

CITY OF ESCONDIDO

CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013





CITY OF ESCONDIDO • CALIFORNIA

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2013

A decorative green wavy graphic that spans the width of the page, positioned below the title and above the list of city officials.

MAYOR	Sam Abed
CITY COUNCIL	Olga Diaz, Deputy Mayor Ed Gallo Michael Morasco John Masson
CITY MANAGER	Clay Phillips
ASSISTANT CITY MANAGER	Charles Grimm
DIRECTOR OF COMMUNITY DEVELOPMENT	Barbara Redlitz
DIRECTOR OF LIBRARY AND COMMUNITY SERVICES	Loretta McKinney
DIRECTOR OF FINANCE	Gilbert Rojas
DIRECTOR OF HUMAN RESOURCES	Sheryl Bennett
DIRECTOR OF INFORMATION SYSTEMS	Mark Becker
DIRECTOR OF ENGINEERING SERVICES	Ed Domingue
DIRECTOR OF UTILITIES	Christopher McKinney
CHIEF OF POLICE	Craig Carter
FIRE CHIEF	Michael Lowry
CITY ATTORNEY	Jeffrey Epp
CITY CLERK	Diane Halverson
CITY TREASURER	Kenneth Hugins



CITY OF ESCONDIDO
Comprehensive Annual Financial Report
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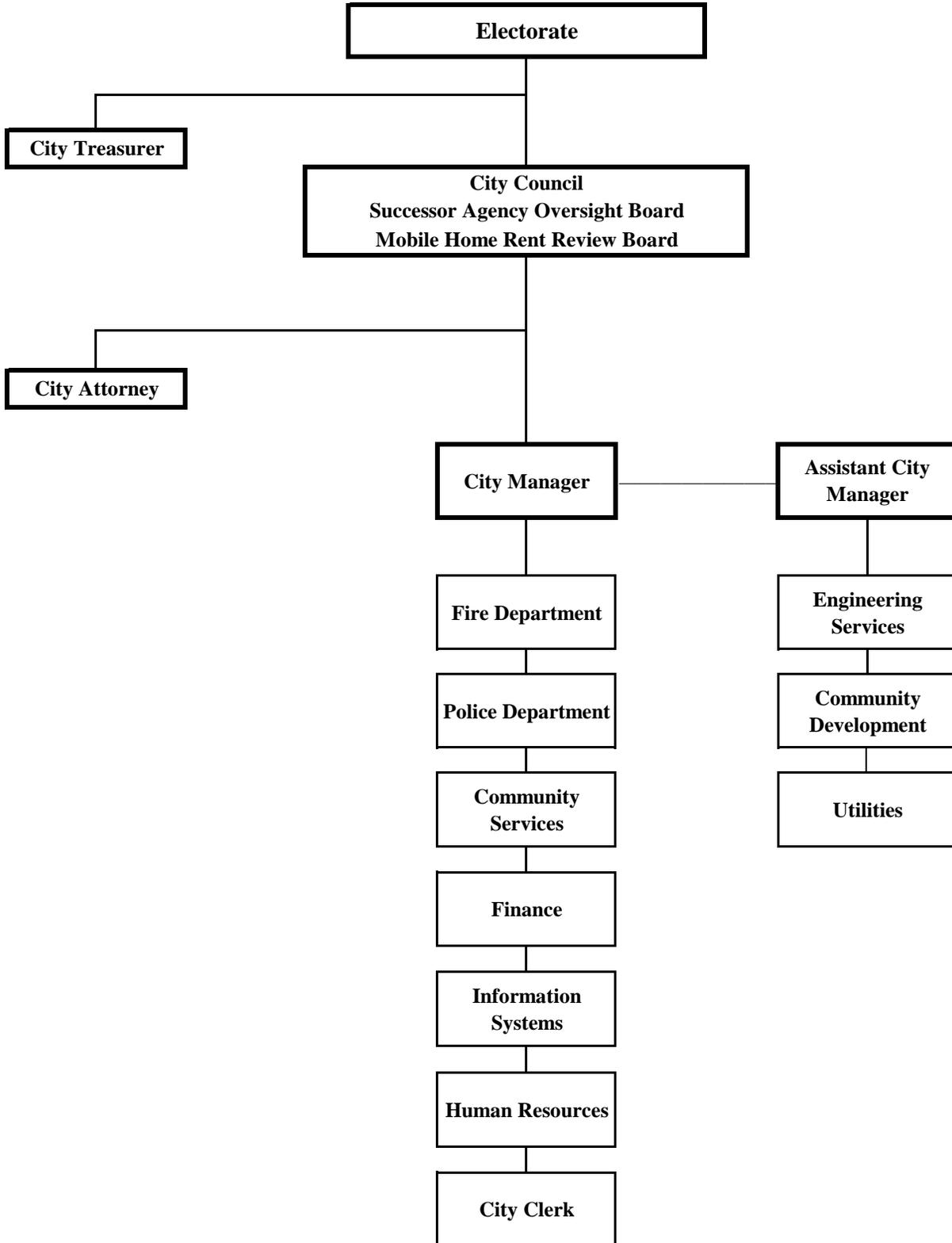
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CITY OF ESCONDIDO
Comprehensive Annual Financial Report
Organization Chart
June 30, 2013



December 18, 2013

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, 2013.

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 Lance, Soll & Lunghard, LLP, 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, 2013, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Escondido's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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.

Profile of the Government

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 146,057. Within the 36 square miles that comprise the City, there are many residential communities; the largest enclosed regional mall in San Diego County; a regional hospital; 17 hotels; an auto center; many office, industrial, and commercial centers; and civic, cultural, and recreational facilities.

The City operates under a Council-Manager structure. The City Council is comprised of five Council members, elected at large on a staggered basis for a term of four years. The Mayor is directly elected 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 Finance, Human Resources, Planning and Building, Community Development, Community Services, Police, Fire, Information Systems, City Clerk, and Public Works. The City provides the following services to its

CITY OF ESCONDIDO
Letter of Transmittal
December 18, 2013

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.

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 Director of Finance. The Finance Department management staff includes a Finance Manager, 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.

Factors Affecting Financial Condition

Local Economy As of June 2013, the unemployment rate in Escondido was 7.7%. The San Diego countywide unemployment rate was 7.4% with the State of California recording an 8.9% rate.

Long-term Financial Planning The City adopted a balanced budget for fiscal year 2012-13 using a combination of cost reductions and revenue increases. The City's general fund currently has \$13.7 million in General Fund Reserves. For the third year in a row, the City Council has adopted a budget that does not rely on reserves for fiscal year 2013-14.

Relevant Financial Policies Cash and Investment Management - 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 average yield on the general investment portfolio for the Fiscal Year 2012-13 was 1.27 percent, as compared to 1.72 percent for the Fiscal Year 2011-12. The yield on the portfolio will most likely continue to decline as older, higher yielding investments mature and are replaced with investments yielding the lower current market rates of return.

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.

CITY OF ESCONDIDO
Letter of Transmittal
December 18, 2013

Fund Balance Policy - 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. Also, 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.

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, 2012. 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,



Gilbert Rojas
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, 2012

Executive Director/CEO



Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Escondido, California, (the City) as of and for the year ended June 30, 2013, 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.

Auditors' Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escondido, California, as of June 30, 2013, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress 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 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 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lance, Solt & Lughard, LLP

Brea, California
December 18, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information furnished in our Letter of Transmittal, which can be found on pages 8-10 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 by \$531,507,350 (*net position*).
- The government's total net position decreased by \$48,491,061. Governmental activities decreased by 12.9 percent using beginning of year net position, while business-type activities increased by 3.7 percent. The decrease in net position is largely attributable to an extraordinary loss of \$34.9 million due to the continuing dissolution of the Escondido Redevelopment Agency. Additional information on dissolution of the redevelopment agency can be found on pages 98-102 of this report.
- The City's total long-term liabilities, including such items as bonds, loans payable, accrued self-insured claims, and retiree benefits decreased by \$14,172,670, or 5.4 percent, during the fiscal year. The change reflects a \$9,318,289 decrease for governmental activities and a \$4,854,381 decrease for business-type activities. The decrease in long-term liabilities for governmental activities is mainly due to the refunding of the 2001 Reidy Creek Golf Course Bonds and the transfer of \$5.3 million in housing loans payable to the Successor Agency as a result of the dissolution of the Redevelopment Agency. The decrease in long-term liabilities for business-type activities is due to routine principal and interest payments on outstanding obligations.

Fund Basis:

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$103,305,189, a decrease of \$28,730,935 in comparison with the prior year as restated.
- The governmental funds had an extraordinary loss of \$9.8 million due to the dissolution of the Escondido Redevelopment Agency. In the prior fiscal year, the assets and liabilities of the former redevelopment agency were transferred to a fiduciary fund. The current fiscal year extraordinary loss is due to ongoing activities involving the dissolution of the Agency. Additional information on the dissolution of the redevelopment agency can be found on pages 98-102 of this report.
- At the end of the current fiscal year, fund balance committed to Reserves in the General Fund was \$17,210,596 or 22.2 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.

CITY OF ESCONDIDO Management's Discussion and Analysis

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.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate California Center for the Arts, Escondido Foundation. Financial information for the California Center for the Arts, Escondido Foundation for the fiscal year ending June 30, 2013 is being reported separately from the primary government, as it is known as a discretely presented component unit. The government-wide financial statements can be found on pages 34-37 of this report.

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*.

CITY OF ESCONDIDO Management's Discussion and Analysis

The City maintains 20 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 18 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 for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 38-48 of this report.

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.

The proprietary fund financial statements can be found on pages 49-54 of 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.

The fiduciary fund financial statements can be found on pages 55-56 of this report.

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. The notes to the financial statements can be found on pages 57-102 of this report.

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. Required supplementary information can be found on pages 104-110 of this report. The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds can be found on pages 116-123 of this report.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets 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 by \$531,507,350. Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At June 30, 2013 the net investment in capital assets represents 66.3 percent, or \$352.3 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, 2013 restricted net position account for 16.9 percent, or \$90.2 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:** The remaining balance of unrestricted net position account for 16.8 percent, or \$89.1 million, of the City's total net position and may be used to meet the government's ongoing obligations to citizens and creditors for each respective governmental or business-type activity.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Escondido's Statement of Net Position

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 150,124	\$ 193,919	\$ 128,086	\$ 127,041	\$ 278,210	\$ 320,960
Capital assets	291,770	308,003	234,716	232,384	526,486	540,387
Total assets	<u>441,894</u>	<u>501,922</u>	<u>362,802</u>	<u>359,425</u>	<u>804,696</u>	<u>861,347</u>
Deferred charges on refunding	58		2,906		2,964	
Long-term liabilities outstanding	98,845	107,395	151,488	153,826	250,333	261,221
Other liabilities	13,804	16,397	12,015	10,660	25,820	27,057
Total liabilities	<u>112,649</u>	<u>123,792</u>	<u>163,503</u>	<u>164,486</u>	<u>276,153</u>	<u>288,278</u>
Net position:						
Net investment in capital assets	211,228	225,297	141,057	138,581	352,285	363,878
Restricted	90,152	98,970			90,152	98,970
Unrestricted	27,923	53,863	61,147	56,358	89,070	110,221
Total net position	<u>\$ 329,303</u>	<u>\$ 378,130</u>	<u>\$ 202,204</u>	<u>\$ 194,939</u>	<u>\$ 531,507</u>	<u>\$ 573,069</u>

CITY OF ESCONDIDO
Management's Discussion and Analysis

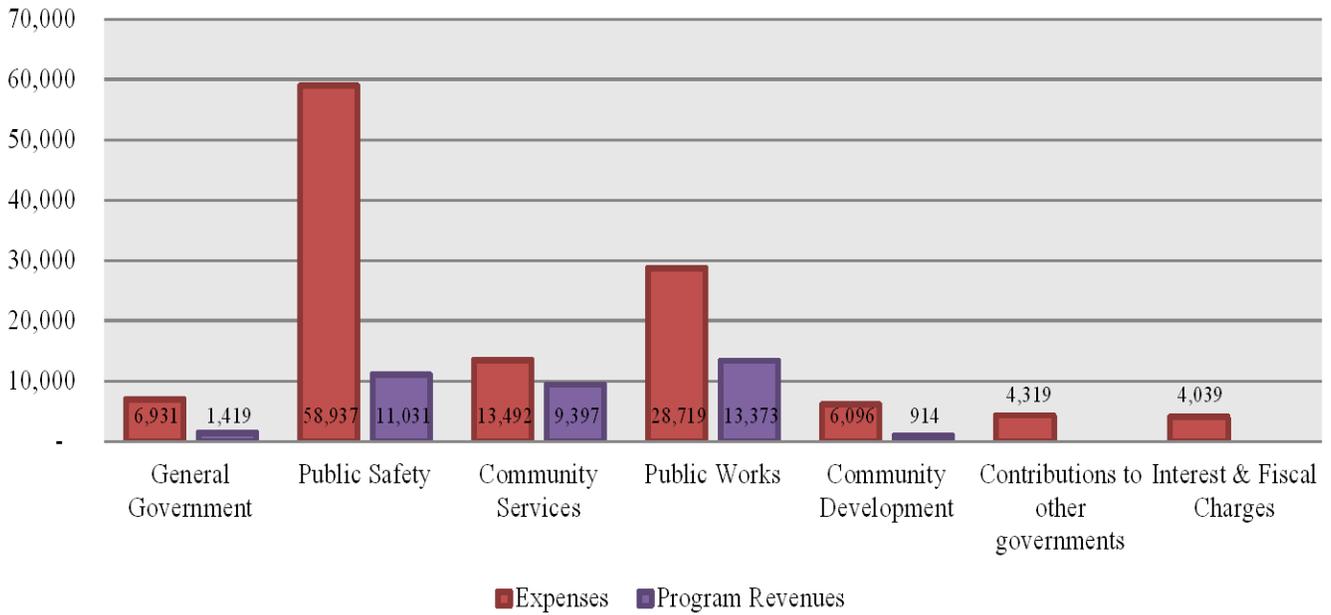
City of Escondido's Changes in Net Position

(Amounts expressed in thousands)

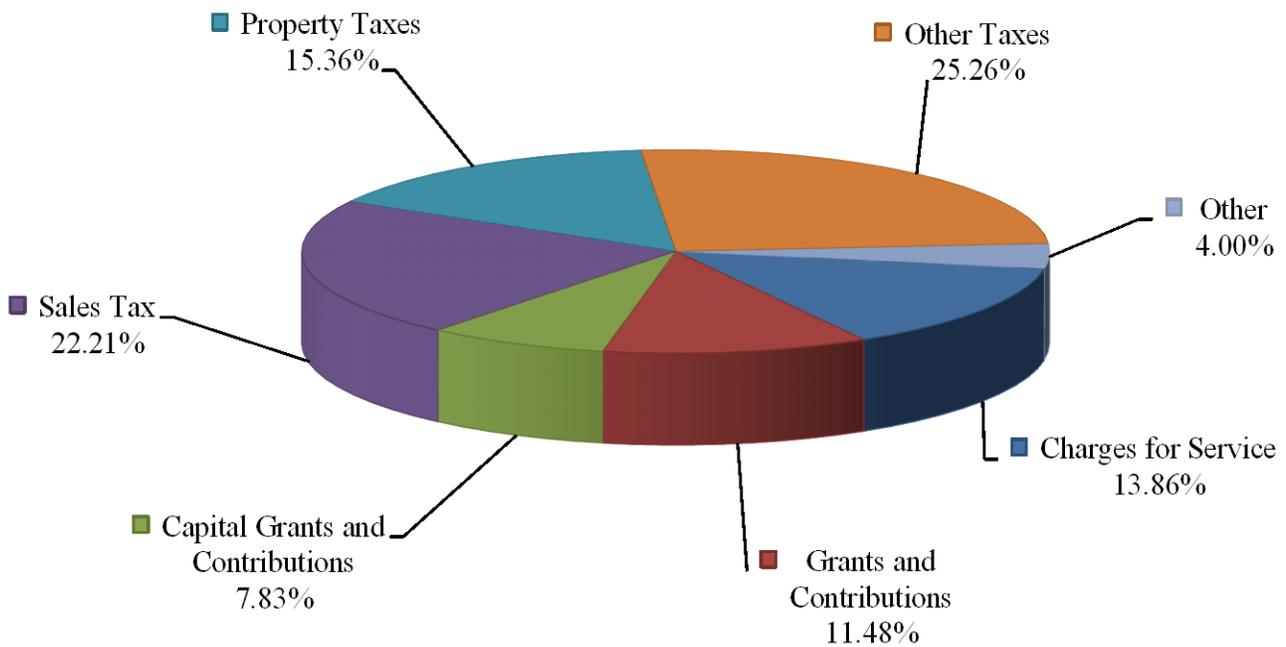
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 15,099	\$ 15,304	\$ 77,339	\$ 68,829	\$ 92,438	\$ 84,133
Operating grants and contributions	12,507	13,503	7		12,514	13,503
Capital grants and contributions	8,528	5,608	3,859	2,156	12,387	7,764
General revenues:						
Sales tax	24,202	25,532			24,202	25,532
Property taxes	16,739	24,060			16,739	24,060
Other taxes	27,530	26,635			27,530	26,635
Other	4,360	7,412	1,970	2,001	6,330	9,413
Total revenues	<u>108,965</u>	<u>118,054</u>	<u>83,175</u>	<u>72,986</u>	<u>192,140</u>	<u>191,040</u>
Expenses:						
General government	6,931	7,924			6,931	7,924
Public safety	58,937	60,467			58,937	60,467
Community services	13,492	14,428			13,492	14,428
Public works	28,719	23,509			28,719	23,509
Community development	6,096	6,765			6,096	6,765
Contributions to other governments	4,319				4,319	
Interest and fiscal charges	4,039	5,946			4,039	5,946
Water			48,899	43,538	48,899	43,538
Wastewater			25,848	23,996	25,848	23,996
Total expenses	<u>122,533</u>	<u>119,039</u>	<u>74,747</u>	<u>67,534</u>	<u>197,280</u>	<u>186,573</u>
Extraordinary gain (loss)	(34,948)	29,694			(34,948)	29,694
Extraordinary loss on spill				(1,114)		(1,114)
Increase in net position before transfers	(48,516)	28,709	8,428	4,338	(40,088)	34,161
Transfers	25	25	(25)	(25)		
Increase in net position before transfers	(48,491)	28,734	8,403	4,313	(40,088)	34,161
Net assets – July 1, as restated	377,794	349,396	193,801	190,626	571,595	540,022
Net assets – June 30	<u>\$ 329,303</u>	<u>\$ 378,130</u>	<u>\$ 202,204</u>	<u>\$ 194,939</u>	<u>\$ 531,507</u>	<u>\$ 574,183</u>

**CITY OF ESCONDIDO
Management's Discussion and Analysis**

Expenses and Program Revenues – Governmental Activities (expressed in thousands of dollars)



Revenues by Source – Governmental Activities



CITY OF ESCONDIDO
Management's Discussion and Analysis

Governmental activities. Governmental activities decreased the City's net position by \$48,491,061.

