund balances	20,307	-	147,843	460,778
FUND BALANCES:				
Beginning of year	\$ 35,377	\$ 13,294	\$ 389,518	2,217,712
Restatement	-	-	(55,729)	(55,729)
Beginning of year, as restated	35,377	13,294	333,789	2,161,983
End of year	<u>\$ 55,684</u>	<u>\$ 13,294</u>	<u>\$ 481,632</u>	<u>\$ 2,622,761</u>

City of Lemon Grove

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Intergovernmental revenues	\$ 1,232,808	\$ 1,232,808	\$ 1,311,984	\$ 79,176
Use of money and property	2,000	2,000	13,708	11,708
Total revenues	1,234,808	1,234,808	1,325,692	90,884
EXPENDITURES:				
Current:				
Public works	762,635	597,565	608,837	(11,272)
Capital outlay	965,000	1,100,000	624,816	475,184
Total expenditures	1,727,635	1,697,565	1,233,653	463,912
REVENUES OVER (UNDER)				
EXPENDITURES	(492,827)	(462,757)	92,039	554,796
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
Transfers out	-	(30,000)	(30,000)	-
Total other financing sources (uses)	100,000	70,000	70,000	-
Net change in fund balances	\$ (392,827)	\$ (392,757)	162,039	\$ 554,796
FUND BALANCES:				
Beginning of year			1,026,196	
End of year			<u>\$ 1,188,235</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Parkland Dedication Special Revenue Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Charges for services	\$ 4,500	\$ 4,500	\$ 38,133	\$ 33,633
Use of money and property	250	250	1,152	902
Total revenues	4,750	4,750	39,285	34,535
EXPENDITURES:				
Capital outlay	-	-	10,419	(10,419)
Total expenditures	-	-	10,419	(10,419)
REVENUES OVER (UNDER) EXPENDITURES	4,750	4,750	28,866	24,116
Net change in fund balances	\$ 4,750	\$ 4,750	28,866	\$ 24,116
FUND BALANCES:				
Beginning of year			116,920	
End of year			<u>\$ 145,786</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Service Special Revenue Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Intergovernmental revenues	\$ 140,000	\$ 140,000	\$ 165,271	\$ 25,271
Total revenues	140,000	140,000	165,271	25,271
OTHER FINANCING SOURCES (USES):				
Transfers out	(160,000)	(160,000)	(160,000)	-
Total other financing sources (uses)	(160,000)	(160,000)	(160,000)	-
Net change in fund balances	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	5,271	<u>\$ 25,271</u>
FUND BALANCES:				
Beginning of year			61,421	
End of year			<u>\$ 66,692</u>	

City of Lemon Grove

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

Sundry Grants Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Intergovernmental revenues	\$ 1,634,044	\$ 1,634,044	\$ 69,915	\$ (1,564,129)
Use of money and property	-	-	-	-
Total revenues	1,634,044	1,634,044	69,915	(1,564,129)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	9,894	9,894	17,314	(7,420)
Public works	160,000	160,000	(7,070)	167,070
Community development	239,233	239,233	38,366	200,867
Capital outlay	1,226,266	1,226,266	122,372	1,103,894
Total expenditures	1,635,393	1,635,393	170,982	1,464,411
REVENUES OVER (UNDER) EXPENDITURES	(1,349)	(1,349)	(101,067)	(99,718)
Net change in fund balances	\$ (1,349)	\$ (1,349)	(101,067)	\$ (99,718)
FUND BALANCES:				
Beginning of year			(207,202)	
End of year			<u>\$ (308,269)</u>	

City of Lemon Grove

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

CDBG Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Intergovernmental revenues	\$ 427,798	\$ 427,798	\$ 246,862	\$ (180,936)
Total revenues	427,798	427,798	246,862	(180,936)
EXPENDITURES:				
Current:				
Community development	32,371	32,371	35,286	(2,915)
Capital outlay	387,798	260,078	209,098	50,980
Total expenditures	420,169	292,449	244,384	48,065
REVENUES OVER (UNDER) EXPENDITURES	7,629	135,349	2,478	(132,871)
Net change in fund balances	<u>\$ 7,629</u>	<u>\$ 135,349</u>	2,478	<u>\$ (132,871)</u>
FUND BALANCES:				
Beginning of year			(66,472)	
End of year			<u>\$ (63,994)</u>	

