

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

CITY OF ESCONDIDO CALIFORNIA



CITY OF ESCONDIDO - CALIFORNIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



Sam Abed
Mayor

John Masson
Deputy Mayor
District 2

Ed Gallo
District 1

Olga Diaz
District 3

Michael Morasco
District 4

CITY MANAGER

ASSISTANT CITY MANAGER

DEPUTY CITY MANAGER

DEPUTY CITY MANAGER

DIRECTOR OF COMMUNITY DEVELOPMENT

DIRECTOR OF COMMUNICATIONS
AND COMMUNITY SERVICES

DIRECTOR OF INFORMATION SYSTEMS

DIRECTOR OF ENGINEERING SERVICES

DIRECTOR OF UTILITIES

CHIEF OF POLICE

FIRE CHIEF

CITY ATTORNEY

CITY CLERK

CITY TREASURER

Jeffrey Epp

Jay Petrek

Sheryl Bennett

William Wolfe

Bill Martin

Joanna Axelrod

Robert Van De Hey

Julie Procopio

Christopher McKinney

Craig Carter

Rick Vogt

Michael R. McGuinness

Diane Halverson

Douglas Shultz



CITY OF ESCONDIDO
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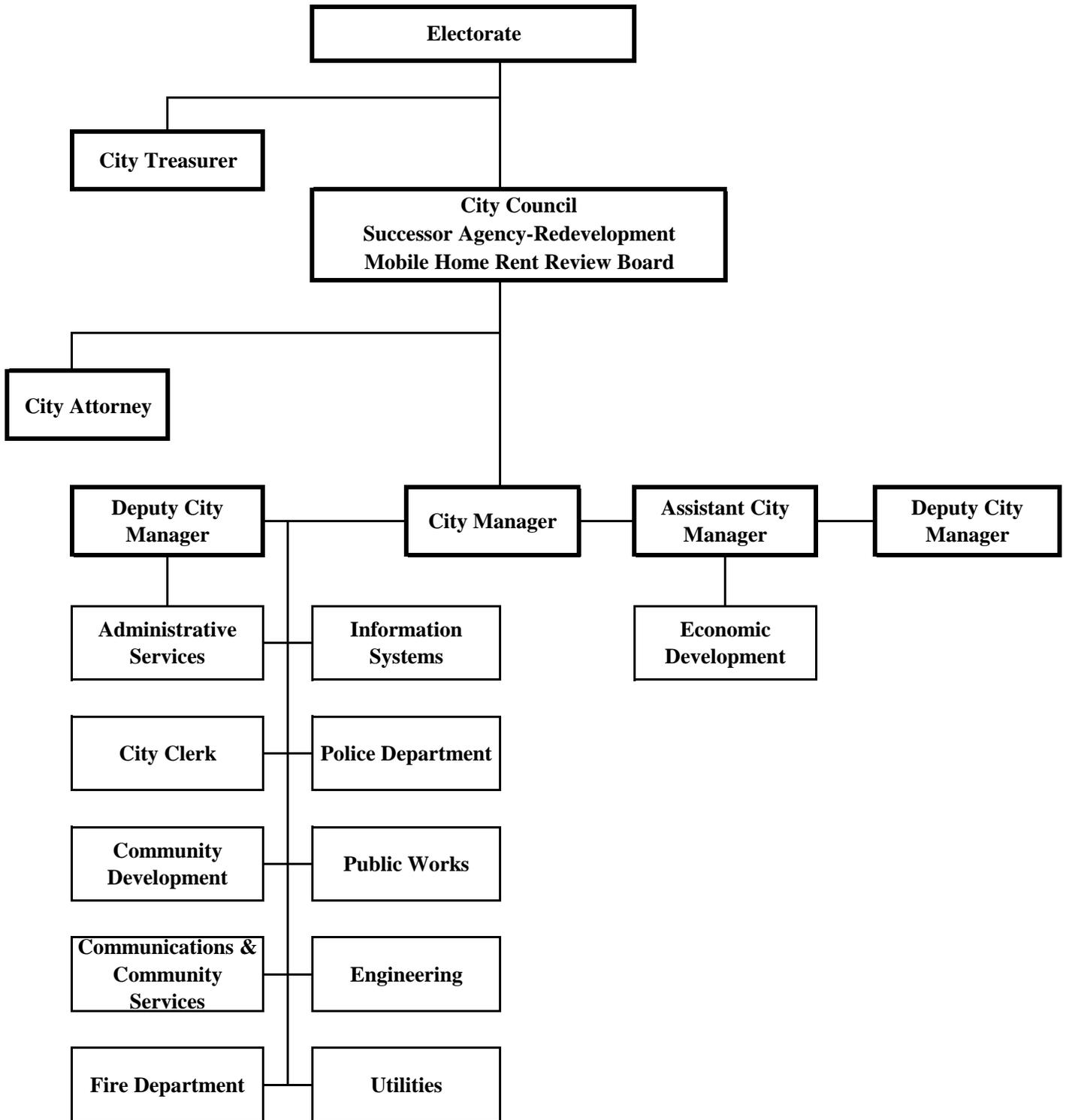
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CITY OF ESCONDIDO
Comprehensive Annual Financial Report
Organization Chart
June 30, 2018



December 28, 2018

Honorable Mayor, City Council, and Citizens of the City of Escondido:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City of Escondido for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the City of Escondido. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Escondido has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Escondido's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Escondido's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Escondido's financial statements have been audited by The Pun Group, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Escondido for the fiscal year ended June 30, 2018, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Escondido's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

In addition, The Pun Group audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget Uniform Guidance regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Finance Department.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Escondido's MD&A can be found immediately following the Independent Auditors' Report.

CITY OF ESCONDIDO PROFILE

The City of Escondido is located in north San Diego County, approximately 30 miles north of the City of San Diego, California. Escondido is an established community incorporated on October 8, 1888 under the general laws of the State of California. The City's current population is 151,478. Within the 36 square miles that comprise the City, there are many residential communities; the largest enclosed regional mall in San Diego County; 1 regional hospital; 16 hotels; an auto center; many office, industrial, and commercial centers; and civic, cultural, and recreational facilities.

CITY OF ESCONDIDO
Letter of Transmittal
December 28, 2018

The City operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four member Council. The City Council is elected by districts on a staggered basis for a term of four years. The Mayor is directly elected at large for a four-year term. The City Treasurer is also elected to a four-year term. The City Council appoints the City Manager and the City Attorney. The operating departments include Administrative Services, City Clerk, Community Development, Community Services, Fire, Information Systems, Police, Public Works, and Utilities.

The City provides the following services to its residents: police and fire protection, water and wastewater services, building safety regulation and inspection, circulation and public facility capital improvement construction, street and park maintenance, refuse collection, planning and zoning, a full range of recreational programs for citizen participation, a senior center, and a library.

The City is financially accountable for two legally separate entities that are included as an integral part of the City's financial statements. These component units include the Vehicle Parking District, established for the purpose of acquiring and improving parking lots in Escondido, and the Escondido Joint Powers Financing Authority, an entity created to issue debt to finance City projects.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City and to differentiate their financial position, results of operations and cash flows from those of the City. The California Center for the Arts, Escondido Foundation is a discretely presented component unit.

The City Manager is required to prepare and submit to the City Council an annual proposed budget. Budget hearings are held and a final budget is adopted before July 1, which is the start of the new fiscal year. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within a fund.

Financial administration of the City is the responsibility of the Deputy City Manager / Administrative Services. The Finance Department management staff includes an Assistant Finance Director, which supervises the City's day-to-day accounting and budget operations. The City Treasurer is responsible for investing the City's portfolio and bond administration.

ECONOMIC CONDITION

Local Economy. Escondido's economy is one of the most diversified in North San Diego County. Industries such as healthcare, specialty food and beverage manufacturing, agriculture, professional services and precision manufacturing all call Escondido home. Retail sales are among the highest in San Diego County due to the presence of the Escondido Auto Park and Westfield North County. Palomar Medical Center, which opened its doors in the Escondido Research and Technology Center in 2012, is the centerpiece of the region's health care system and is recognized as one of the most technologically advanced hospitals in the world. Escondido is home to dozens of innovative companies and entrepreneurs, with one of the highest numbers of recorded patents per capita in the nation.

CITY OF ESCONDIDO
Letter of Transmittal
December 28, 2018

Long-term Financial Planning. The City adopted a balanced budget for fiscal year 2017-18 with the assumption that sales tax and property tax revenue will continue to show growth. For the eighth year in a row, the City Council adopted a budget that does not rely on reserves for fiscal year 2018-19. The two-year General Fund budget was adopted with the assumption that sales tax, the City's largest revenue source that represents 38 percent of total General Fund revenue, grow by \$1.1 million or 3 percent. This 3 percent projected increase in sales tax for 2018-19 is based primarily on projected growth in construction of 5 percent as well as projected growth in equipment and vehicle leasing of 7 percent.

The City Council Action Plan is developed biennially following a workshop where key policy interests are identified and discussed by the City Council and City Staff represents the City Council's collective vision for Escondido's future and the key activities that will be used to achieve that vision. The City Council's Action Plan has four major priority areas: Economic Development, Fiscal Management, Neighborhood Improvement and Public Safety. Each major priority area has a single overarching goal that includes achieving economic health, a safe community, high performing local government, neighborhood livability, and effective transportation routes throughout the City of Escondido.

Financial Policies. The elected City Treasurer has responsibility for the investment and management of excess available cash. The City utilizes a pooled investments approach in investing excess funds in accordance with the investment strategies and standards set forth in the Escondido Investment Policy. This policy is reviewed and approved by the City Council on an annual basis, and defines the prioritized objectives of investment selection as safety of principal and sufficiency of liquidity. Maximization of investment yield is sought in a manner consistent with the primary objectives of safety and liquidity. The City's investment strategy is to hold investments to maturity.

The City's investments include United States Treasury Notes, obligations issued by various United States Government Agencies, money market funds and investments in the Local Agency Investment fund (LAIF) established by the State Treasurer. The Treasurer prepares quarterly investment reports that provide summary information on the status of the portfolio, including the par, book and market values of each security by investment type, detail of major portfolio transactions occurring during the period and investment yield information. The Quarterly investment reports are submitted to the City Manager and City Council.

The City has implemented a Fund Balance Policy, per Governmental Accounting Standards Board (GASB) Statement No. 54. This policy provides that the City Council may commit General Fund Balance for specific purposes by taking formal action and these committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same formal action to establish the commitment.

The City commits remaining fund balance in the General Fund at year-end in order to mitigate future risks, provide for cash flow requirements and contingencies for unseen operating or capital needs. This committed General Fund balance is available to fund one-time unanticipated expenditure requirements, local disasters or when actual revenue received is less than the amount budgeted resulting in an operating deficit in the General Fund.

When restricted and unrestricted fund balance is available, the City spends restricted fund balance first. In addition, the City reduces committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes in which amounts in any of these unrestricted classifications of fund balance could be used. The City's general fund currently has \$17.3 million in General Fund Reserves.

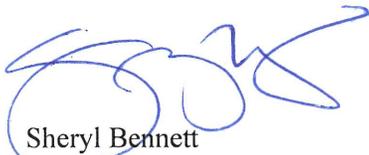
CITY OF ESCONDIDO
Letter of Transmittal
December 28, 2018

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Escondido for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would like to extend our appreciation to the Mayor, City Council, City Manager, and each City department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully submitted,



Sheryl Bennett
Deputy City Manager /
Director of Administrative Services



Joan Ryan
Assistant Director of Finance





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Escondido
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



Financial Section



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Escondido
Escondido, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Escondido, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of California Center for the Arts, Escondido Foundation (the "Foundation"), which represent 100%, 100%, and 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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

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

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, and Schedules of Plan Contributions on pages 19 through 30 and 101 through 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of the City Council
of the City of Escondido
Escondido, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, 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 the City's 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 "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 28, 2018

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CITY OF ESCONDIDO Management's Discussion and Analysis

As management of the City of Escondido (City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in our Letter of Transmittal at the front of this report.

Financial Highlights

Government-wide Basis:

- At the close of the most recent fiscal year, the assets plus deferred outflows of the City exceeded its liabilities plus deferred inflows of the City by \$420,353,010 (*net position*).
- The City's total government-wide net position increased by \$2,477,535 in the current year, a 0.6 percent increase.
- The net position of Governmental activities decreased by 3.7 percent or \$8.1 million. This is primarily attributable to the net pension liability activity and pension related deferred inflows and outflows.
- The net position of Business-type activities increased by 5.3 percent or \$10,590,404. This is due to increased water consumption and a 5.5% rate increase that went into effect in March 2017.

Fund Basis:

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$121,518,806, an increase of \$3,640,866 in comparison with the prior year.
- At the end of the current fiscal year, fund balance committed to Reserves in the General Fund was \$17,392,319 or 17.6 percent of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information.

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

The *statement of net position* presents information on the City's assets, deferred outflow of resources, and liabilities plus deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish governmental functions of the City, which are mainly supported by taxes and intergovernmental revenues, from the business-type functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, community services, public works, and community development. The business-type activities of the City include Water and Wastewater services.

CITY OF ESCONDIDO Management's Discussion and Analysis

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate component units: the Escondido Vehicle Parking District and the Escondido Joint Powers Financing Authority. The component units have been “blended” into the City’s financial statements because the governing board (although legally separate from the City) is substantially the same as the City’s.

As of February 1, 2012, a Successor Agency was created to replace the Escondido Community Development Commission (CDC). The Successor Agency is considered a separate legal entity under Assembly Bill (AB) 1484 for financial statement presentation purposes and are reported as a Private Purpose Trust Fund.

Also presented in the government-wide financial statements is a discretely presented component unit, the California for the Arts, Escondido Foundation (Foundation). It is included as a discretely presented component unit because the Foundation is fiscally dependent on the City; the City has assumed the obligation to provide financial support to the organization including the Center’s management fee, facility, and additional funding as needed based on annual operations. The City issued bonds in 1992 for the construction of the facility and was obligated for those payments. In addition, all land and buildings used by the Foundation is legally owned by the City. Financial information for this component unit is reported separately from the financial information presented for the primary government in a separate column on the government-wide financial statements as well as throughout the notes to the 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 of the funds of the City of Escondido can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 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. 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 fund balance sheet and the governmental fund 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 18 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 General Fund and the Successor Agency Housing Special Revenue Fund, which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget which reflects its priorities and informs the public how the City’s funds are being spent. Budgetary comparison schedules for the General Fund and the Successor Agency Housing Special Revenue Fund have been provided in the required supplementary information of this report. These demonstrate compliance with the budget, and also reflect in what areas actual results deviated from expected budgetary estimates. Budgetary combining schedules for the other nonmajor governmental funds are provided after the combining statements.

CITY OF ESCONDIDO Management's Discussion and Analysis

Proprietary funds. The City maintains two different types of proprietary funds, the Enterprise and the Internal Service Funds. The *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The enterprise funds are used to account for its Water and Wastewater Funds. The *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Vehicle and Equipment Maintenance, General Liability, Workers' Compensation, Central Services, Insurance, Building Maintenance, and Office Automation Funds. Since these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide detailed information for the Water and Wastewater Funds, both of which are considered to be major funds. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* elsewhere in this report.

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 own programs.

Notes to the financial statements. The notes provide additional information that is essential for 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 also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees as well as budgetary comparison statements for major governmental funds. The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Analysis of Net Position

As noted earlier, the City's net position can serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$420,353,010.

Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At June 30, 2018, the net investment in capital assets represents \$402.7 million of the City's total net position. This component consists of capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Capital assets themselves cannot be used to liquidate these liabilities.
- **Restricted net position:** At June 30, 2018 restricted net position account for 24.9 percent, or \$104.8 million, of the City's total net position and represent resources that are subject to external restrictions on how they may be used.
- **Unrestricted net position:** Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. At June 30, 2018 unrestricted net position was (\$86.9) million.

CITY OF ESCONDIDO
Management's Discussion and Analysis

City of Escondido's Summary of Net Position

As of June 30, 2018 and 2017

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total Primary Government		Total Percent Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 184,634	\$ 176,563	\$ 82,967	\$ 85,383	\$ 267,601	\$ 261,946	2.11%
Capital assets	295,303	298,250	302,296	287,190	597,599	585,440	2.03%
Total Assets	<u>479,937</u>	<u>474,813</u>	<u>385,263</u>	<u>372,573</u>	<u>865,200</u>	<u>847,386</u>	2.06%
Deferred outflows of resources	52,977	46,204	11,940	10,460	64,917	56,664	12.71%
Long-term liabilities outstanding	300,486	284,071	164,036	174,029	464,522	458,100	1.38%
Other liabilities	19,683	10,252	24,164	10,224	43,847	20,476	53.30%
Total Liabilities	<u>320,169</u>	<u>294,323</u>	<u>188,200</u>	<u>184,253</u>	<u>508,369</u>	<u>478,576</u>	5.86%
Deferred inflows of resources	1,093	6,929	302	669	1,395	7,598	-444.66%
Net position:							
Net investment in capital assets	218,992	218,477	183,765	188,877	402,757	407,354	-1.14%
Restricted	104,852	100,550	3,642	-	108,494	100,550	7.32%
Unrestricted	<u>(112,192)</u>	<u>(99,262)</u>	<u>21,294</u>	<u>9,234</u>	<u>(90,898)</u>	<u>(90,028)</u>	0.96%
Total net position	<u>\$ 211,652</u>	<u>\$ 219,765</u>	<u>\$ 208,701</u>	<u>\$ 198,111</u>	<u>\$ 420,353</u>	<u>\$ 417,876</u>	0.59%

Pension Plan and Section 115 Trust

The City provides retirement benefits through the California Public Employees Retirement System (CalPERS). Eligible employees participate in either a safety or miscellaneous multiple-employer public employee defined benefit pension plan, depending on eligibility. In fiscal year 2014/2015, the City implemented Government Accounting Standards Board (GASB) No. 68 and 71 that required the city to put their net pension liability on the books. The City's net pension liability at June 30, 2018, is \$251.9 million, compared to \$221.6 million at June 30, 2017. Changes in the various components associated with the pension pronouncement impacted current year expenses, deferred outflows and inflows, as well as increased the pension liability for the year for both governmental and business type activities.

During fiscal year 2017/2018, the City entered into a Section 115 Trust to help address the City's pension obligations by accumulating assets to reduce the net pension liability. Although the assets held in the Section 115 Trust are not considered to have the present service capacity as pension plan assets, these assets will be considered pension plan assets at the time they are transferred out of the Trust and into the pension plan. At June 30, 2018, the Section 115 Trust balance amounted to approximately \$1.9 million held in restricted cash and investments in the General Fund.

The recording of the net pension liability also created a deficit in the unrestricted net position of the City. In the current fiscal year, the City is able to report positive balances in all categories of net position as a whole except for unrestricted net position.

CITY OF ESCONDIDO
Management's Discussion and Analysis

City of Escondido's Changes in Net Position

As of June 30, 2018 and 2017

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total		Total Percent Change
	2018	2017	2018	2017	2018	2017	
Revenues:							
Program revenues:							
Charges for services	\$ 19,009	\$ 18,689	\$ 96,015	\$ 89,609	\$ 115,024	\$ 108,298	5.85%
Operating grants and contributions	9,980	9,441	143	30	10,123	9,471	6.44%
Capital grants and contributions	9,565	6,622	8,229	1,767	17,794	8,389	52.85%
General revenues:							
Sales tax	42,100	37,906	-	-	42,100	37,906	9.96%
Property taxes	33,109	30,830	-	-	33,109	30,830	6.88%
Other taxes	11,024	10,654	-	-	11,024	10,654	3.36%
Other	6,913	7,603	1,526	1,445	8,439	9,048	-7.22%
Total revenues	131,700	121,745	105,913	92,851	237,613	214,596	9.69%
Expenses:							
General government	11,320	9,358	-	-	11,320	9,358	17.33%
Public safety	80,848	71,876	-	-	80,848	71,876	11.10%
Community services	13,453	12,572	-	-	13,453	12,572	6.55%
Public works	25,876	22,108	-	-	25,876	22,108	14.56%
Community development	5,516	5,077	-	-	5,516	5,077	7.96%
Interest and fiscal charges	2,850	2,646	-	-	2,850	2,646	7.16%
Water	-	-	62,431	57,315	62,431	57,315	8.19%
Wastewater	-	-	32,843	32,361	32,843	32,361	1.47%
Total expenses	139,863	123,637	95,274	89,676	235,137	213,313	9.28%
Special item on dissolution of redevelopment agency	-	22,360	-	-	-	22,360	0.00%
Increase (decrease) in net position before transfers	(8,163)	20,468	10,639	3,175	2,476	23,643	-855%
Transfers	50	25	(50)	(25)	-	-	-
Increase (decrease) in net position after transfers	(8,113)	20,493	10,589	3,150	2,476	23,643	-855%
Net position – July 1	219,765	199,272	198,111	194,961	417,876	394,233	5.66%
Net position – June 30	\$211,652	\$219,765	\$ 208,700	\$198,111	\$ 420,352	\$ 417,876	0.59%

CITY OF ESCONDIDO Management's Discussion and Analysis

Analysis of Changes in Net Position – Governmental activities

Governmental activities decreased the City's net position by \$8,112,869. As noted earlier, the decrease in net position is predominantly attributed to the net pension liability and related deferred inflows and outflows recorded during the fiscal year.

Other key factors affecting the net position were:

Total governmental revenues increased by \$9,957,438 or 8.2 percent during the current fiscal year resulting in total revenues of \$131.7 million. Key elements of this change are as follows:

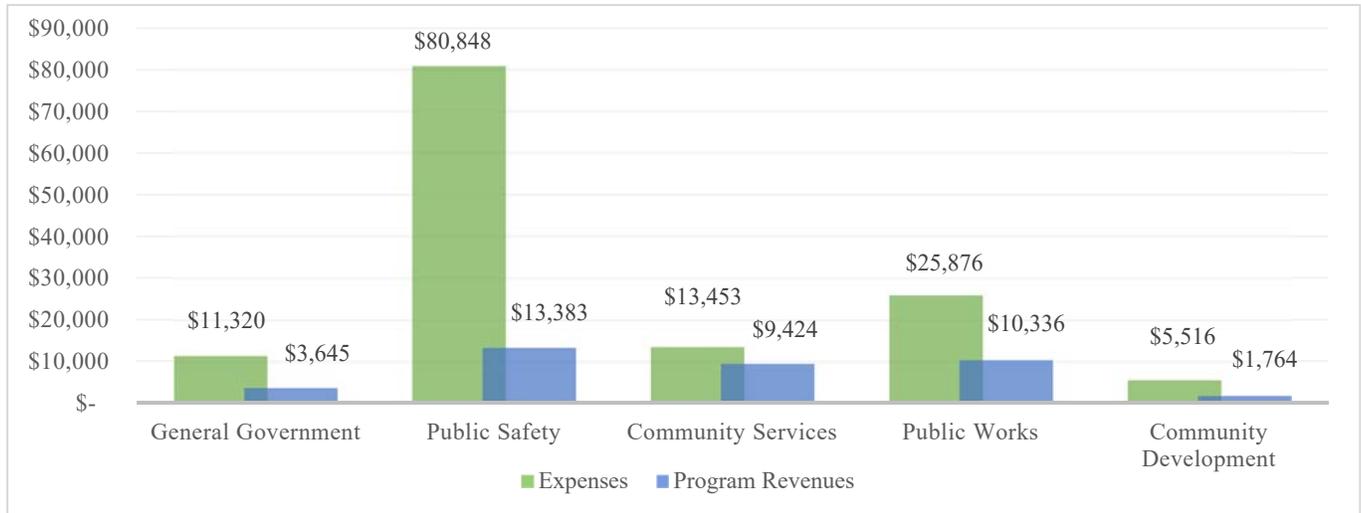
- Overall sales tax revenue increased by \$4.2 million, or 11 percent, compared to the prior year. General Fund sales tax revenue increased by \$485,000 but lower than projected by 2%. In late Fiscal Year 2018, the California Department of Tax and Fee Administration (CDTFA) modified the schedule of sales tax distributions to the City. Currently, the amount of remaining sales tax to be distributed is expected to be approximately \$800,000. Had the City received this amount during the current fiscal year, the City's sales tax projected growth of 3.5% would have been met.
- Sales tax revenue also increased due to an additional \$3.7 million over the prior year of TransNet funds, a half-cent countywide sales tax that helps fund regional transportation projects. This is due to ongoing capital improvement projects such as the East Valley Parkway project, Citracado and Harmony Grove project, and the annual pavement maintenance and rehabilitation program.
- Property tax revenue increased by \$2,279,550 over the prior fiscal year or 7.4 percent. The assessed value growth for Escondido in fiscal year 2017/18 was up about 7.0 percent compared to the prior year.
- Other tax revenue is composed of franchise, transient occupancy, business license, transfer station, and refuse taxes. All categories contributed to an overall increase in other tax revenue by \$372,000, or 3.5 percent.
- Overall charges for services increased by \$320,000 or 1.7 percent. Public safety charges for services increased by \$939,000 due to paramedic transport fees, which is the result of a 5% increase in the number of transports and a fee increase that went into effect on July 1, 2016. This increase was offset by a decrease in both public works charges for services of \$686,000 and community development charges for services of \$210,000 due to the timing of developer payments for engineering and planning fees.
- Operating grants and contributions increased by \$539,000, or 5.7 percent, primarily due to an increase in Gas Tax Funds as well as the new Road Maintenance and Rehabilitation (SB1) funds, a gas tax increase that went into effect November 1, 2017 and new vehicle registration fees that began on January 1, 2018.
- Capital grants and contributions increased by \$2.9 million, or 44.4 percent, compared to the prior year, due to capital contributions from developers for streets and storm drains as well reimbursements from local agencies for the widening of East Valley Parkway.
- In April 2018, the City's former Police Headquarters property, located at 700 West Grand Avenue, was sold resulting a net gain on the sale of capital assets in the amount of \$1.4 million.

Governmental activities expenses increased by \$16.2 million, or 13.1 percent, in fiscal year 2018.

- Public safety expenses increased by \$8.9 million, or 12.5 percent, compared to the prior year. This increase is due to the pension expense activity recorded as part of the net pension liability and pension related deferred inflows and outflows.
- Public works expenses increased by \$3.7 million, or 17.1 percent, primarily due to expenses incurred for the pavement rehabilitation program funded by the County Transportation organization, San Diego Association of Governments (SANDAG).

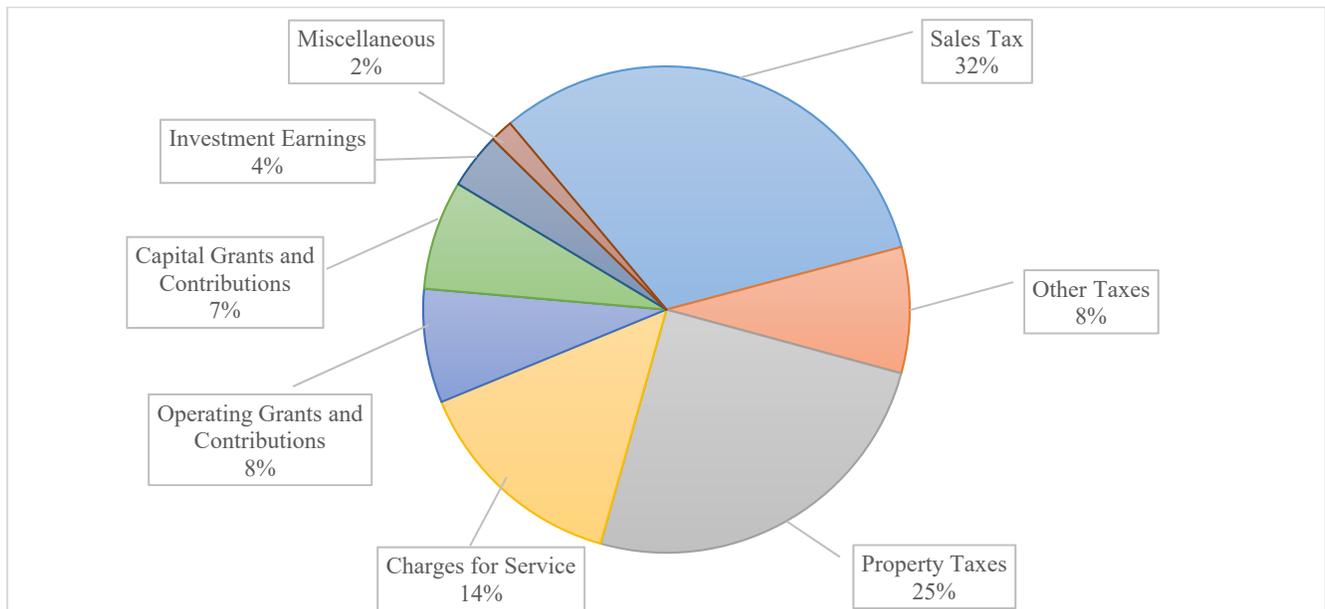
CITY OF ESCONDIDO Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities (amounts expressed in millions)



The City's programs include General Government, Public Safety (Fire and Police), Community Services, Public Works, and Community Development. Each program's net cost (total cost less revenues generated by the activities) is presented in the Statement of Activities. The table above compares program expenses to program revenues depicting the extent to which these programs generate revenue from fees and grants.

Revenues by Source – Governmental Activities



Sales tax, Property tax and other various taxes make up a combined 65% of the total sources of revenue for the City. Other categories of revenue include charges for services, intergovernmental revenue for both operating and capital purposes, fines and forfeitures, permit and license fees, as well as income from interest and property.

CITY OF ESCONDIDO
Management’s Discussion and Analysis

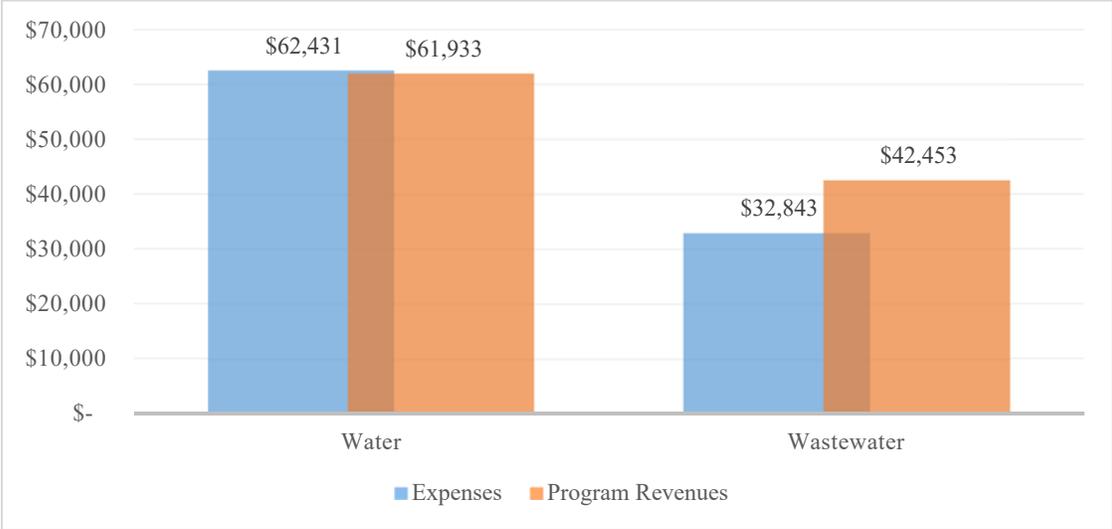
Analysis of Changes in Net Position – Business-type activities.

Business-type activities increased the City’s net position by \$10,590,404 primarily due to increase in charges for services as well as capital grants and contributions.