Total governmental revenues decreased by \$9 million or 7.7 percent during the current fiscal year to reach total revenues of \$109 million. Key elements of this change are as follows:

- Overall sales tax revenue decreased by \$1.3 million, or 5.2 percent compared to the prior year. Revenue received from sales tax increased from the prior fiscal year by \$1.1 million mostly due to an increase in new and used auto sales within the City. This increase was offset by a decrease of \$2.4 million in Transnet allocations that are funded by a one half-cent sales tax and can only be used for transportation projects.
- Property tax revenue, including redevelopment property tax increment net of Agency tax sharing agreement payments, decreased by \$7.3 million in the current fiscal year or by about 30.4 percent. This was mainly due to the elimination of property tax increment revenue that occurred as a result of the dissolution of the Escondido Redevelopment Agency. This decrease was offset by increases in supplemental property taxes collected on the sale of property that has increased in value. Current secured property taxes have remained relatively flat as the year-over-year change in property assessed values in the City saw growth of only .27% for the 2012/13 assessment year.
- Other tax revenue increased by \$894,000, or 3.3 percent, and is composed of increases in property tax in lieu of sales tax, property tax in lieu of vehicle license fees (VLF), property transfer tax, transient occupancy tax, and business licenses. Property tax in lieu of sales tax saw the largest increase over the prior fiscal year, about \$364,000 due to increased sales tax collected on new auto sales. These increases are offset by decreases in the franchise tax and transfer station tax. The franchise tax is down about \$47,000 mostly due to a decrease in taxes collected from SDG&E based on lower natural gas prices on gas transported to the Palomar Energy Plant.
- Other revenue decreased by \$3.0 million, or 40.0 percent, compared to last year due to several factors. Rental income is down \$.5 million primarily due to various properties that were transferred to the Successor Agency as a result of the dissolution of redevelopment agencies. Investment income is also down \$2.5 million due to a decreasing cash balance in the City's funds, a declining portfolio investment yield which has declined from 1.7% in the prior year to 1.3% in the current year, as well as the reversal of the Advance owed to the City's General Fund from the Successor Agency as a result of the dissolution of redevelopment agencies.
- Overall charges for services decreased by \$.2 million, or 1.3 percent, reflecting the following:
 - Public safety charges for services decreased by \$.1 million primarily due to a reduction from red light camera fines, impound fees and parking ticket fines.
 - Community services charges for services decreased by \$39,000 due to less activity at the Joslyn Senior Center as well as a reduction in the mobilehome rent revenue received during the fiscal year.
 - Public works charges for services increased by \$.1 million due to an increase in special assessments collected from landscape maintenance districts and increases in the utility underground waiver fees collected from developers.
 - Community development charges for services increased by \$0.1 million due to an increase in other planning fees collected as a result of an increase in construction and building activity in the city.

CITY OF ESCONDIDO
Management's Discussion and Analysis

- Operating grants and contributions decreased by \$1.0 million, or 7.4 percent, reflecting the following:
 - Public safety operating grants and contributions decreased by \$.3 million. This was primarily due to \$270,000 of one time grant funding received in the prior fiscal year from the California Emergency Management Agency for the California Intervention and Prevention Program that was used to enhance law enforcement preparedness and operational readiness in support of the U.S. Department of Homeland Security to improve border security.
 - Community services operating grants and contributions decreased by \$.7 million due to a decrease of \$1.4 million in HOME revenue as a result of the completion of several affordable housing projects within the City in the prior fiscal year. This decrease was offset by an increase of \$1.0 million in Neighborhood Stabilization Program grant funds used for the new construction of affordable housing units for the purpose of redevelopment.
 - Public works operating grants and contributions decreased by \$.1 million due to a decrease of \$.8 million in the amount of Gas Tax received. In the prior fiscal year additional gasoline excise tax was received due to a problem with the State Controller's allocations in which more money was allocated to cities and counties and did not fully backfill state transportation programs. This decrease was offset by \$.4 million received as a result of Assembly Bill 1572 which required the San Diego Association of Governments to distribute all San Diego Service Authority for Freeway Emergencies (SAFE) program reserves in excess of \$4 million in proportion to the vehicle registration fees paid in FY 2011 by the residents of each city and the unincorporated areas. Also, additional funding of \$.1 million was received related to the TransNet program due to funding returned as a result of delayed projects as well as a deposit that was held by the court of San Diego for Eminent Domain on a property for the Bear Valley project.
- Capital grants and contributions increased by \$2.9 million, or 52.1 percent, compared to the prior year. This was mainly the result of large developer contributions received this fiscal year totaling \$3.7 million for streets, signalized lights and storm drains related to the completion of several housing projects including: the Venue, a multifamily high rise, Paramount, a residential multifamily subdivision, Washington Hills, a 124 unit subdivision, and Rancho Vistamonte, an 80 unit upscale subdivision. Reimbursements from Outside Agencies increased by \$.5 million due to activity on the construction of a bridge structure over the Escondido Creek and two new traffic signals at Citracado & Harmony Grove Rd, and at Citracado & Avenida del Diablo as a result of the construction and opening of the Palomar Polmerado Hospital.

CITY OF ESCONDIDO
Management's Discussion and Analysis

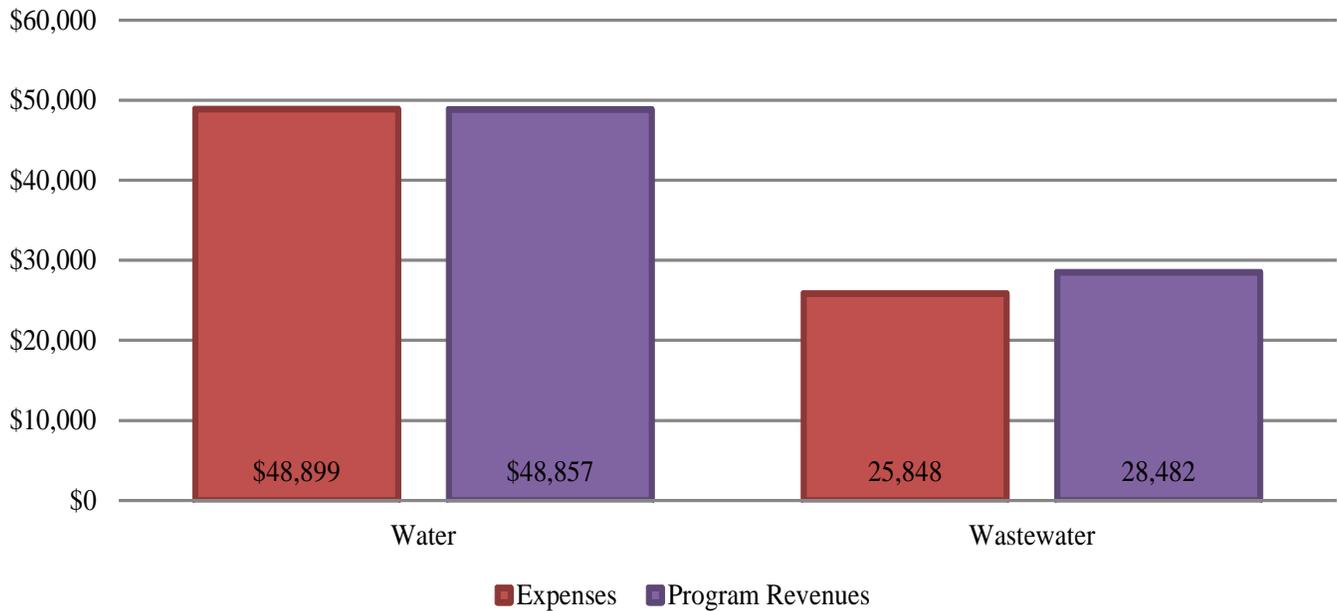
Governmental activities expenses decreased by \$.8 million, or 1.0 percent, in fiscal year 2013. Details of these expenses include:

- Public safety expenses increased by \$1.5 million, or 2.5 percent, compared to the prior year. This was mainly due to an increase in workers' compensation liabilities as well as increased overtime paid to firefighters and increased public safety employee overhead expenses.
- Community service expenses decreased by \$.9 million, or 6.0 percent, compared to the prior year. This change was due to a decrease in expenditures incurred from the Neighborhood Stabilization Program grant of \$984,344.
- Public works expenses increased by \$5.2 million, or 22.2 percent, primarily due to an increase in temporary part-time positions and overtime expenditures as well as increases in internal service charges, capital improvement projects, and an increase in supplies for the parks maintenance department.
- Community development expenses decreased by \$.7 million, or 9.9 percent, compared to the prior year due to the dissolution of the Community Development Commission. The dissolution of the Commission in the prior fiscal year eliminated the twenty percent tax increment housing set-aside required by the State to be used to assist low and moderate income families within the City. Without the funding, the activities of the Housing Department were reduced as well as the internal service allocations which decreased the Community Development expenditures incurred in the current fiscal year.
- Interest and fiscal charges decreased by \$1.9 million primarily due to the dissolution of the Escondido Redevelopment Agency with interest and fiscal charges of \$1.8 million now reported by the Successor Agency.

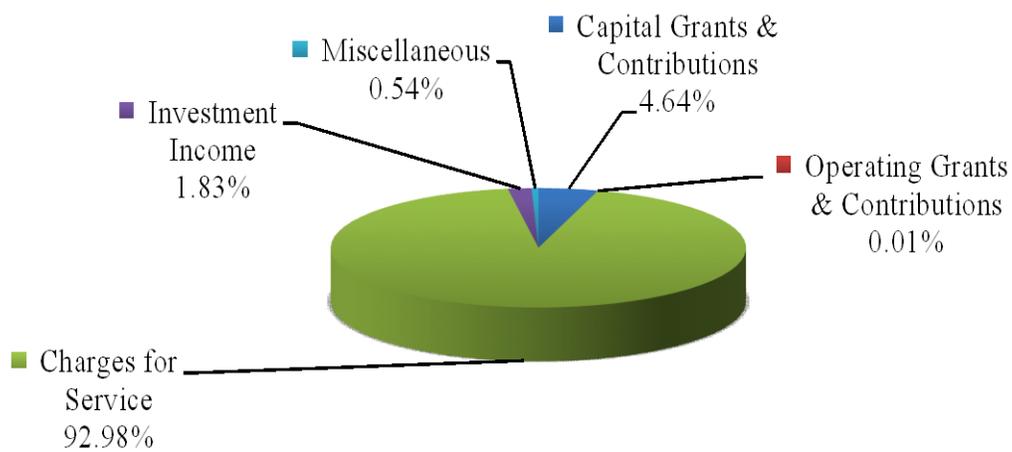
Governmental activities reported an extraordinary loss of \$9.8 million due to the dissolution of the Escondido Redevelopment Agency. The reversal of the Advance due to the City's General Fund from the Escondido Successor Agency resulted in the extraordinary loss in the governmental funds and an extraordinary gain in the fiduciary funds.

**CITY OF ESCONDIDO
Management's Discussion and Analysis**

Expenses and Program Revenues – Business-type Activities (expressed in thousands of dollars)



Revenues by Source – Business-type Activities



CITY OF ESCONDIDO Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City's net position by \$8,402,713. Key elements of this increase are as follows:

- Charges for services increased by \$8.5 million or 12.3 percent largely due to rate increases that went into effect in the current year and resulted in increased charges for services to the water fund of \$6.5 million.
- Total expenses increased by \$7.2 million or 10.7 percent, mainly due to an increase in purchased water costs of \$5.0 million which occurred because the cost to purchase water from San Diego County Water Authority went up about 7.5% during the year. In addition water consumption increased in 2012-13, which resulted in more purchased water needed than in the prior year when reservoirs were full and more local water was sold. Purchased water costs approximately 25% more than local water. Wastewater expenses also increased due to an increase in utility, supply and repair costs plus added professional services fees paid for the sewer master plan upgrade project.
- Capital contributions increased by \$1.9 million which is the result of donated assets by private developers as part of the following completed capital projects: Paramount, a residential multifamily subdivision, Washington Hills, a 124 unit subdivision, and Rancho Vistamonte, an 80 unit upscale subdivision.

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 \$103,305,189, a decrease of \$28,730,935 in comparison with the prior year. Of this amount, 60.7 percent or \$62,703,245 represents advances, loans receivable, land held for resale and other non-spendable assets that are not expected to be converted to cash until future periods. Approximately 20.1 percent of this total amount or \$20,785,893 is not available for new spending because it is legally restricted by external third parties. In addition, \$20,817,454 or 20 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 Finance Director to meet specific expenditures in subsequent years. The remaining unassigned fund balance of \$(1,001,403) is negative as a result of non-major special revenue funds reporting a deficit fund balance and is expected to be eliminated with future revenues from reimbursements and transfers.

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 \$17,210,596 in Reserves available to fund one-time unanticipated expenditures while total fund balance is \$20,941,805. 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 22.2 percent of total General Fund expenditures, while total fund balance represents 27.0 percent of that same amount.

CITY OF ESCONDIDO
Management's Discussion and Analysis

During the current fiscal year, the fund balance of the City's General Fund decreased by \$8,756,942 resulting in a 45.9 percent decrease in fund balance for the fiscal year. The decrease in fund balance is due to the extraordinary loss on the elimination of the General Fund Advance to the Successor Agency of \$9,832,652. Additional information on dissolution of the redevelopment agency can be found on pages 98-102 of this report.

This loss was offset by one-time revenue of \$1 million from the Redevelopment Property Tax Trust Fund and \$.7 million from the County for a refund of prior year overcharges on the City's property tax allocation fee.

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 \$18,132,106, and \$42,174,568 respectively. The total growth in net position was the result of an increase of \$3,335,302 in the Water Fund and \$5,057,081 in the Wastewater Fund. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

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 \$78.6 million and estimated expenditures and transfers out of \$79.7 million.

A comparison of the original general fund budgeted revenue of \$75.8 million to the final general fund budgeted revenue of \$78.4 results in a net increase in budgeted revenue of \$2.6 million. This increase was due to a mid-year budget adjustment that increased revenue estimates by \$2.5 million mainly as a result of improved sales tax receipts.

Differences between the original and the final budgeted revenues can be briefly summarized as follows:

- \$ 1,954,895 in increases in sales taxes
- 194,000 in increases in other taxes
- 60,000 in decreases to licenses and permits
- 94,050 in decreases to intergovernmental revenue
- 130,000 in increases in charges for services
- 742,937 in increases in other miscellaneous revenue

Comparison of the fiscal year original general fund budgeted expenditures of \$77.6 million to the final general fund budgeted expenditures of \$77.9 million results in a net increase in budgeted expenditures of \$.2 million.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Differences between the original and the final budgeted expenditures can be briefly summarized as follows:

- \$ 1,908,405 in decreases in general government activities
- 1,123,875 in increases allocated to the police department
- 1,333,705 in increases allocated to the fire department
- 873,455 in increases allocated for public works
- 1,335,626 in increases in community services
- 141,160 in increases in community development activities

Actual General Fund revenues were \$875,500 less than final budgeted amounts and expenditures were \$483,671 less than final budgeted amounts. The General Fund also received one-time revenue which included a residual payment from the Redevelopment Property Tax Trust Fund of \$1 million and \$.7 million from the County for a refund of prior year's property tax allocation fee allocated to the City that was not originally budgeted for. The General Fund ended the fiscal year with \$1.1 million in savings prior to the extraordinary loss as a result of the dissolution of the Successor Agency and a Reserve balance of \$17.2 million.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2013, the City's investments in capital assets for its governmental and business-type activities are \$526,487,483, (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 decrease in the City's investment in capital assets for the current fiscal year is 2.6 percent; this represents a 5.3 percent decrease for governmental activities and a 1.0 percent increase for business-type activities.

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

Land of \$3.3 million and buildings net of accumulated depreciation of \$2.2 were transferred to the Successor Agency as a result of the dissolution of the Community Development Commission. In addition, land and buildings totaling \$6.0 million were reclassified as Land Held for Resale in the General Fund.

Construction in progress decreased by \$16.0 million this fiscal year due to the completion of several major capital projects: the Maple Street Pedestrian Plaza, the Tulip Street improvement project, the bridge widening at Nordahl Road on State Route 78, and the reconstruction of Fire Station #4. Total deletions to construction in progress were offset by additions of \$8.5 million during the current year. The largest projects that contributed to this increase were the reconstruction of Fire Station #4, the Citracado / Harmony Grove project which will extend and widen Citracado Parkway, the Daley Ranch Improvement project, and the El Norte Parkway Bridge over Escondido Creek.

Infrastructure increased by \$12.7 million. Of these additions, \$8.7 million came from the completion of various projects such as the Tulip Street improvement project, the Maple Street Pedestrian Plaza, and the bridge widening over State Route 78. An additional \$4.0 million of additions was due to developer contributions of signal lights, streets, and storm drains.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Motorized vehicles increased by \$2.1 million due to the purchase of 30 vehicles during the fiscal year. The purchases were mainly for the replacement of older vehicles and equipment that are replaced on a predetermined schedule.

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

Construction in progress decreased by \$2.4 million due to the completion of the Tulip Street improvement project and the water pipeline replacement project. Total deletions to construction in progress were offset by additions of \$7.7 million during the current year. The largest projects that contributed to this increase were the Lake Wohlford Dam Project, the water pipeline replacement project, and the outfall mitigation project.

Developers contributed water and sewer lines of \$2,478,298 related to the completion of several housing projects including: the Venue, a multifamily high rise, Paramount, a residential multifamily subdivision, Washington Hills, a 124 unit subdivision, and Rancho Vistamonte, an 80 unit upscale subdivision.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 46,483	\$ 51,969	\$ 1,801	\$ 1,806	\$ 48,284	\$ 53,775
Buildings and systems	95,916	102,261	7,089	7,675	103,005	109,936
Improvements other than buildings	18,755	19,129	760	793	19,515	19,922
Machinery and equipment	9,137	6,516	2,053	2,582	11,190	9,098
Infrastructure	113,217	112,376	213,700	215,560	326,917	327,936
Construction in progress	8,263	15,752	9,314	3,968	17,577	19,720
Total	\$ 291,771	\$ 308,003	\$ 234,717	\$ 232,384	\$ 526,488	\$ 540,387

Additional information on the City's capital assets can be found in the notes on pages 74-76 of this report.

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 \$197,710,000. 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	
	2013	2012	2013	2012	2013	2012
Certificates of participation	\$ 1,240	\$ 1,790	\$ 57,340	\$ 59,370	\$ 58,580	\$ 61,160
Revenue bonds			58,635	59,050	58,635	59,050
Lease revenue bonds	4,830	5,320			4,830	5,320
GO bonds	75,665	77,295			75,665	77,295
Total	\$ 81,735	\$ 84,405	\$ 115,975	\$ 118,420	\$ 197,710	\$ 202,825

Significant changes to the City's outstanding debt during the current fiscal year include the following:

As a result of ongoing activities related to the dissolution of the former Community Development Commission, \$5.3 million was transferred to the Successor Agency.

Outstanding debt for business-type activities decreased due to routine principal payments on amounts outstanding.

Additional information on the City's long-term debt can be found in the notes on pages 79-87 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City as of June 2013 was 7.7 percent, which is a decrease from a rate of 9.6 percent a year ago, and it continues to show a downward trend. Taxable sales increased from the previous year by about \$3.1 million or 11.1% so the economy is on the mend. Overall, the City's General Fund revenue was up 4.2% over the prior year if you exclude one-time revenue of \$1.5 million received from the Redevelopment Property Tax Trust Fund.

The fiscal year 2013-14 General Fund operating budget has been balanced without relying on the use of reserves for the third year in a row. This is the result of an improving economy and the City Council's prudent fiscal policies. General Fund revenues were estimated to go up by 3% and expenditures were increased by 6.3% compared to the previous year. Although the City still faces challenges due to a fluctuating economy, there are certainly signs that it is proceeding in the right direction.

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. 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.