City of Lemon Grove

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

TDA Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Intergovernmental revenues	\$ 121,170	\$ 121,170	\$ 95,085	\$ (26,085)
Total revenues	121,170	121,170	95,085	(26,085)
EXPENDITURES:				
Current:				
Public works	24,831	24,831	17,813	7,018
Capital outlay	88,339	88,339	27,231	61,108
Total expenditures	113,170	113,170	45,044	68,126
REVENUES OVER (UNDER) EXPENDITURES	8,000	8,000	50,041	42,041
OTHER FINANCING SOURCES (USES):				
Transfers out	(8,000)	(8,000)	(8,000)	-
Total other financing sources (uses)	(8,000)	(8,000)	(8,000)	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	42,041	<u>\$ 42,041</u>
FUND BALANCES:				
Beginning of year			(99,564)	
End of year			<u>\$ (57,523)</u>	

City of Lemon Grove

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

Lighting District Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Taxes and special assessments	\$ 348,000	\$ 348,000	\$ 374,799	\$ 26,799
Use of money and property	2,150	2,150	6,124	3,974
Total revenues	350,150	350,150	380,923	30,773
EXPENDITURES:				
Current:				
Public works	344,915	344,915	354,165	(9,250)
Total expenditures	344,915	344,915	354,165	(9,250)
REVENUES OVER (UNDER)				
EXPENDITURES	5,235	5,235	26,758	21,523
OTHER FINANCING SOURCES (USES):				
Transfers in	70,000	70,000	70,000	-
Transfers out	(14,300)	(84,300)	(84,300)	-
Total other financing sources (uses)	55,700	(14,300)	(14,300)	-
Net change in fund balances	\$ 60,935	\$ (9,065)	12,458	\$ 21,523
FUND BALANCES:				
Beginning of year			349,919	
End of year			<u>\$ 362,377</u>	

City of Lemon Grove

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

Storm Water Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Charges for services	\$ 77,500	\$ 77,500	\$ 80,499	\$ 2,999
Use of money and property	-	-	112	112
Other revenues	-	-	22,414	22,414
Total revenues	77,500	77,500	103,025	25,525
EXPENDITURES:				
Current:				
General government	200	200	-	200
Public works	151,471	151,501	105,987	45,514
Capital outlay	32,500	32,500	-	32,500
Total expenditures	184,171	184,201	105,987	78,214
REVENUES OVER (UNDER)				
EXPENDITURES	(106,671)	(106,701)	(2,962)	103,739
OTHER FINANCING SOURCES (USES):				
Transfers in	104,104	104,104	109,280	5,176
Total other financing sources (uses)	104,104	104,104	109,280	5,176
Net change in fund balances	\$ (2,567)	\$ (2,597)	106,318	\$ 108,915
FUND BALANCES:				
Beginning of year			64,118	
End of year			\$ 170,436	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Household Hazardous Waste Special Revenue Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes and special assessments	\$ 25,000	\$ 25,000	\$ 27,747	\$ 2,747
Use of money and property	1,000	1,000	6,368	5,368
Other revenues	5,000	5,000	-	(5,000)
Total revenues	31,000	31,000	34,115	3,115
EXPENDITURES:				
Current:				
General government	-	-	22	(22)
Public works	30	20	11	9
Community development	84,316	84,316	21,902	62,414
Total expenditures	84,346	84,336	21,935	62,401
REVENUES OVER (UNDER) EXPENDITURES	(53,346)	(53,336)	12,180	65,516
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,200)	(1,200)	(1,200)	-
Total other financing sources (uses)	(1,200)	(1,200)	(1,200)	-
Net change in fund balances	\$ (54,546)	\$ (54,536)	10,980	\$ 65,516
FUND BALANCES:				
Beginning of year			177,947	
End of year			<u>\$ 188,927</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Wild Flower Assessment Special Revenue Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes and special assessments	\$ 11,317	\$ 11,317	\$ 10,820	\$ (497)
Use of money and property	10	10	17	7
Total revenues	11,327	11,327	10,837	(490)
EXPENDITURES:				
Current:				
Public works	10,314	10,314	11,949	(1,635)
Total expenditures	10,314	10,314	11,949	(1,635)
REVENUES OVER (UNDER)				
EXPENDITURES	1,013	1,013	(1,112)	(2,125)
OTHER FINANCING SOURCES (USES):				
Transfers out	(100)	(100)	(100)	-
Total other financing sources (uses)	(100)	(100)	(100)	-
Net change in fund balances	\$ 913	\$ 913	(1,212)	\$ (2,125)
FUND BALANCES:				
Beginning of year			(1,563)	
End of year			<u>\$ (2,775)</u>	