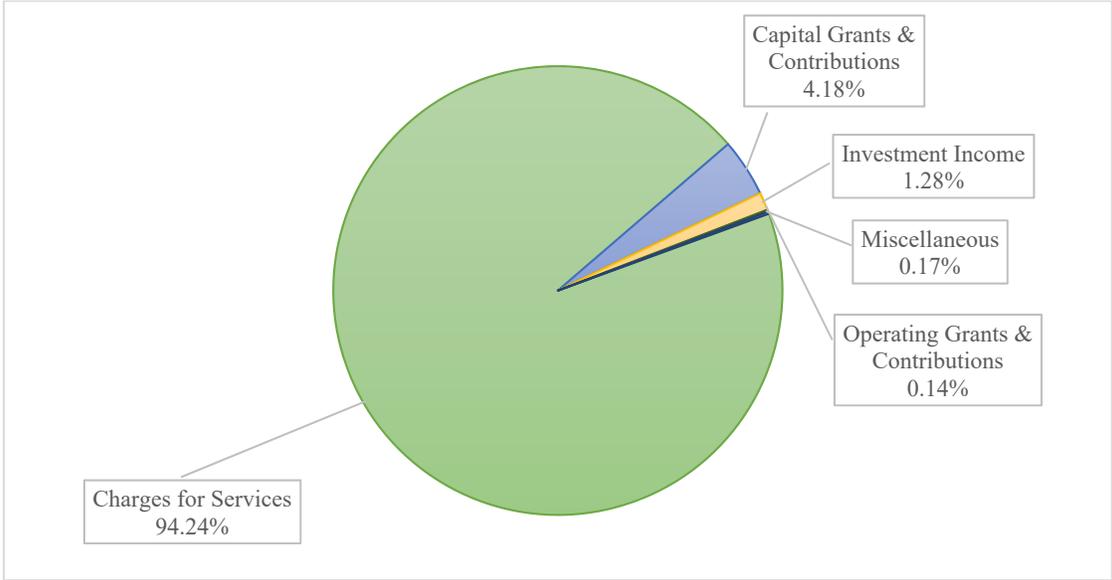
Charges for services increased by \$6.1 million, or 11.0 percent, in the Water Fund due to an increase in water consumption after the removal of the drought restrictions and a 5.5% rate increase in March 2017. Capital Grants and Contributions increased by \$6.5 million from the prior year due to sewer development fees received from an increase in construction and development activity throughout the City.

The increases in revenue were offset by an increase in Water Fund expenses that increased by \$5.1 million or 8.9 percent, from the prior year due to an increase in the cost of purchased City water.

Expenses and Program Revenues – Business-type Activities (amounts expressed in millions)



Revenues by Source – Business-type Activities



CITY OF ESCONDIDO Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$121,518,806, an increase of \$3,640,865 in comparison with the prior year. Of this amount, 8.5 percent or \$10,365,522 represents non-spendable assets, advances and loans receivable, which are not expected to be converted to cash until future periods.

Approximately 73.9 percent of this total amount or \$89,808,350 is not available for new spending because it is legally restricted by external third parties. In addition, \$19,853,253 or 16.3 percent of ending fund balance has either been committed by the City Council to be spent for specific purposes or has been assigned by the City Manager to meet specific expenditures in subsequent years.

The remaining fund balance of \$1,491,681 is comprised of unassigned funds in the General Fund of \$2,839,620 and deficit fund balances in non-major special revenue funds of \$1,347,939. The unassigned General Fund balance, which is unrestricted in use, is anticipated to be designated by City Council for specific purposes at a future City Council meeting. Non-major special revenue fund deficits are due to the timing of grants and reimbursements from outside agencies where funds are spent in advance and reimbursed at a later date.

General Fund Financial Highlights. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, committed fund balance of the General Fund includes \$17,392,319 in Reserves available to fund one-time unanticipated expenditures while total fund balance is \$33,983,800. As a measure of the General Fund's liquidity, it may be useful to compare the Reserve fund balance and total fund balance to total fund expenditures. The Reserve fund balance represents 17.7 percent of total General Fund expenditures, while total fund balance represents 34.5 percent of that same amount.

The restricted portion of the fund balance of the General Fund of \$1,997,186 is the total value of assets held in the Section 115 Trust discussed above.

During the current fiscal year, the fund balance of the City's General Fund increased by \$2,816,548, or 9.0 percent, compared to the prior year. This increase is primarily due to one-time revenue received during the fiscal year from the sale of City owned land.

General Fund Budgetary Highlights

The original General Fund operating budget approved by Council was balanced with no use of reserves or significant one time transfers in from other funds. This was achieved with estimated revenues and transfers in of \$99.4 million and estimated expenditures and transfers out of \$99.4 million.

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the City. General Fund revenue estimates were modified moderately during the year as compared to the originally budgeted estimates. A comparison of the original general fund budgeted operating revenue of \$97.3 million to the final general fund budgeted revenue of \$98.9 results in a net increase in budgeted revenue of \$1.6 million.

The primary reason for the increase to budgeted revenue is due to an \$810,000 increase in property tax revenue, a \$314,000 increase in revenue received from the Redevelopment Property Tax Transfer Fund, and a \$1.3 million increase in fire department reimbursements received for assisting with fire events outside the city limits. The remaining budget adjustments were due to various operating grants received during the fiscal year.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Comparison of the fiscal year original general fund budgeted expenditures of \$98.6 million to the final General Fund budgeted expenditures of \$100.6 million results in a net increase in budgeted expenditures of \$2.0 million. A \$1.4 million budget adjustment was allocated to the fire department to cover costs for strike team incidents and grant funded training. Funding for these increases was provided from fire mutual aid and the Urban Area Security Initiative training grant.

Actual General Fund revenues were \$798,084 less than final budgeted amounts and expenditures were \$2.2 million less than final budgeted amounts. Year-end actual expenditures were less than the budgeted amounts due to salary and benefit savings from empty positions that were not filled during the fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, the unrestricted net position of the Water and Wastewater Fund amounted to \$8,107,834, and \$18,112,389 respectively. Beginning in fiscal year 2014-2015, both the Water and Wastewater funds have set up an Operating, Debt, and Capital Reserve that will be used to ensure that both funds have adequate cash reserves to meet operating, capital and debt service requirements. The monies in this reserve can be used to meet emergency cash flow requirements, fund future capital projects, and provide protection from default on annual debt service payments.

Factors concerning the finances of these two funds have been addressed in the discussion of the City's business-type activities above.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2018, the City's investments in capital assets for its governmental and business-type activities are \$597,600,160, (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, motorized vehicles, park facilities, roads, bridges, water and wastewater systems, and a golf course. The total increase in the City's investment in capital assets for the current fiscal year is 2.1 percent; this represents a 1.0 percent decrease for governmental activities and a 5.2 percent increase for business-type activities.

City of Escondido's Capital Assets
(net of depreciation / in thousands)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 52,704	\$ 52,059	\$ 2,979	\$ 2,875	\$ 55,683	\$ 54,934
Buildings and systems	102,096	107,925	10,874	11,448	112,970	119,373
Improvements other than buildings	13,339	13,544	728	757	14,067	14,301
Machinery and equipment	14,731	14,447	2,395	2,782	17,126	17,229
Infrastructure	94,915	98,819	219,740	200,460	314,655	299,279
Construction in progress	17,519	11,456	65,580	68,868	83,099	80,324
Total	\$ 295,304	\$ 298,250	\$ 302,296	\$ 287,190	\$ 597,600	\$ 585,440

CITY OF ESCONDIDO Management's Discussion and Analysis

Governmental Activities. Major capital asset events for governmental activities during the current fiscal year included the following:

Construction in progress increased by a net \$6 million due to current year additions of \$10,522,490 and transfers of construction in progress of \$4,459,606. Current year additions include several street projects; continued work on the East Valley Parkway near Valley Center Road project, which expands a current two-lane road to four-lanes, active transportation projects and continued work on the Citracado Parkway expansion project. The Library is also in the process of implementing an automated materials handling project and radio frequency identification.

Current year transfers of construction in progress included the completion of the radio replacement project and Jim Stone Pool improvements. They also involved security enhancements to City Facilities as well as new street lighting in multiple neighborhoods funded by the Community Development Block Grant.

Machinery and equipment increased by a net \$3.3 million due in large to the completion of the radio replacement project. The increase also includes the purchase of new alerting systems at Fire Stations 2, 5, 6, and 7, computer servers and fleet related equipment such as a skid-steer loader and mowers.

Motorized vehicles increased by a net \$1.5 million due to current year additions, transfers, and contributions between funds. The City has a vehicle replacement schedule that predetermines vehicles that will need replacement in the near future. Some of the significant purchases during the fiscal year were a freightline crane truck, nineteen police vehicles, four Yaris', two F-350 trucks and two BMW motorcycles.

Additions to infrastructure totaled \$733,863. These additions were a storm drain contributed by developers and the streetlights from the multi-neighborhood street light project.

Land increased by a net \$919,996. A majority of this was land held for resale related to the Bear Valley Parkway street improvement project that was reclassified to land and the remainder was the purchase of land to move forward with the East Valley Parkway project.

Business-type Activities. Major capital asset events for business-type activities during the current fiscal year included the following:

Construction in progress decreased by a net \$3.3 million due to several capital improvement projects. The major projects under construction are the onsite chlorine generation at the Water Treatment Plant and the Vista Verde reservoir. Other additions to CIP include the Southwest Sewer project, upgrades to the primary building for odor control at the Hale Avenue Resource Recovery Facility and the San Elijo Outfall project.

Land increased by \$104,572 due to the reclassification of land held for resale to land. Machinery and equipment increased by a net \$502,005 due to the purchase of various pumps and actuators, along with other equipment.

Additions to the water system and sewer system totaled \$27.5 million. The Cemetery Area Water Line project was completed, along with the Southwest Sewer project. The San Elijo Outfall project was also completed from the regulator to the beach.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City has total bonded debt outstanding of \$158,320,000. The City debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds or lease obligations).

City of Escondido's Outstanding Debt
 Certificates, Lease Revenue and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of participation	\$ -	\$ -	\$ 25,255	\$ 25,875	\$ 25,255	\$ 25,875
Revenue bonds	-	-	70,635	72,740	70,635	72,740
Lease revenue bonds	3,750	3,980	-	-	3,750	3,980
GO bonds	58,680	60,460	-	-	58,680	60,460
Total	\$ 62,430	\$ 64,440	\$ 95,890	\$ 98,615	\$ 158,320	\$ 163,055

Changes to the City's outstanding debt during the current fiscal year are due to routine principal payments on amounts outstanding.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2018-19 General Fund operating budget has been balanced without relying on the use of reserves for the eighth year in a row. Available General Fund resources are anticipated to be \$107 million in fiscal year 2018-19 which represents an increase of \$2.6 million or 3 percent over the fiscal year 2017-18 amended revenue projection.

Sales tax is the largest General Fund revenue source at 38 percent of total revenue. Sales tax revenue is projected to grow in fiscal year 2018-19 by 3 percent. This increase is based primarily on projected growth in construction of 5 percent as well as projected growth in sales tax collected from equipment and vehicle leasing, at 7 percent.

Property tax revenue is projected to increase by 3 percent, with projected revenue of \$13.1 million. The major factors influencing property tax revenue are the California Consumer Price Index (CCPI), number of home sales, and increased median home prices.

Public safety continues as Escondido's highest priority. Public Safety is the largest component of the General Fund, comprising approximately 66%. The Police budget reflects an increase of 4.9% and the Fire Budget reflects an increase of 3.3%.

Retirement rates continue to represent one of the most significant citywide budgetary pressures. It is projected that CalPERS contributions will be 18% of total General Fund uses in 2018-19 leaving 82% for all other General fund uses. This projection is expected to grow to 28% in ten years, reducing the amount available for all other General Fund uses down to 72%. This will have a significant impact on General Fund services.

The City's fiscal year 2018-19 budget is available online at the City's website, www.escondido.org.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances and to demonstrate the city's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Escondido, Finance Department, 201 North Broadway, Escondido, CA 92025, or online at www.escondido.org.



Basic Financial Statements

CITY OF ESCONDIDO

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental	Business-type	Total	California Center for the Arts, Escondido Foundation
	Activities	Activities		
ASSETS				
Cash and investments	\$ 78,704,012	\$ 65,786,923	\$ 144,490,935	\$ 1,950,702
Receivables, net of allowances	24,288,145	13,336,167	37,624,312	245,379
Loans receivable	54,138,030	492,878	54,630,908	10,711
Due from Successor Agency	18,981,545	-	18,981,545	-
Internal balances	395,251	(395,251)	-	-
Due from other governments	3,207,609	-	3,207,609	-
Inventory, at cost	444,576	5,155	449,731	27,653
Deposits	413,535	-	413,535	-
Prepaid expenses	18,858	-	18,858	136,774
Prepaid bond insurance	-	99,180	99,180	-
Land held for resale	2,052,117	-	2,052,117	-
Assets held in charitable remainder	-	-	-	94,643
Restricted assets:				
Investment in Section 115 Trust	1,989,784	-	1,989,784	-
Cash and investments with fiscal agent	22	3,642,092	3,642,114	-
Capital assets:				
Not being depreciated	79,755,265	68,559,848	148,315,113	-
Being depreciated, net	215,548,572	233,736,475	449,285,047	146,335
Total Assets	479,937,321	385,263,467	865,200,788	2,612,197
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	52,935,883	9,872,517	62,808,400	-
Deferred loss on refundings	41,524	2,067,374	2,108,898	-
Total Deferred Outflows of Resources	52,977,407	11,939,891	64,917,298	-

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
June 30, 2018

	Primary Government			Component Unit
	Governmental	Business-type	Total	California Center for the Arts, Escondido Foundation
	Activities	Activities		
LIABILITIES				
Accounts payable	3,091,134	7,891,673	10,982,807	140,637
Retentions payable	286,272	8,187,258	8,473,530	-
Accrued interest payable	1,072,310	1,497,530	2,569,840	-
Deposits payable	3,454,988	752,251	4,207,239	-
Accrued expenses	2,877,365	507,828	3,385,193	186,924
Due to other governments	469,988	-	469,988	-
Unearned revenue	460,448	-	460,448	713,163
Aggregate net pension liability	209,417,572	42,507,269	251,924,841	-
Long-term debt:				
Due within one year	7,969,979	5,327,496	13,297,475	42,553
Due in more than one year	91,069,536	121,528,808	212,598,344	79,028
Total Liabilities	320,169,592	188,200,113	508,369,705	1,162,305
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	707,080	302,341	1,009,421	-
Deferred gain on refundings	385,950	-	385,950	-
Total Deferred Inflows of Resources	1,093,030	302,341	1,395,371	-
NET POSITION				
Net investment in capital assets	218,992,174	183,764,968	402,757,142	146,335
Restricted for:				
General government	6,828,457	-	6,828,457	-
Low and moderate income housing	75,731,903	-	75,731,903	-
Community services	4,703,405	-	4,703,405	-
Debt service	3,070,923	3,642,092	6,713,015	-
Capital projects	1,813,807	-	1,813,807	-
Public safety	339,088	-	339,088	-
Public works	10,367,137	-	10,367,137	-
Investment in Section 115 Trust	1,997,186	-	1,997,186	-
Total restricted net position	104,851,906	3,642,092	108,493,998	-
Unrestricted (deficit)	(112,191,974)	21,293,844	(90,898,130)	1,303,557
Total net position	\$ 211,652,106	\$ 208,700,904	\$ 420,353,010	\$ 1,449,892

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 11,319,840	\$ 681,369	\$ 348,590	\$ 2,615,756
Public safety	80,848,786	11,190,662	2,192,482	-
Community services	13,453,775	3,634,653	3,172,984	2,616,365
Public works	25,876,603	1,738,505	4,266,482	4,332,678
Community development	5,516,258	1,763,863	-	-
Interest and fiscal charges	2,849,950	-	-	-
Total Governmental Activities	139,865,212	19,009,052	9,980,538	9,564,799
Business-type activities:				
Water	62,431,613	61,551,122	-	382,326
Wastewater	32,843,118	34,464,076	143,298	7,846,908
Total Business-type Activities	95,274,731	96,015,198	143,298	8,229,234
Total Primary Government	\$ 235,139,943	\$ 115,024,250	\$ 10,123,836	\$ 17,794,033
Component Unit:				
California Center for the Arts, Escondido Foundation	\$ 11,575,548	\$ 4,714,480	\$ 6,640,490	\$ -

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Unit
	Governmental Activities	Business-type Activities	Total	California Center for the Arts, Escondido Foundation
Primary Government:				
Governmental Activities:				
General government	\$ (7,674,125)	\$ -	\$ (7,674,125)	\$ -
Public safety	(67,465,642)	-	(67,465,642)	-
Community services	(4,029,773)	-	(4,029,773)	-
Public works	(15,538,938)	-	(15,538,938)	-
Community development	(3,752,395)	-	(3,752,395)	-
Interest and fiscal charges	(2,849,950)	-	(2,849,950)	-
Total Governmental Activities	(101,310,823)	-	(101,310,823)	-
Business-type activities:				
Water	-	(498,165)	(498,165)	-
Wastewater	-	9,611,164	9,611,164	-
Total Business-type Activities	-	9,112,999	9,112,999	-
Total Primary Government	(101,310,823)	9,112,999	(92,197,824)	-
Component Unit:				
California Center for the Arts, Escondido Foundation	-	-	-	(220,578)
General Revenues:				
Sales tax	42,100,337	-	42,100,337	-
Property tax	33,109,198	-	33,109,198	-
Franchise tax	6,673,212	-	6,673,212	-
Transient occupancy tax	1,765,478	-	1,765,478	-
Business license tax	1,827,652	-	1,827,652	-
Transfer station tax	671,054	-	671,054	-
Refuse collection tax	88,447	-	88,447	-
Investment earnings	4,903,198	1,350,539	6,253,737	101,968
Gain on sale of capital assets	1,449,580	-	1,449,580	-
Miscellaneous	559,798	176,866	736,664	134,794
Total general revenues	93,147,954	1,527,405	94,675,359	236,762
Transfers	50,000	(50,000)	-	-
Total general revenues and transfers	93,197,954	1,477,405	94,675,359	236,762
Change in net position	(8,112,869)	10,590,404	2,477,535	16,184
Net position:				
Beginning of year	219,764,975	198,110,500	417,875,475	1,433,708
End of year	<u>\$ 211,652,106</u>	<u>\$ 208,700,904</u>	<u>\$ 420,353,010</u>	<u>\$ 1,449,892</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO

Balance Sheet

Governmental Funds

June 30, 2018

	Major Funds			Total Governmental Funds
	General	Successor Agency Housing	Nonmajor Governmental Funds	
ASSETS				
Cash and investments	\$ 17,670,260	\$ 4,713,763	\$ 30,052,306	\$ 52,436,329
Receivables (net):				
Accounts	2,861,691	-	125,511	2,987,202
Interest	119,152	8,606,310	5,054,867	13,780,329
Taxes	7,343,235	-	37,746	7,380,981
Loans	200,000	36,140,109	17,797,921	54,138,030
Due from other governments	369,098	-	2,838,511	3,207,609
Due from Successor Agency	17,977,592	-	1,003,953	18,981,545
Due from other funds	319,675	-	-	319,675
Inventory, at cost	-	-	14,325	14,325
Prepaid expenditures	-	-	18,858	18,858
Deposits	-	-	100,935	100,935
Land held for resale	-	2,052,117	-	2,052,117
Advances to other funds	159,250	-	290,000	449,250
Restricted assets:				
Cash and investments	1,989,784	-	-	1,989,784
Cash and investments with fiscal agent	-	-	22	22
Total Assets	\$ 49,009,737	\$ 51,512,299	\$ 57,334,955	\$ 157,856,991
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,079,577	\$ 8,783	\$ 1,103,635	\$ 2,191,995
Deposits payable	901,212	9,415	2,544,361	3,454,988
Retentions payable	-	-	286,272	286,272
Accrued expenditures	2,621,250	8,842	87,236	2,717,328
Due to other funds	-	-	144,437	144,437
Due to other governments	-	-	469,988	469,988
Unearned revenue	40,844	-	419,604	460,448
Advances from other funds	290,000	-	159,250	449,250
Total Liabilities	4,932,883	27,040	5,214,783	10,174,706
Deferred Inflows of Resources:				
Unavailable revenue	10,093,054	8,584,996	7,485,429	26,163,479
Total Deferred Inflows of Resources	10,093,054	8,584,996	7,485,429	26,163,479
Fund Balances:				
Nonspendable	9,991,902	-	373,620	10,365,522
Restricted	1,997,186	42,900,263	44,910,901	89,808,350
Committed	17,392,319	-	698,161	18,090,480
Assigned	1,762,773	-	-	1,762,773
Unassigned (deficit)	2,839,620	-	(1,347,939)	1,491,681
Total Fund Balances	33,983,800	42,900,263	44,634,743	121,518,806
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 49,009,737	\$ 51,512,299	\$ 57,334,955	\$ 157,856,991

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Fund balances for governmental funds		\$ 121,518,806
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Amount reported in government-wide statement of net position:		
Capital assets, not being depreciated	\$ 79,755,265	
Capital assets, being depreciated, net	215,548,572	
Less: amount reported in internal services fund	(8,352,613)	286,951,224
A portion of the unavailable revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.		
		26,163,479
Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the Statement of Net Position.		
Total internal service fund net position	\$ 7,866,322	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	395,251	8,261,573
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Noncurrent liabilities allocated from internal service funds are included in the internal service fund adjustment above.		
Employee leave benefits	\$ (6,535,150)	
Claims payable	(16,823,400)	
Loans	(3,085,997)	
Leases	(2,348,520)	
Bonds	(62,430,000)	
Bond premium	(7,823,417)	
Bond discount	6,969	
Deferred gain on refunding	(385,950)	
Deferred loss on refunding	41,524	
Less: amount reported in internal services fund	17,996,110	(81,387,831)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds. The net pension liability allocated from internal service funds are included in the internal service fund adjustment above.		
Aggregate net pension liability	(209,417,572)	
Less: amount reported in internal services fund	10,665,448	(198,752,124)
Deferred outflows and deferred inflows of resources related to pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds		
Deferred outflows of resources related to pensions	52,935,883	
Deferred inflows of resources related to pensions	(707,080)	
Less: amount reported in internal services fund	(2,259,514)	49,969,289
Interest payable on noncurrent liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(1,072,310)
Net position of governmental activities		\$ 211,652,106

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Successor Agency Housing	Nonmajor Governmental Funds	
Revenues:				
Sales tax	\$ 36,573,403	\$ -	\$ -	\$ 36,573,403
Property taxes	26,661,521	-	-	26,661,521
Other taxes	12,742,188	-	10,269,266	23,011,454
Licenses and permits	1,183,587	-	-	1,183,587
Fines and forfeits	1,076,387	-	-	1,076,387
Intergovernmental	3,701,387	146,052	13,243,926	17,091,365
Charges for services	12,094,445	-	4,210,916	16,305,361
Special assessments	-	-	797,529	797,529
Lease income	3,786,764	164,328	-	3,951,092
Investment income	11,194	208,006	262,533	481,733
Miscellaneous	342,966	85,698	39,246	467,910
Total Revenues	98,173,842	604,084	28,823,416	127,601,342
Expenditures:				
Current:				
General government	6,075,646	-	136,550	6,212,196
Public safety	66,210,522	-	1,707,047	67,917,569
Public works	12,198,345	-	7,822,477	20,020,822
Community services	9,258,902	-	2,837,570	12,096,472
Community development	4,017,640	455,160	471,688	4,944,488
Capital outlay	-	-	10,522,490	10,522,490
Debt service:				
Principal retirements	538,955	-	2,077,263	2,616,218
Interest and fiscal charges	109,682	-	3,107,057	3,216,739
Total Expenditures	98,409,692	455,160	28,682,142	127,546,994
Excess (Deficiency) of Revenues Over Expenditures	(235,850)	148,924	141,274	54,348
Other Financing Sources (Uses):				
Sale of capital assets	1,724,580	-	-	1,724,580
Debt issuance	2,095,893	-	-	2,095,893
Transfers in	2,491,538	25,000	3,098,755	5,615,293
Transfers (out)	(3,259,613)	-	(2,589,635)	(5,849,248)
Total Other Financing Sources (Uses)	3,052,398	25,000	509,120	3,586,518
Net Change in Fund Balance	2,816,548	173,924	650,394	3,640,866
Fund Balances:				
Beginning of Year	31,167,252	42,726,339	43,984,349	117,877,940
End of Year	<u>\$ 33,983,800</u>	<u>\$ 42,900,263</u>	<u>\$ 44,634,743</u>	<u>\$ 121,518,806</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds: \$ 3,640,866

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, contributed capital assets, retirements, and capital related expenditures exceeded depreciation in the current period. Capital asset activity from internal service funds are reported in the internal service activity below.

Capital outlay	\$ 10,522,490	
Depreciation, net of \$3,340,659 from Internal Service Funds	(12,754,814)	
Contributed capital assets	949,095	
Sale of city property	(275,000)	
Capital assets contributed to business-type activities	<u>76,044</u>	
		(1,482,185)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,062,094

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net revenue of internal service funds was reported with governmental activities.

Total internal service fund net position	\$ (1,535,747)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>303,611</u>	
		\$ (1,232,136)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.

Change in employee leave benefits	\$ 166,749	
Change in pension liability	(12,193,934)	
Principal retirements	2,616,218	
Issuance of debt	(2,095,893)	
Accrued interest	<u>405,352</u>	
		<u>(11,101,508)</u>

Change in net position of governmental activities \$ (8,112,869)

CITY OF ESCONDIDO

Statement of Net Position

Proprietary Funds

June 30, 2018

	Major Funds			Governmental
	Water	Wastewater	Total	Activities
				Internal
ASSETS				Service Funds
Current Assets:				
Cash and investments	\$ 28,216,593	\$ 37,570,330	\$ 65,786,923	\$ 26,267,683
Receivables (Net):				
Accounts	10,412,672	2,634,973	13,047,645	25,218
Interest	113,267	175,255	288,522	114,415
Loans	-	61,041	61,041	-
Inventory	-	5,155	5,155	430,251
Deposits	-	-	-	312,600
Total Current Assets	38,742,532	40,446,754	79,189,286	27,150,167
Noncurrent Assets:				
Restricted cash and investments	45,003	3,597,089	3,642,092	-
Loans receivables	-	431,837	431,837	-
Prepaid bond insurance	99,180	-	99,180	-
Capital assets:				
Not being depreciated	36,178,186	32,381,662	68,559,848	-
Being depreciated, net	89,872,224	143,864,251	233,736,475	8,352,613
Total Noncurrent Assets	126,194,593	180,274,839	306,469,432	8,352,613
Total Assets	164,937,125	220,721,593	385,658,718	35,502,780
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	4,685,276	5,187,241	9,872,517	2,334,460
Deferred loss on refundings	833,443	1,233,931	2,067,374	-
Total Deferred Outflows of Resources	5,518,719	6,421,172	11,939,891	2,334,460

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Major Funds		Total	Governmental Activities
	Water	Wastewater		Internal Service Funds
LIABILITIES				
Current Liabilities:				
Accounts payable	4,532,193	3,359,480	7,891,673	899,139
Retention payable	8,088,340	98,918	8,187,258	-
Accrued expenses	260,268	247,560	507,828	160,037
Due to other funds	-	-	-	175,238
Accrued interest	845,802	651,728	1,497,530	-
Long-term debt, due within one year	1,585,296	3,742,200	5,327,496	3,657,473
Total Current Liabilities	15,311,899	8,099,886	23,411,785	4,891,887
Noncurrent Liabilities:				
Deposits payable	608,180	144,071	752,251	-
Aggregate net pension liabilities	19,882,564	22,624,705	42,507,269	10,665,448
Long-term debt, due in more than one year	66,559,144	54,969,664	121,528,808	14,338,637
Total Noncurrent Liabilities	87,049,888	77,738,440	164,788,328	25,004,085
Total Liabilities	102,361,787	85,838,326	188,200,113	29,895,972
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	136,580	165,761	302,341	74,946
Total Deferred Inflows of Resources	136,580	165,761	302,341	74,946
NET POSITION				
Net investment in capital assets	60,541,689	123,223,279	183,764,968	7,812,871
Unrestricted	7,415,788	17,915,399	25,331,187	53,451
Total Net Position	\$ 67,957,477	\$ 141,138,678	209,096,155	\$ 7,866,322
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			(395,251)	
Net position of business-type activities			<u>\$ 208,700,904</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Operating Revenues:				
Charges for services	\$ 59,696,574	\$ 34,464,076	\$ 94,160,650	\$ 31,288,592
Total Operating Revenues	<u>59,696,574</u>	<u>34,464,076</u>	<u>94,160,650</u>	<u>31,288,592</u>
Operating Expenses:				
Personnel services	11,969,610	11,989,770	23,959,380	5,692,268
Purchased water	27,511,621	-	27,511,621	-
Administrative expenses	6,192,917	1,891,816	8,084,733	1,994,963
Benefit claims	-	-	-	2,894,845
Supplies	2,268,038	1,244,267	3,512,305	358,352
Repairs and maintenance	1,816,827	2,176,357	3,993,184	1,268,839
Depreciation	4,132,922	5,634,302	9,767,224	3,340,659
Utilities	3,192,497	3,080,164	6,272,661	1,409,770
Fuel	-	-	-	1,004,497
Professional services	999,452	3,210,430	4,209,882	4,403,878
Insurance premiums	541,170	454,515	995,685	10,602,644
Rent	367,524	371,531	739,055	1,879
Other	577,476	447,090	1,024,566	651,464
Total Operating Expenses	<u>59,570,054</u>	<u>30,500,242</u>	<u>90,070,296</u>	<u>33,624,058</u>
Operating Income (Loss)	<u>126,520</u>	<u>3,963,834</u>	<u>4,090,354</u>	<u>(2,335,466)</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Nonoperating Revenues (Expenses):				
Investment income	(50,968)	149,920	98,952	81,118
Rents and concessions	1,160,002	-	1,160,002	-
Intergovernmental	382,326	4,185,845	4,568,171	-
Interest and fiscal charges	(2,625,313)	(2,240,041)	(4,865,354)	(38,564)
Settlements	(35,470)	-	(35,470)	-
Miscellaneous	130,079	138,372	268,451	323,787
Total Nonoperating Revenues (Expenses)	(1,039,344)	2,234,096	1,194,752	366,341
Income Before Transfers and Capital Contributions	(912,824)	6,197,930	5,285,106	(1,969,125)
Transfers in	-	-	-	360,000
Transfers (out)	(12,500)	(37,500)	(50,000)	(76,045)
Capital Contributions:				
Connection fees	1,854,548	3,804,361	5,658,909	-
Developer contributions	-	-	-	149,423
Total Transfers and Capital Contributions	1,842,048	3,766,861	5,608,909	433,378
Changes in Net Position	929,224	9,964,791	10,894,015	(1,535,747)
Net Position at Beginning of Year	67,028,253	131,173,887	198,202,140	9,402,069
Net Position at End of Year	\$ 67,957,477	\$ 141,138,678	\$ 209,096,155	\$ 7,866,322
Change in Net Position			\$ 10,894,015	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			(303,611)	
Change in net position of business-type activities			<u>\$ 10,590,404</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 57,893,055	\$ 33,573,417	\$ 91,466,472	\$ 31,305,172
Cash paid to employees for services	(10,370,785)	(10,596,607)	(20,967,392)	(7,150,904)
Cash paid to suppliers for goods or services	(36,628,909)	(11,220,759)	(47,849,668)	-
Cash for rents and concessions	1,160,002	-	1,160,002	(22,036,842)
Cash from other sources	130,079	195,866	325,945	323,787
Net Cash Provided by Operating Activities	<u>12,183,442</u>	<u>11,951,917</u>	<u>24,135,359</u>	<u>2,441,213</u>
Cash Flows from Noncapital Financing Activities:				
Cash paid to other funds	(12,500)	(37,500)	(50,000)	459,193
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(12,500)</u>	<u>(37,500)</u>	<u>(50,000)</u>	<u>459,193</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(8,808,308)	(15,960,352)	(24,768,660)	(1,726,913)
Construction in progress reimbursement	382,325	4,185,845	4,568,170	-
Payments on connection rights	1,809,328	3,760,617	5,569,945	-
Settlement payments	(4,146,232)	-	(4,146,232)	-
Capital lease payment	-	-	-	(190,374)
Principal payments on bonds	(1,140,000)	(1,585,000)	(2,725,000)	-
Interest payments on bonds	(2,566,241)	(1,994,316)	(4,560,557)	-
Principal payments on loans	(224,912)	(1,929,935)	(2,154,847)	(91,059)
Interest payments on loans	(73,755)	(386,726)	(460,481)	(18,127)
Net Cash (Used in) Capital and Related Financing Activities	<u>(14,767,795)</u>	<u>(13,909,867)</u>	<u>(28,677,662)</u>	<u>(2,026,473)</u>
Cash Flows from Investing Activities:				
Investment income received	(95,825)	130,857	35,032	48,992
Net Cash Provided by (Used for) Investing Activities	<u>(95,825)</u>	<u>130,857</u>	<u>35,032</u>	<u>48,992</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,692,678)</u>	<u>(1,864,593)</u>	<u>(4,557,271)</u>	<u>922,925</u>
Cash and cash equivalents:				
Beginning of year	30,954,274	43,032,012	73,986,286	25,344,758
End of year	<u>\$ 28,261,596</u>	<u>\$ 41,167,419</u>	<u>\$ 69,429,015</u>	<u>\$ 26,267,683</u>
Reconciliation of Cash Equivalents to the Statement of Net Position:				
Cash and investments	\$ 28,216,593	\$ 37,570,330	\$ 65,786,923	\$ 26,267,683
Restricted cash and investments	45,003	3,597,089	3,642,092	-
Total cash and cash equivalents	<u>\$ 28,261,596</u>	<u>\$ 41,167,419</u>	<u>\$ 69,429,015</u>	<u>\$ 26,267,683</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 126,520	\$ 3,963,834	\$ 4,090,354	\$ (2,335,466)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	4,132,922	5,634,302	9,767,224	3,340,659
Pension expense	1,500,435	1,397,232	2,897,667	523,511
Cash from rent and concessions	1,160,002	-	1,160,002	-
Cash from other sources	130,079	138,372	268,451	323,787
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	(1,902,562)	(894,464)	(2,797,026)	16,580
Inventories	-	(5,155)	(5,155)	(35,805)
Prepaid items	-	3,805	3,805	-
Loans receivable	-	57,494	57,494	-
Accounts payable	(1,249,727)	1,921,152	671,425	148,679
Retentions payable	8,088,340	(260,586)	7,827,754	-
Accrued expenses	32,509	16,679	49,188	4,778
Compensated absences	65,881	(20,748)	45,133	(1,510)
Customer deposits	99,043	-	99,043	-
Estimated claims payable	-	-	-	456,000
Total adjustments	<u>12,056,922</u>	<u>7,988,083</u>	<u>20,045,005</u>	<u>4,776,679</u>
Net Cash Provided by Operating Activities	<u>\$ 12,183,442</u>	<u>\$ 11,951,917</u>	<u>\$ 24,135,359</u>	<u>\$ 2,441,213</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 76,045	\$ -	\$ 76,045	\$ 149,423
Bond amortization	63,445	271,731	335,176	-
Total noncash investing, capital and financing activities	<u>\$ 139,490</u>	<u>\$ 271,731</u>	<u>\$ 411,221</u>	<u>\$ 149,423</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds	Private Purpose Trust Fund Successor Agency of the Former CDC
ASSETS		
Cash and investments	\$ 11,936,893	\$ 10,498,636
Cash and investments with fiscal agent	674,138	-
Receivables:		
Interest	4,389	32,819
Taxes	12,284	-
Loans	-	245,424
Prepaid bond insurance	-	15,871
Due from other governments	-	469,988
Total Assets	\$ 12,627,704	11,262,738
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding of debt		20,362
Total Deferred Outflows of Resources		20,362
LIABILITIES		
Accounts payable	\$ 68,099	-
Deposits payable	10,623,870	-
Due to bondholders	1,935,735	-
Interest payable	-	121,446
Long-term liabilities:		
Due within one year	-	11,867,359
Due in more than one year	-	14,286,317
Total Liabilities	\$ 12,627,704	26,275,122
NET POSITION		
Held in trust for other purposes		(14,992,022)
Total Net Position		\$ (14,992,022)

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trust Fund Successor Agency of the Former CDC
ADDITIONS:	
Taxes	\$ 8,685,838
Interest and change in fair value of investments	102,570
Total Additions	8,788,408
DEDUCTIONS:	
Administrative expenses	324,280
Interest expense	634,017
Total Deduction	958,297
Changes in Net Position	7,830,111
NET POSITION:	
Beginning of year	(22,822,133)
End of year	\$ (14,992,022)

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing government accounting and financial reporting standards.