Basic Financial Statements

CITY OF ESCONDIDO
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total June 30, 2013	California Center for the Arts, Escondido Foundation June 30, 2013
<u>Assets</u>				
Cash and investments	\$ 63,261,503	\$ 51,959,625	\$ 115,221,128	\$ 1,772,758
Cash and investments with fiscal agent	717,543	58,664,802	59,382,345	
Receivables, net of allowances	73,645,054	12,489,436	86,134,490	71,494
Internal balances	(4,620,357)	4,620,357		
Due from other governments	6,546,182		6,546,182	
Inventory, at cost	438,466		438,466	22,844
Prepaid expenses	12,693		12,693	59,055
Deposits	388,228		388,228	
Prepaid bond insurance	211,597	245,827	457,424	
Land held for resale	9,523,113	104,573	9,627,686	
Assets held in charitable remainder				108,453
Capital assets:				
Not being depreciated	64,278,615	11,114,599	75,393,214	
Being depreciated, net	227,491,952	223,602,317	451,094,269	14,162
Total Assets	<u>441,894,589</u>	<u>362,801,536</u>	<u>804,696,125</u>	<u>2,048,766</u>
<u>Deferred outflows of resources</u>				
Deferred charges on refunding	57,776	2,906,118	2,963,894	
<u>Liabilities</u>				
Payables:				
Accounts	2,774,592	4,237,958	7,012,550	75,847
Retentions		102,007	102,007	
Interest	1,264,255	1,793,556	3,057,811	
Deposits	1,947,058	511,138	2,458,196	
Accrued expenses	1,765,690	217,359	1,983,049	91,220
Due to other governments	469,988		469,988	
Unearned revenue	192,623		192,623	266,723
Noncurrent liabilities:				
Payables due within one year:				
Employee leave benefits	697,471	116,494	813,965	56,622
Claims	2,767,211		2,767,211	
Loans	106,559	2,136,745	2,243,304	
Bonds	1,905,000	785,000	2,690,000	
Certificates of participation	595,000	2,115,000	2,710,000	
Payables due in more than one year:				
Connection rights		13,393,813	13,393,813	
Employee leave benefits	6,277,242	1,048,448	7,325,690	
Claims	11,068,846		11,068,846	
Loans	888,366	20,448,701	21,337,067	
Bonds, net	79,284,232	58,114,191	137,398,423	
Certificates of participation	645,000	58,483,126	59,128,126	
Total Liabilities	<u>112,649,133</u>	<u>163,503,536</u>	<u>276,152,669</u>	<u>490,412</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total June 30, 2013	California Center for the Arts, Escondido Foundation June 30, 2013
<u>Net Position</u>				
Net investment in capital assets	211,228,317	141,057,087	352,285,404	14,162
Restricted for:				
Community services				
Expendable	1,470,306		1,470,306	
Nonexpendable	216,352		216,352	
Debt service	3,585,508		3,585,508	
Capital projects	2,515,990		2,515,990	
General government	1,201,225		1,201,225	
Low and moderate income housing	67,800,917		67,800,917	
Public safety	2,530,219		2,530,219	
Public works	10,831,794		10,831,794	
Unrestricted	27,922,604	61,147,031	89,069,635	1,544,192
Total Net Position	\$ 329,303,232	\$ 202,204,118	\$ 531,507,350	\$ 1,558,354

CITY OF ESCONDIDO
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 6,931,282	\$ 481,812	\$ 859,875	\$ 77,786
Public safety	58,937,215	8,322,729	2,516,549	191,463
Community services	13,492,016	4,118,332	5,062,347	216,512
Public works	28,719,020	1,261,705	4,068,518	8,042,914
Community development	6,095,723	914,370		
Contributions to other governments	4,319,291			
Interest and fiscal charges	4,038,630			
Total Governmental Activities	<u>122,533,177</u>	<u>15,098,948</u>	<u>12,507,289</u>	<u>8,528,675</u>
Business-type activities:				
Water	48,899,219	48,857,327		2,022,174
Wastewater	25,847,825	28,482,081	6,559	1,836,483
Total Business-type Activities	<u>74,747,044</u>	<u>77,339,408</u>	<u>6,559</u>	<u>3,858,657</u>
Total Primary Government	<u>\$ 197,280,221</u>	<u>\$ 92,438,356</u>	<u>\$ 12,513,848</u>	<u>\$ 12,387,332</u>
Component Unit:				
California Center for the Arts, Escondido Foundation	<u>\$ 8,132,901</u>	<u>\$ 2,493,262</u>	<u>\$ 5,544,426</u>	<u>\$</u>
		General Revenues		
		Taxes:		
		Sales tax		
		Property tax		
		Property tax in lieu of sales tax		
		Property tax in lieu of VLF tax		
		Property transfer tax		
		Franchise tax		
		Franchise tax in lieu		
		Transient occupancy tax		
		Business license tax		
		Transfer station tax		
		Refuse collection tax		
		Intergovernmental, unrestricted		
		Investment and rental income		
		Miscellaneous		
		Transfers		
		Extraordinary gain/(loss) (Note 17)		
		Total General Revenues, Transfers, and Extraordinary Items		
		Change in Net Position		
		Net Position - Beginning of Year		
		Restatements		
		Net Position - Beginning of Year, as restated		
		Net Position - End of Year		

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total June 30, 2013	California Center for the Arts, Escondido Foundation June 30, 2013
\$ (5,511,809)	\$	\$ (5,511,809)	\$
(47,906,474)		(47,906,474)	
(4,094,825)		(4,094,825)	
(15,345,883)		(15,345,883)	
(5,181,353)		(5,181,353)	
(4,319,291)		(4,319,291)	
(4,038,630)		(4,038,630)	
(86,398,265)		(86,398,265)	
	1,980,282	1,980,282	
	4,477,298	4,477,298	
	6,457,580	6,457,580	
(86,398,265)	6,457,580	(79,940,685)	
\$	\$	\$	\$ (95,213)
24,202,373		24,202,373	
16,738,501		16,738,501	
7,446,477		7,446,477	
10,428,037		10,428,037	
427,251		427,251	
4,516,247		4,516,247	
1,166,818		1,166,818	
1,228,022		1,228,022	
1,588,259		1,588,259	
649,943		649,943	
78,110		78,110	
75,618		75,618	238,625
3,290,477	1,522,495	4,812,972	69,555
994,434	447,638	1,442,072	78,954
25,000	(25,000)		
(34,948,363)		(34,948,363)	
37,907,204	1,945,133	39,852,337	387,134
(48,491,061)	8,402,713	(40,088,348)	291,921
378,129,798	194,939,262	573,069,060	1,266,433
(335,505)	(1,137,857)	(1,473,362)	
377,794,293	193,801,405	571,595,698	1,266,433
\$ 329,303,232	\$ 202,204,118	\$ 531,507,350	\$ 1,558,354

CITY OF ESCONDIDO
Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue Successor Agency Housing
<u>Assets</u>		
Cash and investments	\$ 15,194,450	\$ 515,366
Cash and investments with fiscal agent		
Receivables (net):		
Accounts	3,774,067	
Interest	78,125	5,134,324
Taxes	8,104,228	
Loans	61,444	36,279,548
Loans to Successor Agency		3,399,292
Due from:		
Other funds	605,221	
Other governments	112,779	
Inventory, at cost		
Prepaid expenditures		
Deposits		
Land held for resale, at cost	6,062,708	2,658,263
Advances to other funds	159,250	
	\$ 34,152,272	\$ 47,986,793
Total Assets	\$ 34,152,272	\$ 47,986,793

See Accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,158,252	\$ 39,868,068
717,543	717,543
546,616	4,320,683
3,159,258	8,371,707
24,104	8,128,332
16,316,280	52,657,272
	3,399,292
	605,221
3,034,111	3,146,890
15,998	15,998
12,693	12,693
75,628	75,628
802,142	9,523,113
640,000	799,250
<u>\$ 49,502,625</u>	<u>\$ 131,641,690</u>

CITY OF ESCONDIDO
Balance Sheet
Governmental Funds (Continued)
June 30, 2013

	General	Special Revenue Successor Agency Housing
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities:		
Payables:		
Accounts	\$ 1,514,455	\$ 2,749
Deposits	490,857	
Accrued expenditures	1,544,718	6,194
Due to other funds		
Due to other governments		
Advances from other funds	4,220,000	
Total Liabilities	7,770,030	8,943
Deferred Inflows of Resources:		
Unavailable revenue	5,440,437	5,131,103
Fund Balances:		
Nonspendable	2,503,401	42,337,103
Restricted for		509,644
Committed to	17,210,596	
Assigned to	980,678	
Unassigned	247,130	
Total Fund Balances	20,941,805	42,846,747
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 34,152,272	\$ 47,986,793

See Accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 593,307	\$ 2,110,511
1,456,201	1,947,058
100,561	1,651,473
605,221	605,221
469,988	469,988
359,250	4,579,250
3,584,528	11,363,501
6,401,460	16,973,000
17,862,741	62,703,245
20,276,249	20,785,893
2,466,775	19,677,371
159,405	1,140,083
(1,248,533)	(1,001,403)
39,516,637	103,305,189
\$ 49,502,625	\$ 131,641,690

CITY OF ESCONDIDO
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2013

Fund balances for governmental funds		\$ 103,305,189
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets allocated from internal service funds are included in the internal service fund adjustment below.</p>		
Capital assets	\$ 558,436,763	
Ending accumulated depreciation	<u>(273,269,673)</u>	285,167,090
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.</p>		
		16,780,376
<p>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 assets.</p>		
		14,466,925
<p>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.</p>		
Employee leave benefits	(6,819,136)	
Loans	(173,099)	
Bonds	(81,735,000)	
Bond premium	(703,935)	
Bond discount	9,704	
Loss on refunding	57,776	
Prepaid bond insurance	<u>211,597</u>	(89,152,093)
<p>Interest on noncurrent liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
Interest payable		<u>(1,264,255)</u>
Net position of governmental activities		<u><u>\$ 329,303,232</u></u>

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, 2013

	General	Special Revenue Successor Agency Housing
Revenues:		
Sales tax	\$ 30,838,544	\$
Other taxes	21,164,542	
Licenses and permits	887,383	
Fines and forfeits	1,468,309	
Intergovernmental	13,084,410	976,584
Charges for services	6,271,737	
Special assessments		
Lease income		216,155
Investment income	(206,715)	461,693
Miscellaneous	3,975,571	6,313
Total Revenues	77,483,781	1,660,745
Expenditures:		
Current:		
General government	5,229,026	
Public safety	53,014,629	
Public works	10,292,856	
Community services	5,939,584	
Community development	2,895,728	1,985,309
Contributions to other governments		522,408
Capital outlay	51,114	
Debt service:		
Principal retirements	23,175	
Interest and fiscal charges		
Total Expenditures	77,446,112	2,507,717
Excess (Deficiency) of Revenues Over Expenditures	37,669	(846,972)

See Accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$	\$
1,383,924	30,838,544
	22,548,466
	887,383
	1,468,309
11,884,358	25,945,352
5,063,466	11,335,203
5,958,662	5,958,662
5,358	221,513
601,488	856,466
663,147	4,645,031
<u>25,560,403</u>	<u>104,704,929</u>
605,802	5,834,828
2,231,468	55,246,097
7,099,799	17,392,655
5,875,963	11,815,547
450,781	5,331,818
3,796,883	4,319,291
7,743,336	7,794,450
7,505,185	7,528,360
3,983,078	3,983,078
<u>39,292,295</u>	<u>119,246,124</u>
<u>(13,731,892)</u>	<u>(14,541,195)</u>

(Continued)

CITY OF ESCONDIDO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2013

	<u>General</u>	<u>Special Revenue Successor Agency Housing</u>
Other Financing Sources (Uses):		
Loan proceeds		
Bond issue costs		
Sale of capital assets		111,234
Transfers in	2,228,381	535,531
Transfers out	<u>(1,190,340)</u>	<u>(1,957,030)</u>
Total Other Financing Sources (Uses)	<u>1,038,041</u>	<u>(1,310,265)</u>
Extraordinary gain/(loss) (Note 17)	<u>(9,832,652)</u>	
Net Change in Fund Balance	(8,756,942)	(2,157,237)
Fund Balances:		
Beginning of fiscal year, as originally reported	38,724,193	45,003,984
Restatements	<u>(9,025,446)</u>	
Beginning of fiscal year, as restated	29,698,747	45,003,984
Net Change in Fund Balance	<u>(8,756,942)</u>	<u>(2,157,237)</u>
Fund Balances at End of Year	<u>\$ 20,941,805</u>	<u>\$ 42,846,747</u>

See Accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
4,830,000	4,830,000
(122,073)	(122,073)
	111,234
3,759,050	6,522,962
<u>(3,526,395)</u>	<u>(6,673,765)</u>
<u>4,940,582</u>	<u>4,668,358</u>
	<u>(9,832,652)</u>
(8,791,310)	(19,705,489)
48,307,947	132,036,124
	<u>(9,025,446)</u>
<u>48,307,947</u>	<u>123,010,678</u>
<u>(8,791,310)</u>	<u>(19,705,489)</u>
<u>\$ 39,516,637</u>	<u>\$ 103,305,189</u>

CITY OF ESCONDIDO
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds: \$ (19,705,489)

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	\$ 7,794,450	
Contributed capital assets	5,005,180	
Depreciation	(18,909,414)	
Disposal of capital assets	(268,597)	
Capital assets contributed to business-type activities	<u>(749,512)</u>	(7,127,893)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 268,342

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 assets. 555,645

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	(164,735)	
Principal retirements	7,528,360	
Proceeds from long term debt	(4,830,000)	
Amortization of bond issuance costs, premiums/discounts	9,840	
Accrued interest	<u>90,580</u>	2,634,045

Extraordinary gains and losses relating to capital assets and long term liabilities reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Capital Assets	(5,517,561)	
Long-term liabilities	5,300,000	
Accrued Interest	<u>(24,898,150)</u>	<u>(25,115,711)</u>

Change in net assets of governmental activities \$ (48,491,061)

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position
Proprietary Funds
June 30, 2013

	Water	Wastewater	Total	Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 13,252,402	\$ 38,707,223	\$ 51,959,625	\$ 23,393,435
Receivables (Net):				
Accounts	9,729,403	1,751,641	11,481,044	67,411
Interest	76,066	174,434	250,500	99,649
Loans	1,608	45,254	46,862	
Inventory				422,468
Deposits				312,600
Total Current Assets	<u>23,059,479</u>	<u>40,678,552</u>	<u>63,738,031</u>	<u>24,295,563</u>
Noncurrent assets:				
Receivables (Net):				
Loans		711,030	711,030	
Total Noncurrent Receivables		<u>711,030</u>	<u>711,030</u>	
Advances to other funds		3,780,000	3,780,000	
Land held for resale	104,573		104,573	
Prepaid bond insurance	124,941	120,886	245,827	
Restricted:				
Cash and investments with fiscal agent	<u>27,997,800</u>	<u>30,667,002</u>	<u>58,664,802</u>	
Capital assets:				
Land	1,480,768	319,756	1,800,524	
Land improvements	609,350	337,125	946,475	
Buildings	14,849,333	9,631,885	24,481,218	1,460,682
Water system	122,171,624		122,171,624	
Electric system	3,609,179		3,609,179	
Recycled water system		24,163,391	24,163,391	
Sewer system		158,965,338	158,965,338	
Machinery and equipment	2,258,824	3,954,355	6,213,179	26,013,663
Construction in progress	4,122,689	5,191,386	9,314,075	1,305,884
Total Capital Assets	<u>149,101,767</u>	<u>202,563,236</u>	<u>351,665,003</u>	<u>28,780,229</u>
Less accumulated depreciation	<u>(52,055,914)</u>	<u>(64,892,173)</u>	<u>(116,948,087)</u>	<u>(22,176,752)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>97,045,853</u>	<u>137,671,063</u>	<u>234,716,916</u>	<u>6,603,477</u>
Total Noncurrent Assets	<u>125,273,167</u>	<u>172,949,981</u>	<u>298,223,148</u>	<u>6,603,477</u>
Total Assets	<u>148,332,646</u>	<u>213,628,533</u>	<u>361,961,179</u>	<u>30,899,040</u>
<u>Deferred outflows of resources</u>				
Deferred charge on refunding	<u>1,127,494</u>	<u>1,778,624</u>	<u>2,906,118</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position
Proprietary Funds (Continued)
June 30, 2013

	Water	Wastewater	Total	Internal Service Funds
<u>Liabilities</u>				
Current Liabilities:				
Payables:				
Accounts	3,028,656	1,209,302	4,237,958	664,081
Revenue bonds	645,000	140,000	785,000	
Certificates of participation	530,000	1,585,000	2,115,000	
Loans	214,209	1,922,536	2,136,745	78,200
Retentions	102,007		102,007	
Accrued interest	909,952	883,604	1,793,556	
Employee leave benefits	51,384	65,110	116,494	15,558
Estimated claims				2,767,211
Accrued expenses	110,421	106,938	217,359	114,217
Total Current Liabilities	<u>5,591,629</u>	<u>5,912,490</u>	<u>11,504,119</u>	<u>3,639,267</u>
Noncurrent Liabilities:				
Payables:				
Revenue bonds	29,176,989	28,937,202	58,114,191	
Certificates of participation	30,930,129	27,552,997	58,483,126	
Connection rights payable	9,369,584	4,024,229	13,393,813	
Deposits	367,067	144,071	511,138	
Employee leave benefits	462,459	585,989	1,048,448	140,019
Estimated claims				11,068,846
Loans	3,684,463	16,764,238	20,448,701	743,626
Total Noncurrent Liabilities	<u>73,990,691</u>	<u>78,008,726</u>	<u>151,999,417</u>	<u>11,952,491</u>
Total Liabilities	<u>79,582,320</u>	<u>83,921,216</u>	<u>163,503,536</u>	<u>15,591,758</u>
<u>Net Position</u>				
Net investment in capital assets	51,745,714	89,311,373	141,057,087	6,603,477
Unrestricted	18,132,106	42,174,568	60,306,674	8,703,805
Total Net Position	<u>\$ 69,877,820</u>	<u>\$ 131,485,941</u>	<u>\$ 201,363,761</u>	<u>\$ 15,307,282</u>
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			<u>840,357</u>	
Net position of business-type activities			<u>\$ 202,204,118</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, 2013

	Water	Wastewater	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 48,630,927	\$ 28,218,688	\$ 76,849,615	\$ 25,441,465
Operating Expenses:				
Personnel services	7,668,453	7,093,948	14,762,401	3,971,860
Purchased water	22,370,259		22,370,259	
Administrative expenses	4,822,915	1,912,002	6,734,917	1,854,511
Benefit claims				590,904
Supplies	2,327,848	1,517,472	3,845,320	328,218
Repairs and maintenance	1,064,331	1,461,726	2,526,057	1,064,139
Depreciation	3,416,452	5,283,575	8,700,027	1,659,691
Utilities	2,149,632	1,957,701	4,107,333	1,089,499
Fuel				1,198,768
Professional services	994,500	2,411,583	3,406,083	4,452,606
Insurance premiums	438,780	349,700	788,480	8,721,071
Rent	297,333	300,685	598,018	839
Other	490,466	398,170	888,636	379,442
Total Operating Expenses	46,040,969	22,686,562	68,727,531	25,311,548
Operating Income	2,589,958	5,532,126	8,122,084	129,917
Nonoperating Revenues (Expenses):				
Investment income	233,295	447,530	680,825	160,358
Rents and concessions	841,670		841,670	
Interest and fiscal charges	(2,847,227)	(3,155,397)	(6,002,624)	(33,898)
Miscellaneous	283,534	361,910	645,444	97,242
Total Nonoperating Revenues (Expenses)	(1,488,728)	(2,345,957)	(3,834,685)	223,702
Income Before Transfers and Capital Contributions	1,101,230	3,186,169	4,287,399	353,619

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds (Continued)
For the Year Ended June 30, 2013