City of Lemon Grove

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

PEG (Public/Education/ Government) Special Revenue Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Charges for services	\$ 35,000	\$ 35,000	\$ 40,883	\$ 5,883
Use of money and property	2,000	2,000	5,363	3,363
Total revenues	37,000	37,000	46,246	9,246
EXPENDITURES:				
Current:				
General government	36,000	36,000	18,343	17,657
Total expenditures	36,000	36,000	18,343	17,657
REVENUES OVER (UNDER)	1,000	1,000	27,903	26,903
EXPENDITURES				
Net change in fund balances	\$ 1,000	\$ 1,000	27,903	\$ 26,903
FUND BALANCES:				
Beginning of year			342,865	
End of year			<u>\$ 370,768</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Serious Traffic Offender Program Special Revenue Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 200	\$ 200	\$ 535	\$ 335
Other revenues	4,500	4,500	3,510	(990)
Total revenues	4,700	4,700	4,045	(655)
EXPENDITURES:				
Current:				
Public safety	9,828	9,828	7,492	2,336
Total expenditures	9,828	9,828	7,492	2,336
REVENUES OVER (UNDER) EXPENDITURES	(5,128)	(5,128)	(3,447)	1,681
Net change in fund balances	\$ (5,128)	\$ (5,128)	(3,447)	\$ 1,681
FUND BALANCES:				
Beginning of year			14,938	
End of year			<u>\$ 11,491</u>	

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Opioid Settlement Special Revenue Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Beginning of year			-	
End of year			\$ -	

City of Lemon Grove

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

Main Street Promenade CFD Capital Projects Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes and special assessments	\$ 22,150	\$ 22,150	\$ 26,582	\$ 4,432
Use of money and property	100	100	429	329
Total revenues	22,250	22,250	27,011	4,761
EXPENDITURES:				
Current:				
Public works	28,350	28,350	6,704	21,646
Total expenditures	28,350	28,350	6,704	21,646
REVENUES OVER (UNDER) EXPENDITURES	(6,100)	(6,100)	20,307	26,407
Net change in fund balances	\$ (6,100)	\$ (6,100)	20,307	\$ 26,407
FUND BALANCES:				
Beginning of year			35,377	
End of year			<u>\$ 55,684</u>	

City of Lemon Grove

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

Safety Capital Purchases Capital Projects Fund

For the year ended June 30, 2023

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

City of Lemon Grove

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Transportation Mitigation Capital Projects Fund For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Charges for services	\$ 5,000	\$ 5,000	\$ 144,438	\$ 139,438
Use of money and property	300	300	3,405	3,105
Total revenues	5,300	5,300	147,843	142,543
Net change in fund balances	\$ 5,300	\$ 5,300	147,843	\$ 142,543
FUND BALANCES:				
Beginning of year			389,518	
Restatement			(55,729)	
Beginning of year, as restated			333,789	
End of year			<u>\$ 481,632</u>	