A. Reporting Entity

The City of Escondido (City) was incorporated in 1888 and operates under a Council/Manager form of government. The Council is composed of five members. As required by U. S. GAAP, the financial statements present the government and its component units for which the government is considered financially accountable. The inclusion of an organization within the scope of the reporting entity of the City of Escondido is based on the provisions of GASB Statement No. 14 and amended with GASB Statement No. 61. The following criteria were used in the determination of the blended component units:

- The members of the City Council also act as the governing body of the Escondido Vehicle Parking District (District) and the Escondido Joint Power Financing Authority (Authority).
- The District and the Authority are managed by employees of the City.
- The District and the Authority are financially interdependent. They provide financial benefit/burden to the City.

Blended Component Units

The following blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Each blended component unit as described below has a June 30-year end.

Escondido Vehicle Parking District

The Escondido Vehicle Parking District (District) was established in 1962 for the purpose of acquiring and improving parking lots in Escondido. The City Council acts as the District's governing board and exerts significant influence over its operations. The funds of the District have been included in the governmental activities of the financial statements. Separate financial statements are not prepared for this blended component unit.

Escondido Joint Powers Financing Authority

The City and Commission formed the Escondido Joint Powers Financing Authority (Authority). The Authority was established in 1991 for the purpose of providing for the financing of public capital improvements for the Members through the issuance of bonds by the Authority and the leasing of the public capital improvements to the members and/or the acquisition of obligations pursuant to which public capital improvements are financed by or for the benefit of the members.

The City Council acts as the Authority's governing board and exerts significant influence over its operations. The funds of the Authority have been included in the governmental activities of the financial statements. Separate financial statements are not prepared for this blended component unit.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units

California Center for the Arts, Escondido Foundation

The California Center for the Arts, Escondido Foundation (Foundation) was established in 1988 as a nonprofit public benefit corporation to provide a variety of visual and performing arts events, to encourage other cultural activities, and to provide a venue for local events and presentations. The Foundation has a governing board elected separately from the City. It is included as a discretely presented component unit because the Foundation is fiscally dependent on the City; the City has assumed the obligation to provide financial support to the organization including the Center's management fee, facility, and additional funding as needed based on annual operations. The City issued bonds in 1992 for the construction of the facility and was obligated for those payments. In addition, all land and buildings used by the Foundation is legally owned by the City. Separate financial statements of the Foundation can be obtained at:

California Center for the Arts, Escondido Foundation
340 North Escondido Boulevard
Escondido, California 92025

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government - Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government - Wide Financial Statements (Continued)

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

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

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

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

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

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 nonmajor 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 met the applicable criteria.

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period as 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. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures not paid through other funds are paid from this fund.

The **Successor Agency Housing Special Revenue Fund** was established to account for the housing activities of the dissolved Community Development Commission. The Successor Agency provides the resources for the activities of this fund that were approved by the California Department of Finance on the Successor Agency Recognized Obligation Payment Schedules. Other resources are received through loan repayments.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate 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. The City’s internal service funds include seven individual funds, which provide services directly to other City funds. These areas of service include Building Maintenance, Vehicle and Equipment Maintenance, Central Services, Office Automation, Workers’ Compensation, General Liability Self-Insurance, and Insurance.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total 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 liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary Fund Financial Statements (Continued)

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

The City reports the following major proprietary funds:

The **Water Enterprise Fund** is used to account for the financial activity of the City's water utility. The costs of providing these services to the general public are financed or recovered primarily through user charges.

The **Wastewater Enterprise Fund** is used to account for the financial activity of the City's sewer utility. The costs of providing these services to the general public are financed or recovered primarily through user charges.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

Fiduciary fund types are accounted for according to the nature of the fund.

The City's Agency funds (Hidden Trails Community Facilities District, Eureka Ranch Community Facilities District, Auto Parkway Assessment District, Rancho San Pasqual, and Deposit Trust) are used to account for money and property held by the City as trustee or custodian. These funds include refundable deposits and also account for the collection of special assessments levied on various assessment districts for the payment of debt service on no commitment debt. These funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

The City elected to serve as the successor agency for its former redevelopment agency, which was dissolved by state law. The successor agency activity is accounted for in a private purpose trust fund used by the City to account for assets, liabilities and activities of the Successor Agency to the former Commission and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former Commission are paid in full and assets have been liquidated.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments (Continued)

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 statement of cash flows requires presentation of “cash and cash equivalents”. For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents”, as such, funds are available to the various funds as needed.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

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

U. S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position or Balance Sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

D. Cash and Investments with Fiscal Agents

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's investment policy.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Interfund Transactions

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

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

F. Due From Other Governments

The amounts recorded as a receivable due from other governments include amounts collected or provided by Federal, State and County governments and not remitted to the City at year end.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Diego (County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax value base no more than 2% per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

H. Inventories

Inventories within the various fund types consist of fuel, supplies and equipment valued at cost, which approximates market, on the first-in, first-out basis. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

I. Land Held for Resale

Land held for resale is valued at lower of cost or net realizable value. The reported amount is classified as restricted net position in the low and moderate income housing fund and the County Transportation Street Projects Fund since the proceeds from the sale of the land held for resale will be restricted for a specific purpose. The land held for resale primarily consists of lots in two mobile home parks that the City owns and is holding until sold. It is anticipated that these lots could take several years to sell.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The City utilizes a capitalization threshold of \$5,000 - \$10,000 depending on asset type.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	5-40 years
Buildings	30-40 years
Machinery and equipment	5-30 years
Motorized vehicles	5-15 years
Infrastructure	30-50 years
Golf course	30 years
Water system	40 years
Electrical system	40 years
Sewer system	40 years
Recycled water system	40 years

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, water purification and distribution system, sewer collection and treatment system, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

K. Compensated Absences – Employee Leave Benefits

Depending upon length of employment, City employees earn 12 to 27 vacation days a year. Sick leave is accrued at the rate of 12 days per year except for Fire Safety which earns six twenty-four hour shifts. Employees can carry forward to subsequent two to three years' worth of earned but unused vacation leave benefits depending on employee group. Upon termination, the City is obligated to compensate employees for all earned but unused vacation days. The earned but unused sick leave benefits are not payable in the event of employee termination. These benefits are considered to be contingent liabilities subject to the continuation of the employee relationship. Such sick leave benefits are therefore not recorded as liabilities in the accompanying basic financial statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Compensated Absences – Employee Leave Benefits (Continued)

In government-wide financial statements and the proprietary fund financial statements, compensated absences are recorded as expenses and liabilities as incurred.

In governmental fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available and expendable resources. The General Fund is typically used to liquidate compensated absences.

The California Center for the Arts, Escondido Foundation (Foundation) provides Paid Time Off (PTO) benefits to all full-time employees. The accrual begins immediately upon hire and is determined based on length of employment, employees earn approximately 10-25 days of PTO. The Foundation allows employees to carry over all accrued available PTO to the following calendar year, and upon termination, is mandated to compensate employees for all earned but unused vacation days. Part time employees accrue one hour of sick time for every 30 hours worked. The Foundation allows employees to carry over all accrued paid sick days to the following calendar year of employment. Paid sick accrues until it reaches a maximum cap of 48 hours. Upon termination, employees are not compensated for unused paid sick time.

L. Long-Term Debt

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed when incurred. Gains or losses on bond refunding are reported as either deferred outflows of resources or deferred inflows of resources and amortized over the term of the related debt.

Governmental Fund Financial Statements

The governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position. Governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Claims and Judgments

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service funds, which account for the City's self-insurance activities.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Unearned Revenues

Unearned revenue recorded in the Government-Wide Statement of Net Position for governmental activities and the governmental fund financial statements consist of federal and state capital grants, representing voluntary nonexchange transactions, for which advance payments have been received from the provider for which eligibility requirements, other than timing requirements, have not been satisfied.

Unearned revenue recorded in the Government-Wide Statement of Net Position for business-type activities and the proprietary fund financial statements generally consist of program fees collected from customers prior to the statement of net position date for recreation programs that begin in the next fiscal year or donations for capital or work projects, for which the related expenses have not yet been incurred.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 13). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

P. Net Position

In governmental-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Net Position (Continued)

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Q. Fund Balance

In governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body and that remain binding unless removed in the same manner. Adoption of a resolution by the City Council is required to commit resources or rescind the commitment. The action that constitutes the most binding constraint (i.e. ordinance) of the City’s highest level of decision-making authority, City Council, commits fund balance for specific purposes. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Administrative Services Director is authorized to assign amounts to a specific purpose, which was established by the governing body by resolution.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Included in the General Fund’s committed fund balance, the City Council has approved an emergency reserve stabilization arrangement to be used for one-time unanticipated expenditure requirements and local disasters. City Council also committed a portion of fund balance to be used for future PERS expenditures. City Council action is required to add or spend the funds. At June 30, 2018, the balance totaled \$17,921,319.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the City's policy is to apply restricted Net Position first.

Governmental Fund Financial Statements

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

S. Implementation of New GASB Pronouncements

During the fiscal year ended June 30, 2018, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 81 – In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 86 – In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement did not have a significant effect on the City's financial statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

There was no excess of expenditures over appropriations for the year ended June 30, 2018.

B. Deficit Fund Equity

The following fund reported a deficit fund balance/net position as of June 30, 2018:

Fund	Fund Type	Amount
Government wide Statement of Net Position	Governmental Activities	\$ (112,741,040)
Law Enforcement	Special Revenue Fund	(218,385)
Vehicle Parking District	Special Revenue Fund	(624,060)
County Transportation Street Projects	Capital Project Fund	(505,494)
Building Maintenance	Internal Service Fund	(2,733,106)
Office Automation	Internal Service Fund	(1,567,487)
Workers' Compensation	Internal Service Fund	(5,733,141)

These deficits are expected to be eliminated with future revenues, reimbursements, and transfers.

Note 3 – Cash and Investments

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 78,704,012	\$ 65,786,923	\$ 1,950,702	\$ 22,435,529	\$ 168,877,166
Investment in Section 115 Trust	1,989,784	-	-	-	1,989,784
Cash and investments with fiscal agent	22	3,642,092	-	674,138	4,316,252
Total	\$ 80,693,818	\$ 69,429,015	\$ 1,950,702	\$ 23,109,667	\$ 175,183,202

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

At June 30, 2018, cash and investments, including cash and investments with fiscal agent, are reported at fair value. The following table presents the fair value measurements of the investments recognized in the accompanying statement of net position and balance sheet measured at fair value on a recurring basis and the levels within GASB 72 fair value hierarchy in which fair value measurement fall at June 30, 2018:

	Fair Value	Measurement Input			
		Level 1	Level 2	Level 3	Exempt
Cash on hand	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000
Demand deposits	6,219,282	-	-	-	6,219,282
Investments:					
U. S. Treasury Obligations	987,580	-	987,580	-	-
U. S. Corporate Bonds	15,769,626	-	15,769,626	-	-
U. S. Municipal Bonds	7,521,463	-	7,521,463	-	-
Federal Agency Securities	77,272,743	-	77,272,743	-	-
Money Market Funds	1,063,163	-	-	-	1,063,163
Negotiable Certificates of Deposit	7,291,082	-	7,291,082	-	-
State Investment Pool (LAIF)	52,740,227	-	-	-	52,740,227
Subtotal	162,645,884	-	108,842,494	-	53,803,390
Held by fiscal agent:					
Money Market Funds	1,473,252	-	1,473,252	-	-
State Investment Pool (LAIF)	2,843,000	-	-	-	2,843,000
Subtotal	4,316,252	-	1,473,252	-	2,843,000
Investment in Section 115 Trust	1,989,784	-	-	-	1,989,784
Total	\$ 175,183,202	\$ -	\$ 110,315,746	\$ -	\$ 64,867,456

A. Demand Deposits

The carrying amount of the City's cash deposits were \$6,219,282 at June 30, 2018. Bank balances before reconciling items were \$7,185,125 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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 on an accounting period basis 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 ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

B. Investments

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 by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee (i.e. fiscal agent) 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. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

Investment types Authorized by State Law	Authorized by Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptance	Yes	180 days	20%	10%
Commercial Paper	Yes	180 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	30%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County pooled Investment Funds	Yes	N/A	30%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	30%	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

B. Investments (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	*Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	365 days	None	None
Banker's Acceptance	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	None	None	None
Investment Contracts	30 years	None	None
State or Municipal Obligations	None	None	None
State Pooled Investment Fund	None	None	None

C. Investments in Local Agency Investment Fund

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

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

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

As of June 30, 2018, the City had \$55,583,227 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2018. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Remaining Maturity in Months		
		18 Months or Less	18 to 42 Months	42 to 60 Months
Investments:				
U. S. Treasury Obligations	\$ 987,580	\$ 987,580	\$ -	\$ -
U. S. Corporate Bonds	15,769,626	9,773,757	-	5,995,869
U. S. Municipal Bonds	7,521,463	-	959,438	6,562,025
Federal Agency Securities	77,272,743	24,889,746	41,681,067	10,701,930
Money Market Funds	1,063,163	1,063,163	-	-
Negotiable Certificates of Deposit	7,291,082	4,407,019	1,929,955	954,108
State Investment Pool (LAIF)	52,740,227	52,740,227	-	-
Subtotal	162,645,884	93,861,492	44,570,460	24,213,932
Held by fiscal agent:				
Money Market Funds	1,473,252	1,473,252	-	-
State Investment Pool (LAIF)	2,843,000	2,843,000	-	-
Subtotal	4,316,252	4,316,252	-	-
Investment in Section 115 Trust	1,989,784	1,989,784	-	-
Total	\$ 168,951,920	\$ 100,167,528	\$ 44,570,460	\$ 24,213,932

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, by Moody's or Standards and Poor, as of yearend for each investment type.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures Relating to Credit Risk (Continued)

Investment Type	Fair Value	Minimum Legal Rating	Exempt from Disclosures	Rating as of Year End				
				AAA/Aaa	AA+/Aa1	AA to AA- / Aa2 to Aa3	A+ to A / A1 to A3	Not Rated
Investments:								
U. S. Treasury Obligations	\$ 987,580	N/A	\$ -	\$ 987,580	\$ -	\$ -	\$ -	\$ -
U. S. Corporate Bonds	15,769,626	A	-	11,689,117	912,836	-	3,167,673	-
U. S. Municipal Bonds	7,521,463	A	-	-	-	5,102,121	2,419,342	-
Federal Agency Securities	77,272,743	N/A	-	60,516,890	8,885,143	-	-	7,870,710
Money Market Funds	1,063,163	N/A	1,063,163	-	-	-	-	-
Negotiable Certificates of Deposit	7,291,082	N/A	-	-	-	-	-	7,291,082
State Investment Pool (LAIF)	52,740,227	N/A	-	-	-	-	-	52,740,227
Subtotal	162,645,884		1,063,163	73,193,587	9,797,979	5,102,121	5,587,015	67,902,019
Held by fiscal agent:								
Money Market Funds	1,473,252	N/A	-	-	-	-	-	1,473,252
State Investment Pool (LAIF)	2,843,000	N/A	-	-	-	-	-	2,843,000
Subtotal	4,316,252		-	-	-	-	-	4,316,252
Investment in Section 115 Trust	1,989,784	N/A	-	-	-	-	-	1,989,784
Total	\$ 168,951,920		\$ 1,063,163	\$ 73,193,587	\$ 9,797,979	\$ 5,102,121	\$ 5,587,015	\$ 74,208,055

Disclosures Relating to Concentration of Credit Risk

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 are as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal Agency Securities	\$ 19,214,028
Federal Home Loan Bank	Federal Agency Securities	16,055,028
Federal Home Loan Mortgage Corp.	Federal Agency Securities	20,983,400
Federal Farm Credit Bank	Federal Agency Securities	21,020,287

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

For investments identified herein as held by bond trustee, the bond trustee provides the City with investment options that are authorized under the terms of the applicable trust agreement, acquires the investment as directed, and holds the investment on behalf of the reporting government.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Allowance for Uncollectible Receivables

Governmental and Business-type Activities receivables are shown net of an allowance for uncollectibles, which at June 30, 2018 is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 27,048,405	\$ 13,603,377	\$ 40,651,782
Allowance for doubtful accounts	(2,760,260)	(267,210)	(3,027,470)
Total	\$ 24,288,145	\$ 13,336,167	\$ 37,624,312

The governmental activities allowance is recorded in the General Fund for paramedic and general accounts receivable activities. The uncollectible accounts related to accounts receivable at June 30, 2018 are \$166,463 for the Water Fund and \$100,747 for the Wastewater Fund.

Note 5 – Loans Receivable

The City and Housing Successor Agency engage in programs designed to encourage construction and improvement in low-to-moderate income housing and other projects. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's or Housing Successor Agency's terms.

At June 30, 2018, the loans receivable was reported in the accompanying basic financial statements as follows:

Governmental Funds	\$ 54,138,030
Proprietary Funds	492,878
Fiduciary Funds	245,424
Total	\$ 54,876,332

The loans at June 30, 2018, consisted of the following:

City of Escondido:	
HOME grant fund loans	\$ 17,566,262
National Golf Operations	200,000
CDBG notes receivable	231,659
Notes receivable	492,878
Successor Agency Housing Special Revenue Funds:	
Loans given to developers and non-profits	30,807,466
Mobile home loan program	2,331,425
First-time homebuyer program	2,626,218
HOME loans	375,000
Successor Agency to the Former CDC:	
First-time homebuyer program	159,395
Mobile home loan program	86,029
Total	\$ 54,876,332

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:						
Art and historical treasures	\$ 9,532,194	\$ -	\$ -	\$ -	\$ -	\$ 9,532,194
Land	52,059,130	117,854	-	802,142	(275,000)	52,704,126
Construction in progress	11,456,061	(4,538,796)	-	10,601,680	-	17,518,945
Total capital assets, not being depreciated	73,047,385	(4,420,942)	-	11,403,822	(275,000)	79,755,265
Capital assets, being depreciated:						
Land improvements	38,020,906	758,142	-	-	-	38,779,048
Buildings	222,209,481	121,156	-	-	-	222,330,637
Machinery and equipment	28,617,404	2,842,782	-	488,479	-	31,948,665
Motorized vehicles	27,833,017	-	76,044	1,420,620	-	29,329,681
Infrastructure	304,484,546	698,862	-	35,000	-	305,218,408
Golf Course	4,326,835	-	-	-	-	4,326,835
Radio Rights	3,230,225	-	-	-	-	3,230,225
Total capital assets, being depreciated	628,722,414	4,420,942	76,044	1,944,099	-	635,163,499
Less accumulated depreciation						
Land improvements	(36,220,442)	-	-	(819,543)	-	(37,039,985)
Buildings	(114,284,918)	-	-	(5,950,064)	-	(120,234,982)
Machinery and equipment	(24,740,475)	-	-	(1,529,837)	-	(26,270,312)
Motorized vehicles	(20,331,538)	-	-	(2,852,499)	-	(23,184,037)
Infrastructure	(205,665,909)	-	-	(4,637,747)	-	(210,303,656)
Golf Course	(2,114,661)	-	-	(144,272)	-	(2,258,933)
Radio Rights	(161,511)	-	-	(161,511)	-	(323,022)
Total accumulated depreciation	(403,519,454)	-	-	(16,095,473)	-	(419,614,927)
Total capital assets, being depreciated, net	225,202,960	4,420,942	76,044	(14,151,374)	-	215,548,572
Total Governmental Activities capital assets, net	\$ 298,250,345	\$ -	\$ 76,044	\$ (2,747,552)	\$ (275,000)	\$ 295,303,837

Construction in progress in the governmental activities consists primarily of additions to infrastructure, parks, and library improvement projects.

Depreciation expense was charged to the following functions:

General government	\$ 3,625,330
Public safety	2,888,792
Public works	5,288,533
Community services	833,044
Community development	119,115
Internal service funds	3,340,659
Total	\$ 16,095,473

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

B. Business-type Activities

Summary of changes in capital assets for the business-type activities for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:						
Land	\$ 2,874,824		\$ -	\$ 104,573	\$ -	\$ 2,979,397
Construction in progress	68,868,773	(27,554,978)	-	24,266,656	-	65,580,451
Total capital assets, not being depreciated	71,743,597	(27,554,978)	-	24,371,229	-	68,559,848
Capital assets, being depreciated:						
Land improvements	1,035,020		-	-	-	1,035,020
Buildings	31,285,254	-	-	-	-	31,285,254
Machinery and equipment	10,337,015	-		502,004	-	10,839,019
Motorized vehicles	-	-	(76,044)	76,044	-	-
Water system	126,278,672	10,341,529	-	-	-	136,620,201
Electrical system	3,609,179	-	-	-	-	3,609,179
Sewer system	171,851,174	17,213,449	-	-	-	189,064,623
Recycled water system	24,163,391	-	-	-	-	24,163,391
Total capital assets, being depreciated	368,559,705	27,554,978	(76,044)	578,048	-	396,616,687
Less accumulated depreciation						
Land improvements	(278,369)	-	-	(28,487)	-	(306,856)
Buildings	(19,837,531)	-	-	(573,927)	-	(20,411,458)
Machinery and equipment	(7,554,503)	-		(889,618)	-	(8,444,121)
Water system	(46,595,348)	-	-	(3,278,551)	-	(49,873,899)
Electrical system	(3,235,912)	-	-	(49,270)	-	(3,285,182)
Sewer system	(67,605,368)	-		(4,340,488)	-	(71,945,856)
Recycled water system	(8,005,957)	-	-	(606,883)	-	(8,612,840)
Total accumulated depreciation	(153,112,988)	-	-	(9,767,224)	-	(162,880,212)
Total capital assets, being depreciated, net	215,446,717	27,554,978	(76,044)	(9,189,176)	-	233,736,475
Total Business-type Activities capital assets, net	\$ 287,190,314	\$ -	\$ (76,044)	\$ 15,182,053	\$ -	\$ 302,296,323

Business-type construction in progress consists primarily of construction of a recycled water distribution system, on-site chlorine generation at the Water Treatment Plant, odor control at the Hale Avenue Resource Recovery Facility, the San Elijo outfall project, and water and sewer line installation projects. Motorized vehicles and certain machinery and equipment purchased by enterprise funds are contributed to the internal service fleet fund to maintain assets.

Depreciation expense was charged to the following functions:

Water	\$ 4,132,922
Wastewater	5,634,302
Total	\$ 9,767,224

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

C. Component Unit

Summary of changes in capital assets for the component unit for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, being depreciated:				
Leasehold improvements	\$ 72,260	\$ 47,385	\$ -	\$ 119,645
Machinery and equipment	701,646	-	(3,067)	698,579
Total capital assets, being depreciated	<u>773,906</u>	<u>47,385</u>	<u>(3,067)</u>	<u>818,224</u>
Less accumulated depreciation				
Leasehold improvements	(4,021)	(11,688)	-	(15,709)
Machinery and equipment	(683,162)	-	26,982	(656,180)
Total accumulated depreciation	<u>(687,183)</u>	<u>(11,688)</u>	<u>26,982</u>	<u>(671,889)</u>
Total capital assets, being depreciated, net	<u>86,723</u>	<u>35,697</u>	<u>23,915</u>	<u>146,335</u>
Total Component Unit capital assets, net	<u>\$ 86,723</u>	<u>\$ 35,697</u>	<u>\$ 23,915</u>	<u>\$ 146,335</u>

Depreciation expense for the year ended June 30, 2018 was \$11,688.

Note 7 – Interfund Transactions

A. Due To and From Other Funds

At June 30, 2018, due from and to other funds balances are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amounts</u>
General Fund	Community Development Block Grant Fund - Nonmajor Governmental Funds	\$ 144,437 (1)
General Fund	Building Maintenance Fund - Internal Service Funds	175,238 (2)
General Fund	Successor Agency of the Former CDC - Private Purpose Trust Fund	17,977,592 (3)
Streets Special Revenue Fund - Nonmajor Governmental Funds	Successor Agency of the Former CDC - Private Purpose Trust Fund	1,003,953 (4)

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Interfund Transactions (Continued)

A. Due To and From Other Funds (Continued)

- (1) The \$144,437 is for short-term borrowings from the Community Development Block Grant Nonmajor Governmental Fund to the General Fund due to negative cash balances at the end of this fiscal year.
- (2) The \$175,238 is for short-term borrowings from the Building Maintenance Internal Service Fund to the General Fund due to negative cash balances at the end of this fiscal year.
- (3) The Former Community Development Commission had received monies from the General Fund for use in its operations and capital improvement projects. For more information, see Note 8C.
- (4) The Former Community Development Commission had received monies from the Street Special Revenue Fund for use in its capital improvement projects. For more information, see Note 8C.

B. Advances To and From Other Funds

At June 30, 2018, advances to and from other fund balances are as follows:

<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amounts</u>
General Fund	Escondido Vehicle Parking District Special Revenue Fund - Nonmajor Governmental Funds	\$ 159,250 (1)
General Fund	Street Improvement Capital Projects Fund - Nonmajor Governmental Funds	200,000 (2)
Public Facilities Capital Projects Fund - Nonmajor Governmental Funds	General Fund	90,000 (3)

The advances were used for the following:

- (1) The Escondido Vehicle Parking District entered into agreements with the General Fund for the purchase of the downtown parking lots. The outstanding balance was \$159,250 at June 30, 2018.
- (2) The General Fund entered into an agreement with the Street Improvement Capital Projects fund in the amount of \$200,000 for improvements to the Vineyard Golf Course.
- (3) The Public Facilities Capital Project fund entered into an agreement with the General Fund for an advance to reconstruct Fire Station #4. At June 30, 2018, the amount of \$90,000 remained outstanding.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Interfund Transactions (Continued)

C. Transfers In and Out

For the year ended June 30, 2018, transfers in and out are as follows:

Transfer Out	Transfers In				Total
	General Fund	Successor Agency Housing	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 25,000	\$ 2,874,613	\$ 360,000	\$ 3,259,613
Nonmajor Governmental	2,466,538	-	123,097	-	2,589,635
Enterprise:					
Water	-	-	12,500	-	12,500
Wastewater	25,000	-	12,500	-	37,500
Internal Service Funds	-	-	76,045	-	76,045
Total	\$ 2,491,538	\$ 25,000	\$ 3,098,755	\$ 360,000	\$ 5,975,293

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8 – Long-Term Debt

A. Governmental Activities

Summary of changes in long-term liabilities for Governmental Activities as of June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in More Than One Year
Compensated absences	\$ 6,703,407	\$ 1,394,345	\$ (1,562,602)	\$ 6,535,150	\$ 1,633,788	\$ 4,901,362
Claims payable	16,367,400	3,396,696	(2,940,696)	16,823,400	3,364,680	13,458,720
Loans payable	3,496,160	-	(410,163)	3,085,997	410,566	2,675,431
2015 Refunding General Obligation Bonds	60,460,000	-	(1,780,000)	58,680,000	1,870,000	56,810,000
Unamortized bond premium	8,254,064	-	(430,647)	7,823,417	-	7,823,417
2013A Lease Revenue Bonds	3,980,000	-	(230,000)	3,750,000	235,000	3,515,000
Unamortized bond discount	(7,516)	-	547	(6,969)	-	(6,969)
Capital leases	709,677	2,095,893	(457,050)	2,348,520	455,945	1,892,575
Total	\$ 99,963,192	\$ 6,886,934	\$ (7,810,611)	\$ 99,039,515	\$ 7,969,979	\$ 91,069,536

Compensated Absences - Employee Leave Benefits Payable

The City's policies relating to employee leave benefits are described in Note 1. The balance at June 30, 2018, is \$6,535,150. This liability will be paid in future years from future resources primarily from the General Fund.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Claims Payable

The balance of claims payable at June 30, 2018, is \$16,823,400. For more information, see Note 10.