	Water	Wastewater	Total	Internal Service Funds
Transfers in				175,803
Transfers out		(25,000)	(25,000)	
Total Transfers		(25,000)	(25,000)	175,803
Income Before Capital Contributions	1,101,230	3,161,169	4,262,399	529,422
Capital Contributions:				
Connection fees	226,400	626,102	852,502	
Developer contributions	2,007,672	1,263,251	3,270,923	43,112
Total Capital Contributions	2,234,072	1,889,353	4,123,425	43,112
Changes in Net Position	3,335,302	5,050,522	8,385,824	572,534
Net Position at Beginning of Year	67,101,025	127,014,769	194,115,794	14,734,748
Restatements	(558,507)	(579,350)	(1,137,857)	
Net Position at Beginning of Year, as restated	66,542,518	126,435,419	192,977,937	
Net Position at End of Year	\$ 69,877,820	\$ 131,485,941	\$ 201,363,761	\$ 15,307,282
Change in Net Position			\$ 8,385,824	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			16,889	
Change in net assets of business-type activities			\$ 8,402,713	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Water	Wastewater	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 48,921,593	\$ 27,885,099	\$ 76,806,692	\$ 25,432,612
Cash paid to employees for services	(7,643,538)	(7,109,321)	(14,752,859)	(5,831,324)
Cash paid to other suppliers of goods or services	(34,897,245)	(9,820,346)	(44,717,591)	(19,086,040)
Cash from rents and concessions	841,670		841,670	
Cash from other sources	284,427	411,094	695,521	48,519
Net Cash Provided by Operating Activities	<u>7,506,907</u>	<u>11,366,526</u>	<u>18,873,433</u>	<u>563,767</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds				175,803
Cash paid to other funds		(25,000)	(25,000)	
Net Cash Provided by Noncapital Financing Activities		<u>(25,000)</u>	<u>(25,000)</u>	<u>175,803</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(4,145,068)	(3,617,230)	(7,762,298)	(3,938,059)
Sale of capital assets				48,724
Payments on connection rights	(22,609)	(240,592)	(263,201)	
Cash received for connection fees	226,400	626,102	852,502	
Principal payments on certificates of participation	(790,000)	(1,655,000)	(2,445,000)	
Interest payments on certificates of participation	(2,617,136)	(2,860,134)	(5,477,270)	
Proceeds from loans	(208,938)		(208,938)	
Principal payments on loans		(1,920,793)	(1,920,793)	(75,288)
Interest payments on loans	(101,196)	(314,565)	(415,761)	(33,898)
Net Cash (Used for) Capital and Related Financing Activities	<u>(7,658,547)</u>	<u>(9,982,212)</u>	<u>(17,640,759)</u>	<u>(3,998,521)</u>
Cash Flows from Investing Activities:				
Advance to other fund		541,300	541,300	
Investment income received	224,744	689,788	914,532	212,580
Net Cash Provided by (Used for) Investing Activities	<u>224,744</u>	<u>1,231,088</u>	<u>1,455,832</u>	<u>212,580</u>
Net Increase in Cash and Cash Equivalents	73,104	2,590,402	2,663,506	(3,046,371)
Cash and Cash Equivalents at Beginning of Year	<u>41,177,098</u>	<u>66,783,823</u>	<u>107,960,921</u>	<u>26,439,806</u>
Cash and Cash Equivalents at End of Year	<u>\$ 41,250,202</u>	<u>\$ 69,374,225</u>	<u>\$ 110,624,427</u>	<u>\$ 23,393,435</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2013

	Water	Wastewater	Totals	Internal Service Funds
Reconciliation of Cash Equivalents to the statement of net assets:				
Cash and investments	\$ 13,252,402	\$ 38,707,223	\$ 51,959,625	\$ 23,393,435
Restricted assets	27,997,800	30,667,002	58,664,802	
Cash and Cash Equivalents at the End of Year	<u>\$ 41,250,202</u>	<u>\$ 69,374,225</u>	<u>\$ 110,624,427</u>	<u>\$ 23,393,435</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	<u>\$ 2,589,958</u>	<u>\$ 5,532,126</u>	<u>\$ 8,122,084</u>	<u>\$ 129,917</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation expense	3,416,452	5,283,575	8,700,027	1,659,691
Cash from rents and concessions	841,670		841,670	
Cash from other sources	283,534	368,469	652,003	48,519
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	207,730	(333,589)	(125,859)	(8,853)
(Increase) decrease in inventories				(72,527)
(Increase) decrease in loans receivable	893	42,625	43,518	
Increase (decrease) in accounts payable	58,819	488,693	547,512	190,016
Increase (decrease) in accrued expenses	12,549	13,441	25,990	26,278
Increase (decrease) in employee leave benefits payable	12,366	(28,814)	(16,448)	13,168
Increase in customer deposits	82,936		82,936	
(Decrease) in estimated claims payable				(1,422,442)
Total Adjustments	<u>4,916,949</u>	<u>5,834,400</u>	<u>10,751,349</u>	<u>433,850</u>
Net Cash Provided by Operating Activities	<u>\$ 7,506,907</u>	<u>\$ 11,366,526</u>	<u>\$ 18,873,433</u>	<u>\$ 563,767</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 2,007,672	\$ 1,263,251	\$ 3,270,923	\$ 43,112
Bond amortization	517	84,149	84,666	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds	Private Purpose Trust Fund Successor Agency of the Former CDC
<u>Assets</u>		
Cash and investments	\$ 7,189,150	\$ 9,467,710
Restricted:		
Cash and investments with fiscal agent	2,141,577	347,226
Receivables:		
Interest	7,660	37,329
Taxes	6,097	486,668
Loans		
Deferred bond issuance costs		174,586
Due from other governments		469,988
Capital assets:		
Not being depreciated		6,074,290
Being depreciated, net		34,855,814
Total Assets	<u>\$ 9,344,484</u>	<u>51,913,611</u>
<u>Deferred outflow of resources</u>		
Deferred charges on refunding		<u>223,987</u>
<u>Liabilities</u>		
Accounts payable	\$ 52,697	575,235
Deposits payable	5,573,809	
Due to bondholders	3,717,978	
Interest payable		610,649
Long-term liabilities:		
Due in one year		5,893,893
Due in more than one year		43,943,467
Total Liabilities	<u>\$ 9,344,484</u>	<u>51,023,244</u>
<u>Net Position</u>		
Held in trust for other purposes		<u>1,114,354</u>
Total Net Position		<u>\$ 1,114,354</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
	Successor Agency of the Former CDC
<u>Additions</u>	
Taxes	\$ 9,250,577
Interest and change in fair value of investments	(101,217)
Contributions from other governments	4,319,291
Other contributions	103,533
	13,572,184
 <u>Deductions</u>	
Administrative expenses	292,668
Residual payment	7,446,560
Interest expense	3,247,783
Depreciation expense	2,794,174
	13,781,185
Extraordinary gain/(loss) (Note 17)	34,948,363
Changes in Net Position	34,739,362
Net Position - Beginning of the Year, as originally reported	(33,259,206)
Restatements	(365,802)
Net Position - Beginning of the Year, as restated	(33,625,008)
Changes in Net Position	34,739,362
Net Position - End of the Year	\$ 1,114,354

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements
June 30, 2013

1: Summary of Significant Accounting Policies

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 generally accepted accounting principles, the financial statements present the government and its component units for which the government is considered financially accountable. The component units discussed below are included in the reporting entity because of their operational or financial relationships with 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 the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (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 separate governing board. It is included as a discretely presented component unit because the Foundation is financially dependent on the City for its management fee, facility and additional funding as needed based on annual operations. 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

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

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are not recognized until paid.

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

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 ROPS schedules. Other resources are received through loan repayments.

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.

Additionally, the City reports the following non-major fund types:

Governmental Funds

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

The Permanent Funds are used to account for resources that are legally restricted, to the extent that only earnings and not principal, may be used for purposes that support the City's programs.

Proprietary Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. Currently both enterprise funds of the City are reported as major funds.

The Internal Service Funds are utilized to finance and account for activities involved in rendering services to departments within the City. Costs of services are accumulated in these funds and charged to user departments as such costs are incurred. Services provided by these funds include insurance, building maintenance, equipment maintenance and central services.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary Fund financial statements include a statement of net position and statement of changes in fiduciary net position. The City's fiduciary funds include agency and private-purpose trust funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, and therefore, do not have a measurement focus. Private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following fiduciary funds which are excluded from the government-wide financial statements:

The Agency Funds 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.

The Private-Purpose Trust Fund accounts for the assets and liabilities of 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.

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

Amounts reported as program revenues include: 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or Equities

Cash and Investments

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

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

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

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. Cash invested in the City's cash management pool is also considered to be cash equivalents.

Receivables and Payables

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.

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 as of June 30, 2013.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

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.

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.

Land Held for Resale

Land held for resale is valued at lower of cost or market. The reported amount is equally offset by nonspendable fund balance, which indicates that it does not constitute available spendable resources. 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.

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.

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. 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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

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

Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, loans receivable, and grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 years 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 financial statements.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

In the government-wide financial statements, a liability is accrued for all earned but unused vacation leave benefits relating to the operations of the funds. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the City. In the fund financial statements, governmental funds accrue current liabilities for material vacation leave benefits due on demand to governmental fund employees that have terminated prior to year-end. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Fund Equity

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are not available for appropriation and restricted fund balance for amounts that are legally restricted by outside parties for use for a specific purpose. The City Council adopts and amends committed fund balance amounts through a resolution. The Finance Director authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted to him through a resolution adopted by City Council.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

1: Summary of Significant Accounting Policies (Continued)

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. At June 30, 2013, the balance totaled \$17,210,596.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

Use of Estimates

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

Restatements of Net Position

The City implemented GASB Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt. The accounting changes of this statement should be applied retroactive and therefore the City has reported a restatement of beginning net position for unamortized debt issuance costs (deferred charges) previously reported on the statement of net position to conform.

2: Stewardship, Compliance and Accountability

Budgetary Data

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, permanent or proprietary funds as the City is not legally required to adopt an annual budget for those funds. The funds with legally adopted budgets include the: General Fund, Successor Agency Housing Fund, Street Special Revenue Fund, Parks and Recreation Special Revenue Fund, Community Development Block Grant Special Revenue Fund, Landscape and Assessment District

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

2: Stewardship, Compliance and Accountability (Continued)

Special Revenue Fund, HOME Special Revenue Fund, Miscellaneous Special Revenue Fund, Golf Course Debt Service Fund, General Obligation Debt Service Fund and Community Development Commission Debt Service 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 re-appropriated 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.

Excess of Expenditures Over Appropriations

The following individual funds exceeded its expenditures budget:

Fund	Type of Fund	Amount Over Budget
Parks and Recreation	Special Revenue	\$ 5,185
HOME	Special Revenue	85,350
Successor Agency Housing	Special Revenue	734,821

These expenditures were funded with a combination of excess revenues over expenditures during the current fiscal year and by the available fund balance.

Deficit Fund Equity

The following funds reported a deficit fund balance as of June 30, 2013:

Fund	Deficit
Community Development Block Grant	\$ 12,046
Miscellaneous	133,877

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

3: Cash and Investments

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Governmental Activities	
Cash and investments	\$ 63,261,503
Cash and investments held by fiscal agent	717,543
Business-type Activities	
Cash and investments	51,959,625
Cash and investments held by fiscal agent	58,664,802
Component Unit	
Cash and investments	1,772,758
Fiduciary Funds:	
Cash and investments	16,656,860
Cash and investments held by fiscal agent	<u>2,488,803</u>
Total cash and investments	<u><u>\$ 195,521,894</u></u>

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand	\$ 8,811
Deposits with financial institutions	5,137,680
Investments	<u>190,375,403</u>
Total cash and investments	<u><u>\$ 195,521,894</u></u>

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

3: Cash and Investments (Continued)

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	20%	None
JPA Pools (other investment pools)	Yes	N/A	30%	None

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

3: Cash and Investments (Continued)

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	Remaining Maturity (in Months)			
	Total	18 Months or Less	18 to 42 Months	42 to 60 Months
U.S. Treasury Notes	\$ 3,534,981	\$ 2,501,075	\$ 1,033,906	\$
Federal Agency Securities	81,966,153	26,287,798	41,989,045	13,689,310
Money Market Funds	18,898,407	18,898,407		
Negotiable Certificates of Deposit	960,105	960,105		
State Investment Pool (LAIF)	23,203,101	23,203,101		
Subtotal	128,562,747	71,850,486	43,022,951	13,689,310
Held by fiscal agent:				
Federal Agency Securities	6,016,447	6,016,447		
Money Market Funds	10,693,348	10,693,348		
State Investment Pool	45,102,861	45,102,861		
Subtotal	61,812,656	61,812,656		
Total	\$ 190,375,403	\$ 133,663,142	\$ 43,022,951	\$ 13,689,310

Disclosures Relating to Credit Risk

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

3: Cash and Investments (Continued)

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AA+	Not Rated
U.S. Treasury Notes	\$ 3,534,981	N/A	\$ 3,534,981	\$	\$
Federal Agency Securities	81,966,153	N/A		81,966,153	
Money Market Funds	18,898,407	N/A	18,898,407		
Negotiable Certificates of Deposit	960,105				960,105
State Investment Pool (LAIF)	23,203,101	N/A			23,203,101
Held by fiscal agent:					
Federal Agency Securities	6,016,447	N/A		6,016,447	
Money Market Funds	10,693,348	N/A			10,693,348
State Investment Pool (LAIF)	45,102,861	N/A			45,102,861
Total	\$ 190,375,403		\$ 22,433,388	\$ 87,982,600	\$ 79,959,415

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	\$ 21,296,028
Federal Home Loan Bank	Federal agency securities	34,010,552
Federal Home Loan Mortgage Corp.	Federal agency securities	24,971,210
Federal Farm Credit Bank	Federal agency securities	7,704,810

Custodial Credit Risk

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

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, all of the City's deposits in excess of the federal depository insurance limit were held

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

3: Cash and Investments (Continued)

in collateralized accounts. For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

4: Receivables and Allowances for Uncollectible Receivables

All receivables are shown net of an allowance for uncollectibles which, at June 30, is as follows:

<u>Fund</u>	<u>Allowance Amount</u>
General Fund	\$ 2,057,097
Water Enterprise Fund	986,584

The General Fund allowance is mainly for paramedic and DUI cost recovery activities.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

5: Loans Receivable

The City and Commission 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 Commission's terms.

At June 30, 2013, the loans receivable was reported in the governmental and proprietary fund types as follows:

Governmental Funds	\$ 52,657,272
Proprietary Funds	<u>757,892</u>
Total loans receivable	<u><u>\$ 53,415,164</u></u>

The governmental funds loans at June 30, 2013 consisted of the following:

City of Escondido	
HOME grant fund loans	\$ 14,149,864
National Golf Operations	930,309
Successor Agency loan due to the Street Fund	970,754
Various loans	326,797
Successor Agency Housing Special Revenue Fund	
Loans given to developers and non-profits	28,651,887
Mobile home loan program	3,447,065
First-time homebuyer program	4,180,221
HOME loans	<u>375</u>
Total loans receivable	<u><u>\$ 52,657,272</u></u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

6: Capital Assets

A summary of changes in capital asset activity for the City's governmental and business type activities for the year ended June 30, 2013, is as follows:

Governmental-Activities:

	Balance at July 1, 2012	Transfer to Successor Agency *	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:							
Art and historical treasures	\$ 9,173,829	\$	\$ 358,365	\$	\$	\$	\$ 9,532,194
Land	51,968,699	(3,307,576)		(2,210,543)	46,202	13,801	46,482,981
Construction in progress	15,752,107		(15,984,940)		8,496,273		8,263,440
Total capital assets, not being depreciated	<u>76,894,635</u>	<u>(3,307,576)</u>	<u>(15,626,575)</u>	<u>(2,210,543)</u>	<u>8,542,475</u>	<u>13,801</u>	<u>64,278,615</u>
Capital assets, being depreciated:							
Land improvements	33,400,992		2,948,536		322,881	100,665	36,571,744
Buildings	138,812,973	(2,302,067)	3,157,816	(3,852,164)		456,918	135,359,640
Machinery and equipment	28,914,671		47,930		315,577	142,561	29,135,617
Motorized vehicles	15,781,354			43,112	2,091,318	248,207	17,667,577
Infrastructure	287,194,352		9,472,294	(792,624)	4,002,942		299,876,964
Golf course	4,326,835						4,326,835
Total capital assets, being depreciated	<u>508,431,177</u>	<u>(2,302,067)</u>	<u>15,626,576</u>	<u>(4,601,676)</u>	<u>6,732,718</u>	<u>948,351</u>	<u>522,938,377</u>
Less accumulated depreciation for:							
Land improvements	23,445,693				3,680,723	100,666	27,025,750
Buildings	36,551,788	(92,082)			3,509,000	202,120	39,766,586
Machinery and equipment	25,721,367				1,202,943	142,561	26,781,749
Motorized vehicles	12,458,683				1,464,395	248,208	13,674,870
Infrastructure	177,751,818				8,908,080		186,659,898
Golf course	1,393,299				144,273		1,537,572
Total accumulated depreciation	<u>277,322,648</u>	<u>(92,082)</u>			<u>18,909,414</u>	<u>693,555</u>	<u>295,446,425</u>
Total capital assets being depreciated, net	<u>231,108,529</u>	<u>(2,209,985)</u>	<u>15,626,576</u>	<u>(4,601,676)</u>	<u>(12,176,696)</u>	<u>254,796</u>	<u>227,491,952</u>
Governmental activities capital assets, net	<u>\$ 308,003,164</u>	<u>\$ (5,517,561)</u>	<u>\$</u>	<u>\$ (6,812,219)</u>	<u>\$ (3,634,221)</u>	<u>\$ 268,597</u>	<u>\$ 291,770,567</u>

* As a result of the California Department of Finance review of the Housing Asset Transfer assets of the former redevelopment agency were transferred to the Successor Agency. See Note 17 for additional information.

Construction in progress in the governmental activities consists primarily of additions to infrastructure, parks and the construction of a new public safety facility.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

6: Capital Assets (Continued)

Business-type Activities:

	Balance at July 1, 2012	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance at June 30, 2013
Capital assets not being depreciated:						
Land	\$ 1,805,205	\$	\$	\$	\$ 4,681	\$ 1,800,524
Construction in progress	3,968,331	(2,360,247)		7,705,991		9,314,075
Total Capital Assets Not being Depreciated	5,773,536	(2,360,247)		7,705,991	4,681	11,114,599
Capital assets being depreciated:						
Land improvements	946,475					946,475
Buildings	24,481,218					24,481,218
Machinery and equipment	6,111,886	40,304		60,989		6,213,179
Motorized vehicle			(43,112)	43,112		
Water system	118,225,742	1,938,210	780,184	1,227,488		122,171,624
Electrical system	3,609,179					3,609,179
Sewer system	157,320,355	381,733	12,440	1,250,810		158,965,338
Recycled water system	24,163,391					24,163,391
Total capital assets being depreciated	334,858,246	2,360,247	749,512	2,582,399		340,550,404
Less accumulated depreciation for:						
Land improvements	153,363			32,839		186,202
Buildings	16,806,168			585,457		17,391,625
Machinery and equipment	3,529,404			630,576		4,159,980
Water system	31,760,273			2,881,003		34,641,276
Electrical system	2,989,563			49,269		3,038,832
Sewer system	48,037,747			3,914,001		51,951,748
Recycled water system	4,971,541			606,883		5,578,424
Total accumulated depreciation	108,248,059			8,700,028		116,948,087
Total capital assets, being depreciated, net	226,610,187	2,360,247	749,512	(6,117,629)		223,602,317
Business-type activities capital assets, net	\$ 232,383,723	\$	\$ 749,512	\$ 1,588,362	\$ 4,681	\$ 234,716,916

Business-type construction in progress consists primarily of the expansion of the wastewater treatment plant, expansion of the recycled water system, designing the new Lake Wohlford Dam and designing and constructing new reservoirs.

Motorized vehicles purchased by enterprise funds are transferred to the internal service fleet fund to maintain.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

6: Capital Assets (Continued)

Component Unit:

	Balance at July 1, 2012	Adjustments*	Adjusted Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets being depreciated:						
Leasehold improvements	\$ 85,546	\$	\$ 85,546	\$	\$ 83,557	\$ 1,989
Machinery and equipment	1,324,288	(385,235)	939,053	18,372	316,874	640,551
Total capital assets being depreciated	1,409,834	(385,235)	1,024,599	18,372	400,431	642,540
Less accumulated depreciation for:						
Leasehold improvements	85,546		85,546		83,557	1,989
Machinery and equipment	1,295,959	(359,275)	936,684	6,043	316,338	626,389
Total accumulated depreciation	1,381,505	(359,275)	1,022,230	6,043	399,895	628,378
Total capital assets, being depreciated, net	28,329	(25,960)	2,369	12,329		14,162
Component unit capital assets, net	<u>\$ 28,329</u>	<u>\$ (25,960)</u>	<u>\$ 2,369</u>	<u>\$ 12,329</u>	<u>\$</u>	<u>\$ 14,162</u>

*Adjustments were made to capital assets to include furniture and equipment that were not previously recorded.

Depreciation Expense:

Depreciation expense was charged to the following functions:

	Governmental Activities	Business Type-	Component Unit
General Government	\$ 1,014,611	\$	\$
Public Safety	3,363,073		
Public Works	11,079,735		
Community Services	965,063		
Community Development	827,241		
Water		3,416,452	
Wastewater		5,283,575	
Capital Assets held by governments internal service funds are charged to the various functions based on their usage of the assets	1,659,691		
California Center for the Arts, Escondido Foundation			6,043
	<u>\$ 18,909,414</u>	<u>\$ 8,700,027</u>	<u>\$ 6,043</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

7: Interfund Receivable, Payable and Transfers

Due to/from other funds

	Due To Other Funds	
<u>Due from other Funds</u>	Nonmajor Governmental Funds	Totals
General Fund	\$ 605,221	\$ 605,221

The \$605,221 due from Nonmajor Governmental Funds to the General Fund are short term borrowings due to negative cash balances at the end of this fiscal year.

Advances to/from other funds

	Advances From:		
<u>Advance To:</u>	General Fund	Nonmajor Governmental Fund	Total
General Fund	\$	\$ 159,250	\$ 159,250
Wastewater Fund	3,780,000		3,780,000
Nonmajor Governmental Funds	440,000	200,000	640,000
Total	\$ 4,220,000	\$ 359,250	\$ 4,579,250

The advances were primarily used for the following:

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, 2013.

In November 2011, the Wastewater fund advanced the General Fund \$4,200,000 for the purposes of purchasing and improving the real property addressed at 2120 Harmony Grove, to be used for the purpose of developing a new City public works yard. The loan will be amortized over a period of 20 years and repayment will occur on June 30 of each calendar year with annual principal payment of \$210,000. The loan will bear interest at a rate equivalent to the City's calculated investment portfolio monthly yield. At June 30, 2013, the amount of \$3,780,000 remained outstanding.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

7: Interfund Receivable, Payable and Transfers (Continued)

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, 2013, the amount of \$440,000 remained outstanding.

The Parks and Recreation Special Revenue fund entered into an agreement with the Street Improvement Capital Projects fund in the amount of \$200,000.

Interfund Transfers

Transfer Out:	Transfers In:				Total
	General Fund	Successor Agency Housing Fund	Nonmajor Governmental Funds	Internal Service	
General Fund	\$	\$ 47,800	\$ 1,009,990	\$ 132,550	\$ 1,190,340
Successor Agency Housing			1,957,030		1,957,030
Nonmajor Governmental	2,203,381	487,731	792,030	43,253	3,526,395
Enterprise:					
Wastewater	25,000				25,000
Total	<u>\$ 2,228,381</u>	<u>\$ 535,531</u>	<u>\$ 3,759,050</u>	<u>\$ 175,803</u>	<u>\$ 6,698,765</u>

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities

Changes in long-term liabilities for Governmental Activities as of June 30, 2013, are as follows:

	Balance at July 1, 2012	Additions	Reductions	Transfers to Successor Agency of the former CDC *	Balance at June 30, 2013	Due Within One Year	Due Beyond One Year
Employee Leave Benefits							
Payable	\$ 6,819,254	\$ 5,276,960	\$ 5,121,501	\$	\$ 6,974,713	\$ 697,471	\$ 6,277,242
Claims Payable	15,236,057	1,189,086	2,589,086		13,836,057	2,767,211	11,068,846
Loans Payable	6,398,573		103,648	(5,300,000)	994,925	106,559	888,366
1993 Taxable Certificates of Participation	1,790,000		550,000		1,240,000	595,000	645,000
2006 Public Safety Facilities GO Bonds	77,295,000		1,630,000		75,665,000	1,700,000	73,965,000
2001 Reidy Creek Lease Revenue Bonds	5,320,000		5,320,000				
2013A Lease Revenue Bonds		4,830,000			4,830,000	205,000	4,625,000
Total	\$ 112,858,884	\$ 11,296,046	\$ 15,314,235	\$ (5,300,000)	103,540,695	\$ 6,071,242	\$ 97,469,453
Unamortized Bond Premium					703,935		
Unamortized Bond Discount					(9,703)		
Total					\$ 104,234,927		

*As a result of the dissolution of the redevelopment agency, indebtedness of the former redevelopment agency was transferred to the Successor Agency. See Note 17 for disclosures for indebtedness.

Employee Leave Benefits Payable

The City's policies relating to employee leave benefits are described in Note 1. The balance at June 30, 2013, is \$6,974,713. This liability will be paid in future years from future resources primarily from the General Fund.

Claims Payable

The balance of claims payable at June 30, 2013, is \$13,836,057. For more information, see Note 10.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

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, 2013, is \$821,826.

In 2011, the City was granted a loan from the San Diego Gas and Electric Company to fund various energy conservation projects. The term of the loan is 8 years of monthly installment payments which accrue no interest. The outstanding balance at June 30, 2013, is \$173,099.

Certificates of Participation

In December 1993, the City of Escondido issued \$6,775,000 taxable Certificates of Participation to provide financing for the construction of an 18-hole golf course. The principal is due annually in amounts ranging from \$160,000 to \$645,000 on September 1 of each year commencing with 1995 through the year 2014. Interest is payable semiannually on March 1 and September 1 of each year commencing September 1, 1994, at rates ranging from 5.5% to 8.4%. The reserves are fully funded. The outstanding balance at June 30, 2013, is \$1,240,000.

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 outstanding balance at June 30, 2013, is \$75,665,000. Unamortized bond premium is \$703,935 at June 30, 2013.

Lease Revenue Bonds

In April 2001, the City of Escondido issued \$6,300,000 in Lease Revenue Bonds to provide financing for the acquisition and construction of an 18-hole golf course. The principal is due annually on September 1 in amounts ranging from \$70,000 to \$240,000, commencing 2003 and ending 2020. In addition, \$3,770,000 of Term Bonds are due September 1, 2030. Interest is payable semiannually on March 1 and September 1 of each year commencing September 1, 2001, at rates ranging from 3.5% to 5.12%. In 2013 these bonds were fully refunded with the issuance of the 2013A Escondido Joint Powers Financing Authority Lease Revenue Bonds.

In March 2013, the City of Escondido issued \$4,830,000 in Lease Revenue Bonds to currently refund the Escondido Joint Powers Financing Authority 2001 Lease Revenue Bonds and to pay the costs incurred in connection with the issuance of the Series 2013A Bonds. 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%. No reserve fund is required. At June 30, 2013, the outstanding balance of these bonds was \$4,830,000. Unamortized bond discount and loss on refunding are \$9,703 and \$57,776 respectively at June 30, 2013.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

The city completed the refunding to reduce the total debt service payments over the next 18 years by \$1,070,797 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$551,691.

Debt Service Requirements to Maturity - Governmental Activities

The annual requirements to amortize outstanding long-term debt of the City's Governmental Activities through maturity, excluding amounts for employee leave benefits payable, claims payable and certain loans payable are as follows (expressed in thousands of dollars):

Year Ending June 30	Certificates of Participation		Lease Revenue Bonds		General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 595	\$ 79	\$ 205	\$ 155	\$ 1,700	\$ 3,497	\$ 106	\$ 31
2015	645	27	210	149	1,785	3,418	110	28
2016			215	145	1,875	3,326	113	25
2017			220	140	1,970	3,230	116	22
2018			230	133	2,065	3,140	118	18
2019-2023			1,255	555	11,995	14,139	432	36
2024-2028			1,475	336	15,305	10,952		
2029-2033			1,020	62	19,525	7,009		
2034-2038					19,445	1,904		
Total Debt Service Payments	<u>\$ 1,240</u>	<u>\$ 106</u>	<u>\$ 4,830</u>	<u>\$ 1,675</u>	<u>\$ 75,665</u>	<u>\$ 50,615</u>	<u>\$ 995</u>	<u>\$ 160</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

Changes in long-term liabilities for Business-type Activities as of June 30, 2013, are as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due Within One Year	Due Beyond One Year
Connection rights payable	\$ 13,657,015	\$	\$ 263,202	\$ 13,393,813	\$	\$ 13,393,813
Employee leave benefits payable	1,181,390	743,748	760,196	1,164,942	116,494	1,048,448
2007 Water Revenue COP	28,620,000		505,000	28,115,000	530,000	27,585,000
2012 Water Revenue Revenue Bond	31,660,000		285,000	31,375,000	645,000	30,730,000
2004A Wastewater COP	22,160,000		1,100,000	21,060,000	1,140,000	19,920,000
2004B Wastewater COP	8,590,000		425,000	8,165,000	445,000	7,720,000
2012 Wastewater Revenue Bond	27,390,000		130,000	27,260,000	140,000	27,120,000
Loans payable	24,715,177		2,129,731	22,585,446	2,136,745	20,448,701
Total	<u>\$ 157,973,582</u>	<u>\$ 743,748</u>	<u>\$ 5,598,129</u>	153,119,201	<u>\$ 5,153,239</u>	<u>\$ 147,965,962</u>
Less:						
Unamortized bond premium				3,609,320		
Unamortized bond discount				(87,003)		
Total				<u>\$ 156,641,518</u>		

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 at 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 at 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 determined monthly and paid based on receipts from current connection fees on building permits.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

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 balance at June 30, 2013, is \$13,393,813.

Employee Leave Benefits Payable

The City's policies relating to employee leave benefits are described in Note 1 of the Notes to Financial Statements. This liability will be paid in future years from future resources. The balance at June 30, 2013, is \$1,164,942.

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. No reserve fund is required. The outstanding balance at June 30, 2013, is \$28,115,000. Unamortized bond premium is \$200,129 at June 30, 2013.

Certificates of Participation

In December 2004, the City of Escondido issued \$28,805,000 Certificates of Participation to provide funds for a refunding of City of Escondido 1996 Wastewater Refunding Project COP. The 1996 Certificates of Participation were used to refund the City's 1972 Sewer Revenue Bonds, Series A, which were used for the acquisition of Daley Ranch and related water and sewer connection rights. The 1996 defeased bonds have subsequently been fully redeemed.

The 2004A refunding COP bears interest rates between 2.50% and 4.75% and are issued under a trust agreement dated December 1, 2004 with the Bank of New York Trust Company as trustee. The refunding COP mature between September 1, 2005 through September 1, 2026, in the amounts

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

ranging from \$725,000 to \$1,975,000. At June 30, 2013, the reserve was fully funded. The outstanding balance at June 30, 2013, is \$ 21,060,000. Unamortized bond discount and loss on refunding are \$87,002 and \$1,778,624, respectively, at June 30, 2013.

In December 2004, the City of Escondido issued \$10,775,000 Certificates of Participation to provide funds for certain capital improvements to the City's Wastewater System. The COP were executed and delivered concurrently with the City's 2004A Certificates of Participation.

The 2004B COP bears interest at rates between 3.31% and 4.18%. MBIA Insurance Corporation was the issuer of the COP and has simultaneously issued a financial guaranty insurance policy with the COP. The rate covenant requirement for the COP is net revenues equal to one hundred fifteen percent (115%) of the debt service for each fiscal year. At June 30, 2013, the reserve was fully funded. The outstanding balance at June 30, 2013, is \$8,165,000.

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 \$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 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 2037 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, 2013, is \$27,260,000. Unamortized bond premium is \$1,817,202 at June 30, 2013. A reserve fund is not established.

In March 2012, the City issued \$31,660,000 in Revenue Water System Financing Bonds to finance certain capital projects and to current refund a portion of \$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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

Term certificates pay interest at 5.0%, and require 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, 2013, is \$31,375,000. Unamortized bond premium and loss on refunding are \$1,591,989 and \$1,127,494, respectively, at June 30, 2013. A reserve fund is not established.

The 2012 refunding of the 2000A and 2002A Revenue Certificates of Participation resulted in a total economic gain (difference between the present values of the old and new debt service payments) to the city of \$1,702,728. The debt service payments representing the applicable portions the 2012 Water and Wastewater Revenue Bond issues allocated to the refunding of the 2000A and 2002A Revenue Certificates of Participation exceed the remaining refunded debt service payments by a total of \$1,625,006.

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 in the amount of \$488,990 commencing 2002 and ending 2021. The principal and interest on the second phase loan is due annually on April 1 in the amount of \$1,728,852 commencing 2004 and ending 2023. The outstanding balance at June 30, 2013, is \$17,666,972.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

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, 2013, is \$1,251,378.

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, 2013, is \$1,019,802.

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 project 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, 2013, is \$2,647,294.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

Debt Service Requirements to Maturity - Business-type Activities

The annual requirements to amortize outstanding long-term debt of the City's Business-type Activities as of June 30, 2013, excluding amounts for connection rights payable, employee leave benefits payable, deposits payable, loans payable, and discounts on Certificates of Participation are as follows (expressed in thousands of dollars):

Year Ending June 30	Water Revenue COP		Water Revenue Bond		Wastewater COP		Wastewater Revenue Bond		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 530	\$ 1,282	\$ 645	\$ 1,431	\$ 1,585	\$ 1,321	\$ 140	\$ 1,297	\$ 2,137	\$ 490
2015	550	1,260	475	1,420	1,650	1,258	145	1,294	2,144	483
2016	565	1,238	495	1,408	1,720	1,188	150	1,290	2,151	476
2017	595	1,214	500	1,391	1,795	1,112	155	1,286	2,159	468
2018	620	1,190	520	1,370	1,875	1,032	160	1,280	2,167	460
2019-2023	3,485	5,550	2,940	6,517	10,780	3,751	905	6,298	10,141	2,017
2024-2028	4,805	4,685	3,390	5,875	9,820	926	2,035	6,086	1,088	138
2029-2033	4,580	3,394	6,045	4,991			6,705	4,980	598	30
2034-2038	12,385	1,753	2,060	3,628			8,465	3,169		
2039-2042			14,305	1,474			8,400	866		
Total Debt Service	<u>\$ 28,115</u>	<u>\$ 21,566</u>	<u>\$ 31,375</u>	<u>\$ 29,505</u>	<u>\$ 29,225</u>	<u>\$ 10,588</u>	<u>\$ 27,260</u>	<u>\$ 27,846</u>	<u>\$ 22,585</u>	<u>\$ 4,562</u>

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	19,842,552	7,614,939	38.38%
Loan repayment revenue	1,082,830	1,082,186	99.94%

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

8: Long-Term Liabilities (Continued)

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, 2013, the City met this requirement, as follows:

	<u>Water</u>	<u>Wastewater</u>
Gross revenues, excluding intergovernmental revenue and developer contributions	\$ 50,215,826	\$ 29,654,230
Operating and maintenance expenses, excluding depreciation, interest and transfers	<u>42,624,517</u>	<u>17,402,987</u>
Net revenues	<u>7,591,309</u>	<u>12,251,243</u>
Amount required:		
Debt service payments	3,709,873	6,532,276
Coverage required	<u>1.20</u>	<u>1.15</u>
Amount required	<u>4,451,848</u>	<u>7,512,117</u>
Excess of net revenues	<u>\$ 3,139,461</u>	<u>\$ 4,739,126</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

9: Fund Balance and Net Position

A. Fund Balance Classifications

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Advances to other funds	\$ 159,250	\$	\$ 640,000	\$ 799,250
Noncurrent loans				
receivable	61,443	39,678,840	16,316,280	56,056,563
Inventory			15,998	15,998
Prepaid expenditures			12,693	12,693
Deposits			75,628	75,628
Land held for resale	2,282,708	2,658,263	802,142	5,743,113
Restricted for:				
Housing & community development		509,644	2,609,164	3,118,808
Debt service			5,567,306	5,567,306
Capital projects			5,003,822	5,003,822
Street maintenance			4,509,889	4,509,889
Landscape and assessment districts			805,250	805,250
Law enforcement			257,328	257,328
Other grants			7,390	7,390
Daley Ranch			716,352	716,352
Park development			420,424	420,424
Public art			379,324	379,324
Committed to:				
Reserves	17,210,596			17,210,596
Capital projects			2,281,265	2,281,265
Daley Ranch restoration			13,298	13,298
Reidy Creek Golf Course			55,506	55,506
Ryan Trust			108,113	108,113
Hegyí Trust			8,593	8,593
Assigned to:				
Underground waivers	386,412			386,412
Carryovers	315,025			315,025
Library Trust	279,241			279,241
Capital projects			159,405	159,405
Unassigned	247,130		(1,248,533)	(1,001,403)
Total Fund				
Balances (Deficits)	<u>\$ 20,941,805</u>	<u>\$ 42,846,747</u>	<u>\$ 39,516,637</u>	<u>\$ 103,305,189</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

9: Fund Balance and Net Asset (Continued)

B. Restatements

Fund balance restatements were made for the following:

Major Governmental Fund:

General

To restate interest income related to the CDC loan repayment	\$ (15,088,154)
To record property as land held for resale	<u>6,062,708</u>

Total Fund Balance Restatements	<u><u>\$ (9,025,446)</u></u>
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Business Type Funds:

Water

To record prior period adjustment related to GASB 65 revised definition of bond related cost of issue	\$ (558,507)
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Wastewater

To record prior period adjustment related to GASB 65 revised definition of bond related cost of issue	(579,350)
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Fiduciary Fund:

Successor Agency

To record prior period adjustment related to GASB 65 revised definition of bond related cost of issue	<u>(365,802)</u>
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Total Net Position Restatements	<u><u>\$ (1,503,659)</u></u>
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Government-wide Statement of Net Position:

Governmental Activities:

To transfer capital asset land and buildings to land held for resale in the General Fund (net depreciation expense)	\$ 154,086
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To record prior period adjustment related to GASB 65 revised definition of bond related cost of issue	<u>(489,591)</u>
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Total Governmental Activities Net Position Restatements	<u><u>(335,505)</u></u>
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Business-Type Activities:

To record prior period adjustment related to GASB 65 revised definition of bond related cost of issue	<u>(1,137,857)</u>
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Total Net Position Restatements	<u><u>\$ (1,473,362)</u></u>
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CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

10: Self-Insurance and Contingent Liabilities

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

If and when SANDPIPA is dissolved, the remaining assets, after all premiums and assessments have been paid and final disposition of all claims has been determined, will be distributed to members proportionate to each city's cash contributions made during the life of SANDPIPA. Until dissolution, however, no city has identifiable equity in SANDPIPA.

As of June 30, 2013, the City has recorded general self-insurance and workers' compensation liabilities of \$4,447,342 and \$9,388,715, respectively, for a total of \$13,836,057. 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 the Basic Financial Statements (Continued)
June 30, 2013

10: Self-Insurance and Contingent Liabilities (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. For the past two fiscal years, the changes in the City's liability for claims payable are summarized as follows

	Beginning Balance	Claims Incurred and Charges in Estimates	Less Claim Payments	Ending Balance
2010-11	11,399,610	1,533,593	(1,715,694)	11,217,509
2011-12	11,217,509	6,104,192	(2,085,644)	15,236,057
2012-13	15,236,057	1,189,086	(2,589,086)	13,836,057

11: Debt without Government Commitment

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, 2013	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	<u>\$ 16,950,000</u>	<u>\$ 11,150,000</u>	

Special Assessment Debt Without Government Commitment

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 commenced September 2, 1999 and 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, 2013, the 86-1-R Limited Obligation Improvement Refunding Bonds outstanding were \$1,665,000.