Loans Payable

In 2004, the City was granted an energy conservation loan from the California Energy Commission to fund various energy conservation projects. The term of the loan is 15 years with an annual interest rate of 3.95%. The outstanding balance at June 30, 2018, is \$392,020.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 92,339	\$ 14,585	\$ 106,924
2020	95,995	10,929	106,924
2021	99,851	7,072	106,923
2022	103,835	3,089	106,924
Total	<u>\$ 392,020</u>	<u>\$ 35,675</u>	<u>\$ 427,695</u>

In 2011, the City was granted five loans from the San Diego Gas and Electric Company to fund various energy conservation projects including the City Hall, CFA 921, EVCC, and the Park Avenue Community Center (PACC). The term of the loan is 8 years of monthly installment payments with no interest. The outstanding balances at June 30, 2018, are \$40,711.

The annual debt service requirements are as follows:

Year Ended June 30,	Principals				Total
	City Hall	CFA 921	EVCC	PACC	
2019	\$ 2,262	\$ 4,225	\$ 5,185	\$ 5,948	\$ 17,620
2020	2,262	4,225	5,185	-	11,672
2021	2,262	2,111	5,185	-	9,558
2022	566	-	1,295	-	1,861
Total	<u>\$ 7,352</u>	<u>\$ 10,561</u>	<u>\$ 16,850</u>	<u>\$ 5,948</u>	<u>\$ 40,711</u>

The City of Escondido, County of San Diego, and multiple participating agencies are involved in a Regional Communication System; the multi-year agreement expired in 2016. As a continuation of the program, the City entered into a new 20-year agreement with the County and participating agencies. The agreement obligated the City to share in the infrastructure costs with the County and to purchase radios and support devices.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Loans Payable (Continued)

In 2017, the City entered into a loan agreement with the County of San Diego for the City’s share of the infrastructure costs. The infrastructure is financed over a ten-year period with an annual interest rate of 2.79%. The outstanding balance at June 30, 2018, is \$2,653,267.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 300,607	\$ 74,026	\$ 374,633
2020	308,994	65,639	374,633
2021	317,615	57,018	374,633
2022	326,477	48,156	374,633
2023	335,585	39,048	374,633
2024-2027	1,063,989	59,915	1,123,904
Total	<u>\$ 2,653,267</u>	<u>\$ 343,802</u>	<u>\$ 2,997,069</u>

2015 Refunding General Obligation Bonds

On August 1, 2006, the City issued General Obligation Bonds, election of 2004, Series A amounting to \$84,350,000 to construct, upgrade, and acquire land for City fire stations, an emergency response training center, and a combined police and fire headquarters facility. The bonds mature serially on September 1, beginning 2007 through 2036 in amounts ranging from \$1,170,000 to \$5,225,000 and pay interest at rates varying from 3.55% to 4.75%. Interest is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2007. No reserve fund is required. The General Obligation Bonds, election of 2004, Series A were defeased with the issuance of the General Obligation Refunding Bonds, Series 2015 and the liability has been removed from the long-term debt.

On May 12, 2015, the City issued \$61,520,000 of General Obligation Refunding Bonds Series 2015. Proceeds from the Bonds were used to refund the General Obligation Bonds, election 2004, Series A, fund a debt service reserve fund and pay the costs of issuance. The Bonds bear interest ranging from 3.00% to 5.00% per annum payable on March 1 and September 1 of each year commencing March 1, 2015. The Bonds mature starting September 1, 2016 and end on September 1, 2036. At June 30, 2018, the outstanding balance of the Bonds was \$58,680,000 and unamortized bond premium was \$7,823,417.

The net proceeds of \$70.2 million of the General Obligation Bonds, Series 2015 (after a premium of \$9.1 million and payment of \$.4 million in underwriting fees, insurance, and other issuance costs) were used to refund the General Obligation Bonds, election of 2004, Series A and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded General Obligation Bonds, election of 2004, Series A. As a result, the refunded bonds are considered to be defeased and the liability of the General Obligation Bonds, election of 2004, Series A has been removed from long term debt. The refunding decreased the total debt service payment by \$10.3 million over the next 22 years and resulted in an economic gain of \$7.4 million.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2015 Refunding General Obligation Bonds (Continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 1,870,000	\$ 2,915,300	\$ 4,785,300
2020	1,965,000	2,840,500	4,805,500
2021	2,065,000	2,742,250	4,807,250
2022	2,165,000	2,639,000	4,804,000
2023	2,275,000	2,530,750	4,805,750
2024-2028	13,350,000	10,821,250	24,171,250
2029-2033	17,425,000	7,096,250	24,521,250
2034-2037	17,565,000	2,252,000	19,817,000
	<u>\$ 58,680,000</u>	<u>\$ 33,837,300</u>	<u>\$ 92,517,300</u>

2013A Lease Revenue Bonds

In March 2013, the City of Escondido issued \$4,830,000 in Lease Revenue Bonds to currently refund the outstanding Escondido Joint Powers Financing Authority 2001 Lease Revenue Bonds and to pay the costs incurred in connection with the issuance of the Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A. The principal is due annually on October 1 in amounts ranging from \$205,000 to 355,000, commencing 2013 and ending 2030. Interest is payable semi-annually on April 1 and October 1 of each year commencing October 1, 2013, at rates ranging from 2.00% to 4.00%. At June 30, 2018, the outstanding balance of these bonds was \$3,750,000 and unamortized bond discount was \$6,969.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 235,000	\$ 125,844	\$ 360,844
2020	245,000	118,644	363,644
2021	250,000	111,219	361,219
2022	260,000	103,568	363,568
2023	265,000	95,694	360,694
2024-2028	1,475,000	336,406	1,811,406
2029-2031	1,020,000	61,559	1,081,559
Total	<u>\$ 3,750,000</u>	<u>\$ 952,934</u>	<u>\$ 4,702,934</u>

Capital Leases

In September 2014, the City entered into a lease agreement with Leasing 2, Inc. to acquire a Sutphen aerial ladder fire truck. Per the lease agreement, the annual payments of \$190,375 are due in August of each year with the final payment due in August 2020. The outstanding balance at June 30, 2018, was \$539,741.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Capital Leases (Continued)

The future minimum lease and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 174,830	\$ 15,545	\$ 190,375
2020	179,865	10,510	190,375
2021	185,046	5,329	190,375
Total	<u>\$ 539,741</u>	<u>\$ 31,384</u>	<u>\$ 571,125</u>

The net carrying amount of assets acquired under the capital lease totaled \$838,116 at June 30, 2018 and is classified as motorized vehicles within capital assets. The amortization of the leased assets are included as part of depreciation expense.

In 2018, the City entered into a lease-purchase agreement for the purchase of the mobile radios and support devices. The equipment is financed over a seven-year period with an annual interest rate of 2.79%. The outstanding balance at June 30, 2018, is \$1,808,779.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 281,115	\$ 50,460	\$ 331,575
2020	288,955	42,617	331,572
2021	297,016	34,556	331,572
2022	305,302	26,271	331,573
2023	313,819	17,754	331,573
2024	322,572	8,999	331,571
Total	<u>\$ 1,808,779</u>	<u>\$ 180,657</u>	<u>\$ 1,989,436</u>

The net carrying amount of assets acquired under the capital lease totaled \$2,728,067 at June 30, 2018 and is classified as machinery and equipment within capital assets. The amortization of the leased assets are included as part of depreciation expense.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities

Summary of changes in long-term liabilities for Business-type Activities as of June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in More Than One Year
Connection rights payable	\$ 13,244,955	\$ -	\$ (88,964)	\$ 13,155,991	\$ -	\$ 13,155,991
Compensated absences	1,243,692	351,738	(306,608)	1,288,822	322,206	966,616
Settlements payable	4,360,762	-	(4,360,762)	-	-	-
2007 Water Revenue COP	25,875,000	-	(620,000)	25,255,000	640,000	24,615,000
Unamortized bond premium	167,118	-	(8,253)	158,865	-	158,865
2012 Water Revenue Bonds	29,260,000	-	(520,000)	28,740,000	545,000	28,195,000
Unamortized bond premium	1,371,220	-	(55,192)	1,316,028	-	1,316,028
2015A Wastewater Refunding Revenue Bonds	12,615,000	-	(995,000)	11,620,000	1,045,000	10,575,000
Unamortized bond premium	1,957,968	-	(213,597)	1,744,371	-	1,744,371
2015B Wastewater Refunding Revenue Bonds	4,195,000	-	(430,000)	3,765,000	435,000	3,330,000
Unamortized bond discount	(44,609)	-	4,867	(39,742)	-	(39,742)
2012 Wastewater Revenue Bonds	26,670,000	-	(160,000)	26,510,000	165,000	26,345,000
Unamortized bond premium	1,565,202	-	(63,000)	1,502,202	-	1,502,202
Loans payable	13,994,614	12,500	(2,167,347)	11,839,767	2,175,290	9,664,477
Total	\$ 137,249,799	\$ 364,238	\$ (9,983,856)	\$ 126,856,304	\$ 5,327,496	\$ 121,528,808

Connection Rights Payable

In 1982, the City raised funds for water and sewer improvements by selling in advance rights to connect to the utility system. The holders of those rights could sell or transfer those rights to others. The value of the rights resulted from the ability of the holder to redeem the rights to the City in order to connect to the system. The amounts collected represent connection fees collected in advance of the connection. The amounts collected are recorded as a liability until earned at the time of connection.

The purchase price for sewer connection rights sold was \$1,500 per right. Per the contract, the rights increased in value 10% per year until May 31, 2007. As of that date, a sewer right was valued at \$21,872. The purchase price for water connection rights sold was \$900 per right. Per the contract, the rights increased in value 10% per year until July 1, 1993. At that time, each right was valued at \$3,230.

There was no limit to the number of rights purchased under a contract or the number of contracts an individual might purchase. Both contracts allowed several options to the purchaser. These options were: 1) The rights could be used by the purchaser at the time of pulling building permits, thus waiving the current fee being charged by the Building Department; 2) if the owner of the rights sold the property for which the rights were originally purchased, the rights could be transferred to the new owner; 3) the last option was to turn in the right to the City of Escondido for the purpose of resale on a "first come, first served" basis. Resales are paid based on receipts from current connection fees on building permits. Interest on connection rights represents the increase in the obligation of the City to the holders of the rights as a result of rates of increase stipulated in the City's agreement with the holders of the rights. The outstanding balance at June 30, 2018 is \$13,155,991.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Compensated Absences – Employee Leave Benefits Payable

The City's policies relating to employee leave benefits are described in Note 1 of the Notes to Basic Financial Statements. This liability will be paid in future years from future resources. The balance at June 30, 2018, is \$1,288,822.

Settlements Payable

The balance of claims payable at June 30, 2018, is \$0 due to the conclusion of the San Luis Rey settlement agreement. In December 2014, the San Luis Rey settlement agreement with the City of Escondido, the Bands (the La Jolla, Rincon, San Pasqual, Pauma, and Pala Bands of Mission Indians), and Vista Irrigation District (VID) was signed by all parties and will be enacted once various preconditions are met. The Agreement commits Escondido and VID within five years from the effective date of that agreement to "remove, relocate, and replace with an underground pipeline most or all of that portion of the Escondido Canal and its appurtenant structures, facilities, and rights-of-way that currently occupy land within the San Pasqual Reservation." The cost of this project is currently unknown but is estimated to cost approximately \$11 million.

Additionally, Escondido and VID each agreed to pay the Indian Water Authority \$3.85 million ("Settlement Payment"). The Settlement Payment is adjusted from October 1, 2008 to the Effective Date by the change in the Consumer Price Index, All Urban Consumers, San Diego published by the United States Department of Labor, Bureau of Labor Statistics ("Index") which is equal to \$510,762. The settlement amount of \$4,360,762 reported as claims payable as of June 30, 2017 was paid in full as of June 30, 2018.

2007 Water Revenue Certificates of Participation

In September 2007, the City issued \$30,440,000 in Revenue Certificates of Participation to finance certain capital projects and to advance refund \$12,450,000 of outstanding Revenue Certificates of Participation, series 2000A, which were originally issued to finance the cost of construction of certain replacements to water lines and other capital improvements to the water system. The principal is due annually on September 1 in amounts ranging from \$430,000 to \$990,000, commencing 2008 and ending 2025 with interest at rates varying from 3.5% to 4.375%. In addition, \$5,775,000 and \$13,325,000 term certificates are due September 1, 2030 and September 2037, respectively.

The \$5,775,000 term certificates pay interest at 5.0% and the \$13,325,000 term certificates pay interest at 4.75%. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2008. The certificates maturing on or after September 1, 2018, are subject to optional prepayment prior to their respective maturities, as a whole or in part on any date in the order of maturity as directed by the City in a Written Request provided to the Trustee at least 45 days prior to the prepayment date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 2007, from amounts prepaid by the City pursuant to the Installment Purchase Agreement at a Prepayment Price equal to 100% of the principal amount of such Certificates to be prepaid. Additionally, the term certificates maturing on September 1, 2030 and 2037 are subject to mandatory prepayment in part (by lot) on each September 1 on and after September 1, 2026 and 2031, respectively, in integral multiple of \$5,000 at a prepayment price as described in the Certificate covenants. The outstanding balance at June 30, 2018 was \$25,255,000 and unamortized bond premium was \$158,865 at June 30, 2018.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2007 Water Revenue Certificates of Participation (Continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 640,000	\$ 1,164,850	\$ 1,804,850
2020	670,000	1,138,650	1,808,650
2021	695,000	1,111,350	1,806,350
2022	725,000	1,082,497	1,807,497
2023	755,000	1,051,972	1,806,972
2024-2028	4,805,000	4,684,869	9,489,869
2029-2033	4,580,000	3,394,048	7,974,048
2034-2038	12,385,000	1,752,868	14,137,868
Total	<u>\$ 25,255,000</u>	<u>\$ 15,381,104</u>	<u>\$ 40,636,104</u>

2012 Water Revenue Bonds

In March 2012, the City issued \$31,660,000 in Revenue Water System Financing Bonds to finance certain capital projects and to refund a portion of the \$9,830,000 of outstanding Revenue Certificates of Participation, series 2000, and \$8,585,000 of outstanding Revenue Certificates of Participation, series 2002. The principal for the \$10,845,000 serial bonds is due annually on September 1 in amounts ranging from \$285,000 to \$815,000 commencing 2012 and ending 2029 with interest at rates varying from 1.0% to 4.0%. In addition, Term bonds are due in the amounts of \$2,485,000, \$4,025,000, and \$14,305,000 September 1, 2031, 2033 and 2041 respectively. Term certificates pay interest at 5.0%, and require sinking fund deposits or principal installment payments due annually on September 1 in amounts ranging from \$840,000 to \$3,840,000, commencing 2030 and ending 2041. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2012. Bonds with stated maturities on or after September 1, 2022 will be subject to optional redemption prior to their respective stated maturities, as a whole or in part, on any date as directed by the City provided at least a 30-day notice is mailed by the Trustee to bondholders, and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 2022 at a price without premium, equal to the principal amount plus accrued interest to the redemption date.

Additionally, the term certificates, maturing on September 1, 2031, 2033, and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2030, 2032, and 2038 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 120% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2018, was \$28,740,000 and the unamortized bond premium was \$1,316,028. A reserve fund is not established.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2012 Water Revenue Bonds (Continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 545,000	\$ 1,348,856	\$ 1,893,856
2020	565,000	1,326,656	1,891,656
2021	585,000	1,303,656	1,888,656
2022	610,000	1,279,756	1,889,756
2023	635,000	1,258,031	1,893,031
2024-2028	3,390,000	5,875,164	9,265,164
2029-2033	6,045,000	4,990,750	11,035,750
2034-2038	2,060,000	3,627,750	5,687,750
2039-2042	14,305,000	1,473,877	15,778,877
Total	<u>\$ 28,740,000</u>	<u>\$ 22,484,496</u>	<u>\$ 51,224,496</u>

2015A Wastewater Refunding Revenue Bonds

On April 29, 2015, the City issued \$14,645,000 of Refunding Revenue Bonds (Wastewater System), Series 2015A. Proceeds from the issuance were used to refund the 2004A COP Bonds and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 2.00% to 5.00% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2026 and are limited obligations of the City payable solely from net revenues of the City's Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2018, the outstanding balance of the Bonds was \$11,620,000 and unamortized bond premium was \$1,744,371.

The net proceeds of \$16.8 million of the Refunding Revenue Bonds (Wastewater System), Series 2015A (after a premium of \$2.4 million and payment of \$0.2 million in underwriting fees, insurance, and other issuance costs) were used to refund the Certificates of Participation, Series 2004A and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Certificates of Participation, Series 2004A. As a result, the refunded bonds are considered to be defeased and the liability of the Certificates of Participation, Series 2004A has been removed from long-term debt. The refunding decreased the total debt service payment by \$5.0 million over the next 12 years and resulted in an economic gain of \$2.4 million.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2015A Wastewater Refunding Revenue Bonds (Continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 1,045,000	\$ 554,875	\$ 1,599,875
2020	1,100,000	501,250	1,601,250
2021	1,160,000	444,750	1,604,750
2022	1,215,000	385,375	1,600,375
2023	1,280,000	323,000	1,603,000
2024-2027	5,820,000	600,000	6,420,000
Total	<u>\$ 11,620,000</u>	<u>\$ 2,809,250</u>	<u>\$ 14,429,250</u>

2015B Wastewater Refunding Revenue Bonds

On April 29, 2015, the City issued \$5,060,000 of Refunding Revenue Bonds (Wastewater System), Series 2015B. Proceeds from the issuance were used to refund the 2004B Certificates of Participation and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 0.40% to 3.25% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2025. The 2015 Bonds are limited obligations of the City payable solely from net revenues of the City's Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2018, the outstanding balance of the Bonds was \$3,765,000 and unamortized bond discount was \$39,742.

The net proceeds of \$5.0 million of the Refunding Revenue Bonds (Wastewater System), Series 2015B were used to refund the Certificates of Participation, Series 2004B and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Certificates of Participation, Series 2004B. As a result, the refunded bonds are considered to be defeased and the liability of the Certificates of Participation, Series 2004B has been removed from long term debt. The refunding decreased the total debt service payment by \$3.9 million over the next 11 years and resulted in an economic gain of \$1.1 million.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 435,000	\$ 93,514	\$ 528,514
2020	440,000	85,525	525,525
2021	450,000	76,063	526,063
2022	460,000	65,250	525,250
2023	475,000	52,969	527,969
2024-2026	1,505,000	71,844	1,576,844
Total	<u>\$ 3,765,000</u>	<u>\$ 445,165</u>	<u>\$ 4,210,165</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2012 Wastewater Revenue Bonds

In March 2012, the City issued \$27,390,000 in Revenue Wastewater System Financing Bonds to finance certain capital projects and to current refund a portion of the \$9,830,000 of outstanding Water Revenue Certificates of Participation, series 2000. The principal for the \$4,070,000 serial bonds is due annually on September 1 in amounts ranging from \$130,000 to \$1,410,000 commencing 2013 and ending 2031 with interest at rates varying from 1.0% to 4.0%. In addition, Term bonds are due in the amounts of \$2,375,000, \$2,615,000, \$3,000,000, \$5,075,000 and \$10,225,000 on September 1, 2028, 2030, 2033, 2036, and 2041 respectively. The term certificates pay interest at rates of 4.25% and 5.0%, and require sinking fund deposits or principal installment payments due annually on September 1 in amounts ranging from \$475,000 to \$2,255,000, commencing 2027 and ending 2041. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2013. Bonds with stated maturities on or after September 1, 2022 will be subject to optional redemption prior to their respective stated maturities, as a whole or in part, on any date as directed by the City provided at least a 30-day notice is mailed by the Trustee to bondholders, and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 2022 at a price without premium, equal to the principal amount plus accrued interest to the redemption date.

Additionally, the term certificates, maturing on September 1, 2028, 2030, 2033, 2036 and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2027 2029, 2032, 2034, and 2034 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 115% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2018, was \$26,510,000 and unamortized bond premium is \$1,502,202. A reserve fund is not established.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 165,000	\$ 1,273,781	\$ 1,438,781
2020	175,000	1,266,981	1,441,981
2021	185,000	1,259,781	1,444,781
2022	185,000	1,252,381	1,437,381
2023	195,000	1,244,781	1,439,781
2024-2028	2,035,000	6,086,159	8,121,159
2029-2033	6,705,000	4,980,526	11,685,526
2034-2038	8,465,000	3,169,375	11,634,375
2039-2042	8,400,000	865,500	9,265,500
Total	<u>\$ 26,510,000</u>	<u>\$ 21,399,265</u>	<u>\$ 47,909,265</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Loans Payable

In 1999, the City of Escondido entered into an agreement with the State Water Resources Control Board (State Board) for a revolving fund loan program. The fund was established with a combination of Federal Clean Water Act funds and State matching funds. The proceeds were used to construct a Tertiary Treatment Facility for local wastewater and a delivery system for recycled water to a specified number of local users.

There are two phases in the Tertiary Treatment Facility project, and the loan was set up with sub-loan amounts for each phase. The City is obligated to repay the State Board on the Federal Disbursement Amount as principal and the Local Match Amount as interest on the loan. The Federal Disbursement portion is 83.33% and the Local Match portion is 16.67% of the total loan balance.

The first phase of the Tertiary Treatment Facility project was completed on May 25, 2001. During fiscal year 2002-03, the City increased the outstanding loan balance on the second phase of the projects by \$4,912,366. The project was completed on April 1, 2003. The principal and interest on the first phase loan is due annually on May 25 for \$488,990 commencing 2002 and ending 2021. The principal and interest on the second phase loan is due annually on April 1 for \$1,728,852 commencing 2004 and ending 2023. The outstanding balance at June 30, 2018, is \$8,425,999.

The annual debt service requirements are as follows:

Year Ended June 30,	Principals			
	Phase I	Phase II	Phase III	Total
2019	\$ 407,490	\$ 823,099	\$ 617,606	\$ 1,848,195
2020	407,490	823,099	617,606	1,848,195
2021	407,497	823,099	617,606	1,848,202
2022	-	823,098	617,606	1,440,704
2023	-	823,098	617,605	1,440,703
	\$ 1,222,477	\$ 4,115,493	\$ 3,088,029	\$ 8,425,999

In 2002, the City of Escondido entered into an agreement with the Department of Water Resources for a loan program. The funds were provided in part from the Federal Capitalization Grant for Drinking Water State Revolving Funds program. The proceeds were used to construct the Gravity Float Line Capital Project. Repayment began on January 1, 2005, with semi-annual payments of \$65,459 with varying interest rates from 1.94% to 3.16%. The repayment ends on July 1, 2024. The outstanding balance at June 30, 2018, is \$724,945.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 113,408	\$ 17,511	\$ 130,919
2020	116,276	14,643	130,919
2021	119,216	11,703	130,919
2022	122,231	8,688	130,919
2023	125,322	5,596	130,918
2024	128,492	2,427	130,919
Total	\$ 724,945	\$ 60,568	\$ 785,513

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Loans Payable (Continued)

In 2005, the City entered into an agreement with the Department of Water Resources for a loan program. The funds were provided in part from the Federal Capitalization Grants for Clean Water State Revolving Funds program. The proceeds of \$1,572,306 were used for the HARRF Aeration Blower Replacement Project. Principal and interest is due annually on December 30 in the amount of \$98,817 commencing 2005 and ending 2024. The project was completed as of June 30, 2006. The outstanding balance at June 30, 2018, is \$629,820.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 83,701	\$ 15,116	\$ 98,817
2020	85,709	13,107	98,816
2021	87,767	11,050	98,817
2022	89,873	8,943	98,816
2023	92,030	6,786	98,816
2024-2025	190,740	6,894	197,634
Total	<u>\$ 629,820</u>	<u>\$ 61,896</u>	<u>\$ 691,716</u>

In October 2009, the City of Escondido entered into an agreement with the State Department of Public Health for funding of construction of the Alexander Area Phase II Water Line. The agreement provided for the loan funding, up to a maximum loan amount of \$6,500,000, under the provisions of the California Safe Drinking Water State Revolving Fund Loan Program and the American Recovery and Reinvestment Act of 2009. A total of \$5,626,469 in project costs were incurred and submitted to the State for reimbursement. As per the terms of the agreement, fifty percent of each disbursement was forgiven by the State and not added to the principal amount of the loan. Upon project completion in October 2012, final loan principal to be repaid amounted to \$2,813,324. Repayment began March 1, 2012, with semi-annual payments of Principal and Interest of \$89,816, including interest at the rate of 2.5017%. The repayment period ends on September 1, 2031. The outstanding balance at June 30, 2018, is \$2,059,183.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 129,987	\$ 50,702	\$ 180,689
2020	133,260	47,430	180,690
2021	136,614	44,075	180,689
2022	140,053	40,636	180,689
2023	143,580	37,111	180,691
2024-2028	774,146	129,483	903,629
2029-2032	601,543	30,457	632,000
	<u>\$ 2,059,183</u>	<u>\$ 379,894</u>	<u>\$ 2,439,077</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Pledged Revenue

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Charges for services	\$ 21,043,892	\$ 9,793,318	46.54%
Loan repayment revenue	362,819	362,819	100.00%

Rate Covenants

Under various debt issues, the City has agreed to set charges for water and wastewater services each year at rates sufficient to produce net revenues (after paying operating and maintenance expenses, excluding depreciation and interest) of at least 1.20 and 1.15 times the debt service on the bonds for that year for the Water and Wastewater Fund, respectively.

For the year ended June 30, 2018, the City met this requirement, as follows:

	Water	Wastewater
Gross revenues, excluding intergovernmental revenue and developer contributions	\$ 62,790,235	\$ 38,556,729
Operating and maintenance expenses, excluding depreciation, interest and transfers	55,437,132	24,865,940
Net revenues	7,353,103	13,690,789
Amount required:		
Debt service payments	4,017,925	5,775,393
Coverage required	1.20	1.15
Amount required	4,821,510	6,641,702
Excess of net revenues	\$ 2,531,593	\$ 7,049,087

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Funds

Summary of changes in long-term liabilities for Fiduciary Funds as of June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in More Than One Year
Advances from the City of Escondido	\$ 18,690,957	\$ 340,588	\$ (50,000)	\$ 18,981,545	\$ 4,695,228	\$ 14,286,317
2007 A & B Lease Revenue Bonds	13,800,000	-	(6,730,000)	7,070,000	7,070,000	-
Unamortized bond premium	306,394	-	(204,263)	102,131	102,131	-
Total	\$ 32,797,351	\$ 340,588	\$ (6,984,263)	\$ 26,153,676	\$ 11,867,359	\$ 14,286,317

Advances from the City of Escondido

The Community Development Commission Debt Service Fund had received monies from the General Fund and Street Special Revenue Fund for use in its operations and capital improvement projects. These advances were absorbed by the Successor Agency at February 1, 2012, and recorded on the ROPS to be an enforceable obligation. At June 30, 2018, the outstanding balance of the advance from the Street Special Revenue Fund totaled \$1,003,953.

In accordance with AB X1 26 which dissolves redevelopment agencies, the California State Department of Finance determined that Advances made between the General Fund and the former Community Development Commission were disallowed and not an enforceable obligation. On April 26, 2017, the Department of Finance approved the City of Escondido Successor Agency Oversight Board Resolution making a finding that city loans were for legitimate redevelopment purposes and eligible for reinstatement. As a result, \$9,832,652 of principal and accumulated interest are recorded as a Loan to the Successor Agency from the General Fund. Repayments will begin in fiscal year 2018/2019. At June 30, 2018, the outstanding balance of the advance from the General Fund totaled \$17,977,592.

2007 A&B Lease Revenue Bonds

In January 2007, the Escondido Joint Powers Financing Authority issued \$40,025,000 2007A Lease Revenue Refunding Bonds and \$16,525,000 2007B Taxable Lease Revenue Refunding Bonds to refund the 1995 Certificates of Participation (COP) Lease Revenue Bonds. The 2007A Lease Revenue Refunding Bonds bear interest rates between 3.6% to 4.02% payable semiannually on March 1 and September 1 of each year. The 2007A Lease Revenue Refunding Bonds mature between September 1, 2009 and September 1, 2018, in amounts ranging from \$850,000 to \$5,025,000. The 2007B Taxable Lease Revenue Refunding Bonds mature on September 1, 2018 at 5.53% rate. The 2007B bonds are subject to mandatory redemption from a sinking fund account in amounts ranging from \$930,000 to \$2,045,000 commencing September 1, 2009.

Both 2007A and 2007B bonds are subject to mandatory redemption as a whole or in part on any date without premium, from unused insurance or condemnation proceed as described in the bond covenants. The reserve for 2007A and 2007B bonds was in form of surety bond and fully funded. The outstanding balance at June 30, 2018, was \$7,070,000 and unamortized bond premium was \$102,131.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Funds

2007 A&B Lease Revenue Bonds (Continued)

The annual debt service requirements are as follows:

Year Ended June 30,	2007A		2007B		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	\$ 5,025,000	\$ 125,625	\$ 2,045,000	\$ 56,544	\$ 7,070,000	\$ 182,169	\$ 7,252,169
Total	\$ 5,025,000	\$ 125,625	\$ 2,045,000	\$ 56,544	\$ 7,070,000	\$ 182,169	\$ 7,252,169

D. Component Unit

Summary of changes in long-term liabilities for Component Unit as of June 30, 2018, are as follows:

	Balance			Balance June 30, 2018	Due within One Year	Due in More Than One Year
	July 1, 2017	Additions	Deletions			
Compensated absences	\$ 73,412	\$ 48,169		\$ 121,581	\$ 42,553	\$ 79,028
Total	\$ 73,412	\$ 48,169	\$ -	\$ 121,581	\$ 42,553	\$ 79,028

Compensated Absences – Employee Leave Benefits Payable

The Foundation policies relating to employee leave benefits are described in Note 1 of the Notes to Basic Financial Statements. This liability will be paid in future years from future resources. The balance at June 30, 2018, is \$121,581.

Note 9 – Debt without City’s Commitment

A. Mortgage Revenue Bonds

The City has issued mortgage revenue bonds for low-income multifamily dwellings. These bonds are not included in the accompanying financial statements, as these bonds are payable solely from the related mortgage loans in which the bond proceeds were invested. They are as follows:

	Original Issue Amount	Balances at June 30, 2018	Due Date
Via Robles	\$ 9,500,000	\$ 6,900,000	November 15, 2036
Heritage Park	7,450,000	4,250,000	July 15, 2033
Total Mortgage Revenue Bonds	\$ 16,950,000	\$ 11,150,000	

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Debt without City’s Commitment (Continued)

B. Special Assessment Debt

In January 1998, the City issued \$4,435,000 in Limited Obligation Improvement Refunding Bonds for the Auto Parkway project. Interest payments commenced March 2, 1999 and are paid semiannually thereafter on September 2 and March 2 of each year. Principal payments are paid annually in amounts ranging from \$10,000 to \$190,000, commencing 1999 and ending 2008. In addition, \$2,505,000 of Term Bonds are due September 2, 2018. These bonds were issued to refund the Limited Obligation Bonds issued in July 1988 for Assessment District No. 86-1-R. On June 30, 2018, the 86-1-R Limited Obligation Improvement Refunding Bonds outstanding were \$315,000.

In August 1998, the City issued \$5,105,000 in Limited Obligation Refunding Bonds for Assessment District No. 98-1 (Rancho San Pasqual). Interest payments commenced March 2, 1999 and are paid semiannually thereafter on March 2 and September 2. Principal payments are paid annually in amounts ranging from \$80,000 to \$165,000 commencing September 2, 1999 and ending September 2, 2013. In addition, \$3,040,000 of Term Bonds are due September 2, 2026. These bonds were issued to refund the Limited Obligation Improvements Bonds issued in September 1995 for Rancho San Pasqual Assessment District No. 95-1. On June 30, 2018, the 98-1 Limited Obligation Refunding Bonds outstanding were \$2,330,000.

In May 2015, the City issued \$13,745,000 in Special Tax Refunding Bonds for Community Facility District No. 2006-01 (Eureka Ranch). These bonds were issued to refund the 2006 Series Special Tax Bonds for Community Facility District No. 2006-01 (Eureka Ranch). The bonds were issued to finance various public improvements needed to develop property located within Community Facilities District No. 2006-01 (Eureka Ranch). The May 2015 issuance of the Special Tax Refunding Bonds fully defeased the 2006 Special Tax Bonds. Interest payments for the Special Tax Refunding Bonds, Series 2015 commenced March 1, 2016 and are paid semiannually thereafter on September 1 and March 1 of each year. Principal is paid annually in amounts ranging from \$285,000 to \$985,000, commencing September 1, 2016 and ending September 1, 2036. In addition, \$2,965,000 and \$3,875,000 of Term Bonds are due September 1, 2036. On June 30, 2018, the 2006-01 Special Tax Bonds outstanding were \$13,005,000.

In July 2013, the City issued \$2,355,000 in Special Tax Refunding Bonds for Community Facility District No. 2000-01 (Hidden Trails). These bonds were issued to refund the 2001 Series Special Tax Bonds issued to finance various public improvements needed to develop property located within Community Facility District No. 2000-01 (Hidden Trails). The July 2013 issuance of the Special Tax Refunding Bonds fully defeased the 2001 Special Tax bonds. Interest payments for the Special Tax Refunding Bonds, Series 2013 commenced March 1, 2014, and are paid semiannually thereafter on September 1 and March 1 of each year. Principal payments are paid annually in amounts ranging from \$95,000 to \$185,000, commencing September 1, 2014 and ending September 1, 2031.

On June 30, 2018, the outstanding principal of Community Facilities District No. 2000-01 (Hidden Trails) Special Tax Refunding bonds, Series 2013 was \$1,950,000. The bonds are secured by and payable from the proceeds of annual special assessment taxes levied and collected on the property within the Districts. The bonds are not general or special obligations of the City of Escondido. The City is not obligated in any manner for the payment of debt service in the event of default by the property owners but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Neither the faith and credit nor taxing power of the City is pledged to the payment of these bonds. Accordingly, no liability for these bond issuances has been recorded and all debt service transactions have been recorded as an agency fund.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Self-Insurance

The City is a member of the San Diego Pooled Insurance Program Authority (SANDPIPA) which provides liability coverage to its members. As a member, the City carries a self-insured retention of \$500,000 and is insured through SANDPIPA from \$500,000 to \$2,500,000. In addition, SANDPIPA has purchased excess insurance coverage above \$2,500,000 to \$44,500,000 for all of its members, including the City.

The Board of Directors elects three members (including a President and Vice President) to the Executive Committee, which has the responsibility for overseeing all operations of SANDPIPA, including preparation and submission of the annual operating budget to the Board of Directors for its approval and modification, if deemed necessary.

Annual premiums are approved by the Board of Directors and are adjusted each year based on the following criteria:

- SANDPIPA’s overall funding requirement
- Exposure base = general liability exposure – DE 6 payroll total for each member; plus automobile liability – the number of vehicles by major type for each member
- Loss experience = Each members’ share of total incurred SANDPIPA layer losses for 5 years – 100% of paid losses and 20% of reserves; all losses capped at \$750,000
- Historical contributions = each members’ historical contribution less dividends paid (percentage of total contributions of all members)

Assessments are recommended by the Underwriting Committee and approved by the Board of Directors and are determined by:

- Identifying the claims leading to the shortfall
- Amounts apportioned by the insurance year
- Each members’ percentage applied to the overall assessment
- Assessment amount determined for program year
- Administrative fees and excess insurance are not included

SANDPIPA’s pooled liability will go into run off on July 1, 2015, adding no new years of claims liabilities. SANDPIPA will continue to exist for the purpose of disposing of all claims, distribution of assets proportionate to each city’s cash contributions, and all other functions necessary to wind down the affairs of the Joint Powers Authority (JPA). Effective July 1, 2015, SANDPIPA will purchase coverage from member self-insured retentions to \$50 million with the California State Association of Counties Excess Insurance Authority (CSAC-EIA).

As of June 30, 2018, the City has recorded general self-insurance and workers' compensation liabilities of \$2,486,400 and \$14,337,000 respectively, for a total of \$16,823,400. The City is self-insured for workers' compensation up to \$500,000, but has purchased outside insurance coverage for individual claims in excess of \$500,000 up to a maximum of \$5,000,000 per claim through the CSAC Excess Insurance Authority, a risk management joint powers authority, with additional reinsurance of \$300,000,000 per occurrence. Only the probable amounts of loss as estimated by legal counsel and the City, including an estimate for incurred but not reported losses, have been recorded as liabilities in the accompanying financial statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Self-Insurance (Continued)

Increases and decreases in claim liabilities for changes in estimates are charged to expense in the period in which the estimates are adjusted. For the past three years, no settlements or claims payments have exceeded the amount of the applicable insurance coverage. Changes in the City's liability for claims payable for the past three fiscal years are summarized as follows:

Fiscal Year	Beginning Balance	Claims Incurred and Charges in Estimates	Less Claim Payments	Ending Balance
2015-16	14,055,715	4,628,095	(2,934,110)	15,749,700
2016-17	15,749,700	886,500	(268,800)	16,367,400
2017-18	16,367,400	3,396,696	(2,940,696)	16,823,400

Note 11 – Restricted Net Position

At June 30, 2018, restricted net position consisted of the followings:

	Governmental Activities	Business-type Activities	Total
General government	\$ 6,828,457	\$ -	\$ 6,828,457
Low and moderate income housing	75,731,903	-	75,731,903
Community services	4,703,405	-	4,703,405
Debt service	3,070,923	3,642,092	6,713,015
Capital projects	1,813,807	-	1,813,807
Public safety	339,088	-	339,088
Public works	10,367,137	-	10,367,137
Investment in Section 115 Trust	1,997,186	-	1,997,186
Total restricted net position	\$ 104,851,906	\$ 3,642,092	\$ 108,493,998

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Fund Balance

A. Fund Balance Classification

At June 30, 2018, fund balances are classified as follows:

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Advances to other funds	\$ 159,250	\$ -	\$ -	\$ 159,250
Due from Successor Agency, net of unavailable revenue	9,832,652	-	-	9,832,652
Inventory and prepaid items	-	-	33,183	33,183
Daley Ranch Permanent Fund	-	-	340,437	340,437
Total nonspendable	9,991,902	-	373,620	10,365,522
Restricted for				
Housing & community development	-	42,900,263	18,463,346	61,363,609
Community Development Block Grant	-	-	17,770	17,770
Investment in Section 115 Trust	1,997,186	-	-	1,997,186
Debt service	-	-	4,143,233	4,143,233
Capital projects	-	-	8,211,326	8,211,326
Street maintenance	-	-	7,898,435	7,898,435
Landscape and assessment districts	-	-	1,424,339	1,424,339
Daley Ranch	-	-	533,001	533,001
Park development	-	-	3,732,882	3,732,882
Public Art	-	-	486,569	486,569
Total restricted	1,997,186	42,900,263	44,910,901	89,808,350
Committed to				
Reserves	17,392,319	-	-	17,392,319
Capital projects	-	-	698,161	698,161
Total committed	17,392,319	-	698,161	18,090,480
Assigned to				
Carryovers	126,380	-	-	126,380
Underground waivers	1,284,313	-	-	1,284,313
Library Trust	352,080	-	-	352,080
Total assigned	1,762,773	-	-	1,762,773
Unassigned (deficit)	2,839,620	-	(1,347,939)	1,491,681
Total Fund Balances	\$ 33,983,800	\$ 42,900,263	\$ 44,634,743	\$ 121,518,806

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Fund Balance (Continued)

B. General Fund Reserve

The General Fund Reserves portion of fund balance is committed by City Council to maintain adequate levels of fund balance to mitigate current and future risks and to provide for cash flow requirements and contingencies for unseen operating or capital needs the City. The Reserve balance is available to fund one-time unanticipated expenditure requirements, local disasters, or when actual revenue received is less than the amount budgeted resulting in an operating deficit in the General Fund. City Council action by Resolution is required to adjust the Reserve level.

Note 13 – City Employees Retirement Plan

A. CalPERS

Plan Description

The City of Escondido contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

The plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan		
	Tier 1 *	Tier 2 *	PEPRA (Tier 3)
Hire date	Prior to December 23, 2012	December 23, 2012 and after	January 1, 2013 and after
Benefit formula	3% @ 60	2% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	2.000% - 3.000%, 50 yrs - 60+ yrs, respectively	1.092% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	30.801%	30.801%	30.801%

* Plan is closed to new entrants

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Benefits Provided (continued)

	Safety Plan		
	Tier 1 *	Tier 2 *	PEPRA (Tier 3)
Hire date	Fire - prior to May 27, 2012, Police - prior to September 30, 2012	Fire - May 27, 2012 and after Police - September 30, 2012 and after	January 1, 2013 and after
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	3.000% - 3.000%, 50 yrs - 55+ yrs, respectively	2.000% - 2.700%, 50 yrs - 55+ yrs, respectively	2.000% - 2.700%, 50 yrs - 57+ yrs, respectively
Required employee contribution rates	9.000%	9.000%	12.250%
Required employer contribution rates	37.787%	37.787%	37.787%

* Plan is closed to new entrants

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms of the plan:

Description	Number of members	
	Miscellaneous	Safety
Active members	581	250
Transferred members	287	66
Terminated members	365	48
Retired members and beneficiaries	639	305
Total Members	1,872	669

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate was changed from 7.65 percent to 7.15 percent as of the June 30, 2016 valuation date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Net Pension Liability (Continued)

Discount Rate (continued)

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Assets Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

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

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Miscellaneous Plan			
Balance at: 6/30/2016 (Valuation Date) ⁽¹⁾	\$ 374,290,823	\$ 253,918,338	\$ 120,372,485
Changes Recognized for the Measurement Period:			
Service Cost	7,098,079	-	7,098,079
Interest on the Total Pension Liability	27,888,570	-	27,888,570
Changes of Assumptions	22,286,442	-	22,286,442
Difference between Expected and Actual Experience	(1,062,074)	-	(1,062,074)
Plan to Plan Resource Movement	-	-	-
Contribution from the Employer	-	11,179,205	(11,179,205)
Contributions from Employees	-	2,789,527	(2,789,527)
Net Investment Income ⁽²⁾	-	28,354,307	(28,354,307)
Benefit Payments including Refunds of Employee			
Contributions	(18,028,629)	(18,028,629)	-
Administrative Expense	-	(374,893)	374,893
Net Changes During 2016-17	38,182,388	23,919,517	14,262,871
Balance at: 6/30/2017 (Measurement Date) ⁽¹⁾	\$ 412,473,211	\$ 277,837,855	\$ 134,635,356
Safety Plan			
Balance at: 6/30/2016 (Valuation Date) ⁽¹⁾	\$ 347,570,102	\$ 246,281,077	\$ 101,289,025
Changes Recognized for the Measurement Period:			
Service Cost	7,712,365	-	7,712,365
Interest on the Total Pension Liability	26,029,723	-	26,029,723
Changes of Assumptions	22,546,727	-	22,546,727
Difference between Expected and Actual Experience	(1,522,544)	-	(1,522,544)
Contribution from the Employer	-	9,490,834	(9,490,834)
Contributions from Employees	-	2,397,909	(2,397,909)
Net Investment Income ⁽²⁾	-	27,240,685	(27,240,685)
Benefit Payments including Refunds of Employee			
Contributions	(16,796,782)	(16,796,782)	-
Administrative Expense	-	(363,617)	363,617
Net Changes During 2016-17	37,969,489	21,969,029	16,000,460
Balance at: 6/30/2017 (Measurement Date) ⁽¹⁾	\$ 385,539,591	\$ 268,250,106	\$ 117,289,485

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report

(2) Net of administrative expenses.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Changes in Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan	\$ 188,182,875	\$ 134,635,356	\$ 90,165,808
Safety Plan	172,403,731	117,289,485	72,352,265
Total Plans	<u>\$ 360,586,606</u>	<u>\$ 251,924,841</u>	<u>\$ 162,518,073</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2017, the City incurred a pension expense of \$11,189,817 and \$9,480,521 for Miscellaneous and Safety plans, respectively.

As of measurement date of June 30, 2017, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan		Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after measurement date	\$ 11,929,230	\$ -	\$ 10,527,694	\$ -
Changes of Assumptions	14,405,373	-	15,390,272	-
Differences between Expected and Actual Experiences	-	(1,009,421)	3,139,759	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,620,390	-	3,795,682	-
	<u>\$ 29,954,993</u>	<u>\$ (1,009,421)</u>	<u>\$ 32,853,407</u>	<u>\$ -</u>

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and safety plan for the 2015-16 measurement period is 3.0 and 4.7 years, which was obtained by dividing the total service years of 5,237 and 2,992 (the sum of remaining service lifetimes of the active employees) by 1,763 and 639 (the total number of participants: active, inactive, and retired), respectively.

The \$18,025,763 and \$22,325,714 reported as deferred outflows of resources related to pension resulting from the City’s contributions subsequent to the measurement date during the year ended June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended	Deferred	Deferred
	Outflows/(Inflows) of Resources	Outflows/(Inflows) of Resources
June 30:	Miscellaneous Plan	Safety Plan
2018	\$ 6,704,162	\$ 5,228,675
2019	10,839,303	9,644,082
2020	1,549,903	7,083,430
2021	(2,077,032)	369,526
2022	-	-
Thereafter	-	-
Total	\$ 17,016,336	\$ 22,325,713

B. Defined Contribution Plan

In accordance with the Federal Omnibus Budget Reconciliation Act of 1990, the City established pension benefits for all of its part-time employees through Public Agency Retirement Services (PARS) which is a private administrator of pension plans that administers for the City a defined contribution plan, qualifying under sections 401 and 501 of the Internal Revenue Code. PARS acts as a common investment and administrative agent for participating public entities within the State of California. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City by Council action and agreements with labor bargaining units has the authority to establish or amend the plan provisions and contribution requirements, subject to the constraints and limitations imposed by PARS as a part of the plan design options it offers to participating employers.

For the year ended June 30, 2018, the City's total covered payroll was \$2,310,171. The City made employer contributions of \$0, and employees contributed \$173,264 (7.5 percent of covered payroll). All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions. The plan covers part-time, seasonal, or temporary employees, and all employees not covered by another retirement system, subject to the requirements of Section 3121 of the Internal Revenue Code.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 14 – Developer Agreement with Palomar Pomerado Health (Hospital)

On February 8, 2006, the City entered into a developer agreement with Palomar Pomerado Health (Hospital). The Hospital made a onetime payment to the City in the amount of \$13 million (deposit) for the City to construct certain Citracado Parkway improvements (project). The deposit is to be jointly controlled by the City and the Hospital. The City is entitled to draw from the deposit so long as the funds are used exclusively on the project. At June 30, 2018, the balance is \$9,925,092.

Note 15 – Contingencies and Commitments

A. Litigation

Various claims and suits have been filed against the City in the normal course of business. Although the outcome of these matters is not presently determinable in the opinion of legal counsel, the city believes that the resolutions of these matters will not have a material adverse effect on the financial condition of the City.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustments by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have material adverse effect on the financial position of the City.

C. Construction Commitments

The City has several outstanding or planned construction projects as of June 30, 2018. These projects are evidenced by contractual commitments with contractors. As of June 30, 2018, the City’s outstanding commitments are as follows:

Project Name	Contract Amount	Expenditures to date as of June 30, 2018	Remaining Commitments
East Valley Parkway Street Widening Project	\$ 6,873,316	\$ 4,766,159	\$ 2,107,157
Construction of Brine pipeline return from Broadway to	5,587,420	88,065	5,499,355
Hale Avenue Emergency Repair	3,000,000	1,792,368	1,207,632
Escondido Creek Bikeway Missing Link Project	1,046,640	71,959	974,681





Required Supplementary Information

CITY OF ESCONDIDO
Required Supplementary Information
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:				
Sales tax	\$ 38,298,510	\$ 37,349,510	\$ 36,573,403	\$ (776,107)
Property taxes	25,866,000	26,676,000	26,661,521	(14,479)
Other taxes	12,062,000	12,808,000	12,742,188	(65,812)
Licenses and permits	1,087,000	1,284,000	1,183,587	(100,413)
Fines and forfeits	1,286,000	1,181,000	1,076,387	(104,613)
Intergovernmental	3,346,000	3,722,915	3,701,387	(21,528)
Charges for services	11,235,000	11,734,810	12,094,445	359,635
Lease income	3,760,505	3,760,505	3,786,764	26,259
Investment income	177,655	224,655	11,194	(213,461)
Miscellaneous	187,345	217,345	342,966	125,621
Total revenues	97,306,015	98,958,740	98,173,842	(784,898)
EXPENDITURES:				
General Government				
City council	450,920	450,920	447,995	(2,925)
City manager	1,237,300	1,424,065	1,379,665	(44,400)
City attorney	167,565	183,435	40,249	(143,186)
City clerk	562,065	580,145	579,412	(733)
City treasurer	274,020	274,020	235,067	(38,953)
Finance	1,283,205	1,314,665	1,134,811	(179,854)
Human resources	618,340	634,820	565,828	(68,992)
Information systems	1,194,180	1,242,285	1,198,657	(43,628)
Other general government	1,359,445	660,915	493,962	(166,953)
Public Safety				
Police	41,020,305	41,498,270	41,497,537	(733)
Fire	23,526,630	24,935,705	24,712,985	(222,720)
Public Works				
Public works	12,258,195	12,463,320	12,198,345	(264,975)
Community Services				
Library	3,670,055	3,517,935	3,512,373	(5,562)
Community services	5,798,150	5,912,050	5,732,529	(179,521)
Community relations	91,170	91,170	14,000	(77,170)
Community Development				
Planning	2,201,300	2,442,640	1,922,491	(520,149)
Code enforcement	1,295,035	1,305,805	1,100,375	(205,430)
Building	1,009,010	1,088,575	994,774	(93,801)
Debt Service:				
Principal retirements	549,225	549,225	538,955	(10,270)
Interest and fiscal charges	117,180	117,180	109,682	(7,498)
Total expenditures	98,683,295	100,687,145	98,409,692	(2,277,453)

CITY OF ESCONDIDO
Required Supplementary Information
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,377,280)	(1,728,405)	(235,850)	1,492,555
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,724,580	1,724,580
Debt issuance	-	2,095,893	2,095,893	-
Transfers in	2,081,000	2,081,795	2,491,538	409,743
Transfers (out)	(658,720)	(3,259,615)	(3,259,613)	(2)
Total other financial sources (uses)	1,422,280	918,073	3,052,398	2,134,321
NET CHANGE IN FUND BALANCE	45,000	(810,332)	2,816,548	3,626,876
FUND BALANCE:				
Beginning of Year	31,167,252	31,167,252	31,167,252	-
End of Year	\$ 31,212,252	\$ 30,356,920	\$ 33,983,800	\$ 3,626,876

CITY OF ESCONDIDO
Required Supplementary Information
Successor Agency Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over Under
REVENUES:				
Lease income	\$ 185,000	\$ 185,000	\$ 164,328	\$ (20,672)
Investment income	-	-	208,006	208,006
Intergovernmental	1,700,000	1,700,000	146,052	(1,553,948)
Miscellaneous	-	-	85,698	85,698
Total revenues	1,885,000	1,885,000	604,084	(1,280,916)
EXPENDITURES:				
Current:				
Community development	536,245	554,465	455,160	(99,305)
Total expenditures	536,245	554,465	455,160	(99,305)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,348,755	1,330,535	148,924	(1,181,611)
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
NET CHANGE IN FUND BALANCE	1,373,755	1,355,535	173,924	(1,181,611)
FUND BALANCE:				
Beginning of Year	42,726,339	42,726,339	42,726,339	-
End of Year	\$ 44,100,094	\$ 44,081,874	\$ 42,900,263	\$ (1,181,611)

CITY OF ESCONDIDO
Required Supplementary Information (Unaudited)
Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Plan
Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2016-17	2015-16	2014-15	2013-14 ⁽¹⁾
TOTAL PENSION LIABILITY				
Service Cost	\$ 7,098,079	\$ 6,041,393	\$ 6,086,726	\$ 6,187,698
Interest	27,888,570	26,975,771	25,822,523	24,823,748
Changes of Benefits Terms	-	-	-	-
Changes in Assumptions	22,286,442	-	(6,078,768)	-
Difference Between Expected and Actual Experience	(1,062,074)	(607,786)	(3,440,683)	-
Benefit Payments, Including Refunds of employee Contributions	(18,028,629)	(16,660,225)	(15,747,072)	(14,003,896)
Net Change in Total Pension Liability	\$ 38,182,388	\$ 15,749,153	\$ 6,642,726	\$ 17,007,550
Total Pension Liability - Beginning	374,290,827	358,541,674	351,898,948	334,891,398
Total Pension Liability - Ending (a)	\$ 412,473,215	\$ 374,290,827	\$ 358,541,674	\$ 351,898,948
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ 11,179,238	\$ 10,112,332	\$ 8,956,819	\$ 8,191,219
Contribution - Employee	2,789,527	2,818,117	2,702,365	2,751,097
Net Investment Income ⁽²⁾	28,354,307	1,306,944	5,794,332	38,132,668
Benefit Payments, Including Refunds of Employee Contributions	(18,028,629)	(16,660,225)	(15,747,072)	(14,003,896)
Plan to Plan Resource Movement	-	-	(741)	-
Administrative Expense	(374,893)	(156,322)	(288,739)	-
Net Change in Fiduciary Net Position	\$ 23,919,550	\$ (2,579,154)	\$ 1,416,964	\$ 35,071,088
Plan Fiduciary Net Position - Beginning	253,918,338	256,497,492	255,080,528	220,009,440
Plan Fiduciary Net Position - Ending (b)	\$ 277,837,888	\$ 253,918,338	\$ 256,497,492	\$ 255,080,528
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 134,635,327	\$ 120,372,489	\$ 102,044,182	\$ 96,818,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.36%	67.84%	71.54%	72.49%
Covered-Employee Payroll	\$ 37,199,720	\$ 34,850,841	\$ 34,030,669	\$ 32,920,288
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	361.93%	345.39%	299.86%	294.10%

(1) Historical information is required only for measurement for which GASB 68 is applicable.

(2) Net of administrative expenses for fiscal year 2013-14.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

CITY OF ESCONDIDO
Required Supplementary Information (Unaudited) (Continued)
Safety Plan - Agent Multiple-Employer Defined Benefit Plan
Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2016-17	2015-16	2014-15	2013-14 ⁽¹⁾
TOTAL PENSION LIABILITY				
Service Cost	\$ 7,712,365	\$ 6,945,677	\$ 6,321,850	\$ 5,878,133
Interest	26,029,723	25,001,133	23,398,715	22,099,344
Changes of Benefits Terms	-	-	-	-
Changes in Assumptions	22,546,727	-	(5,933,256)	-
Difference Between expected and Actual Experience	(1,522,544)	5,753,055	2,817,273	-
Benefit Payments, Including Refunds of employee Contributions	(16,796,782)	(15,432,111)	(14,245,717)	(13,505,688)
Net Change in Total Pension Liability	\$ 37,969,489	\$ 22,267,754	\$ 12,358,865	\$ 14,471,789
Total Pension Liability - Beginning	347,570,102	325,302,348	312,943,483	298,471,694
Total Pension Liability - Ending (a)	\$ 385,539,591	\$ 347,570,102	\$ 325,302,348	\$ 312,943,483
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ 9,490,834	\$ 9,136,622	\$ 9,066,062	\$ 7,687,967
Contribution - Employee	2,397,909	2,460,227	2,322,205	2,079,491
Net Investment Income	27,240,685	1,283,251	5,455,063	36,944,486
Benefit Payments, Including Refunds of Employee Contributions	(16,796,782)	(15,432,111)	(14,245,717)	(13,505,688)
Plan to Plan Resource Movement	-	-	-	-
Administrative Expense	(363,617)	(151,743)	(280,190)	-
Net Change in Fiduciary Net Position	\$ 21,969,029	\$ (2,703,754)	\$ 2,317,423	\$ 33,206,256
Plan Fiduciary Net Position - Beginning	246,281,077	248,984,831	246,667,408	213,461,153
Plan Fiduciary Net Position - Ending (b)	\$ 268,250,106	\$ 246,281,077	\$ 248,984,831	\$ 246,667,409
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 117,289,485	\$ 101,289,025	\$ 76,317,517	\$ 66,276,074
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.58%	70.86%	76.54%	78.82%
Covered-Employee Payroll	\$ 25,070,264	\$ 25,315,004	\$ 23,096,046	\$ 20,583,139
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	467.84%	400.11%	330.44%	321.99%

(1) Historical information is required only for measurement for which GASB 68 is applicable.

(2) Net of administrative expenses for fiscal year 2013-14.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

CITY OF ESCONDIDO
Notes to Required Supplementary Information
June 30, 2018

Budgetary Information

The City adopts an annual operating budget prepared on the modified accrual basis for its general, certain special revenue, and certain debt service funds. Under Section 2-59 of the Escondido City Code, the City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. Each year, the City Manager submits a proposed budget to the City Council in May. The City Council holds budget hearings in June and the final budget is adopted by the City Council before June 30. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between the accounts of any fund; however, any revisions that alter the total appropriations of any fund must be approved by City Council.

No budgetary comparisons are presented for certain special revenue, certain debt service capital projects or proprietary funds as the City is not legally required to adopt an annual budget for those funds. The special revenue funds with legally adopted budgets include the: Successor Agency Housing, Street, Community Services, Community Development Block Grant, Landscape and Assessment District, HOME, Miscellaneous Funds and the Vehicle Parking District Fund.

The City holds a midyear budget review meeting at which time revenue and expenditure projections are reviewed. Any necessary changes are approved by the City Council. Prior period appropriations lapse unless they are appropriated again through the formal budget process or through the carryover process. The City controls its expenditures using encumbrance accounting.

In addition to the annual operating budget, the City adopts a Five-Year Capital improvement Program. Funds are appropriated for the first year of the plan with years two through five included for planning purposes. Funds are appropriated on a project basis and are carried over until expended or the project is closed. The legal level of budgetary control is at the project level. The City Manager is authorized to transfer budgeted amounts between projects when transfers are less than \$50,000 or 10% of the project. Transfers in excess of the budget policy amount must be approved by the City Council.



Supplementary Information

CITY OF ESCONDIDO
Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

STREET FUND

This fund was established to account for transactions related to:

- Gasoline taxes received under Sections 2103, 2105, 2106, 2107, and 2107.5 of the Streets and Highways Code. These funds are utilized solely for street-related purposes such as new construction, rehabilitation, or maintenance.
- Revenues allocated to the City based on section 2031 of the Streets & Highway Code and the Road Repair and Accountability Act of 2017 (SB1 Beall). These revenues come from an additional 12 cent per gallon increase to the gasoline excise tax and additional 20 cent per gallon increase to the diesel fuel excise tax effective November 1, 2017. In addition, a "Transportation Improvement Fee" was added to vehicle registrations beginning January 1, 2018.
- Traffic impact fees which are collected from developers. These fees are used exclusively for street improvements that are required as the result of growth and development.

COMMUNITY SERVICES FUND

This fund was established to account for transactions related to:

- Transactions related to the After School Education & Safety Grant which provides funds to provide safe and educationally enriching alternatives for children and youths during nonschool hours
- The purchase and development of parks with funding received from park development fees collected from developers.
- The revenue received from the sale of mitigation credits. The funds will be used to provide fund restoration projects at Daley Ranch.
- The operating activities of the Reidy Creek Golf Course

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

This fund was created to account for transactions related to the Community Development Block Grant provided by the Federal Government. The resources are expended for community development and housing assistance.

LANDSCAPE AND ASSESSMENT DISTRICT FUND

This fund was created to account for transactions related to the maintenance of landscaping in various subdivision areas throughout the City. There are currently 38 active assessment districts.

CITY OF ESCONDIDO
Non-Major Governmental Funds

SPECIAL REVENUE FUNDS (continued)

LAW ENFORCEMENT FUND

This fund was established to account for transactions related to:

- Revenue received by the Police Department through the asset forfeiture program. The funds must be used to supplement and enhance existing law enforcement budgets.
- Transactions related to the law enforcement grants received from the Federal and State Government. These funds are used to provide front line law enforcement services and must supplement existing services.

HOME FUND

This fund was created to account for transactions related to the HOME grant provided by the Department of Housing and Urban Development (HUD). The resources are expended for affordable housing programs.

MISCELLANEOUS FUND

This fund was established to account for transactions related to:

- Public art fees, which are assessed when development occurs. The funds will be used to provide public art throughout the city.
- General reimbursable grants received and restricted by outside sources including federal, state, county, and local agencies.
- The Hegyi Family Trust. Funds are used to recognize library volunteers.
- Monies received from the Frances B. Ryan Trust. The Trust was established to create the Pioneer Room, a historical perspective of Escondido, and to provide financing for its ongoing operation.

VEHICLE PARKING DISTRICT FUND

This fund was established to account for transactions related to the maintenance and operation of the City-owned public parking lots. Funding is provided by parking permit revenues.

CITY OF ESCONDIDO
Non-Major Governmental Funds

DEBT SERVICE FUNDS

GENERAL OBLIGATION DEBT SERVICE FUND

This fund was created to account for transactions related to debt issued for the construction of the new public safety facilities. On November 2, 2004, Escondido voters approved Proposition P, which authorized the sale of up to \$84,350,000 in municipal bonds. Funding is provided through special assessments on the property tax rolls.

GOLF COURSE DEBT SERVICE FUND

This fund was created to account for transactions related to debt issued for the development of two Municipal Golf Courses. Funding is provided by repayment of a loan to American Golf Corporation and a General Fund transfer.

CAPITAL PROJECT FUNDS

STREET IMPROVEMENT FUND

This fund was created to account for projects related to street improvements. Funding is provided from a variety of sources, which include transfers from Gas Tax and Traffic Impact Funds.

STORM DRAIN FUND

This fund was created to account for funds collected from developers when projects create a need for improvements to the City's storm drain basin system. Funds are held until collections for a specific basin make an improvement.

GENERAL CAPITAL PROJECTS FUND

This fund was created to account for transactions related to general capital projects. These projects are typically funded through transfers from General, Public Facilities, and Water and Sewer funds.

COUNTY TRANSPORTATION STREET PROJECTS FUND

This fund was established to account for funds received through the adoption of the 1987 San Diego County Special Proposition A, this provides a transportation sales tax override to fund local street improvements.

PUBLIC FACILITIES FUND

This fund was created to account for developer fees collected for public facility needs that are created as the result of growth and development in the city.

PERMANENT FUNDS

DALEY RANCH FUND

This fund was created to fund the City's long-term management and maintenance efforts, of Daley Ranch, as stated in the agreement with the Wildlife Agencies.