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 and annual principal payments are made on September 2 in amounts ranging from \$80,000 to \$165,000 commencing in 1999 and ending in 2013.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

11: Debt without Government Commitment (Continued)

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, 2013, the 98-1 Limited Obligation Refunding Bonds outstanding were \$3,195,000.

In October 2001, the City issued \$3,085,000 in Special Tax Bonds for Community Facility District No. 2000-01 (Hidden Trails). Interest payments commenced September 1, 2002, and are paid semiannually thereafter on September 1 and March 1 of each year. Principal payments commence September 1, 2003 and are paid annually in amounts ranging from \$45,000 to \$110,000, commencing 2003 and ending 2020. In addition, \$1,785,000 of Term Bonds are due September 1, 2031. The bonds were issued to finance various public improvements needed to develop property located within Community Facilities District No. 2000-01 (Hidden Trails). The principal outstanding balance as of June 30, 2013, was \$2,505,000. On July 30, 2013, \$2,355,000 in Special Tax Refunding Bonds for Community Facility District No. 2000-01, (Hidden Trails), Series 2013 were issued to current refund effective September 1, 2013, the Special Tax Bonds for Community Facility District No. 2000-01 (Hidden Trails). Principal payments for the Refunding Bonds will range from \$95,000 to \$185,000 to be paid annually on September 1, commencing 2014 and ending 2031. Interest payments will commence in March 2014 and will be paid semiannually thereafter on September 1 and March 1 of each year.

In October 2006, the City issued \$18,080,000 in Special Tax Bonds for Community Facility District No. 2006-01 (Eureka Ranch). Interest payments commenced March 1, 2007 and are paid semiannually thereafter on September 1 and March 1 of each year. Principal is paid annually in amounts ranging from \$330,000 to \$530,000, commencing September 1, 2009 and ending September 1, 2020. In addition, \$3,730,000 and \$9,300,000 of Term Bonds are due September 1, 2026 and 2036 respectively. The bonds were issued to finance various public improvements needed to develop property located within Community Facilities District No. 2006-01 (Eureka Ranch). The principal outstanding balance as of June 30, 2013, was \$16,575,000.

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.

12: Defeasance of Debt from Previous Years

In prior years the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and liability for the defeased bonds were not included in the City's financial statements. On June 30, 2013, there were no defeased bonds outstanding.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

13: City Employees Retirement Plans

Defined Benefit Pension Plan (PERS)

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. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries.

PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial reports may be obtained from its executive office at Lincoln Plaza North, 400 "Q" Street, Sacramento, California 95811.

Participants under the miscellaneous plan are required to contribute 8% of their annual covered salary. The City previously made 7% of the 8% contributions required of City employees on their behalf and for their account, but effective between June 30, 2011 and August 7, 2011, the City no longer pays the employee portion for the Miscellaneous Plan. Participants under the safety plan are required to contribute 9% of their annual covered salary of which, the City pays all of the Police employees required contribution. The Fire employees pay their own required contribution. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2013, has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 23.827% of payroll for the miscellaneous plan and 33.701% of payroll for the safety plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2013.

Three-Year Trend Information
Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	6,299,964	6,265,276	100%	\$ -
6/30/2012	6,850,763	6,821,337	100%	-
6/30/2013	6,899,676	7,321,546	100%	-

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

13: City Employees Retirement Plans (Continued)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the miscellaneous and safety plans were 78.2% and 82.9% funded, respectively. The actuarial accrued liability for benefits was \$301,925,404 and \$277,251,472 for miscellaneous and safety, respectively, and the actuarial value of assets was \$235,998,321 and \$229,827,258 for miscellaneous and safety, respectively, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,927,083 and \$47,424,214 for miscellaneous and safety, respectively. The covered payroll (annual payroll of active employees covered by the plans) were \$31,403,451 and \$19,568,948 for miscellaneous and safety, respectively, and the ratios of the UAAL to the covered payroll were 209.9% and 242.3% for miscellaneous and safety, respectively.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

A summary of principle assumptions and methods used for the most recent actuarial valuation are as follows:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2012	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date	27 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CaIPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

13: City Employees Retirement Plans (Continued)

Defined Contribution Plan (PARS)

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, 2013, the City's total covered payroll was \$2,166,954. The City made employer contributions of \$0, and employees contributed \$161,445 (7.45 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.

14: Other Disclosures

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, 2013, the balance is \$13,166,660.

15: Contingencies

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

15: Contingencies (Continued)

Advances to Successor Agency

In accordance with AB X1 26 which dissolves redevelopment agencies, Section 34171(d)(2) states, in relation to borrowings between the City and the Agency, that “for purposes of this part, enforceable obligation does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for the purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations”. The City believes these are to be upheld as viable enforceable obligations and have been included on the Recognized Obligation Payment Schedule (ROPS) from the Successor Agency. Certain amounts have been denied by the Department of Finance and these borrowings are currently in litigation and the possible outcome is unknown at this time.

16: Construction Commitments

The following material construction commitments existed at June 30, 2013:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2013</u>	<u>Remaining Commitments</u>
HARRF Influent Pump Station Rehab	\$ 7,761,025	\$ 696,568	\$ 7,064,457

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

17: Successor Agency Trust For Assets of the Former Redevelopment Agency

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 25, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-16.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

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

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

17: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

A. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments	\$ 9,467,710
Cash and investments with fiscal agent	<u>347,226</u>
Total	<u><u>\$ 9,814,936</u></u>

B. Capital Assets

The following capital assets were transferred from the former CDC to the Successor Agency as of February 1, 2012, as a result of the dissolution.

An analysis of capital assets as of June 30, 2013, is as follows:

	Balance at July 1, 2012	Transfer from City	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 2,766,714	\$ 3,307,576	\$	\$	\$ 6,074,290
Total capital assets, not being depreciated	2,766,714	3,307,576	\$		6,074,290
Capital assets, being depreciated:					
Land improvements	139,295				139,295
Buildings	82,080,470	2,302,068			84,382,538
Machinery and equipment	276,473				276,473
Total capital assets, being depreciated	82,496,238	2,302,068			84,798,306
Less accumulated depreciation for:					
Land improvements	139,295				139,295
Buildings	46,640,468	92,082	2,794,174		49,526,724
Machinery and equipment	276,473				276,473
Total accumulated depreciation	47,056,236	92,082	2,794,174		49,942,492
Total capital assets being depreciated, net	35,440,002	2,209,986	(2,794,174)		34,855,814
Total capital assets, net	<u>\$ 38,206,716</u>	<u>\$ 5,517,562</u>	<u>\$ (2,794,174)</u>	<u>\$</u>	<u>\$ 40,930,104</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

17: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

C. Long-Term Debt

The following debt was transferred from the former CDC to the Successor Agency as of February 1, 2012, as a result of the dissolution.

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2013, follows:

	Balance at July 1, 2012	Transfers from City	Additions	Reductions	Balance at June 30, 2013	Due Within One Year	Due Beyond One Year
Advances from the City of Escondido	\$ 19,154,098	\$	\$ 21,715,248	\$ 36,499,300	\$ 4,370,046	\$	\$ 4,370,046
1992 Tax Allocation Revenue Bonds	4,297,076			2,080,430	2,216,646	568,893	1,647,753
2007 A & B Lease Revenue Bonds	42,260,000			6,715,000	35,545,000	3,475,000	32,070,000
Loans - Other Governments		5,300,000	1,282,222		6,582,222	1,850,000	4,732,222
Total	\$ 65,711,174	\$ 5,300,000	\$ 22,997,470	\$ 45,294,730	48,713,914	\$ 5,893,893	\$ 42,820,021
Unamortized Bond Premium					1,123,446		
Total					\$ 49,837,360		

Advances from the City of Escondido

The Community Development Commission Debt Service Fund had received monies from the General Fund, Street Special Revenue Fund and Community Development Commission Low and Moderate Income Housing Fund for use in its operations, capital improvement projects, and Educational Revenue Augmentation Fund payments made for fiscal years 1992-93 through 1994-95 and 2003-04 through 2005-06. These advances were absorbed by the Successor Agency at February 1, 2012 and recorded on the ROPS to be an enforceable obligation. In a letter dated December 18, 2012 the California Department of Finance disallowed \$37,470,054. These borrowings are currently in litigation and the possible outcome is unknown at this time. At June 30, 2013, the outstanding balance of the advances from the Street Special Revenue Fund in the amount of \$970,754 and the Successor Agency Housing Fund in the amount of \$3,399,292 equal a combined total of \$4,370,046.

Tax Allocation Bonds

In January 1992, the Escondido Joint Powers Financing Authority issued \$35,986,152 Revenue Bonds Series 1992 for the purpose of making a loan to the Escondido Community Development Commission. In December 2001, the Commission issued \$22,420,000 Revenue Bonds to advance refund \$23,585,000 of the bonds. The remaining bonds consist of capital appreciation bonds in the initial amounts of \$612,259 and \$568,893 due on September 1, 2012 and September 1, 2013, respectively, in the accreted amounts of \$2,240,000 each. The outstanding balance at June 30, 2013, includes \$1,647,753 of accreted value of the capital appreciation bonds. The outstanding balance at June 30, 2013, is \$2,216,646.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

17: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

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 proceeds 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, 2013, is \$35,545,000. Unamortized bond premium and gain on refunding was \$1,123,447 and \$223,987 respectively, at June 30, 2013.

Debt Service Requirements to Maturity - Governmental Activities

The annual requirements to amortize outstanding long-term debt including accreted values through maturity, excluding amounts for employee leave benefits payable, claims payable and loans payable are as follows (expressed in thousands of dollars):

Year Ending	Tax Allocation		Lease Revenue	
	Bonds*		Bonds	
June 30	Principal	Interest	Principal	Interest
2014	\$ 2,240		\$ 3,475	\$ 1,742
2015			5,785	1,504
2016			6,085	1,198
2017			6,400	876
2018			6,730	537
2018-2022			7,070	183
Total Debt Service				
Payments	<u>\$ 2,240</u>	<u>\$</u>	<u>\$ 35,545</u>	<u>\$ 6,040</u>

*These totals include capital appreciation of \$182,924 that will be accrued in future years.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2013

17: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

Pledged Revenue

The former CDC pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$2,240,000 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved CDC was \$9,250,577 and the debt service obligation on the bonds was \$10,956,000.

D. Insurance

The Successor Agency is covered under the City of Escondido's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 10.

E. Commitments and Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

F. Extraordinary gain/(loss)

With the dissolution of the former redevelopment agency there was considerable uncertainty regarding how certain items should be reported in financial statements and as to what items constituted enforceable obligations and valid asset transfers. Subsequently, and with the State of California Department of Finance, certain items were moved to the City's Housing Authority rather than the Successor Agency. These items have been treated as extraordinary items.

Required Supplementary Information

CITY OF ESCONDIDO
Public Employees Retirement System
Schedule of Funding Progress
June 30, 2013

The Schedule of Funding Progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Safety Employees

Actuarial Valuation Date	Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
6/30/2010	252,291,718	207,089,859	45,201,859	82.1%	21,499,550	210.2%
6/30/2011	264,683,120	219,102,277	45,580,843	82.8%	20,389,124	223.6%
6/30/2012	277,251,472	229,827,258	47,424,214	82.9%	19,568,948	242.3%

Miscellaneous Employees

Actuarial Valuation Date	Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
6/30/2010	273,248,044	211,856,211	61,391,833	77.5%	33,837,511	181.4%
6/30/2011	289,371,286	224,366,487	65,004,799	77.5%	32,582,511	199.5%
6/30/2012	301,925,404	235,998,321	65,927,083	78.2%	31,403,451	209.9%

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Sales Tax:				
Sales tax	\$ 22,681,000	\$ 24,400,000	\$ 23,360,648	\$ (1,039,352)
In-lieu sales tax	7,242,000	7,477,895	7,477,896	1
Total Sales Tax	29,923,000	31,877,895	30,838,544	(1,039,351)
Other Taxes:				
Property taxes	10,291,000	9,976,000	10,277,213	301,213
Property transfer tax	378,000	378,000	427,252	49,252
Franchise tax	6,234,000	6,234,000	6,333,009	99,009
Transient occupancy tax	1,181,000	1,181,000	1,228,022	47,022
Business license tax	1,622,000	1,622,000	1,588,259	(33,741)
Miscellaneous other taxes	369,000	878,000	1,310,787	432,787
Total Other Taxes	20,075,000	20,269,000	21,164,542	895,542
Licenses and Permits:				
Tow licenses	450,000	390,000	450,000	60,000
Building permits	350,000	350,000	256,068	(93,932)
Other licenses and permits	194,000	194,000	181,315	(12,685)
Total Licenses and Permits	994,000	934,000	887,383	(46,617)
Fines and Forfeits:				
Vehicle code fines	500,000	500,000	405,169	(94,831)
Parking ticket fines	200,000	200,000	165,269	(34,731)
Library fines	79,000	79,000	82,028	3,028
Booking fees	78,000	78,000	66,546	(11,454)
Red light photo citations	320,000	320,000	451,667	131,667
Other fines	349,000	349,000	297,630	(51,370)
Total Fines and Forfeits	1,526,000	1,526,000	1,468,309	(57,691)

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Intergovernmental:				
State motor vehicle in lieu		75,000	75,618	618
Property tax in-lieu	10,605,000	10,428,000	10,428,037	37
Grants	462,450	470,399	474,356	3,957
Rincon fire operation fees	1,900,000	1,900,000	1,950,409	50,409
Miscellaneous agencies	215,050	215,050	155,990	(59,060)
Total Intergovernmental	13,182,500	13,088,449	13,084,410	(4,039)
Charges for Services:				
Zoning and subdivision fees	70,000	70,000	64,706	(5,294)
Annexation fees	5,000	5,000	7,815	2,815
Sale of maps and publications	1,000	1,000	134	(866)
Plan check fees	173,000	173,000	199,668	26,668
Environmental impact report	5,000	5,000	8,525	3,525
Engineering and inspection fees	460,000	460,000	597,847	137,847
Special police services	619,000	489,000	342,502	(146,498)
Fire and paramedic services	3,963,000	3,963,000	4,167,348	204,348
Processing fees	44,000	44,000	44,620	620
Senior services	13,000	13,000	9,134	(3,866)
Audio visual rentals	60,000	60,000	57,704	(2,296)
Recycling revenue	776,000	776,000	593,882	(182,118)
Other	31,000	31,000	177,852	146,852
Total Charges for Services	6,220,000	6,090,000	6,271,737	181,737
Investment income	560,000	450,000	(206,715)	(656,715)
Miscellaneous:				
Rent	3,072,000	2,859,000	2,825,957	(33,043)
Contributions	31,000	63,437	34,992	(28,445)
Mobile home fees	41,000	41,000	59,942	18,942
Library trust donations			77,001	77,001
Other	237,000	1,160,500	977,679	(182,821)
Total Miscellaneous	3,381,000	4,123,937	3,975,571	(148,366)
Total Revenues	75,861,500	78,359,281	77,483,781	(875,500)

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Expenditures:				
General Government:				
City council	291,625	291,625	279,432	(12,193)
City manager	801,965	1,052,300	1,027,608	(24,692)
City attorney	156,420	214,865	212,909	(1,956)
City clerk	469,875	488,415	436,431	(51,984)
City treasurer	295,605	306,240	291,808	(14,432)
Finance	1,067,455	1,164,720	1,027,327	(137,393)
Human resources	497,555	541,860	473,180	(68,680)
Information systems	968,360	1,001,595	972,234	(29,361)
Other	3,578,535	1,157,370	508,097	(649,273)
Total General Government	8,127,395	6,218,990	5,229,026	(989,964)
Public Safety:				
Police	33,221,490	34,345,365	34,057,362	(288,003)
Fire	17,331,745	18,665,450	18,957,267	291,817
Total Public Safety	50,553,235	53,010,815	53,014,629	3,814
Public Works:				
Highways and streets	10,211,485	11,084,940	10,292,856	(792,084)
Community Services:				
Library	3,149,460	3,342,725	3,348,951	6,226
Community services	2,423,100	894,209	2,506,633	1,612,424
Community relations	144,050	144,050	84,000	(60,050)
Total Community Services	5,716,610	4,380,984	5,939,584	1,558,600

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Community Development:				
Planning	1,303,520	1,328,780	1,237,455	(91,325)
Building	724,355	814,750	742,973	(71,777)
Code enforcement	990,730	1,016,235	915,300	(100,935)
Total Community Development	<u>3,018,605</u>	<u>3,159,765</u>	<u>2,895,728</u>	<u>(264,037)</u>
Capital outlay			51,114	51,114
Debt Service:				
Principal retirements			23,175	23,175
Total Expenditures	<u>77,627,330</u>	<u>77,855,494</u>	<u>77,446,112</u>	<u>(483,671)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,765,830)</u>	<u>503,787</u>	<u>37,669</u>	<u>(391,829)</u>
Other Financing Sources (Uses):				
Transfers in	2,728,820	2,819,401	2,228,381	(591,020)
Transfers out	(2,033,225)	(2,957,575)	(1,190,340)	1,767,235
Total Other Financing Sources (Uses)	<u>695,595</u>	<u>(138,174)</u>	<u>1,038,041</u>	<u>1,176,215</u>
Extraordinary gain/(loss) (Note 17)			(9,832,652)	2,943,450
Net Change in Fund Balance	(1,070,235)	365,613	(8,756,942)	784,386
Fund Balance at Beginning of Year, as restated	<u>29,698,747</u>	<u>29,698,747</u>	<u>29,698,747</u>	
Fund Balance at End of Year	<u>\$ 28,628,512</u>	<u>\$ 30,064,360</u>	<u>\$ 20,941,805</u>	<u>\$ 784,386</u>

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
Successor Agency Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Intergovernmental	\$	\$ 976,584	\$ 976,584	\$
Lease income	139,140	192,140	216,155	24,015
Investment income			461,693	461,693
Miscellaneous			6,313	6,313
Total Revenues	139,140	1,168,724	1,660,745	492,021
Expenditures:				
Community development	707,105	1,772,896	1,985,309	212,413
Contributions to other governments			522,408	522,408
Total Expenditures	707,105	1,772,896	2,507,717	734,821
Excess of Revenues Over Expenditures	(567,965)	(604,172)	(846,972)	(242,800)
Other Financing Sources (Uses):				
Sale of city property	350,000	350,000	111,234	(238,766)
Transfers in	25,000	25,000	535,531	510,531
Transfers out			(1,957,030)	(1,957,030)
Total Other Financing Sources (Uses)	375,000	375,000	(1,310,265)	(1,685,265)
Net Change in Fund Balance	(192,965)	(229,172)	(2,157,237)	(1,928,065)
Fund Balance at Beginning of Year	45,003,984	45,003,984	45,003,984	
Fund Balance at End of Year	\$ 44,811,019	\$ 44,774,812	\$ 42,846,747	\$ (1,928,065)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
Notes to Required Supplementary Information
June 30, 2013

Budgetary Data

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, Parks and Recreation, Community Development Block Grant, Landscape and Assessment District, HOME and Miscellaneous Funds.

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 reappropriated 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

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.
- 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.
- Proposition 1B Highway Safety and Traffic Reduction Bond Act is a state grant for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality and enhance the safety of the state's transportation system. All resources are legally restricted for street-related expenditures within the public right-of-way.

PARKS AND RECREATION FUND

This fund was established to account for transactions related to:

- The purchase and development of parks with funding received from park development fees collected from developers.
- All Park and Recreation transactions. This includes operation of the East Valley Community Center, Kit Carson Park Sports Center, and the Reidy Creek Municipal Golf Course.
- The revenue received from the sale of mitigation credits. The funds will be used to provide fund restoration projects at Daley Ranch.

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 36 active assessment districts.

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.

CABLE TECHNOLOGY FUND

This fund was created to account for a Technology Grant from Cox Communications for the purchase and installation of telecommunications equipment and 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:

- The maintenance and operation of the City-owned public parking lots. Funding is provided by parking permit revenues.
- 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.

DEBT SERVICE FUNDS

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.

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.

SUCCESSOR AGENCY HOUSING DEBT SERVICE FUND

This fund was created to account for transactions related to various loans due to CalHFA, including the accumulation of resources for and the payment of principal and interest on the loans. These loans were used for various Housing Set Aside development projects.

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.

PUBLIC SAFETY FACILITIES

This fund was created to account for projects related to the fire, police and paramedic 911 emergency response measure (Proposition P). These projects are intended to improve fire and police response times, better coordinate emergency/disaster response and public communication and improve paramedic response time. On November 2, 2004, Escondido voters approved Proposition P, which authorized the sale of up to \$84,350,000 in municipal bonds to finance the new public safety facilities. Funding is provided through special assessments on the property tax rolls.

CAPITAL PROJECT FUNDS

(Continued)

GENERAL CAPITAL PROJECT 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 AND BICYCLE 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.
- From SANDAG relative to the Transportation Development Act. Expenditures in this fund pertain to the development of bike paths.

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, 2013

	Special Revenue Funds			
	Street	Parks and Recreation	Community Development Block Grant	Landscape and Assessment District
<u>Assets:</u>				
Cash and investments	\$ 4,611,844	\$ 1,440,074	\$	\$ 801,696
Cash and investments with fiscal agent				
Receivables:				
Accounts		274,237		
Interest	17,504	5,990		3,130
Taxes				2,238
Loans	970,754	930,309	265,353	
Due from other governments	284,968	13,356	524,561	
Inventory, at cost		15,998		
Prepaid expenditures		12,693		
Deposits		75,628		
Land held for resale				
Advances to other funds				
Total Assets	<u>\$ 5,885,070</u>	<u>\$ 2,768,285</u>	<u>\$ 789,914</u>	<u>\$ 807,064</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances:</u>				
Liabilities:				
Payables:				
Accounts	\$ 36,075	\$ 67,227	\$ 20,943	\$ 1,814
Deposits		72,642		
Accrued expenditures	143	85,351	6,368	
Due to other funds			363,692	
Due to other governments				
Advances from other funds		200,000		
Total Liabilities	<u>36,218</u>	<u>425,220</u>	<u>391,003</u>	<u>1,814</u>
Deferred Inflows of Resources:				
Unavailable Revenue	<u>789,834</u>	<u>13,356</u>	<u>410,957</u>	
Fund Balances (Deficits):				
Nonspendable	970,754	1,034,628	265,353	
Restricted	4,088,264	1,567,504		805,250
Committed		68,804		
Assigned				
Unassigned		(341,227)	(277,399)	
Total Fund Balances (Deficits)	<u>5,059,018</u>	<u>2,329,709</u>	<u>(12,046)</u>	<u>805,250</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,885,070</u>	<u>\$ 2,768,285</u>	<u>\$ 789,914</u>	<u>\$ 807,064</u>

Special Revenue Funds				Debt Service Funds
Law Enforcement	Cable Technology	HOME	Miscellaneous	Golf Course
\$ 115,921	\$ 7,359	\$ 2,599,046	\$ 499,546	\$
				717,543
206,163				
2,131	31	3,074,156	2,118	1,026
		14,149,864		
361,224				
<u>\$ 685,439</u>	<u>\$ 7,390</u>	<u>\$ 19,823,066</u>	<u>\$ 501,664</u>	<u>\$ 718,569</u>
\$ 19,341	\$	\$	\$ 3,650	\$
4,300			783	
				241,529
			469,988	
			159,250	
<u>23,641</u>			<u>633,671</u>	<u>241,529</u>
<u>404,470</u>		<u>3,064,038</u>	<u>1,870</u>	
		14,149,864		
257,328	7,390	2,609,164	379,324	477,040
			116,706	
			(629,907)	
<u>257,328</u>	<u>7,390</u>	<u>16,759,028</u>	<u>(133,877)</u>	<u>477,040</u>
<u>\$ 685,439</u>	<u>\$ 7,390</u>	<u>\$ 19,823,066</u>	<u>\$ 501,664</u>	<u>\$ 718,569</u>

(Continued)

CITY OF ESCONDIDO
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2013

	Debt Service Funds		Capital Projects Funds	
	General Obligation	Successor Agency Housing	Street Improvement	Storm Drain
<u>Assets:</u>				
Cash and investments	\$ 4,408,420	\$	\$ 2,057,816	\$ 531,985
Cash and investments with fiscal agent				
Receivables:				
Accounts				
Interest	12,900		8,213	2,129
Taxes	21,866			
Loans				
Due from other governments			1,709,308	
Inventory, at cost				
Prepaid expenditures				
Deposits				
Land held for resale				
Advances to other funds			200,000	
Total Assets	<u>\$ 4,443,186</u>	<u>\$</u>	<u>\$ 3,975,337</u>	<u>\$ 534,114</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances:</u>				
Liabilities:				
Payables:				
Accounts	\$	\$	\$ 288,158	\$
Deposits			1,356,246	9,573
Accrued expenditures				
Due to other funds				
Due to other governments				
Advances from other funds				
Total Liabilities			<u>1,644,404</u>	<u>9,573</u>
Deferred Inflows of Resources:				
Unavailable Revenue			<u>1,709,308</u>	
Fund Balances:				
Nonspendable			200,000	
Restricted	4,443,186		421,625	524,541
Committed				
Assigned				
Unassigned				
Total Fund Balances (Deficits)	<u>4,443,186</u>		<u>621,625</u>	<u>524,541</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,443,186</u>	<u>\$</u>	<u>\$ 3,975,337</u>	<u>\$ 534,114</u>

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Public Safety Facilities	General Capital Project	County Transportation Street and Bicycle Projects	Public Facilities	Daley Ranch	
\$ 75,185	\$ 2,322,829	\$ 630,918	\$ 3,840,169	\$ 215,444	\$ 24,158,252
					717,543
	66,216				546,616
135	11,948	32	16,907	908	3,159,258
					24,104
					16,316,280
	140,694				3,034,111
					15,998
					12,693
					75,628
		802,142			802,142
			440,000		640,000
<u>\$ 75,320</u>	<u>2,541,687</u>	<u>\$ 1,433,092</u>	<u>\$ 4,297,076</u>	<u>\$ 216,352</u>	<u>\$ 49,502,625</u>
\$	\$ 81,827	\$ 3,744	\$ 70,528	\$	\$ 593,307
	17,740				1,456,201
	1,450		2,166		100,561
					605,221
					469,988
					359,250
	101,017	3,744	72,694		3,584,528
		7,627			6,401,460
		802,142	440,000		17,862,741
75,320		619,579	3,784,382	216,352	20,276,249
	2,281,265				2,466,775
	159,405				159,405
					(1,248,533)
<u>75,320</u>	<u>2,440,670</u>	<u>1,421,721</u>	<u>4,224,382</u>	<u>216,352</u>	<u>39,516,637</u>
<u>\$ 75,320</u>	<u>\$ 2,541,687</u>	<u>\$ 1,433,092</u>	<u>\$ 4,297,076</u>	<u>\$ 216,352</u>	<u>\$ 49,502,625</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds			
	Street	Parks and Recreation	Community Development Block Grant	Landscape Assessment District
Revenues:				
Other taxes	\$	\$	\$	\$
Intergovernmental	3,357,944	854,458	1,385,937	
Charges for services	883,803	2,887,819		
Special assessments				730,051
Lease income				
Investment income	136,396	135,809		8,737
Miscellaneous		401,476	7,500	5,760
Total Revenues	<u>4,378,143</u>	<u>4,279,562</u>	<u>1,393,437</u>	<u>744,548</u>
Expenditures:				
Current:				
General government				
Public safety	111,990			
Public works	3,768,007			721,466
Community services		4,367,404	735,522	
Community development			201,096	
Contributions to other governments				
Capital outlay	200,910		571,279	
Debt Service:				
Principal retirements		5,185		
Interest and fiscal charges				
Total Expenditures	<u>4,080,907</u>	<u>4,372,589</u>	<u>1,507,897</u>	<u>721,466</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>297,236</u>	<u>(93,027)</u>	<u>(114,460)</u>	<u>23,082</u>
Other Financing Sources (Uses):				
Bond proceeds				
Bond issue costs				
Transfers in		31,142		
Transfers out	<u>(2,055,000)</u>	<u>(713,000)</u>		
Total Other Financing				
Sources (Uses)	<u>(2,055,000)</u>	<u>(681,858)</u>		
Net Change in Fund Balances	(1,757,764)	(774,885)	(114,460)	23,082
Fund Balances at Beginning of Fiscal Year	<u>6,816,782</u>	<u>3,104,594</u>	<u>102,414</u>	<u>782,168</u>
Fund Balances at End of Year	<u>\$ 5,059,018</u>	<u>\$ 2,329,709</u>	<u>\$ (12,046)</u>	<u>\$ 805,250</u>

Special Revenue Funds				Debt Service Funds
Law Enforcement	Cable Technology	HOME	Miscellaneous	Golf Course
\$ 3,089,427	\$	\$ 385,531	\$ 298,113	\$
			42,612	
4,628	154	198,026	5,358	(824)
			8,561	
<u>3,094,055</u>	<u>154</u>	<u>583,557</u>	<u>354,644</u>	<u>(824)</u>
1,969,239			108,181	
			61,253	
		148,555	61,130	
11,601			259,829	
				5,870,000
				419,533
<u>1,980,840</u>		<u>148,555</u>	<u>490,393</u>	<u>6,289,533</u>
<u>1,113,215</u>	<u>154</u>	<u>435,002</u>	<u>(135,749)</u>	<u>(6,290,357)</u>
				4,830,000
				(122,073)
		1,957,031	43,179	1,091,775
	(11,000)		(75,479)	
	(11,000)	1,957,031	(32,300)	5,799,702
1,113,215	(10,846)	2,392,033	(168,049)	(490,655)
(855,887)	18,236	14,366,995	34,172	967,695
<u>\$ 257,328</u>	<u>\$ 7,390</u>	<u>\$ 16,759,028</u>	<u>\$ (133,877)</u>	<u>\$ 477,040</u>

(Continued)

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2013

	Debt Service Funds		Capital Project Funds	
	General Obligation	Successor Agency Housing	Street Improvement	Storm Drain
Revenues:				
Other taxes	\$	\$	\$	\$
Intergovernmental			2,202,571	
Charges for services			811,240	85,732
Special assessments	5,228,611			
Lease income				
Investment income	4,424		1,305	6,403
Miscellaneous				
Total Revenues	5,233,035		3,015,116	92,135
Expenditures:				
Current:				
General government				
Public safety				
Public works			495,960	14,570
Community services				
Community development				
Contributions to other governments		3,796,883		
Capital outlay			3,006,260	
Debt Service:				
Principal retirements	1,630,000			
Interest and fiscal charges	3,563,545			
Total Expenditures	5,193,545	3,796,883	3,502,220	14,570
Excess (Deficiency) of				
Revenues Over Expenditures	39,490	(3,796,883)	(487,104)	77,565
Other Financing Sources (Uses):				
Bond proceeds				
Bond issue costs				
Transfers in				
Transfers out		(459,722)		(3,964)
Total Other Financing		(459,722)		(3,964)
Sources (Uses)		(459,722)		(3,964)
Net Change in Fund Balances	39,490	(4,256,605)	(487,104)	73,601
Fund Balances at Beginning of Fiscal Year	4,403,696	4,256,605	1,108,729	450,940
Fund Balances at End of Year	\$ 4,443,186	\$	\$ 621,625	\$ 524,541

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Public Safety Facilities	General Capital Project	County Transportation Street Projects	Public Facilities	Daley Ranch	
\$	\$	\$ 1,383,924	\$	\$	\$ 1,383,924
	200,000	110,377			11,884,358
			352,260		5,063,466
					5,958,662
					5,358
422	45,002	(960)	59,152	2,814	601,488
	239,230			620	663,147
<u>422</u>	<u>484,232</u>	<u>1,493,341</u>	<u>411,412</u>	<u>3,434</u>	<u>25,560,403</u>
	605,802				605,802
	150,239				2,231,468
		1,991,615			7,099,799
	500,200		211,584		5,875,963
	40,000				450,781
					3,796,883
	2,659,417	768,262	265,778		7,743,336
					7,505,185
					3,983,078
	<u>3,955,658</u>	<u>2,759,877</u>	<u>477,362</u>		<u>39,292,295</u>
422	(3,471,426)	(1,266,536)	(65,950)	3,434	(13,731,892)
					4,830,000
					(122,073)
	592,670		43,253		3,759,050
	(208,230)				(3,526,395)
	<u>384,440</u>		<u>43,253</u>		<u>4,940,582</u>
422	(3,086,986)	(1,266,536)	(22,697)	3,434	(8,791,310)
74,898	5,527,656	2,688,257	4,247,079	212,918	48,307,947
<u>\$ 75,320</u>	<u>\$ 2,440,670</u>	<u>\$ 1,421,721</u>	<u>\$ 4,224,382</u>	<u>\$ 216,352</u>	<u>\$ 39,516,637</u>

CITY OF ESCONDIDO
Street Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 3,830,000	3,357,944	\$ (472,056)
Charges for services	450,800	883,803	433,003
Investment income	56,200	136,396	80,196
Total Revenues	4,337,000	4,378,143	41,143
Expenditures:			
Public safety	121,076	111,990	(9,086)
Public works	6,414,106	3,768,007	(2,646,099)
Capital outlay	1,811,828	200,910	(1,610,918)
Total Expenditures	8,347,010	4,080,907	(4,266,103)
(Deficiency) of Revenues Over Expenditures	(4,010,010)	297,236	4,307,246
Other Financing (Uses):			
Transfers out	(2,055,000)	(2,055,000)	
Net Change in Fund Balance	(6,065,010)	(1,757,764)	4,307,246
Fund Balance at Beginning of Year	6,816,782	6,816,782	
Fund Balance at End of Year	\$ 751,772	\$ 5,059,018	\$ 4,307,246

CITY OF ESCONDIDO
Parks and Recreation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 900,855	\$ 854,458	\$ (46,397)
Charges for services	3,279,395	2,887,819	(391,576)
Investment income	136,500	135,809	(691)
Miscellaneous	539,240	401,476	(137,764)
Total Revenues	4,855,990	4,279,562	(576,428)
Expenditures:			
Community services	4,771,690	4,367,404	(404,286)
Capital outlay	114,000		(114,000)
Debt Service:			
Principal retirements		5,185	5,185
Total Expenditures	4,885,690	4,372,589	(513,101)
Excess of Revenues Over Expenditures	(29,700)	(93,027)	(63,327)
Other Financing Sources (Uses):			
Transfers in	31,142	31,142	
Transfers out	(1,097,860)	(713,000)	384,860
Total Other Financing Sources	(1,066,718)	(681,858)	384,860
Net Change in Fund Balance	(1,096,418)	(774,885)	321,533
Fund Balance at Beginning of Year	3,104,594	3,104,594	
Fund Balance at End of Year	\$ 2,008,176	\$ 2,329,709	\$ 321,533

CITY OF ESCONDIDO
Community Development Block Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 1,380,515	\$ 1,385,937	\$ 5,422
Miscellaneous	5,120	7,500	2,380
Total Revenues	<u>1,385,635</u>	<u>1,393,437</u>	<u>7,802</u>
Expenditures:			
Community services	973,613	735,522	(238,091)
Community development	767,154	201,096	(566,058)
Capital outlay	1,198,240	571,279	(626,961)
Total Expenditures	<u>2,939,007</u>	<u>1,507,897</u>	<u>(1,431,110)</u>
Net Change in Fund Balance	(1,553,372)	(114,460)	1,438,912
Fund Balance at Beginning of Year	<u>102,415</u>	<u>102,414</u>	
Fund Balance at End of Year	<u><u>\$ (1,450,957)</u></u>	<u><u>\$ (12,046)</u></u>	<u><u>\$ 1,438,912</u></u>

CITY OF ESCONDIDO
Landscape and Assessment District Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Special assessments	\$ 727,450	\$ 730,051	\$ 2,601
Investment income		8,737	8,737
Miscellaneous	5,760	5,760	
Total Revenues	733,210	744,548	11,338
Expenditures:			
Public works	885,830	721,466	(164,364)
Net Change in Fund Balance	(152,620)	23,082	175,702
Fund Balance at Beginning of Year	782,168	782,168	
Fund Balance at End of Year	\$ 629,548	\$ 805,250	\$ 175,702

CITY OF ESCONDIDO
HOME Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 406,865	\$ 385,531	\$ (21,334)
Investment income	5,000	198,026	193,026
Total Revenues	411,865	583,557	171,692
Expenditures:			
Community development	63,205	148,555	85,350
Excess of Revenues Over Expenditures	348,660	435,002	86,342
Other Financing Sources (Uses):			
Transfers in		1,957,031	1,957,031
Net Change in Fund Balance	348,660	2,392,033	2,043,373
Fund Balance at Beginning of Year	14,366,995	14,366,995	
Fund Balance at End of Year	<u>\$ 14,715,655</u>	<u>\$ 16,759,028</u>	<u>\$ 2,043,373</u>

CITY OF ESCONDIDO
Miscellaneous Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 501,176	\$ 298,113	\$ (203,063)
Charges for services	81,300	42,612	(38,688)
Investment income	11,980	5,358	(6,622)
Miscellaneous	8,561	8,561	8,561
Total Revenues	594,456	354,644	(239,812)
Expenditures:			
Public works	111,405	108,181	(3,224)
Community services	517,708	61,253	(456,455)
Community development	310,023	61,130	(248,893)
Capital outlay	401,703	259,829	(141,874)
Total Expenditures	1,340,839	490,393	(850,446)
Excess (Deficiency) of Revenues Over Expenditures	(746,383)	(135,749)	610,634
Other Financing Sources (Uses):			
Transfers in	43,179	43,179	
Transfers out	(75,480)	(75,479)	1
Total Other Financing Sources	(32,301)	(32,300)	1
Net Change in Fund Balance	(778,684)	(168,049)	610,635
Fund Balance at Beginning of Year	34,172	34,172	
Fund Balances at End of Year	\$ (744,512)	\$ (133,877)	\$ 610,635

CITY OF ESCONDIDO
Golf Course Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Investment income	\$ 2,600	\$ (824)	\$ (3,424)
Expenditures:			
Principal retirements	5,870,000	5,870,000	
Interest and fiscal charges	421,685	419,533	(2,152)
Total Expenditures	6,291,685	6,289,533	(2,152)
(Deficiency) of Revenues Over Expenditures	(6,289,085)	(6,290,357)	(1,272)
Other Financing Sources:			
Bond proceeds	4,830,000	4,830,000	
Bond issue costs	(137,550)	(122,073)	15,477
Transfers in	1,056,635	1,091,775	
Total Other Financing Sources	5,749,085	5,799,702	15,477
Net Change in Fund Balance	(540,000)	(490,655)	14,205
Fund Balance at Beginning of Year	967,695	967,695	
Fund Balance at End of Year	\$ 427,695	\$ 477,040	\$ 14,205

CITY OF ESCONDIDO
General Obligation Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Special assessments	\$ 5,176,795	\$ 5,228,611	\$ 51,816
Investment income	18,000	4,424	(13,576)
Total Revenues	<u>5,194,795</u>	<u>5,233,035</u>	<u>38,240</u>
Expenditures:			
Principal retirements	1,630,000	1,630,000	
Interest and fiscal charges	3,564,795	3,563,545	(1,250)
Total Expenditures	<u>5,194,795</u>	<u>5,193,545</u>	<u>(1,250)</u>
Net Change in Fund Balance		39,490	39,490
Fund Balance at Beginning of Year	<u>4,403,696</u>	<u>4,403,696</u>	
Fund Balance at End of Year	<u><u>\$ 4,403,696</u></u>	<u><u>\$ 4,443,186</u></u>	<u><u>\$ 39,490</u></u>

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.