CITY OF ESCONDIDO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
ASSETS				
Cash and investments	\$ 6,120,346	\$ 4,241,410	\$ -	\$ 1,439,261
Cash and investments with fiscal agent	-	-	-	-
Receivable:				
Accounts	-	535	-	3,100
Interest	25,598	16,182	-	6,100
Taxes	-	-	-	3,897
Loans	-	-	231,659	-
Due from other governments	321,085	92,120	241,952	-
Due from Successor Agency	1,003,953	-	-	-
Inventory	-	14,325	-	-
Prepaid items	-	18,858	-	-
Deposits	-	100,935	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 7,470,982	\$ 4,484,365	\$ 473,611	\$ 1,452,358
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65,792	\$ 28,916	\$ 35,845	\$ 28,019
Deposits payable	-	-	-	-
Retention payable	3,787	-	31,635	-
Accrued expenditures	-	64,262	12,265	-
Due to other funds	-	-	144,437	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	69,579	93,178	224,182	28,019
Deferred inflows of resources:				
Unavailable revenue	855,721	92,120	231,659	-
Total deferred inflows of resources	855,721	92,120	231,659	-
Fund balances:				
Nonspendable	-	33,183	-	-
Restricted	6,545,682	4,265,884	17,770	1,424,339
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	6,545,682	4,299,067	17,770	1,424,339
Total liabilities, deferred inflows of resources and fund balances	\$ 7,470,982	\$ 4,484,365	\$ 473,611	\$ 1,452,358

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Law Enforcement	HOME	Miscellaneous	Vehicle Parking District
ASSETS				
Cash and investments	\$ 180,823	\$ 893,303	\$ 617,440	\$ 5,520
Cash and investments with fiscal agent	-	-	-	-
Receivable:				
Accounts	-	-	-	-
Interest	2,766	4,931,359	2,721	110
Taxes	-	-	-	-
Loans	-	17,566,262	-	-
Due from other governments	490,985	-	149,542	-
Due from Successor Agency	-	-	-	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 674,574	\$ 23,390,924	\$ 769,703	\$ 5,630
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 123,395	\$ -	\$ 89,977	\$ 452
Deposits payable	-	-	-	-
Retention payable	-	-	-	-
Accrued expenditures	10,709	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	469,988
Unearned revenues	405,476	-	14,128	-
Advances from other funds	-	-	-	159,250
Total liabilities	539,580	-	104,105	629,690
Deferred inflows of resources:				
Unavailable revenue	353,379	4,927,578	149,542	-
Total deferred inflows of resources	353,379	4,927,578	149,542	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	18,463,346	516,056	-
Committed	-	-	-	-
Unassigned (deficit)	(218,385)	-	-	(624,060)
Total fund balances	(218,385)	18,463,346	516,056	(624,060)
Total liabilities, deferred inflows of resources and fund balances	\$ 674,574	\$ 23,390,924	\$ 769,703	\$ 5,630

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Debt Service		Capital Projects	
	General Obligation	Golf Course	Street Improvement	Storm Drain
ASSETS				
Cash and investments	\$ 4,072,301	\$ 22,928	\$ 3,023,034	\$ 689,071
Cash and investments with fiscal agent	-	22	-	-
Receivable:				
Accounts	-	-	121,876	-
Interest	14,680	203	16,059	2,778
Taxes	33,849	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	1,400,164	-
Due from Successor Agency	-	-	-	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	200,000	-
Total assets	\$ 4,120,830	\$ 23,153	\$ 4,761,133	\$ 691,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 750	\$ -	\$ 297,780	\$ 7,850
Deposits payable	-	-	2,359,920	9,573
Retention payable	-	-	-	-
Accrued expenditures	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	750	-	2,657,700	17,423
Deferred inflows of resources:				
Unavailable revenue	-	-	750,680	-
Total deferred inflows of resources	-	-	750,680	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	4,120,080	23,153	1,352,753	674,426
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	4,120,080	23,153	1,352,753	674,426
Total liabilities, deferred inflows of resources and fund balances	\$ 4,120,830	\$ 23,153	\$ 4,761,133	\$ 691,849

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Capital Projects			Permanent
	General Capital Projects	County Transportation Street Projects	Public Facilities	Daley Ranch
ASSETS				
Cash and investments	\$ 1,666,328	\$ 10,783	\$ 6,730,829	\$ 338,929
Cash and investments with fiscal agent	-	-	-	-
Receivable:				
Accounts	-	-	-	-
Interest	6,725	-	28,078	1,508
Taxes	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	142,663	-	-
Due from Successor Agency	-	-	-	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	90,000	-
Total assets	<u>\$ 1,673,053</u>	<u>\$ 153,446</u>	<u>\$ 6,848,907</u>	<u>\$ 340,437</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 121,069	\$ 283,340	\$ 20,450	-
Deposits payable	174,868	-	-	-
Retention payable	-	250,850	-	-
Accrued expenditures	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>295,937</u>	<u>534,190</u>	<u>20,450</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	124,750	-	-
Total deferred inflows of resources	<u>-</u>	<u>124,750</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	340,437
Restricted	678,955	-	6,828,457	-
Committed	698,161	-	-	-
Unassigned (deficit)	-	(505,494)	-	-
Total fund balances	<u>1,377,116</u>	<u>(505,494)</u>	<u>6,828,457</u>	<u>340,437</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,673,053</u>	<u>\$ 153,446</u>	<u>\$ 6,848,907</u>	<u>\$ 340,437</u>

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

		<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and investments	\$	30,052,306
Cash and investments with fiscal agent		22
Receivable:		
Accounts		125,511
Interest		5,054,867
Taxes		37,746
Loans		17,797,921
Due from other governments		2,838,511
Due from Successor Agency		1,003,953
Inventory		14,325
Prepaid items		18,858
Deposits		100,935
Advances to other funds		290,000
Total assets	\$	<u>57,334,955</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	1,103,635
Deposits payable		2,544,361
Retention payable		286,272
Accrued expenditures		87,236
Due to other funds		144,437
Due to other governments		469,988
Unearned revenues		419,604
Advances from other funds		159,250
Total liabilities		<u>5,214,783</u>
Deferred inflows of resources:		
Unavailable revenue		7,485,429
Total deferred inflows of resources		<u>7,485,429</u>
Fund balances:		
Nonspendable		373,620
Restricted		44,910,901
Committed		698,161
Unassigned (deficit)		(1,347,939)
Total fund balances		<u>44,634,743</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u>57,334,955</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,107,950	841,341	1,595,073	-
Charges for services	1,212,156	2,239,532	-	-
Special assessments	-	-	-	797,529
Investment income	72,010	(5,733)	-	18,811
Miscellaneous	-	2,446	10,199	9,555
Total revenues	5,392,116	3,077,586	1,605,272	825,895
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,497,009	-	-	768,201
Community services	-	1,680,509	896,295	-
Community development	-	-	-	-
Capital outlay	1,129,991	45,917	715,573	-
Debt services:				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,627,000	1,726,426	1,611,868	768,201
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,765,116	1,351,160	(6,596)	57,694
OTHER FINANCING SOURCES (USES)				
Transfers in	-	314,440	-	-
Transfers out	(2,055,000)	(409,743)	-	-
Total other financing sources (uses)	(2,055,000)	(95,303)	-	-
NET CHANGE IN FUND BALANCES	710,116	1,255,857	(6,596)	57,694
FUND BALANCES:				
Beginning of year	5,835,566	3,043,210	24,366	1,366,645
End of year	\$ 6,545,682	\$ 4,299,067	\$ 17,770	\$ 1,424,339

CITY OF ESCONDIDO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Special Revenue			
	Law Enforcement	HOME	Miscellaneous	Vehicle Parking District
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,593,406	82,074	225,799	-
Charges for services	-	-	281,055	-
Special assessments	-	-	-	-
Investment income	6,850	92,299	40,484	193
Miscellaneous	-	11,415	5,631	-
Total revenues	1,600,256	185,788	552,969	193
EXPENDITURES:				
Current:				
General government	-	-	69,683	-
Public safety	1,707,047	-	-	-
Public works	-	-	15,072	94,120
Community services	-	-	63,472	-
Community development	-	68,285	57,290	-
Capital outlay	105,439	-	69,660	-
Debt services:				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,812,486	68,285	275,177	94,120
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(212,230)	117,503	277,792	(93,927)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	95,430
Transfers out	-	-	(1,795)	-
Total other financing sources (uses)	-	-	(1,795)	95,430
NET CHANGE IN FUND BALANCES	(212,230)	117,503	275,997	1,503
FUND BALANCES:				
Beginning of year	(6,155)	18,345,843	240,059	(625,563)
End of year	\$ (218,385)	\$ 18,463,346	\$ 516,056	\$ (624,060)

CITY OF ESCONDIDO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Debt Service		Capital Projects	
	General Obligation	Golf Course	Street Improvement	Storm Drain
REVENUES:				
Other taxes	\$ 4,742,332	\$ -	\$ -	\$ -
Intergovernmental	-	-	2,040,728	-
Charges for services	-	-	-	476,228
Special assessments	-	-	-	-
Investment income	(11,835)	250	24,294	9,061
Miscellaneous	-	-	-	-
Total revenues	4,730,497	250	2,065,022	485,289
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	482,402	314,071
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	2,122,939	108,023
Debt services:				
Principal retirements	1,780,000	230,000	-	-
Interest and fiscal charges	2,952,697	135,460	-	-
Total expenditures	4,732,697	365,460	2,605,341	422,094
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,200)	(365,210)	(540,319)	63,195
OTHER FINANCING SOURCES (USES)				
Transfers in	-	368,850	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	368,850	-	-
NET CHANGE IN FUND BALANCES	(2,200)	3,640	(540,319)	63,195
FUND BALANCES:				
Beginning of year	4,122,280	19,513	1,893,072	611,231
End of year	\$ 4,120,080	\$ 23,153	\$ 1,352,753	\$ 674,426

CITY OF ESCONDIDO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Capital Projects			Permanent
	General Capital Projects	County Transportation Street Projects	Public Facilities	Daley Ranch
REVENUES:				
Other taxes	\$ -	\$ 5,526,934	\$ -	\$ -
Intergovernmental	260,610	186,966	2,309,979	-
Charges for services	-	-	-	1,945
Special assessments	-	-	-	-
Investment income	23,576	2,080	(14,709)	4,902
Miscellaneous	-	-	-	-
Total revenues	284,186	5,715,980	2,295,270	6,847
EXPENDITURES:				
Current:				
General government	51,593	-	15,274	-
Public safety	-	-	-	-
Public works	8,854	4,640,643	2,105	-
Community services	-	-	197,294	-
Community development	346,113	-	-	-
Capital outlay	2,705,345	3,211,981	307,622	-
Debt services:				
Principal retirements	-	-	67,263	-
Interest and fiscal charges	-	-	18,900	-
Total expenditures	3,111,905	7,852,624	608,458	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,827,719)	(2,136,644)	1,686,812	6,847
OTHER FINANCING SOURCES (USES)				
Transfers in	2,292,538	-	27,497	-
Transfers out	(27,497)	-	(95,600)	-
Total other financing sources (uses)	2,265,041	-	(68,103)	-
NET CHANGE IN FUND BALANCES	(562,678)	(2,136,644)	1,618,709	6,847
FUND BALANCES:				
Beginning of year	1,939,794	1,631,150	5,209,748	333,590
End of year	\$ 1,377,116	\$ (505,494)	\$ 6,828,457	\$ 340,437

CITY OF ESCONDIDO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Total Nonmajor Governmental Funds
REVENUES:	
Other taxes	\$ 10,269,266
Intergovernmental	13,243,926
Charges for services	4,210,916
Special assessments	797,529
Investment income	262,533
Miscellaneous	39,246
Total revenues	<u>28,823,416</u>
EXPENDITURES:	
Current:	
General government	136,550
Public safety	1,707,047
Public works	7,822,477
Community services	2,837,570
Community development	471,688
Capital outlay	10,522,490
Debt services:	
Principal retirements	2,077,263
Interest and fiscal charges	3,107,057
Total expenditures	<u>28,682,142</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>141,274</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	3,098,755
Transfers out	(2,589,635)
Total other financing sources (uses)	<u>509,120</u>
NET CHANGE IN FUND BALANCES	650,394
FUND BALANCES:	
Beginning of year	<u>43,984,349</u>
End of year	<u>\$ 44,634,743</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Street Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 4,197,800	\$ 4,107,950	\$ (89,850)
Charges for services	1,911,000	1,212,156	(698,844)
Investment income	30,685	72,010	41,325
Total revenues	<u>6,139,485</u>	<u>5,392,116</u>	<u>(747,369)</u>
EXPENDITURES:			
Current:			
Public works	2,630,678	1,497,009	(1,133,669)
Community development	592,372	-	(592,372)
Capital outlay	5,933,410	1,129,991	(4,803,419)
Total expenditures	<u>9,156,460</u>	<u>2,627,000</u>	<u>(6,529,460)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,016,975)</u>	<u>2,765,116</u>	<u>(5,782,091)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,055,000)	(2,055,000)	-
Total other financing sources (uses)	<u>(2,055,000)</u>	<u>(2,055,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,071,975)	710,116	(5,782,091)
FUND BALANCE:			
Beginning of year	5,835,566	5,835,566	-
End of year	<u>\$ 763,591</u>	<u>\$ 6,545,682</u>	<u>\$ (5,782,091)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Community Services Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over Under
REVENUES:			
Intergovernmental	\$ 921,200	\$ 841,341	\$ (79,859)
Charges for services	3,287,870	2,239,532	(1,048,338)
Investment income	15,100	(5,733)	(20,833)
Miscellaneous	-	2,446	2,446
Total revenues	<u>4,224,170</u>	<u>3,077,586</u>	<u>(1,146,584)</u>
EXPENDITURES:			
Current:			
Community services	1,721,790	1,680,509	(41,281)
Capital outlay	4,308,371	45,917	(4,262,454)
Total expenditures	<u>6,030,161</u>	<u>1,726,426</u>	<u>(4,303,735)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,805,991)</u>	<u>1,351,160</u>	<u>(3,157,151)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	314,440	314,440	-
Total other financing sources (uses)	<u>314,440</u>	<u>(95,303)</u>	<u>(409,743)</u>
NET CHANGE IN FUND BALANCE	(1,491,551)	1,255,857	(3,566,894)
FUND BALANCE:			
Beginning of year	3,043,210	3,043,210	-
End of year	<u>\$ 1,551,659</u>	<u>\$ 4,299,067</u>	<u>\$ (3,566,894)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over Under
REVENUES:			
Intergovernmental	\$ 1,588,665	\$ 1,595,073	\$ 6,408
Miscellaneous	-	10,199	10,199
Total revenues	<u>1,588,665</u>	<u>1,605,272</u>	<u>16,607</u>
EXPENDITURES:			
Current:			
Community services	933,979	896,295	(37,684)
Community development	137,751	-	(137,751)
Capital outlay	<u>2,373,145</u>	<u>715,573</u>	<u>(1,657,572)</u>
Total expenditures	<u>3,444,875</u>	<u>1,611,868</u>	<u>(1,833,007)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,856,210)</u>	<u>(6,596)</u>	<u>(1,849,614)</u>
NET CHANGE IN FUND BALANCE	(1,856,210)	(6,596)	(1,849,614)
FUND BALANCE:			
Beginning of year	<u>24,366</u>	<u>24,366</u>	-
End of year	<u>\$ (1,831,844)</u>	<u>\$ 17,770</u>	<u>\$ (1,849,614)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Landscape and Assessment District Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Special assessments	\$ 797,050	\$ 797,529	\$ 479
Investment income	595	18,811	18,216
Miscellaneous	6,455	9,555	3,100
Total revenues	<u>804,100</u>	<u>825,895</u>	<u>21,795</u>
EXPENDITURES:			
Current:			
Public works	1,053,275	768,201	(285,074)
Total expenditures	<u>1,053,275</u>	<u>768,201</u>	<u>(285,074)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(249,175)</u>	<u>57,694</u>	<u>(306,869)</u>
NET CHANGE IN FUND BALANCE	(249,175)	57,694	(306,869)
FUND BALANCE:			
Beginning of year	1,366,645	1,366,645	-
End of year	<u>\$ 1,117,470</u>	<u>\$ 1,424,339</u>	<u>\$ (306,869)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
HOME Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 464,730	\$ 82,074	\$ (382,656)
Investment income	10,000	92,299	82,299
Miscellaneous	-	11,415	11,415
Total revenues	<u>474,730</u>	<u>185,788</u>	<u>(288,942)</u>
EXPENDITURES:			
Current:			
Community development	93,105	68,285	(24,820)
Total expenditures	<u>93,105</u>	<u>68,285</u>	<u>(24,820)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>381,625</u>	<u>117,503</u>	<u>(313,762)</u>
NET CHANGE IN FUND BALANCE	381,625	117,503	(313,762)
FUND BALANCE:			
Beginning of year	18,345,843	18,345,843	-
End of year	<u>\$ 18,727,468</u>	<u>\$ 18,463,346</u>	<u>\$ (313,762)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Miscellaneous Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 1,343,391	\$ 225,799	\$ (1,117,592)
Charges for services	490,000	281,055	(208,945)
Investment income	37,080	40,484	3,404
Miscellaneous	5,211	5,631	420
Total revenues	<u>1,875,682</u>	<u>552,969</u>	<u>(1,322,713)</u>
EXPENDITURES:			
Current:			
General government	75,000	69,683	(5,317)
Public works	25,000	15,072	(9,928)
Community services	1,339,985	63,472	(1,276,513)
Community development	519,465	57,290	(462,175)
Capital outlay	93,355	69,660	(23,695)
Total expenditures	<u>2,052,805</u>	<u>275,177</u>	<u>(1,777,628)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(177,123)</u>	<u>277,792</u>	<u>(454,915)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,795)	(1,795)	-
Total other financing sources (uses)	<u>(1,795)</u>	<u>(1,795)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(178,918)	275,997	(454,915)
FUND BALANCE:			
Beginning of year	240,059	240,059	-
End of year	<u>\$ 61,141</u>	<u>\$ 516,056</u>	<u>\$ (454,915)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Vehicle Parking District Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Investment income	\$ -	\$ 193	\$ 193
Total revenues	<u>-</u>	<u>193</u>	<u>193</u>
EXPENDITURES:			
Current:			
Public works	95,430	94,120	(1,310)
Total expenditures	<u>95,430</u>	<u>94,120</u>	<u>(1,310)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(95,430)</u>	<u>(93,927)</u>	<u>(1,503)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	95,430	95,430	-
Total other financing sources (uses)	<u>95,430</u>	<u>95,430</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	1,503	(1,503)
FUND BALANCE:			
Beginning of year	(625,563)	(625,563)	-
End of year	<u>\$ (625,563)</u>	<u>\$ (624,060)</u>	<u>\$ (1,503)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Obligation Debt Service Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Other taxes	\$ 4,714,900	\$ 4,742,332	\$ 27,432
Investment income	20,050	(11,835)	(31,885)
Total revenues	<u>4,734,950</u>	<u>4,730,497</u>	<u>(4,453)</u>
EXPENDITURES:			
Debt services:			
Principal retirements	1,780,000	1,780,000	-
Interest and fiscal charges	2,952,900	2,952,697	(203)
Total expenditures	<u>4,732,900</u>	<u>4,732,697</u>	<u>(203)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,050</u>	<u>(2,200)</u>	<u>4,250</u>
NET CHANGE IN FUND BALANCE	2,050	(2,200)	4,250
FUND BALANCE:			
Beginning of year	4,122,280	4,122,280	-
End of year	<u>\$ 4,124,330</u>	<u>\$ 4,120,080</u>	<u>\$ 4,250</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Golf Course Debt Service Fund
For the Year Ended June 30, 2018

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Investment income	\$ 100	\$ 250	\$ 150
Total revenues	<u>100</u>	<u>250</u>	<u>150</u>
EXPENDITURES:			
Debt services:			
Principal retirements	230,000	230,000	-
Interest and fiscal charges	138,950	135,460	(3,490)
Total expenditures	<u>368,950</u>	<u>365,460</u>	<u>(3,490)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(368,850)</u>	<u>(365,210)</u>	<u>(3,640)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	368,850	368,850	-
Total other financing sources (uses)	<u>368,850</u>	<u>368,850</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	3,640	(3,640)
FUND BALANCE:			
Beginning of year	19,513	19,513	-
End of year	<u>\$ 19,513</u>	<u>\$ 23,153</u>	<u>\$ (3,640)</u>

CITY OF ESCONDIDO INTERNAL SERVICE FUNDS

BUILDING MAINTENANCE FUND

This fund was created to account for financial activity related to the maintenance and repair of all City-owned buildings. Funding is provided through charges to other departments, based on square footage, common area allocation, and specific maintenance projects. A reserve for replacement will be accumulated to replace carpeting, air conditioning, roofing and other maintenance items.

VEHICLE AND EQUIPMENT MAINTENANCE FUND

This fund was created to account for transactions related to the maintenance, operation, and replacement of the City's vehicles, whereby the City can more accurately determine the full cost of services. Such costs to other departments are billed through charges to departments in the form of a rental payment for each piece of equipment.

CENTRAL SERVICES FUND

This fund was created to account for transactions related to:

- The provision of postage, telephone, and copying services. Funding is provided through charges to other departments based on actual usage.
- The provision of a central stores warehouse. Funding is provided through charges to user departments.

OFFICE AUTOMATION FUND

This fund was created to account for financial activity related to Office Automation services, licensing and hardware. Funding is provided through charges to other departments based on workstation inventory.

WORKERS' COMPENSATION FUND

This fund was created to account for transactions related to the City's self-insurance provision of Workers' Compensation insurance. Funding is provided through charges to other departments based on payroll expense.

GENERAL LIABILITY SELF-INSURANCE FUND

This fund was created to account for transactions related to the City's self-insurance provision of general liability insurance. Funding is provided through charges to other departments based on future risk evaluation, prior claims experience, and other factors.

CITY OF ESCONDIDO
INTERNAL SERVICE FUNDS (continued)

INSURANCE FUND

This fund was created to account for transactions related to:

- The provision of health and life insurance for City employees. Funding is provided through charges to other departments and employee contributions based on employee participation.
- The provision of vision insurance to City employees. Funding is provided by employees through payroll deductions.
- Property insurance obtained for the City. Funding is provided through charges to other departments based on replacement cost of the property and square footage allocations.
- The provision of dental insurance to City employees. Funding is provided through charges to other departments and employee contributions based on employee participation.
- The provision of unemployment insurance. Funding is provided through charges to other departments based on payroll expense.

CITY OF ESCONDIDO
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 7,388,147	\$ 784,580	\$ 499,602
Receivables (Net):				
Accounts	-	-	-	-
Interest	-	33,094	3,551	1,798
Inventory	66,215	83,783	280,253	-
Deposits	-	-	-	-
Total Current Assets	66,215	7,505,024	1,068,384	501,400
Noncurrent Assets:				
Capital assets:				
Being depreciated, net	1,316,091	6,925,184	43,463	67,875
Total Noncurrent Assets	1,316,091	6,925,184	43,463	67,875
Total Assets	1,382,306	14,430,208	1,111,847	569,275
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	871,521	553,462	204,995	532,576
Total Deferred Outflows of Resources	871,521	553,462	204,995	532,576
LIABILITIES				
Current Liabilities:				
Accounts payable	234,196	475,557	72,714	3,716
Accrued expenses	47,725	25,519	12,424	33,855
Due to other funds	175,238	-	-	-
Long-term debt, due within one year	108,855	181,222	1,619	-
Total Current Liabilities	566,014	682,298	86,757	37,571
Noncurrent Liabilities:				
Aggregate net pension liabilities	3,963,480	2,557,639	774,027	2,613,397
Long-term debt, due in more than one year	433,059	422,415	14,570	-
Total Noncurrent Liabilities	4,396,539	2,980,054	788,597	2,613,397
Total Liabilities	4,962,553	3,662,352	875,354	2,650,968
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	24,380	20,277	6,756	18,370
Total Deferred Inflows of Resources	24,380	20,277	6,756	18,370
NET POSITION				
Net investment in capital assets	1,316,091	6,385,442	43,463	67,875
Unrestricted (deficit)	(4,049,197)	4,915,599	391,269	(1,635,362)
Total Net Position	\$ (2,733,106)	\$ 11,301,041	\$ 434,732	\$ (1,567,487)

CITY OF ESCONDIDO
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2018

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
ASSETS				
Current Assets:				
Cash and investments	\$ 8,546,641	\$ 7,225,710	\$ 1,823,003	\$ 26,267,683
Receivables (Net):				
Accounts	-	-	25,218	25,218
Interest	37,651	32,104	6,217	114,415
Inventory	-	-	-	430,251
Deposits	250,000	-	62,600	312,600
Total Current Assets	8,834,292	7,257,814	1,917,038	27,150,167
Noncurrent Assets:				
Capital assets:				
Being depreciated, net	-	-	-	8,352,613
Total Noncurrent Assets	-	-	-	8,352,613
Total Assets	8,834,292	7,257,814	1,917,038	35,502,780
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	50,869	-	121,037	2,334,460
Total Deferred Outflows of Resources	50,869	-	121,037	2,334,460
LIABILITIES				
Current Liabilities:				
Accounts payable	25,861	12,319	74,776	899,139
Accrued expenses	3,449	-	37,065	160,037
Due to other funds	-	-	-	175,238
Long-term debt, due within one year	2,867,656	497,280	841	3,657,473
Total Current Liabilities	2,896,966	509,599	112,682	4,891,887
Noncurrent Liabilities:				
Aggregate net pension liabilities	247,089	-	509,816	10,665,448
Long-term debt, due in more than one year	11,471,905	1,989,120	7,568	14,338,637
Total Noncurrent Liabilities	11,718,994	1,989,120	517,384	25,004,085
Total Liabilities	14,615,960	2,498,719	630,066	29,895,972
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	2,342	-	2,821	74,946
Total Deferred Inflows of Resources	2,342	-	2,821	74,946
NET POSITION				
Net investment in capital assets	-	-	-	7,812,871
Unrestricted (deficit)	(5,733,141)	4,759,095	1,405,188	53,451
Total Net Position	\$ (5,733,141)	\$ 4,759,095	\$ 1,405,188	\$ 7,866,322

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
Operating Revenues:				
Charges for services	\$ 4,788,133	\$ 5,781,370	\$ 1,413,618	\$ 1,638,090
Total Operating Revenues	<u>4,788,133</u>	<u>5,781,370</u>	<u>1,413,618</u>	<u>1,638,090</u>
Operating Expenses:				
Personnel services	2,346,337	1,263,966	503,305	1,122,467
Administrative expenses	(14,252)	12,100	73,680	-
Benefit claims	-	-	-	-
Supplies	115,758	133,140	87,043	18,189
Repairs and maintenance	308,239	852,468	100,671	7,461
Depreciation	144,592	3,139,081	20,104	36,882
Utilities	1,006,473	8,331	371,992	15,259
Fuel	-	1,004,497	-	-
Professional services	1,535,491	56,353	237,156	14,996
Insurance premiums	50,180	39,575	14,030	12,855
Rent	1,879	-	-	-
Other	(5,387)	148,430	77,519	345,303
Total Operating Expenses	<u>5,489,310</u>	<u>6,657,941</u>	<u>1,485,500</u>	<u>1,573,412</u>
Operating Income (Loss)	<u>(701,177)</u>	<u>(876,571)</u>	<u>(71,882)</u>	<u>64,678</u>
Nonoperating Revenues (Expenses):				
Investment income	(253)	9,085	11,806	6,076
Interest and fiscal charges	(18,125)	(20,439)	-	-
Miscellaneous	3,732	258,885	1,998	2,628
Total Nonoperating Revenues (Expenses)	<u>(14,646)</u>	<u>247,531</u>	<u>13,804</u>	<u>8,704</u>
Income Before Transfers and Capital Contributions				
	<u>(715,823)</u>	<u>(629,040)</u>	<u>(58,078)</u>	<u>73,382</u>
Transfers in	300,000	60,000	-	-
Transfers (out)	-	-	(76,045)	-
Capital Contributions:				
Developer contributions	41,966	107,457	-	-
Total Transfers and Capital Contributions	<u>341,966</u>	<u>167,457</u>	<u>(76,045)</u>	<u>-</u>
Changes in Net Position	<u>(373,857)</u>	<u>(461,583)</u>	<u>(134,123)</u>	<u>73,382</u>
Net Position at Beginning of Year	<u>(2,359,249)</u>	<u>11,762,624</u>	<u>568,855</u>	<u>(1,640,869)</u>
Net Position at End of Year	<u>\$ (2,733,106)</u>	<u>\$ 11,301,041</u>	<u>\$ 434,732</u>	<u>\$ (1,567,487)</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Operating Revenues:				
Charges for services	\$ 3,818,109	\$ 2,646,444	\$ 11,202,828	\$ 31,288,592
Total Operating Revenues	<u>3,818,109</u>	<u>2,646,444</u>	<u>11,202,828</u>	<u>31,288,592</u>
Operating Expenses:				
Personnel services	108,468	-	347,725	5,692,268
Administrative expenses	319,890	1,440,140	163,405	1,994,963
Benefit claims	2,190,673	-	704,172	2,894,845
Supplies	1,287	1,595	1,340	358,352
Repairs and maintenance	-	-	-	1,268,839
Depreciation	-	-	-	3,340,659
Utilities	1,085	-	6,630	1,409,770
Fuel	-	-	-	1,004,497
Professional services	1,569,992	827,410	162,480	4,403,878
Insurance premiums	691,830	-	9,794,174	10,602,644
Rent	-	-	-	1,879
Other	7,608	12,268	65,723	651,464
Total Operating Expenses	<u>4,890,833</u>	<u>2,281,413</u>	<u>11,245,649</u>	<u>33,624,058</u>
Operating Income (Loss)	<u>(1,072,724)</u>	<u>365,031</u>	<u>(42,821)</u>	<u>(2,335,466)</u>
Nonoperating Revenues (Expenses):				
Investment income	13,651	22,852	17,901	81,118
Interest and fiscal charges	-	-	-	(38,564)
Miscellaneous	-	-	56,544	323,787
Total Nonoperating Revenues (Expenses)	<u>13,651</u>	<u>22,852</u>	<u>74,445</u>	<u>366,341</u>
Income Before Transfers and Capital Contributions	<u>(1,059,073)</u>	<u>387,883</u>	<u>31,624</u>	<u>(1,969,125)</u>
Transfers in	-	-	-	360,000
Transfers (out)	-	-	-	(76,045)
Capital Contributions:				
Developer contributions	-	-	-	149,423
Total Transfers and Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,378</u>
Changes in Net Position	<u>(1,059,073)</u>	<u>387,883</u>	<u>31,624</u>	<u>(1,535,747)</u>
Net Position at Beginning of Year	<u>(4,674,068)</u>	<u>4,371,212</u>	<u>1,373,564</u>	<u>9,402,069</u>
Net Position at End of Year	<u>\$ (5,733,141)</u>	<u>\$ 4,759,095</u>	<u>\$ 1,405,188</u>	<u>\$ 7,866,322</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,788,133	\$ 5,781,370	\$ 1,413,618	\$ 1,638,090
Cash paid to employees for services	(2,087,008)	(1,197,786)	(494,434)	(1,042,572)
Cash paid to other suppliers of goods and services	(2,941,815)	(2,241,052)	(922,831)	(427,660)
Cash from other sources	3,732	258,885	1,998	2,628
Net Cash Provided by (Used in) Operating Activities	<u>(236,958)</u>	<u>2,601,417</u>	<u>(1,649)</u>	<u>170,486</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds	475,238	60,000	(76,045)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>475,238</u>	<u>60,000</u>	<u>(76,045)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(93,196)	(1,633,717)	-	-
Capital lease payment	-	(190,374)	-	-
Principal payments on loans	(91,059)	-	-	-
Interest payments on loans	(18,127)	-	-	-
Net Cash (Used in) Capital and Related Financing Activities	<u>(202,382)</u>	<u>(1,824,091)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Investment income	18	561	10,939	5,369
Net Cash Provided by Investing Activities	<u>18</u>	<u>561</u>	<u>10,939</u>	<u>5,369</u>
Net increase (decrease) in cash and cash equivalents	35,916	837,887	(66,755)	175,855
Cash and cash equivalents:				
Beginning of year	(35,916)	6,550,260	851,335	323,747
End of year	<u>\$ -</u>	<u>\$ 7,388,147</u>	<u>\$ 784,580</u>	<u>\$ 499,602</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,818,109	\$ 2,646,444	\$ 11,219,408	\$ 31,305,172
Cash paid to employees for services	(425,884)	(1,440,140)	(463,080)	(7,150,904)
Cash paid to other suppliers of goods and services	(3,048,920)	(1,769,953)	(10,684,611)	(22,036,842)
Cash from other sources	-	-	56,544	323,787
Net Cash Provided by (Used in) Operating Activities	<u>343,305</u>	<u>(563,649)</u>	<u>128,261</u>	<u>2,441,213</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds	-	-	-	459,193
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>459,193</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	-	-	-	(1,726,913)
Capital lease payment	-	-	-	(190,374)
Principal payments on loans	-	-	-	(91,059)
Interest payments on loans	-	-	-	(18,127)
Net Cash (Used in) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,026,473)</u>
Cash Flows from Investing Activities:				
Investment income	4,738	11,271	16,096	48,992
Net Cash Provided by (Used for) Investing Activities	<u>4,738</u>	<u>11,271</u>	<u>16,096</u>	<u>48,992</u>
Net increase (decrease) in cash and cash equivalents	348,043	(552,378)	144,357	922,925
Cash and cash equivalents:				
Beginning of year	8,198,598	7,778,088	1,678,646	25,344,758
End of year	<u>\$ 8,546,641</u>	<u>\$ 7,225,710</u>	<u>\$ 1,823,003</u>	<u>\$ 26,267,683</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (701,177)	\$ (876,571)	\$ (71,882)	\$ 64,678
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	144,592	3,139,081	20,104	36,882
Pension expense	250,882	83,288	75,794	72,040
Cash from other sources	3,732	258,885	1,998	2,628
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	-	-	-	-
Inventories	14,549	(35,565)	(14,789)	-
Accounts payable	56,269	37,307	(19,631)	(13,597)
Accrued expenses	1,594	(5,318)	3,756	7,855
Compensated absences	(7,399)	310	3,001	-
Estimated claims payable	-	-	-	-
Total adjustments	<u>464,219</u>	<u>3,477,988</u>	<u>70,233</u>	<u>105,808</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (236,958)</u>	<u>\$ 2,601,417</u>	<u>\$ (1,649)</u>	<u>\$ 170,486</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 41,966	\$ 107,457	\$ -	\$ -
Total noncash investing, capital and financing activities	<u>\$ 41,966</u>	<u>\$ 107,457</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (1,072,724)	\$ 365,031	\$ (42,821)	\$ (2,335,466)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	-	3,340,659
Pension expense	(2,059)	-	43,566	523,511
Cash from other sources			56,544	323,787
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	-	-	16,580	16,580
Inventories	-	-	-	(35,805)
Accounts payable	23,055	5,820	59,456	148,679
Accrued expenses	3,031	-	(6,140)	4,778
Compensated absences	1,502	-	1,076	(1,510)
Estimated claims payable	1,390,500	(934,500)	-	456,000
Total adjustments	<u>1,416,029</u>	<u>(928,680)</u>	<u>171,082</u>	<u>4,776,679</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 343,305</u>	<u>\$ (563,649)</u>	<u>\$ 128,261</u>	<u>\$ 2,441,213</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ -	\$ -	\$ -	\$ 149,423
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,423</u>

CITY OF ESCONDIDO
AGENCY FUNDS

HIDDEN TRAILS COMMUNITY FACILITIES DISTRICT

This fund was created to account for debt service payments on 1982 Mello-Roos Community Facility Act special tax bonds paid from special taxes collected and remitted to a fiscal agent. The bonds were issued to finance the acquisition of certain backbone public facilities including street, water and sewer facilities in the Hidden Trails Community Facilities District.

EUREKA RANCH COMMUNITY FACILITIES DISTRICT

This fund was created to account for debt service payments on 1982 Mello-Roos Community Facility Act special tax bonds paid from special taxes collected and remitted to a fiscal agent. The bonds were issued to finance various public improvements including street, storm drain and sewer improvements as well as utility undergrounding within the Eureka Ranch Community Facilities District.

AUTO PARKWAY ASSESSMENT DISTRICT FUND

This fund was created to account for debt service payments on 1915 Act Assessment bonds paid from special assessments collected and remitted to a fiscal agent-trustee. The bonds were issued to finance capital improvements in the Auto Parkway District, including drainage and road improvements, sewer, lighting, and other improvements.

RANCHO SAN PASQUAL FUND

This fund was created to account for the debt service payments collected directly from property owners and remitted to bondholders for payment on Rancho San Pasqual bonds, issued to finance certain public improvements within the City's Assessment District No. 95-1.

DEPOSIT TRUST FUND

This fund was created to account for deposits received and held by the City as an agent for individuals, developers, private organizations, and other governmental agencies.

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018

	Hidden Trails Community Facilities District	Eureka Ranch Community Facilities District	Auto Parkway Assessment District	Rancho San Pasqual
ASSETS				
Cash and investments	\$ 177,578	\$ 801,008	\$ 1,477	\$ 265,313
Cash and investments with fiscal agent	1	10	328,685	345,442
Receivables:				
Taxes	1,160	1,705	-	9,419
Interest	599	2,452	22	864
Total assets	<u>\$ 179,338</u>	<u>\$ 805,175</u>	<u>\$ 330,184</u>	<u>\$ 621,038</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to bondholders	179,338	805,175	330,184	621,038
Total liabilities	<u>\$ 179,338</u>	<u>\$ 805,175</u>	<u>\$ 330,184</u>	<u>\$ 621,038</u>

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities (Continued)
Agency Funds
June 30, 2018

	Deposit Trust	Total
ASSETS		
Cash and investments	\$ 10,691,517	\$ 11,936,893
Cash and investments with fiscal agent	-	674,138
Receivables:		
Taxes	-	12,284
Interest	452	4,389
Total assets	\$ 10,691,969	\$ 12,627,704
LIABILITIES		
Accounts payable	\$ 68,099	\$ 68,099
Deposits payable	10,623,870	10,623,870
Due to bondholders	-	1,935,735
Total liabilities	\$ 10,691,969	\$ 12,627,704

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Hidden Trails Community Facilities District</u>				
ASSETS				
Cash and investments	\$ 182,185	\$ 203,111	\$ (207,718)	\$ 177,578
Cash and investments with fiscal agent	-	1	-	1
Receivables:				
Taxes	590	1,160	(590)	1,160
Interest	483	599	(483)	599
Total assets	\$ 183,258	\$ 204,871	\$ (208,791)	\$ 179,338
LIABILITIES				
Accounts payable	\$ -	\$ 204,318	\$ (204,318)	\$ -
Due to bondholders	183,258	314,872	(318,792)	179,338
Total liabilities	\$ 183,258	\$ 519,190	\$ (523,110)	\$ 179,338
<u>Eureka Ranch Community Facilities District</u>				
ASSETS				
Cash and investments	\$ 774,801	\$ 1,078,924	\$ (1,052,717)	\$ 801,008
Cash and investments with fiscal agent	-	10	-	10
Receivables:				
Taxes	7,979	1,705	(7,979)	1,705
Interest	1,850	2,452	(1,850)	2,452
Total assets	\$ 784,630	\$ 1,083,091	\$ (1,062,546)	\$ 805,175
LIABILITIES				
Accounts payable	\$ -	\$ 1,042,907	\$ (1,042,907)	\$ -
Due to bondholders	784,630	1,543,091	(1,522,546)	805,175
Total liabilities	\$ 784,630	\$ 2,585,998	\$ (2,565,453)	\$ 805,175

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Auto Parkway Assessment District</u>				
ASSETS				
Cash and investments	\$ 321,389	\$ 3,155	\$ (323,067)	\$ 1,477
Cash and investments with fiscal agent	338,047	6,140	(15,502)	328,685
Receivables:				
Interest	767	22	(767)	22
Total assets	\$ 660,203	\$ 9,317	\$ (339,336)	\$ 330,184
LIABILITIES				
Accounts payable	\$ -	\$ 320,027	\$ (320,027)	\$ -
Due to bondholders	660,203	660,700	(990,719)	330,184
Total liabilities	\$ 660,203	\$ 980,727	\$ (1,310,746)	\$ 330,184
<u>Rancho San Pasqual</u>				
ASSETS				
Cash and investments	\$ 272,016	\$ 338,022	\$ (344,725)	\$ 265,313
Cash and investments with fiscal agent	344,218	5,458	(4,234)	345,442
Receivables:				
Taxes	888	9,419	(888)	9,419
Interest	666	864	(666)	864
Total assets	\$ 617,788	\$ 353,763	\$ (350,513)	\$ 621,038
LIABILITIES				
Accounts payable	\$ -	\$ 341,585	\$ (341,585)	\$ -
Due to bondholders	617,788	561,221	(557,971)	621,038
Total liabilities	\$ 617,788	\$ 902,806	\$ (899,556)	\$ 621,038

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Deposit Trust</u>				
ASSETS				
Cash and investments	\$ 8,235,979	\$ 5,410,739	\$ (2,955,201)	\$ 10,691,517
Receivables:				
Interest	417	452	(417)	452
Total assets	\$ 8,236,396	\$ 5,411,191	\$ (2,955,618)	\$ 10,691,969
LIABILITIES				
Accounts payable	\$ 171,682	\$ 2,514,658	\$ (2,618,241)	\$ 68,099
Deposits payable	8,064,714	6,042,219	(3,483,063)	10,623,870
Total liabilities	\$ 8,236,396	\$ 8,556,877	\$ (6,101,304)	\$ 10,691,969
 <u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 9,786,370	\$ 7,033,951	\$ (4,883,428)	\$ 11,936,893
Cash and investments with fiscal agent	682,265	11,609	(19,736)	674,138
Receivables:				
Taxes	9,457	12,284	(9,457)	12,284
Interest	4,183	4,389	(4,183)	4,389
Total assets	\$ 10,482,275	\$ 7,062,233	\$ (4,916,804)	\$ 12,627,704
LIABILITIES				
Accounts payable	\$ 171,682	\$ 4,423,495	\$ (4,527,078)	\$ 68,099
Deposits payable	8,064,714	6,042,219	(3,483,063)	10,623,870
Due to bondholders	2,245,879	3,079,884	(3,390,028)	1,935,735
Total liabilities	\$ 10,482,275	\$ 13,545,598	\$ (11,400,169)	\$ 12,627,704



Statistical Section

CITY OF ESCONDIDO STATISTICAL SECTION

This section of the City of Escondido's comprehensive annual financial report provides detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules are intended to assist users in understanding and assessing how a government's financial position has changed over time.

REVENUE CAPACITY INFORMATION

These schedules are intended to assist users in understanding and assessing factors affecting a government's ability to generate its own revenue.

DEBT CAPACITY INFORMATION

These schedules are intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules are intended to assist users in understanding the socioeconomic environment within which a government operates and provide information that facilitates comparison of financial statement information over time and among governments.

OPERATING INFORMATION

These schedules are intended to provide information about operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.

CITY OF ESCONDIDO
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
Governmental Activities:					
Net investment in capital assets	\$ 198,895,947	\$ 205,646,459	\$ 222,661,354	\$ 225,296,741	\$ 211,228,317
Restricted	89,093,908	114,214,410	86,393,247	98,970,485	90,152,311
Unrestricted	65,461,162	36,921,478	40,341,057	53,862,572	27,922,604
Total Governmental Activities Net Position	\$ 353,451,017	\$ 356,782,347	\$ 349,395,658	\$ 378,129,798	\$ 329,303,232
Business-type Activities:					
Net investment in capital assets	\$ 126,868,016	\$ 130,301,709	\$ 137,189,496	\$ 138,580,703	\$ 141,057,087
Restricted	-	-	-	-	-
Unrestricted	37,096,093	46,473,299	53,436,660	56,358,559	61,147,031
Total Business-type Activities Net Position	\$ 163,964,109	\$ 176,775,008	\$ 190,626,156	\$ 194,939,262	\$ 202,204,118
Primary Government:					
Net investment in capital assets	\$ 325,763,963	\$ 335,948,168	\$ 359,850,850	\$ 363,877,444	\$ 352,285,404
Restricted	89,093,908	114,214,410	86,393,247	98,970,485	90,152,311
Unrestricted	102,557,255	83,394,777	93,777,717	110,221,131	89,069,635
Total Primary Government Activities Net Position	\$ 517,415,126	\$ 533,557,355	\$ 540,021,814	\$ 573,069,060	\$ 531,507,350

Note:

The City of Escondido implemented GASBs No. 68 and 71 for the fiscal year ended June 30, 2015 which modified the Net Position of both Governmental and Business-type Net Position

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017	2018
Governmental Activities:					
Net investment in capital assets	\$ 207,003,751	\$ 201,314,048	\$ 223,906,554	\$ 218,477,270	\$ 218,992,174
Restricted	92,356,580	90,509,538	96,530,455	100,550,008	104,851,906
Unrestricted	24,555,904	(124,495,479)	(121,164,871)	(99,262,303)	(112,191,974)
Total Governmental Activities Net Position	\$ 323,916,235	\$ 167,328,107	\$ 199,272,138	\$ 219,764,975	\$ 211,652,106
Business-type Activities:					
Net investment in capital assets	\$ 151,539,613	\$ 158,231,376	\$ 172,888,190	\$ 188,875,729	\$ 183,764,968
Restricted	-	-	-	-	3,642,092.00
Unrestricted	57,540,105	28,819,831	22,072,596	9,234,771	21,293,844
Total Business-type Activities Net Position	\$ 209,079,718	\$ 187,051,207	\$ 194,960,786	\$ 198,110,500	\$ 208,700,904
Primary Government:					
Net investment in capital assets	\$ 358,543,364	\$ 359,545,424	\$ 396,794,744	\$ 407,352,999	\$ 402,757,142
Restricted	92,356,580	90,509,538	96,530,455	100,550,008	108,493,998
Unrestricted	82,096,009	(95,675,648)	(99,092,275)	(90,027,532)	(90,898,130)
Total Primary Government Activities Net Position	\$ 532,995,953	\$ 354,379,314	\$ 394,232,924	\$ 417,875,475	\$ 420,353,010

Note:

The City of Escondido implemented GASBs No. 68 and 71 for the fiscal year ended June 30, 2015 which modified the Net Position of both Governmental and Business-type Net Position

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
<u>Expenses</u>					
Governmental Activities:					
General government	\$ 8,183,784	\$ 8,058,408	\$ 8,162,775	\$ 7,923,896	\$ 6,931,282
Public safety	53,639,237	58,486,106	56,170,547	60,467,057	58,937,215
Community services	20,460,103	20,321,281	13,935,737	14,428,323	13,492,016
Public works	23,475,660	25,927,953	30,251,264	23,508,515	28,719,020
Community development	12,777,932	7,814,707	9,908,625	6,765,185	6,095,723
Interest and fiscal charges	8,050,461	7,649,971	7,459,498	5,946,168	4,038,630
Total Governmental Activities Expenses	126,587,177	128,258,426	125,888,446	119,039,144	122,533,177
Business-type Activities:					
Water	38,810,712	40,277,313	37,364,315	43,537,887	48,899,219
Wastewater	24,743,922	24,154,671	23,833,875	23,995,887	25,847,825
Total Business-type Activities Expenses	63,554,634	64,431,984	61,198,190	67,533,774	74,747,044
Total Primary Government Expenses	<u>\$ 190,141,811</u>	<u>\$ 192,690,410</u>	<u>\$ 187,086,636</u>	<u>\$ 186,572,918</u>	<u>\$ 197,280,221</u>
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	\$ 455,029	\$ 159,353	\$ 351,155	\$ 735,395	\$ 481,812
Public safety	9,980,199	9,207,628	8,273,579	8,429,675	8,322,729
Community services	6,798,670	5,625,758	3,871,455	4,158,173	4,118,332
Public works	1,253,367	1,076,721	994,907	1,160,643	1,261,705
Community development	1,128,602	1,372,001	1,154,371	820,337	914,370
Operating grants and contributions	9,728,353	14,568,341	12,988,723	13,503,657	12,507,289
Capital grants and contributions	11,779,461	14,818,607	10,550,030	5,608,064	8,528,675
Total Governmental Activities Program Revenues	41,123,681	46,828,409	38,184,220	34,415,944	36,134,912
Business-type Activities:					
Charges for services:					
Water	39,161,082	40,155,208	37,293,900	42,398,099	48,857,327
Wastewater	25,741,913	29,208,703	28,176,381	26,430,851	28,482,081
Operating grants and contributions	301,875	-	-	-	6,559
Capital grants and contributions	4,725,698	5,851,309	8,922,144	2,155,659	3,858,657
Total Business-type Activities Program Revenues	69,930,568	75,215,220	74,392,425	70,984,609	81,204,624
Total Primary Government Program Revenues	<u>\$ 111,054,249</u>	<u>\$ 122,043,629</u>	<u>\$ 112,576,645</u>	<u>\$ 105,400,553</u>	<u>\$ 117,339,536</u>

CITY OF ESCONDIDO
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017	2018
<u>Expenses</u>					
Governmental Activities:					
General government	\$ 6,817,120	\$ 6,412,164	\$ 8,852,170	\$ 9,357,787	\$ 11,319,840
Public safety	64,735,010	62,464,110	65,521,010	71,876,096	80,848,786
Community services	13,824,749	12,485,541	12,559,645	12,571,637	13,453,775
Public works	22,830,644	24,390,896	20,066,941	22,107,665	25,876,603
Community development	4,442,510	4,652,366	4,643,576	5,077,618	5,516,258
Interest and fiscal charges	3,709,135	4,655,972	2,952,792	2,646,232	2,849,950
Total Governmental Activities Expenses	116,359,168	115,061,049	114,596,134	123,637,035	139,865,212
Business-type Activities:					
Water	51,937,493	51,558,727	49,844,796	57,314,740	62,431,613
Wastewater	28,748,596	29,740,987	30,565,986	32,361,361	32,843,118
Total Business-type Activities Expenses	80,686,089	81,299,714	80,410,782	89,676,101	95,274,731
Total Primary Government Expenses	<u>\$ 197,045,257</u>	<u>\$ 196,360,763</u>	<u>\$ 195,006,916</u>	<u>\$ 213,313,136</u>	<u>\$ 235,139,943</u>
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	\$ 1,049,402	\$ 261,135	\$ 479,655	\$ 300,203	\$ 681,369
Public safety	8,217,629	9,450,880	9,292,514	10,251,178	11,190,662
Community services	4,104,210	4,042,601	3,807,474	3,739,242	3,634,653
Public works	1,554,453	1,292,959	2,280,973	2,424,590	1,738,505
Community development	1,351,882	1,615,495	1,811,997	1,973,600	1,763,863
Operating grants and contributions	13,031,177	9,216,428	10,604,522	9,441,222	9,980,538
Capital grants and contributions	3,331,901	2,855,849	4,787,949	6,622,075	9,564,799
Total Governmental Activities Program Revenues	32,640,654	28,735,347	33,065,084	34,752,110	38,554,389
Business-type Activities:					
Charges for services:					
Water	54,411,250	54,323,287	51,055,900	55,442,545	61,551,122
Wastewater	29,413,549	32,014,382	33,594,079	34,166,698	34,464,076
Operating grants and contributions	243,302	533,816	70,130	30,832	143,298
Capital grants and contributions	1,879,809	2,972,993	1,355,692	1,766,559	7,846,908
Total Business-type Activities Program Revenues	85,947,910	89,844,478	86,075,801	91,406,634	104,005,404
Total Primary Government Program Revenues	<u>\$ 118,588,564</u>	<u>\$ 118,579,825</u>	<u>\$ 119,140,885</u>	<u>\$ 126,158,744</u>	<u>\$ 142,559,793</u>

(Continued)

CITY OF ESCONDIDO
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
<u>Net (Expense)/Revenue</u>					
Governmental activities	\$ (85,463,496)	\$ (81,430,017)	\$ (87,704,226)	\$ (84,623,200)	\$ (86,398,265)
Business-type activities	6,375,934	10,783,236	13,194,235	3,450,835	6,457,580
Total Primary Government Net Expense	<u>\$ (79,087,562)</u>	<u>\$ (70,646,781)</u>	<u>\$ (74,509,991)</u>	<u>\$ (81,172,365)</u>	<u>\$ (79,940,685)</u>
<u>General Revenues and Other</u> <u>Changes in Net Position</u>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 18,841,244	\$ 17,826,617	\$ 20,819,517	\$ 25,532,055	\$ 24,202,373
Property taxes	37,745,185	27,884,137	28,168,365	24,060,363	16,738,501
Franchise tax	4,540,227	4,344,355	4,461,129	4,563,576	4,516,247
Payments in lieu of taxes	18,907,389	17,989,533	17,652,114	19,548,954	19,041,332
Other taxes	4,264,906	4,014,349	4,048,337	2,899,789	3,971,585
Use of money and property	6,977,368	4,654,030	4,810,578	5,885,611	3,290,477
Sale of capital assets	-	-	171,386	399,819	-
Miscellaneous	872,722	2,130,400	476,135	748,181	1,070,052
Transfers	29,200	41,330	1,248,845	25,000	25,000
Extraordinary item: Gain/(loss)	-	-	-	29,693,992	(34,948,363)
Total Governmental Activities	<u>92,178,241</u>	<u>78,884,751</u>	<u>81,856,406</u>	<u>113,357,340</u>	<u>37,907,204</u>
Business-type activities:					
Use of money and property	2,791,475	1,794,117	1,608,420	1,750,475	1,522,495
Miscellaneous	988,624	274,876	297,338	250,862	447,638
Transfers	(29,200)	(41,330)	(1,248,845)	(25,000)	(25,000)
Extraordinary item: Loss on chemical tank spill	-	-	-	(1,114,066)	-
Total Business-type Activities	<u>3,750,899</u>	<u>2,027,663</u>	<u>656,913</u>	<u>862,271</u>	<u>1,945,133</u>
Total Primary Government	<u>\$ 95,929,140</u>	<u>\$ 80,912,414</u>	<u>\$ 82,513,319</u>	<u>\$ 114,219,611</u>	<u>\$ 39,852,337</u>
<u>Change in Net Position</u>					
Governmental activities	\$ 6,714,745	\$ (2,545,266)	\$ (5,847,820)	\$ 28,734,140	\$ (48,491,061)
Business-type activities	10,126,833	12,810,899	13,851,148	4,313,106	8,402,713
Total primary government	<u>\$ 16,841,578</u>	<u>\$ 10,265,633</u>	<u>\$ 8,003,328</u>	<u>\$ 33,047,246</u>	<u>\$ (40,088,348)</u>

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017	2018
<u>Net (Expense)/Revenue</u>					
Governmental activities	\$ (83,718,514)	\$ (86,325,702)	\$ (81,531,050)	\$ (88,884,925)	\$ (101,310,823)
Business-type activities	5,261,821	8,544,764	5,665,019	1,730,533	9,112,999
Total Primary Government Net Expense	\$ (78,456,693)	\$ (77,780,938)	\$ (75,866,031)	\$ (87,154,392)	\$ (92,197,824)
<u>General Revenues and Other Changes in Net Position</u>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 27,366,084	\$ 29,447,205	\$ 32,080,999	\$ 37,905,908	\$ 42,100,337
Property taxes	16,805,289	16,953,228	17,039,019	17,779,603	19,968,848
Franchise tax	4,694,252	5,147,696	6,110,634	4,997,491	6,673,212
Payments in lieu of taxes	20,075,228	20,531,727	18,648,743	13,680,629	13,140,350
Other taxes	4,218,914	4,411,676	4,616,524	5,026,190	4,352,631
Use of money and property	4,153,899	4,309,471	4,445,175	4,353,656	4,903,198
Sale of capital assets	-	138,304	173,750	-	1,449,580
Miscellaneous	892,851	362,066	564,129	3,249,318	559,798
Transfers	125,000	(54,620)	25,000	25,000	50,000
Extraordinary item:					
Gain/(loss)	-	-	30,722,560	22,359,967	-
Total Governmental Activities	78,331,517	81,246,753	114,426,533	109,377,762	93,197,954
Business-type activities:					
Use of money and property	1,577,693	1,699,516	2,043,040	1,338,109	1,350,539
Miscellaneous	161,086	176,720	226,520	106,072	176,866
Transfers	(125,000)	54,620	(25,000)	(25,000)	(50,000)
Extraordinary item:					
Loss on chemical tank spill	-	-	-	-	-
Total Business-type Activities	1,613,779	1,930,856	2,244,560	1,419,181	1,477,405
Total Primary Government	\$ 79,945,296	\$ 83,177,609	\$ 116,671,093	\$ 110,796,943	\$ 94,675,359
<u>Change in Net Position</u>					
Governmental activities	\$ (5,386,997)	\$ (5,078,949)	\$ 31,944,031	\$ 20,492,837	\$ (8,112,869)
Business-type activities	6,875,600	10,475,620	7,909,579	3,149,714	10,590,404
Total primary government	\$ 1,488,603	\$ 5,396,671	\$ 39,853,610	\$ 23,642,551	\$ 2,477,535

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 10,763,636	\$ 10,331,307	\$ -	\$ -	\$ -
Unreserved, designated	30,001,183	21,694,390	-	-	-
Unreserved, undesignated	360,555	-	-	-	-
Nonspendable	-	-	5,456,377	5,180,347	2,503,401
Restricted	-	-	-	-	-
Committed to	-	-	28,354,588	31,938,244	17,210,596
Assigned to	-	-	713,361	852,481	980,678
Unassigned	-	-	399,790	753,121	247,130
Total General Fund	\$ 41,125,374	\$ 32,025,697	\$34,924,116	\$38,724,193	\$20,941,805
All Other Governmental Funds					
Reserved	\$ 90,244,472	\$ 91,342,926	\$ -	\$ -	\$ -
Reserved for current projects, reported in:					
Special revenue funds	4,506,647	3,005,679	-	-	-
Capital projects funds	38,533,362	9,407,468	-	-	-
Unreserved, reported in:					
Special revenue funds	1,656,500	4,762,099	-	-	-
Capital projects funds	6,609,031	8,691,702	-	-	-
Undesignated, reported in:					
Special revenue funds	612,564	1,097,044	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	61,204,587	57,982,791	60,199,844
Restricted for	-	-	21,732,085	30,695,122	20,785,893
Committed to	-	-	8,418,117	5,208,585	2,466,775
Assigned to	-	-	774,990	447,148	159,405
Unassigned	-	-	(14,547,286)	(1,021,715)	(1,248,533)
Total All Other Governmental Funds	\$ 142,162,576	\$ 118,306,918	\$77,582,493	\$93,311,931	\$82,363,384

Note:

The City of Escondido implemented GASB 54 for the fiscal year ended June 30, 2011 and has elected not to restate fund balance amounts in previous years.

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
Nonspendable	217,690	183,403	179,185	9,991,902	9,991,902
Restricted	-	-	-	-	1,997,186
Committed to	17,319,659	17,281,659	16,892,319	17,921,319	17,392,319
Assigned to	897,465	681,822	941,262	1,541,101	1,762,773
Unassigned	1,753,519	-	1,961,211	1,712,930	2,839,620
Total General Fund	\$20,188,333	\$18,146,884	\$19,973,977	\$31,167,252	\$33,983,800
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for current projects, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	-	333,590	373,620
Restricted for	81,559,045	78,261,012	84,682,384	86,075,428	87,811,164
Committed to	2,008,525	1,860,686	984,157	1,656,212	698,161
Assigned to	139,653	488	-	-	-
Unassigned	(1,149,954)	(1,184,683)	(846,790)	(1,354,541)	(1,347,939)
Total All Other Governmental Funds	\$82,557,269	\$78,937,503	\$84,819,751	\$86,710,689	\$87,535,006

Note:

The City of Escondido implemented GASB 54 for the fiscal year ended June 30, 2011 and has elected not to restate fund balance amounts in previous years.

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013
<u>Revenues</u>					
Taxes	\$ 74,152,418	\$ 66,166,696	\$ 69,907,949	\$ 65,556,779	\$ 53,387,010
Licenses and permits	984,790	1,350,224	1,193,338	821,380	887,383
Fines and forfeits	2,552,099	2,186,227	1,895,447	1,640,528	1,468,309
Intergovernmental	24,161,739	26,889,870	26,688,728	27,513,328	25,945,352
Charges for services	14,518,395	12,759,043	9,976,316	10,281,595	11,335,203
Special assessments	5,560,064	5,742,487	5,759,888	5,892,241	5,958,662
Lease income	48,743	47,609	75,321	60,024	221,513
Investment income	5,993,386	2,301,810	16,367,414	1,469,849	856,466
Miscellaneous	6,211,906	8,177,104	4,253,232	4,432,737	4,645,031
Total Revenues	134,183,540	125,621,070	136,117,633	117,668,461	104,704,929
<u>Expenditures</u>					
General government	6,908,388	6,761,408	7,096,148	6,407,543	5,834,828
Public safety	54,009,216	55,863,025	52,038,011	53,083,126	55,246,097
Public works	15,116,819	15,364,185	18,146,072	12,542,175	17,392,655
Community services	17,849,432	18,114,581	12,072,344	12,016,459	11,815,547
Community development	10,003,869	5,132,958	7,165,632	4,774,106	5,331,818
Contributions to other governments	-	-	-	-	4,319,291
Capital outlay	47,671,550	28,777,524	26,536,515	9,153,723	7,794,450
Debt service:					
Principal retirements	6,233,746	9,653,787	10,760,000	10,512,620	7,528,360
Interest and fiscal charges	7,922,238	7,585,243	23,952,729	5,792,921	3,983,078
SERAF payment	-	8,556,226	1,761,576	-	-
Agency tax sharing agreement	5,448,326	3,817,295	9,101,406	5,921,213	-
Total Expenditures	171,163,584	159,626,232	168,630,433	120,203,886	119,246,124
Excess (Deficiency) of Revenues Over Expenditures	(36,980,044)	(34,005,162)	(32,512,800)	(2,535,425)	(14,541,195)
<u>Other Financing Sources (Uses)</u>					
Issuance of debt	-	-	-	224,078	4,830,000
Bond issue costs	-	-	-	-	(122,073)
Sale of capital assets	681,996	-	463,018	474,819	111,234
Transfers in	9,445,273	9,195,181	28,486,232	8,237,198	6,522,962
Transfers out	(9,416,073)	(8,873,851)	(25,059,387)	(8,062,198)	(6,673,765)
Total Other Financing Sources (Uses)	711,196	321,330	3,889,863	873,897	4,668,358
Special item:					
Extraordinary item: Gain/(loss)	-	-	-	21,191,043	(9,832,652)
Net Change in Fund Balance	\$ (36,268,848)	\$ (33,683,832)	\$ (28,622,937)	\$ 19,529,515	\$ (19,705,489)
Debt service as a percentage of noncapital expenditures	11.5%	13.2%	24.4%	14.7%	10.3%

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018
<u>Revenues</u>					
Taxes	\$57,289,455	\$59,989,511	\$64,220,119	\$62,296,112	\$86,246,378
Licenses and permits	991,164	862,280	934,455	1,222,686	1,183,587
Fines and forfeits	1,184,292	1,151,366	1,344,221	1,186,276	1,076,387
Intergovernmental	23,708,589	22,900,854	24,648,821	23,485,944	17,091,365
Charges for services	12,513,585	13,670,047	13,509,208	16,154,072	16,305,361
Special assessments	5,796,337	5,970,331	5,567,955	5,589,696	797,529
Lease income	205,259	203,599	3,502,021	3,632,770	3,951,092
Investment income	895,826	941,778	1,245,689	540,184	481,733
Miscellaneous	4,265,979	4,544,360	1,574,553	2,298,139	467,910
Total Revenues	106,850,486	110,234,126	116,547,042	116,405,879	127,601,342
<u>Expenditures</u>					
General government	5,811,016	6,086,111	6,447,372	6,251,493	6,212,196
Public safety	57,874,021	61,843,630	64,266,503	65,038,985	67,917,569
Public works	15,189,340	17,407,197	14,442,206	16,592,694	20,020,822
Community services	12,128,504	11,744,673	12,080,978	11,825,028	12,096,472
Community development	4,238,194	4,585,497	4,985,006	5,078,286	4,944,488
Contributions to other governments	-	-	-	-	-
Capital outlay	5,550,440	2,966,301	3,919,203	6,084,281	10,522,490
Debt service:					
Principal retirements	2,528,361	74,848,007	243,360	1,592,870	2,616,218
Interest and fiscal charges	3,737,237	5,637,963	2,351,824	3,235,906	3,216,739
SERAF payment	-	-	-	-	-
Agency tax sharing agreement	-	-	-	-	-
Total Expenditures	107,057,113	185,119,379	108,736,452	115,699,543	127,546,994
Excess (Deficiency) of Revenues					
Over Expenditures	(206,627)	(74,885,253)	7,810,590	706,336	54,348
<u>Other Financing Sources (Uses)</u>					
Issuance of debt	-	70,660,479	-	3,230,225	2,095,893
Bond issue costs	-	-	-	-	-
Sale of capital assets	1,346,540	138,304	173,751	-	1,724,580
Transfers in	5,035,243	3,173,695	2,968,322	3,765,952	5,615,293
Transfers out	(6,734,743)	(4,748,440)	(3,243,322)	(4,450,952)	(5,849,248)
Total Other Financing Sources (Uses)	(352,960)	69,224,038	(101,249)	2,545,225	3,586,518
Special item:					
Extraordinary item: Gain/(loss)	-	-	-	9,832,652	-
Net Change in Fund Balance	\$ (559,587)	\$ (5,661,215)	\$ 7,709,341	\$ 13,084,213	\$ 3,640,866
Debt service as a percentage of					
noncapital expenditures	6.2%	5.4%	2.5%	4.4%	5.0%

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured ⁽¹⁾				
	Residential	Commercial	Industrial	Other	Total
2009	9,294,002,418	887,735,198	727,933,450	1,837,063,300	12,746,734,366
2010	8,231,590,550	939,687,068	734,423,838	1,918,881,771	11,824,583,227
2011	8,055,721,483	927,680,780	735,847,485	1,940,187,481	11,659,437,229
2012	8,250,098,328	915,511,275	704,991,571	1,890,820,616	11,761,421,790
2013	8,311,628,639	883,780,782	690,353,003	1,902,605,041	11,788,367,465
2014	8,565,684,527	874,571,529	684,905,167	1,989,341,749	12,114,502,972
2015	9,141,236,450	892,083,504	705,542,595	1,974,941,095	12,713,803,644
2016	9,660,263,316	929,027,539	722,758,161	2,034,053,982	13,346,102,998
2017	10,700,250,243	2,078,689,776	789,351,890	508,151,608	14,076,443,517
2018	11,429,262,692	2,231,580,409	825,162,925	546,043,980	15,032,050,006

Fiscal Year Ended June 30	Unsecured	Less: Exemptions	Taxable	Total
			Assessed Value	Direct Tax Rate
2009	457,803,566	(507,352,437)	12,697,185,495	0.103
2010	486,166,246	(587,494,693)	11,723,254,780	0.103
2011	462,394,959	(587,861,385)	11,533,970,803	0.103
2012	455,849,872	(597,181,491)	11,620,090,171	0.103
2013	462,158,958	(612,709,744)	11,637,816,679	0.103
2014	465,412,975	(622,608,050)	11,957,307,897	0.103
2015	494,147,367	(625,897,200)	12,582,053,811	0.103
2016	501,273,002	(659,335,434)	13,188,040,566	0.103
2017	505,626,175	(739,647,768)	13,842,421,924	0.103
2018	507,918,480	(756,770,988)	14,783,197,498	0.103

Notes:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(1) Includes City of Escondido and Community Development Commission assessed values.

Source:

County of San Diego Auditor and Controller's Office.

CITY OF ESCONDIDO
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

Allocation of 1% Ad Valorem Property Taxes								
Fiscal Year Ended June 30	City Direct Rate*	Total Direct Rate	Overlapping Rates			Voter Approved Debt	Total Tax Rate	
			School District	San Diego County	All Other			
2009	0.103 %	0.103 %	0.710 %	0.157 %	0.030 %	1.000 %	0.117 %	1.117 %
2010	0.103	0.103	0.710	0.157	0.030	1.000	0.125	1.125
2011	0.103	0.103	0.710	0.157	0.030	1.000	0.139	1.139
2012	0.103	0.103	0.710	0.157	0.030	1.000	0.140	1.140
2013	0.103	0.103	0.710	0.157	0.030	1.000	0.141	1.141
2014	0.103	0.103	0.710	0.157	0.030	1.000	0.132	1.132
2015	0.103	0.103	0.710	0.157	0.030	1.000	0.127	1.127
2016	0.103	0.103	0.710	0.157	0.030	1.000	0.153	1.153
2017	0.103	0.103	0.710	0.157	0.030	1.000	0.146	1.146
2018	0.103	0.103	0.710	0.157	0.030	1.000	0.145	1.145

Note:

* The City Direct Rate is the total direct rate to the city general fund.

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within.

Source:

County of San Diego Auditor and Controller's Office.
 TRA 004-013 is represented in this table

CITY OF ESCONDIDO
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾
North County Fair LLC	\$224,966,997	1	1.52 %	\$169,494,794	1	1.33 %
Prebys Conrad Trust	211,638,523	2	1.43	59,520,247	4	0.47
Emerald Glen Apts Escondido	67,607,800	3	0.46			
Latitude Del LLC	60,579,952	4	0.41			
M G Morningview Apts L P	48,250,850	5	0.33	65,707,981	2	0.52
Frit Escondido Promenade LLC	48,250,850	6	0.33			
Vons Companies Inc	47,204,597	7	0.32	50,863,448	6	0.40
Target Corp	45,395,872	8	0.31			
Stone Brewing Co	43,886,649	9	0.30			
Luna Properties LLC	42,062,718	10	0.28			
Cox Communications California				56,199,157	5	0.44
O C/S D Holdings LLC				42,965,260	7	0.34
Goal Line L P				63,276,414	3	0.50
Lowes Of Escondido				38,035,022	8	0.30
Garrick Motors Inc.				36,445,720	9	0.29
Realty Associates Fund Viii L				35,490,613	10	0.28
TOTAL	\$839,844,808		5.69 %	\$617,998,656		4.87 %

Notes:

(1) Net assessed valuation for 2017-18 is \$14,783,197,498

(2) Net assessed valuation for 2008-09 is \$12,697,185,495

Source:

City of Escondido Finance Department & County Assessor

CITY OF ESCONDIDO
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	10,560,667	10,048,236	95.15	419,191	10,467,427	99.12
2010	9,477,871	9,086,734	95.87	372,031	9,458,765	99.80
2011	9,382,618	9,097,417	96.96	247,404	9,344,821	99.60
2012	9,536,098	9,288,990	97.41	168,496	9,457,486	99.18
2013	9,720,947	9,489,467	97.62	155,805	9,645,271	99.22
2014	10,099,951	9,834,962	97.38	126,961	9,961,923	98.63
2015	10,403,367	10,222,663	98.26	189,807	10,412,470	100.09
2016	10,966,106	10,779,437	98.30	165,151	10,944,588	99.80
2017	11,541,072	11,328,962	98.16	167,550	11,496,512	99.61
2018	12,210,502	12,008,665	98.35	174,069	12,182,734	99.77

Notes:

The amounts presented do not include property taxes collected for the Community Development Commission in the following amounts: 2008/09 - \$21,374,963, 2009/10 - \$19,863,033, and 2010/11 - \$19,092,408.
The Community Development Commission was dissolved in fiscal year 2011/12.

Source:

County of San Diego Auditor and Controller's Office.

CITY OF ESCONDIDO
Taxable Sales by Category
Last Ten Calendar Years (First Quarter)

Category Name	2009	2010	2011	2012	2013
Apparel Stores	\$ 1,031,264	\$ 1,025,284	\$ 1,112,593	\$ 1,192,265	\$ 1,214,059
Auto Dealers & Auto Supplies	5,414,068	4,713,042	5,497,239	6,865,485	8,270,873
Building Materials	2,664,942	2,239,094	2,225,142	2,341,177	2,517,671
Drug Stores	307,487	291,320	286,391	294,923	286,535
Eating and Drinking Places	1,655,406	1,606,861	1,699,016	1,797,515	1,930,372
Food Stores	1,450,537	1,431,438	1,548,903	1,677,665	1,685,288
General Merchandise	1,951,983	1,780,708	1,793,573	1,813,724	1,892,331
Home Furnishings	278,176	267,632	375,200	438,348	420,047
Other Retail Stores	2,407,409	2,097,751	2,098,469	2,236,402	2,316,595
Packaged Liquor Stores	122,361	129,396	130,395	138,569	148,350
Service Stations	2,009,855	1,824,847	2,023,580	2,275,429	2,275,429
All Other Outlets	3,592,715	2,877,288	3,104,446	3,843,206	3,843,206
Total	\$ 22,886,203	\$ 20,284,661	\$ 21,894,947	\$ 24,914,708	\$ 26,800,756

* Due to delays in reporting by the California Department of Tax and Fee Administration, information for the first quarter of 2018 is not available.

Source:

MuniServices, LLC

CITY OF ESCONDIDO
Taxable Sales by Category (Continued)
Last Ten Calendar Years (First Quarter)

Category Name	2014	2015	2016	2017	2018*
Apparel Stores	\$ 1,174,801	\$ 1,220,743	\$ 1,262,864	\$ 1,295,718	
Auto Dealers & Auto Supplies	8,726,015	9,156,428	9,899,616	10,153,739	
Building Materials	2,608,752	2,749,821	3,010,298	3,094,261	
Drug Stores	273,719	257,581	247,569	248,626	
Eating and Drinking Places	2,066,140	2,278,362	2,424,365	2,607,915	
Food Stores	1,637,699	1,676,322	1,582,703	1,520,597	
General Merchandise	2,046,274	2,171,942	2,161,715	2,129,044	
Home Furnishings	421,285	439,984	368,248	430,421	
Other Retail Stores	2,407,117	2,509,115	2,610,069	2,469,786	
Packaged Liquor Stores	155,821	153,742	151,465	152,364	
Service Stations	2,187,304	2,109,133	1,900,476	1,753,509	
All Other Outlets	4,086,891	4,572,930	5,013,035	5,237,064	
Total	<u>\$ 27,791,818</u>	<u>\$ 29,296,103</u>	<u>\$ 30,632,423</u>	<u>\$ 31,093,044</u>	<u>\$ -</u>

* Due to delays in reporting by the California Department of Tax and Fee Administration, information for the first quarter of 2018 is not available.

Source:

MuniServices, LLC

CITY OF ESCONDIDO
Top 25 Sales Tax Producers
Current Year and Nine Years Ago

2018		2009	
Business Name	Business Category	Business Name	Business Category
7-Eleven Food Stores	Food Markets	Acura	Auto Sales - New
Apro	Energy Sales	Apro	Energy Sales
Arco AM/PM Mini Marts	Service Stations	Arco AM/PM Mini Marts	Service Stations
Brecht Mini	Auto Sales - New	Brecht Mini	Auto Sales - New
Carmax Auto Superstores	Auto Sales - Used	Escondido Jeep Eagle GMC Truck	Auto Sales - New
Escondido Jeep Eagle Gmc Truck	Auto Sales - New	Escondido Ready Mix Concrete	Bldg.Matls-Whsle
Escondido Ready Mix Concrete	Bldg.Matls-Whsle	Home Depot	Bldg.Matls-Retail
Ford Of Escondido	Auto Sales - New	Honda of Escondido	Auto Sales - New
Home Depot	Bldg.Matls-Retail	Hyundai of Escondido	Auto Sales - New
Honda	Auto Sales - New	J C Penney Company	Department Stores
Jack Powell Chrysler Plymouth	Auto Sales - New	Jack Powell Chrysler Plymouth	Auto Sales - New
Lexus Escondido	Auto Sales - New	Lowe's Home Centers	Bldg.Matls-Retail
Lowe'S Home Centers	Bldg.Matls-Retail	Macy's Department Store	Department Stores
Mercedes-Benz	Auto Sales - New	Mercedes-Benz	Auto Sales - New
Mossy Nissan	Auto Sales - New	Mossy Nissan	Auto Sales - New
Mossy Volkswagen	Auto Sales - New	Nordstrom Department Store	Department Stores
Nordstrom Department Store	Department Stores	North County Auto Center Escon	Service Stations
North County Buick Cadillac Gm	Auto Sales - New	Pine Tree Lumber	Bldg.Matls-Retail
Pine Tree Lumber	Bldg.Matls-Retail	Quality Chevrolet	Auto Sales - New
Quality Chevrolet	Auto Sales - New	Sears Roebuck & Company	Department Stores
Shell Service Stations	Service Stations	Shell Service Stations	Service Stations
Target Stores	Department Stores	Target Stores	Department Stores
Toyota Recondition Center	Auto Sales - New	Texaco Service Stations	Service Stations
Vons Service Stations	Food Markets	Toyota Recondition Center	Auto Sales - New
Wal Mart Stores	Department Stores	Vons Grocery Company	Food Markets

Note:

State law does not allow disclosure of the top ten sales tax providers to the City
Firms Listed Alphabetically

Source:

MuniServices, LLC

CITY OF ESCONDIDO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities (1)						Total Governmental Activities
	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Tax Allocation Bonds (2)	Loans Payable	Capital Leases Payable	
2009	81,800,000	69,605,000	3,190,000	5,609,556	7,297,585	-	167,502,141
2010	80,360,000	63,995,000	2,760,000	3,786,572	7,113,854	-	158,015,426
2011	78,860,000	56,000,000	2,295,000	4,033,736	6,246,320	-	147,435,056
2012	77,295,000	5,320,000	1,790,000	-	6,398,573	-	90,803,573
2013	75,665,000	4,830,000	1,240,000	-	994,926	-	82,729,926
2014	73,965,000	4,625,000	645,000	-	888,366	-	80,123,366
2015	61,520,000	4,415,000	-	-	779,130	1,046,067	67,760,197
2016	61,520,000	4,200,000	-	-	666,456	874,856	67,261,312
2017	60,460,000	3,980,000	-	-	3,496,159	709,677	68,645,836
2018	58,680,000	3,750,000	-	-	3,085,997	2,348,521	67,864,518

Notes:

(1) Details regarding the City's outstanding debt can be found in Note 8 of the financial statements

(2) Debt issued by the Escondido Community Development Commission is no longer reported as a result of the dissolution of the Community Development Commission on February 1, 2012

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Business-type Activities (1)			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Revenue COP & Lease Revenue Bonds	Loans Payable	Total Business Activities			
2009	84,450,000	27,987,565	112,437,565	279,939,706	8.14 %	1,954
2010	82,315,000	25,981,179	108,296,179	266,311,605	7.66	1,832
2011	80,095,000	26,507,579	106,602,579	254,037,635	8.97	1,750
2012	118,420,000	24,715,177	143,135,177	233,938,750	7.80	1,602
2013	115,975,000	22,585,446	138,560,446	221,290,372	7.28	1,517
2014	113,075,000	20,448,701	133,523,701	213,647,067	6.65	1,452
2015	103,970,000	18,304,767	122,274,767	190,034,964	5.82	1,290
2016	101,250,000	16,153,467	117,403,467	184,664,779	5.56	1,225
2017	98,615,000	13,994,615	112,609,615	181,255,451	5.18	1,196
2018	95,890,000	11,839,768	107,729,768	175,594,286	4.72	1,159

Notes:

- (1) Details regarding the City's outstanding debt can be found in Note 8 of the financial statements
- (2) Debt issued by the Escondido Community Development Commission is no longer reported as a result of the dissolution of the Community Development Commission on February 1, 2012

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Obligation Bonded Debt				Percent of Assessed Value ⁽¹⁾	Per Capita
	General Obligation Bonds	Certificates of Participation	Tax Allocation Bonds ⁽²⁾	Total		
2009	\$ 81,800,000	\$ 3,190,000	\$ 5,609,556	\$ 90,599,556	0.77 %	632
2010	80,360,000	2,760,000	3,786,572	86,906,572	0.74	598
2011	78,860,000	2,295,000	4,033,736	85,188,736	0.74	587
2012	77,295,000	1,790,000	-	79,085,000	0.68	541
2013	75,665,000	1,240,000	-	76,905,000	0.66	527
2014	73,965,000	645,000	-	74,610,000	0.62	507
2015	61,520,000	-	-	61,520,000	0.49	418
2016	61,520,000	-	-	61,520,000	0.47	408
2017	60,460,000	-	-	60,460,000	0.44	399
2018	58,680,000	-	-	58,680,000	0.40	387

Notes:

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Direct and Overlapping Debt
For the Year Ended June 30, 2018

2017-18 Assessed Valuation	\$ 15,189,233,752
Redevelopment Agency Incremental Valuation	3,124,136,600
Adjusted Assessed Valuation	\$ 12,065,097,152

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/18	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.551 %	\$ 60,600,000	\$ 333,906
Palomar Community College District	13.096	627,826,320	82,220,135
San Marcos Unified School District School	3.522	277,826,759	9,785,058
San Marcos Unified School District School Facilities Improvement District No. 1	2.213	2,092,874	46,315
Escondido Union High School District	77.161	87,884,694	67,812,709
Escondido Union School District	77.863	141,369,622	110,074,629
San Pasqual Union School District	57.046	243,535	138,927
Palomar Pomerado Hospital District	19.108	436,358,740	83,379,428
City of Escondido	100.000	58,680,000	58,680,000
City of Escondido Community Facilities District No. 2006-01	100.000	13,005,000	13,005,000
City of Escondido Hidden Trails Community Facilities District	100.000	1,950,000	1,950,000
City of Escondido 1915 Act Bonds	100.000	2,645,000	2,645,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		1,710,482,544	430,071,107
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	3.063	273,220,000	8,368,729
San Diego County Pension Obligation Bonds	3.063	558,525,000	17,107,621
San Diego County Superintendent of School Obligations	3.063	10,785,000	330,345
Palomar Community College District Certificates of Participation	13.096	2,720,000	356,211
San Marcos Unified School General Fund Obligations	3.522	74,774,457	2,633,556
Escondido Union High School District Certificates of Participation	77.161	55,510,000	42,832,071
Escondido Union School District Certificates of Participation	77.863	16,525,000	12,866,861
Escondido Union School District Benefit Obligation Bonds	77.863	7,955,000	6,194,002
City of Escondido General Fund Obligation Bonds	100.000	58,680,000	58,680,000
City of Escondido General Fund Lease Revenue Bonds	100.000	3,750,000	3,750,000
City of Escondido Lease Obligations	100.000	2,348,520	2,348,520
City of Escondido Loans Obligations	100.000	3,085,997	3,085,997
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		1,067,878,974	158,553,913
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000	7,070,000	7,070,000
TOTAL CITY DIRECT DEBT			\$ 67,864,517
TOTAL OVERLAPPING DEBT			\$ 527,830,503
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 595,695,020 ⁽²⁾

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

RATIOS TO 2017-18 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	2.83 %
Combined Direct Debt (\$67,864,517)	0.45
Combined Total Debt	3.92

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$3,124,136,600):

Total Overlapping Tax Increment Debt	0.23 %
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Source: MuniServices, LLC.

CITY OF ESCONDIDO
Legal Debt Margin Information
Last Ten Fiscal Years

	2009	2010	2011	2012	2013
Assessed valuation	\$10,419,201,152	\$ 9,608,214,935	\$9,501,563,129	\$9,663,353,864	\$9,674,335,352
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	2,604,800,288	2,402,053,734	2,375,390,782	2,415,838,466	2,418,583,838
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	390,720,043	360,308,060	356,308,617	362,375,770	362,787,576
Total Debt Applicable to Limit:					
General Obligation Bonds	81,800,000	80,360,000	78,860,000	77,295,000	75,665,000
Legal Debt Margin	<u>\$ 308,920,043</u>	<u>\$ 279,948,060</u>	<u>\$ 277,448,617</u>	<u>\$ 285,080,770</u>	<u>\$ 287,122,576</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit					
	21%	22%	22%	21%	21%

Note:

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

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Legal Debt Margin Information (continued)
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
Assessed valuation	\$9,841,518,516	\$10,389,492,632	\$10,901,050,697	\$11,397,164,781	\$12,065,097,152
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	2,460,379,629	2,597,373,158	2,725,262,674	2,849,291,195	3,016,274,288
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	369,056,944	389,605,974	408,789,401	427,393,679	452,441,143.20
Total Debt Applicable to Limit:					
General Obligation Bonds	73,965,000	61,520,000	61,520,000	60,460,000	58,680,000
Legal Debt Margin	<u>\$ 295,091,944</u>	<u>\$ 328,085,974</u>	<u>\$ 347,269,401</u>	<u>\$ 366,933,679</u>	<u>\$ 393,761,143</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	20%	16%	15%	14%	13%

Note:

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

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Pledged-Revenue Coverage
Last Ten Fiscal Years

2001 Lease Revenue Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$ 347,190	-	\$ 347,190	\$ 70,000	\$ 277,190	\$ 347,190	1.00
2010	354,300	-	354,300	80,000	274,300	354,300	1.00
2011	360,940	-	360,940	90,000	270,940	360,940	1.00
2012	367,015	-	367,015	100,000	267,015	367,015	1.00
2013	404,925	-	404,925	115,000	289,925	404,925	1.00
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-

2013A Lease Revenue Refunding Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	404,925	-	404,925	-	-	-	n/a
2014	359,714	-	359,714	205,000	154,714	359,714	1.00
2015	359,268	-	359,268	210,000	149,268	359,268	1.00
2016	360,019	-	360,019	215,000	145,019	360,019	1.00
2017	359,569	-	359,569	220,000	139,569	359,569	1.00
2018	362,819	-	362,819	230,000	132,819	362,819	1.00

1993 Certificates of Participation

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$ 679,352	-	\$ 679,352	\$ 395,000	\$ 284,352	\$ 679,352	1.00
2010	679,900	-	679,900	430,000	249,900	679,900	1.00
2011	677,310	-	677,310	465,000	212,310	677,310	1.00
2012	676,570	-	676,570	505,000	171,570	676,570	1.00
2013	677,260	-	677,260	550,000	127,260	677,260	1.00
2014	674,170	-	674,170	595,000	79,170	674,170	1.00
2015	672,090	-	672,090	645,000	27,090	672,090	1.00
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-

Notes:

Details regarding the City's outstanding debt can be found in Note 8 of the financial statements

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years

Water and Wastewater Revenue and Revenue Certificates of Participation

Fiscal Year Ended June 30	Charges for Services and Other Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$71,613,953	\$51,599,265	\$20,014,688	\$ 2,065,000	\$4,011,542	\$ 6,076,542	3.29
2010	72,191,950	52,131,987	20,059,963	2,135,000	3,937,058	6,072,058	3.30
2011	67,713,179	49,064,535	18,648,644	2,220,000	3,852,716	6,072,716	3.07
2012	71,296,465	53,021,213	18,275,252	2,310,000	4,020,204	6,330,204	2.89
2013	79,799,930	60,004,862	19,795,068	2,445,000	5,169,939	7,614,939	2.60
2014	86,667,661	65,419,946	21,247,715	2,900,000	5,331,367	8,231,367	2.58
2015	87,671,696	66,305,756	21,365,940	1,170,000	3,974,086	5,144,086	4.15
2016	86,015,050	66,144,441	19,870,609	2,720,000	4,559,645	7,279,645	2.73
2017	93,821,259	72,905,682	20,915,577	2,635,000	4,643,985	7,278,985	2.87
2018	101,325,778	80,281,886	21,043,892	2,725,000	4,545,937	7,270,937	2.89

Special Assessment Debt - Hidden Trails

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$ 240,612	-	\$ 240,612	\$ 65,000	\$ 170,423	\$ 235,423	1.02
2010	229,274	-	229,274	60,000	166,850	226,850	1.01
2011	238,709	-	238,709	75,000	162,900	237,900	1.00
2012	209,432	-	209,432	65,000	159,357	224,357	0.93
2013	229,435	-	229,435	70,000	155,610	225,610	1.02
2014	227,470	-	227,470	75,000	130,338	205,338	1.11
2015	202,543	-	202,543	95,000	185,180	280,180	0.72
2016	192,845	-	192,845	100,000	88,231	188,231	1.02
2017	199,532	-	199,532	100,000	86,231	186,231	1.07
2018	202,926	-	202,926	110,000	83,994	193,994	1.05

Special Assessment Debt - Eureka Ranch

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$ 1,451,135	-	\$ 1,451,135	-	\$ 906,975	\$ 906,975	1.60
2010	1,419,402	-	1,419,402	320,000	893,243	1,213,243	1.17
2011	1,182,479	-	1,182,479	330,000	879,630	1,209,630	0.98
2012	1,225,888	-	1,225,888	345,000	865,114	1,210,114	1.01
2013	1,252,550	-	1,252,550	360,000	849,600	1,209,600	1.04
2014	1,231,047	-	1,231,047	375,000	833,058	1,208,058	1.02
2015	1,240,086	-	1,240,086	-	1,218,656	1,218,656	1.02
2016	1,088,472	-	1,088,472	-	445,103	445,103	2.45
2017	1,028,832	-	1,028,832	295,000	594,950	889,950	1.16
2018	1,067,698	-	1,067,698	445,000	587,550	1,032,550	1.03

Notes:

Details regarding the City's outstanding debt can be found in Note 8 of the financial statements

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years

Special Assessment Debt - Auto Parkway

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$ 333,284	-	\$ 333,284	\$ 185,000	\$ 145,624	\$ 330,624	1.01
2010	335,748	-	335,748	195,000	135,422	330,422	1.02
2011	338,480	-	338,480	205,000	124,172	329,172	1.03
2012	347,187	-	347,187	215,000	112,359	327,359	1.06
2013	343,514	-	343,514	225,000	99,984	324,984	1.06
2014	347,171	-	347,171	240,000	86,906	326,906	1.06
2015	343,788	-	343,788	255,000	72,984	327,984	1.05
2016	343,967	-	343,967	270,000	58,219	328,219	1.05
2017	340,252	-	340,252	285,000	42,609	327,609	1.04
2018	338,357	-	338,357	300,000	26,156	326,156	1.04

Special Assessment Debt - Rancho San Pasqual

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$ 335,979	-	\$ 335,979	\$ 120,000	\$ 214,298	\$ 334,298	1.01
2010	351,695	-	351,695	125,000	207,774	332,774	1.06
2011	351,270	-	351,270	130,000	200,920	330,920	1.06
2012	357,610	-	357,610	140,000	193,595	333,595	1.07
2013	350,697	-	350,697	145,000	185,793	330,793	1.06
2014	355,975	-	355,975	155,000	177,543	332,543	1.07
2015	349,564	-	349,564	165,000	168,577	333,577	1.05
2016	345,177	-	345,177	175,000	158,887	333,887	1.03
2017	353,979	-	353,979	175,000	148,913	323,913	1.09
2018	348,126	-	348,126	195,000	138,368	333,368	1.04

Notes:

Details regarding the City's outstanding debt can be found in Note 8 of the financial statements

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
2008	143,259	\$ 3,438	\$ 23,999	6.2 %
2009	145,388	3,477	23,914	10.1
2010	145,196	2,833	19,514	10.6
2011	146,064	2,999	20,536	9.9
2012	145,908	3,040	20,836	9.3
2013	147,102	3,214	21,851	7.9
2014	147,294	3,267	22,181	4.8
2015	150,760	3,323	22,042	5.2
2016	151,492	3,500	23,103	4.7
2017	151,478	3,700	24,573	3.1

Sources:

(1) California State Department of Finance Projections.

(2) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.

(3) EDD Bureau of Labor Statistics Department.

CITY OF ESCONDIDO
Principal Employers
Current Year and Nine Years Ago

Employer	2018		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Palomar Medical Center	2,731	3.93 %	2,664	4.10 %
Escondido Union School District	1,843	2.65	1,795	2.76
City of Escondido	961	1.38	1,075	1.65
Escondido Union High School District	829	1.19	715	1.10
Bergelectric	815	1.17		
Home Depot (2 locations)	332	0.48	333	0.51
Nordstrom Inc.*	320	0.46	418	0.64
Toyota of Escondido	301	0.43		
Nemo's Bakery	290	0.42	352	0.54
Vons Grocery Stores (3 locations)	264	0.38		
North County Transit District			484	0.74
ARS National Services Inc			439	0.68
Palomar Community College District			340	0.52

Notes:

Results based on direct correspondence with city's local businesses.

(1) Total City Labor Force provided by EDD Labor Force Data

*Count for Nordstrom only not including Nordstrom's Rack

Source:

MuniServices, LLC.

CITY OF ESCONDIDO
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years
As of June 30

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	112	110	109	106	108	111	107	113	120	123
Public Safety	377	381	375	360	374	383	365	383	398	397
Public Works	149	142	143	151	154	148	140	118	111	107
Community Development	42	39	38	37	35	36	37	38	37	37
Community Services	221	225	224	216	225	206	174	168	167	94
Housing & Neighborhood Services	13	14	15	12	10	10	9	10	9	10
Water	119	117	118	118	114	114	118	115	117	115
Wastewater	72	74	75	73	71	82	78	73	73	71
Total	<u>1,105</u>	<u>1,102</u>	<u>1,097</u>	<u>1,073</u>	<u>1,091</u>	<u>1,090</u>	<u>1,028</u>	<u>1,018</u>	<u>1,032</u>	<u>954</u>

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Operating Indicators by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Police:					
Physical Arrests	7,004	7,190	7,617	7,032	5,988
Traffic Violations	21,438	16,956	13,811	13,054	9,782
Parking Violations	7,942	7,606	5,784	4,514	4,022
Fire:					
Number of Calls Answered	11,237	11,544	11,370	11,978	13,065
Number of Inspections Conducted	3,105	2,059	2,222	1,380	1,741
Public Works⁽¹⁾:					
Street Resurfacing (miles)	1.1	1.5	9.5	3.0	19.3
Parks and Recreation⁽²⁾:					
Number of Recreation Classes	1,228	1,101	1,176	990	1,275
Number of Facility Rentals	982	1,106	1,125	995	2,541
Golf Rounds Played	100,192	97,683	95,020	95,934	95,528
Water:					
Number of Service Connections	26,280	26,390	26,489	26,502	26,508
Average Daily Consumption (gallons)	23,170,000	18,799,222	18,835,000	20,220,000	23,370,000
Sewer:					
Number of Service Connections	26,909	27,014	27,066	27,054	27,072
Average Daily Treatment (gallons)	13,000,000	12,500,000	12,900,000	12,730,000	12,630,000

Note:

(1) Funding for street resurfacing was increased beginning in 2013

(2) A new registration process for recreation was implemented in 2013.

Source:

City of Escondido.

CITY OF ESCONDIDO
Operating Indicators by Function (Continued)
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018
Police:					
Physical Arrests	5,740	4,923	5,114	5,533	5,763
Traffic Violations	8,454	8,528	7,038	6,912	5,779
Parking Violations	4,328	5,571	6,052	6,218	6,752
Fire:					
Number of Calls Answered	13,139	13,450	14,553	15,369	16,710
Number of Inspections Conducted	1,496	2,590	2,086	1,826	3,624
Public Works⁽¹⁾:					
Street Resurfacing (miles)	18.6	44.0	63.5	67.0	94.0
Parks and Recreation⁽²⁾:					
Number of Recreation Classes	2,410	1,070	808	577	640
Number of Facility Rentals	1,975	1,770	1,857	3,056	3,482
Golf Rounds Played	97,094	94,917	99,130	97,394	99,817
Water:					
Number of Service Connections	26,536	26,567	26,617	26,694	26,884
Average Daily Consumption (gallons)	22,579,315	19,500,000	16,680,000	17,206,595	19,431,105
Sewer:					
Number of Service Connections	27,102	27,139	27,048	27,070	48,092
Average Daily Treatment (gallons)	12,100,000	11,900,000	11,700,000	12,600,000	12,300,000

Note:

(1) Funding for street resurfacing was increased beginning in 2013

(2) A new registration process for recreation was implemented in 2013.

Source:

City of Escondido.

CITY OF ESCONDIDO
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Police:					
Stations	1	1	1	1	1
Fire:					
Stations	7	7	7	7	7
Public Works:					
Streets (miles)	302.0	304.4	304.6	304.9	305.0
Streetlights	6,408	6,460	6,479	6,480	6,479
Traffic Signals	139	146	148	148	151
Parks and Recreation:					
Parks	14	14	14	14	14
Community Centers	3	3	3	3	3
Golf Courses	2	2	2	2	2
Water:					
Water Mains (miles)	429	430	430	430	431
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:					
Sanitary Sewers (miles)	375	351	352	355	363
Storm Drains (miles)	380	380	381	383	382
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

CITY OF ESCONDIDO
Capital Asset Statistics by Function (Continued)
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018
Police:					
Stations	1	1	1	1	1
Fire:					
Stations	7	7	7	7	7
Public Works:					
Streets (miles)	305.0	306.2	307.4	323.0	363.8
Streetlights	6,487	6,488	6,489	6,489	6,489
Traffic Signals	152	153	155	155	155
Parks and Recreation:					
Parks	14	14	14	14	14
Community Centers	3	3	3	3	3
Golf Courses	2	2	2	2	2
Water:					
Water Mains (miles)	431	423	423	430	436
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:					
Sanitary Sewers (miles)	379	374	380	380	389
Storm Drains (miles)	377	411	411	221	200
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