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, 2013

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 487,354	\$ 6,466,562	\$ 1,300,740
Receivables:			
Accounts		2,413	
Interest	3,464	26,994	5,250
Inventory		141,210	281,258
Deposits			
Total Current Assets	<u>490,818</u>	<u>6,637,179</u>	<u>1,587,248</u>
Non-current assets:			
Capital Assets:			
Buildings	1,057,612	342,000	61,070
Equipment	819,492	25,007,623	41,133
Construction in progress		1,305,884	
Total Capital Assets	<u>1,877,104</u>	<u>26,655,507</u>	<u>102,203</u>
Less accumulated depreciation	<u>(898,880)</u>	<u>(21,156,262)</u>	<u>(90,726)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>978,224</u>	<u>5,499,245</u>	<u>11,477</u>
Total Assets	<u>1,469,042</u>	<u>12,136,424</u>	<u>1,598,725</u>
<u>Liabilities</u>			
Current Liabilities:			
Payables:			
Accounts	60,874	424,050	121,007
Employee leave benefits	8,699	5,044	1,011
Estimated claims			
Loans	78,200		
Accrued expenses	<u>23,873</u>	<u>17,995</u>	<u>2,617</u>
Total Current Liabilities	<u>171,646</u>	<u>447,089</u>	<u>124,635</u>
Noncurrent Liabilities:			
Payables:			
Employee leave benefits	78,292	45,394	9,094
Estimated claims			
Loans	<u>743,626</u>		
Total Noncurrent Liabilities	<u>821,918</u>	<u>45,394</u>	<u>9,094</u>
Total Liabilities	<u>993,564</u>	<u>492,483</u>	<u>133,729</u>
<u>Net Position</u>			
Net investment in capital assets	978,224	5,499,245	11,477
Unrestricted (deficit)	<u>(502,746)</u>	<u>6,144,696</u>	<u>1,453,519</u>
Total Net Position	<u>\$ 475,478</u>	<u>\$ 11,643,941</u>	<u>\$ 1,464,996</u>

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 43,737	\$ 9,114,147	\$ 4,705,180	\$ 1,275,715	\$ 23,393,435
56	39,059	20,629	64,998 4,197	67,411 99,649
	250,000		62,600	422,468 312,600
<u>43,793</u>	<u>9,403,206</u>	<u>4,725,809</u>	<u>1,407,510</u>	<u>24,295,563</u>
145,415				1,460,682 26,013,663
<u>145,415</u>				<u>1,305,884</u>
(30,884)				28,780,229 (22,176,752)
<u>114,531</u>				<u>6,603,477</u>
<u>158,324</u>	<u>9,403,206</u>	<u>4,725,809</u>	<u>1,407,510</u>	<u>30,899,040</u>
7,667	35 107	20,529	29,919 697	664,081 15,558
	1,877,743	889,468		2,767,211 78,200
<u>14,672</u>	<u>1,528</u>		<u>53,532</u>	<u>114,217</u>
<u>22,339</u>	<u>1,879,413</u>	<u>909,997</u>	<u>84,148</u>	<u>3,639,267</u>
	964		6,275	140,019
	7,510,972	3,557,874		11,068,846 743,626
	<u>7,511,936</u>	<u>3,557,874</u>	<u>6,275</u>	<u>11,952,491</u>
<u>22,339</u>	<u>9,391,349</u>	<u>4,467,871</u>	<u>90,423</u>	<u>15,591,758</u>
114,531				6,603,477
21,454	11,857	257,938	1,317,087	8,703,805
<u>\$ 135,985</u>	<u>\$ 11,857</u>	<u>\$ 257,938</u>	<u>\$ 1,317,087</u>	<u>\$ 15,307,282</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
Operating Revenues:			
Charges for services	\$ 3,155,010	\$ 5,465,315	\$ 1,262,468
Operating Expenses:			
Personnel services	1,567,331	944,054	187,087
Administrative expenses	98,119	81,587	
Benefit claims			
Supplies	177,520	38,281	87,820
Repairs and maintenance	326,844	629,197	105,838
Depreciation	105,873	1,525,211	5,186
Utilities	682,080	4,312	385,735
Fuel		1,198,768	
Professional services	1,134,908	34,199	270,628
Insurance premiums	48,405	32,495	11,115
Rent	839		
Other			56,512
Total Operating Expenses	4,141,919	4,488,104	1,109,921
Operating Income (Loss)	(986,909)	977,211	152,547
Non-Operating Revenues (Expenses):			
Investment income	14,243	41,570	15,764
Interest and fiscal charges	(33,898)		
Miscellaneous	6,590	60,075	
Total Non-Operating Revenues	(13,065)	101,645	15,764
Income (Loss) Before Transfers and Capital Contributions	(999,974)	1,078,856	168,311
Transfers in	132,550	43,253	
Capital contributions		43,112	
Change in Net Position	(867,424)	1,165,221	168,311
Net Position at Beginning of Year	1,342,902	10,478,720	1,296,685
Net Position at End of Year	\$ 475,478	\$ 11,643,941	\$ 1,464,996

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 1,361,750	\$ 2,379,221	\$ 2,274,777	\$ 9,542,924	\$ 25,441,465
956,019	98,009		219,360	3,971,860
	375,570	1,247,560	51,675	1,854,511
			590,904	590,904
23,643	115		839	328,218
430			1,830	1,064,139
23,421				1,659,691
10,155	2,038		5,179	1,089,499
				1,198,768
	1,880,851	990,276	141,744	4,452,606
11,230	135,488		8,482,338	8,721,071
				839
272,821	4,098	13,043	32,968	379,442
1,297,719	2,496,169	2,250,879	9,526,837	25,311,548
64,031	(116,948)	23,898	16,087	129,917
769	50,804	26,046	11,162	160,358
				(33,898)
	445		30,132	97,242
769	51,249	26,046	41,294	223,702
64,800	(65,699)	49,944	57,381	353,619
				175,803
				43,112
64,800	(65,699)	49,944	57,381	572,534
71,185	77,556	207,994	1,259,706	14,734,748
\$ 135,985	\$ 11,857	\$ 257,938	\$ 1,317,087	\$ 15,307,282

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
Cash flows from Operating Activities:			
Cash received from customers	\$ 3,155,010	\$ 5,465,365	\$ 1,262,468
Cash paid to employees for services	(1,652,002)	(1,010,707)	(192,127)
Cash paid to other suppliers of goods or services	(2,429,877)	(1,645,478)	(934,472)
Cash from other sources	6,591	11,351	
Net Cash Provided by (Used for) Operating Activities	<u>(920,278)</u>	<u>2,820,531</u>	<u>135,869</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	<u>132,550</u>	<u>43,253</u>	
Net Cash Provided by Noncapital Financing Activities	<u>132,550</u>	<u>43,253</u>	
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(443,343)	(3,404,994)	(10,687)
Sale of capital assets		48,724	
Interest payments on loans	(33,898)		
Principal payments on loans	(75,288)		
Net Cash (Used for) Capital and Related Financing Activities	<u>(552,529)</u>	<u>(3,356,270)</u>	<u>(10,687)</u>
Cash Flows from Investing Activities:			
Investment income received	<u>22,589</u>	<u>54,457</u>	<u>16,899</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,317,668)	(438,029)	142,081
Cash and Cash Equivalents at Beginning of Year	<u>1,805,022</u>	<u>6,904,591</u>	<u>1,158,659</u>
Cash and Cash Equivalents at End of Year	<u>\$ 487,354</u>	<u>\$ 6,466,562</u>	<u>\$ 1,300,740</u>

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 1,361,750	\$ 2,379,221	\$ 2,274,777	\$ 9,534,021	\$ 25,432,612
(953,318)	(474,454)	(1,247,560)	(301,156)	(5,831,324)
(339,381)	(2,823,791)	(1,636,341)	(9,276,700)	(19,086,040)
	445		30,132	48,519
69,051	(918,579)	(609,124)	(13,703)	563,767
				175,803
				175,803
(79,035)				(3,938,059)
				48,724
				(33,898)
				(75,288)
(79,035)				(3,998,521)
941	68,970	35,791	12,933	212,580
(9,043)	(849,609)	(573,333)	(770)	(3,046,371)
52,780	9,963,756	5,278,513	1,276,485	26,439,806
\$ 43,737	\$ 9,114,147	\$ 4,705,180	\$ 1,275,715	\$ 23,393,435

(Continued)

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2013

	<u>Building Maintenance</u>	<u>Vehicle and Equipment Maintenance</u>	<u>Central Services</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (986,911)	\$ 977,211	\$ 152,549
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	105,873	1,525,211	5,186
Cash from other sources	6,591	11,351	
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		50	
(Increase) in inventories		(44,624)	(27,903)
Increase (decrease) in accounts payable	(59,279)	336,398	11,077
Increase in accrued expenses	4,857	3,766	402
Increase (decrease) in employee leave benefits payable	8,591	11,168	(5,442)
(Decrease) in estimated claims payable			
Total Adjustments	<u>66,633</u>	<u>1,843,320</u>	<u>(16,680)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (920,278)</u>	<u>\$ 2,820,531</u>	<u>\$ 135,869</u>
Noncash Investing, Capital and Financing Activities:			
Contributed property, plant and equipment		<u>\$ 43,112</u>	

<u>Office Automation</u>	<u>Workers' Compensation</u>	<u>General Liability Self-Insurance</u>	<u>Insurance</u>	<u>Total</u>
<u>\$ 64,032</u>	<u>\$ (116,948)</u>	<u>\$ 23,898</u>	<u>\$ 16,086</u>	<u>\$ 129,917</u>
23,421	445		30,132	1,659,691
			(8,903)	48,519
				(8,853)
				(72,527)
(21,103)	(1,201)	(33,022)	(42,854)	190,016
2,701	274		14,278	26,278
	(1,149)			13,168
	<u>(800,000)</u>	<u>(600,000)</u>	<u>(22,442)</u>	<u>(1,422,442)</u>
<u>5,019</u>	<u>(801,631)</u>	<u>(633,022)</u>	<u>(29,789)</u>	<u>433,850</u>
<u>\$ 69,051</u>	<u>\$ (918,579)</u>	<u>\$ (609,124)</u>	<u>\$ (13,703)</u>	<u>\$ 563,767</u>
				<u>\$ 43,112</u>

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, 2013

	Hidden Trails Community Facilities District	Eureka Ranch Community Facilities District	Auto Parkway Assessment District	Rancho San Pasqual	Deposit Trust	Total
<u>Assets</u>						
Cash and investments	\$ 170,352	\$ 852,902	\$ 287,890	\$ 252,062	\$ 5,625,944	\$ 7,189,150
Cash and investments with fiscal agent	229,965	1,233,242	335,813	342,557		2,141,577
Receivables:						
Interest	791	3,973	1,168	1,166	562	7,660
Taxes	832	3,823		1,442		6,097
Total Assets	\$ 401,940	\$ 2,093,940	\$ 624,871	\$ 597,227	\$ 5,626,506	\$ 9,344,484
<u>Liabilities</u>						
Accounts payable	\$	\$	\$	\$	\$ 52,697	\$ 52,697
Deposits payable					5,573,809	5,573,809
Due to bondholders	401,940	2,093,940	624,871	597,227		3,717,978
Total Liabilities	\$ 401,940	\$ 2,093,940	\$ 624,871	\$ 597,227	\$ 5,626,506	\$ 9,344,484

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance at</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2013</u>
<u>Hidden Trails Community Facilities District</u>				
<u>Assets</u>				
Cash and investments	\$ 176,176	\$ 226,659	\$ (232,483)	\$ 170,352
Restricted assets:				
Cash and investments with fiscal agent	230,634	1,153	(1,822)	229,965
Receivables:				
Interest	1,768	791	(1,768)	791
Taxes	1,061	832	(1,061)	832
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 409,639</u>	<u>\$ 229,435</u>	<u>\$ (237,134)</u>	<u>\$ 401,940</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 232,483	\$ (232,483)	\$
Due to bondholders	409,639	310,270	(317,969)	401,940
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 409,639</u>	<u>\$ 542,753</u>	<u>\$ (550,452)</u>	<u>\$ 401,940</u>
<u>Eureka Ranch Community Facilities District</u>				
<u>Assets</u>				
Cash and investments	\$ 850,176	\$ 1,230,332	\$ (1,277,606)	\$ 802,902
Restricted assets:				
Cash and investments with fiscal agent	1,219,468	14,422	(648)	1,233,242
Receivables:				
Interest	5,052	3,973	(5,052)	3,973
Taxes	9,281	3,823	(9,281)	3,823
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,083,977</u>	<u>\$ 1,252,550</u>	<u>\$ (1,292,587)</u>	<u>\$ 2,043,940</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 430,723	\$ (430,723)	\$
Due to bondholders	2,083,977	1,629,350	(1,619,387)	2,093,940
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 2,083,977</u>	<u>\$ 2,060,073</u>	<u>\$ (2,050,110)</u>	<u>\$ 2,093,940</u>

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2013

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
<u>Auto Parkway Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$ 287,362	\$ 337,963	\$ (337,435)	\$ 287,890
Restricted assets:				
Cash and investments with fiscal agent	331,430	4,383		335,813
Receivables:				
Interest	1,579	1,168	(1,579)	1,168
Total Assets	<u>\$ 620,371</u>	<u>\$ 343,514</u>	<u>\$ (339,014)</u>	<u>\$ 624,871</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 334,872	\$ (334,872)	\$
Due to bondholders	620,371	584,084	(579,584)	624,871
Total Liabilities	<u>\$ 620,371</u>	<u>\$ 918,956</u>	<u>\$ (914,456)</u>	<u>\$ 624,871</u>
 <u>Rancho San Pasqual</u>				
<u>Assets</u>				
Cash and investments	\$ 248,043	\$ 347,510	\$ (343,491)	\$ 252,062
Restricted assets:				
Cash and investments with fiscal agent	341,978	579		342,557
Receivables:				
Interest	1,469	1,166	(1,469)	1,166
Taxes	288	1,442	(288)	1,442
Total Assets	<u>\$ 591,778</u>	<u>\$ 350,697</u>	<u>\$ (345,248)</u>	<u>\$ 597,227</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 340,822	\$ (340,822)	\$
Due to bondholders	591,778	507,345	(502,896)	596,227
Total Liabilities	<u>\$ 591,778</u>	<u>\$ 848,167</u>	<u>\$ (843,718)</u>	<u>\$ 596,227</u>

(Continued)

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2013

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
<u>Deposit Trust</u>				
<u>Assets</u>				
Cash and investments	\$ 5,326,961	\$ 1,219,573	\$ (920,590)	\$ 5,625,944
Receivables:				
Interest	775	562	(775)	562
Taxes	3,457		(3,457)	
	<u>\$ 5,331,193</u>	<u>\$ 1,220,135</u>	<u>\$ (924,822)</u>	<u>\$ 5,626,506</u>
<u>Liabilities</u>				
Accounts payable	\$ 95,675	\$ 841,616	\$ (884,594)	\$ 52,697
Deposits payable	5,235,518	1,285,104	(946,813)	5,573,809
	<u>\$ 5,331,193</u>	<u>\$ 2,126,720</u>	<u>\$ (1,831,407)</u>	<u>\$ 5,626,506</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$ 6,888,718	\$ 3,362,037	\$ (3,061,605)	\$ 7,189,150
Restricted assets:				
Cash and investments with fiscal agent	2,123,510	20,537	(2,470)	2,141,577
Receivables:				
Interest	10,643	7,660	(10,643)	7,660
Taxes	14,087	6,097	(14,087)	6,097
	<u>\$ 9,036,958</u>	<u>\$ 3,396,331</u>	<u>\$ (3,088,805)</u>	<u>\$ 9,344,484</u>
<u>Liabilities</u>				
Accounts payable	\$ 95,675	\$ 2,180,516	\$ (2,223,494)	\$ 52,697
Deposits payable	5,235,518	1,285,104	(946,813)	5,573,809
Due to bondholders	3,705,765	3,031,049	(3,018,836)	3,717,978
	<u>\$ 9,036,958</u>	<u>\$ 6,496,669</u>	<u>\$ (6,189,143)</u>	<u>\$ 9,344,484</u>

Statistical Section



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 Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007
Governmental Activities:				
Net investment in capital assets	\$ 104,172,967	\$ 125,179,668	\$ 147,033,475	\$ 175,696,600
Restricted	63,164,427	66,200,766	69,207,183	77,955,931
Unrestricted	59,761,969	63,198,878	67,952,345	80,216,675
Total Governmental Activities Net Position	\$ 227,099,363	\$ 254,579,312	\$ 284,193,003	\$ 333,869,206
Business-type Activities:				
Net investment in capital assets	\$ 96,141,070	\$ 85,789,505	\$ 94,483,383	\$ 118,573,025
Restricted				
Unrestricted	23,728,424	32,141,690	37,421,108	26,761,762
Total Business-type Activities Net Position	\$ 119,869,494	\$ 117,931,195	\$ 131,904,491	\$ 145,334,787
Primary Government:				
Net investment in capital assets	\$ 200,314,037	\$ 210,969,173	\$ 241,516,858	\$ 294,269,625
Restricted	63,164,427	66,200,766	69,207,183	77,955,931
Unrestricted	83,490,393	95,340,568	105,373,453	106,978,437
Total Primary Government Activities Net Position	\$ 346,968,857	\$ 372,510,507	\$ 416,097,494	\$ 479,203,993

Source:

City of Escondido Finance Department.

2008	2009	2010	2011	2012	2013
\$ 197,917,746	\$ 198,895,947	\$ 205,646,459	\$ 222,661,354	\$ 225,296,741	\$ 211,228,317
83,690,162	89,093,908	114,214,410	86,393,247	98,970,485	90,152,311
65,128,364	65,461,162	36,921,478	40,341,057	53,862,572	27,922,604
<u>\$ 346,736,272</u>	<u>\$ 353,451,017</u>	<u>\$ 356,782,347</u>	<u>\$ 349,395,658</u>	<u>\$ 378,129,798</u>	<u>\$ 329,303,232</u>
\$ 123,532,924	\$ 126,868,016	\$ 130,301,709	\$ 137,189,496	\$ 138,580,703	\$ 141,057,087
30,304,352	37,096,093	46,473,299	53,436,660	56,358,559	61,147,031
<u>\$ 153,837,276</u>	<u>\$ 163,964,109</u>	<u>\$ 176,775,008</u>	<u>\$ 190,626,156</u>	<u>\$ 194,939,262</u>	<u>\$ 202,204,118</u>
\$ 321,450,670	\$ 325,763,963	\$ 335,948,168	\$ 359,850,850	\$ 363,877,444	\$ 352,285,404
83,690,162	89,093,908	114,214,410	86,393,247	98,970,485	90,152,311
95,432,716	102,557,255	83,394,777	93,777,717	110,221,131	89,069,635
<u>\$ 500,573,548</u>	<u>\$ 517,415,126</u>	<u>\$ 533,557,355</u>	<u>\$ 540,021,814</u>	<u>\$ 573,069,060</u>	<u>\$ 531,507,350</u>

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

	2004	2005	2006	2007
<u>Expenses</u>				
Governmental Activities:				
General government	\$ 7,546,703	\$ 7,846,655	\$ 7,899,175	\$ 8,373,054
Public safety	49,131,586	49,039,038	52,318,975	53,981,546
Community services	13,185,703	15,620,848	11,298,631	15,004,608
Public works	12,579,425	17,609,107	24,150,012	24,159,197
Community development	11,028,920	8,383,779	10,067,992	12,635,417
Contributions to other governments				
Interest and fiscal charges	8,075,513	7,692,898	7,313,735	10,447,184
Total Governmental Activities Expenses	101,547,850	106,192,325	113,048,520	124,601,006
Business-type Activities:				
Water	32,297,470	32,110,409	33,612,785	37,583,686
Wastewater	16,359,318	23,596,832	22,619,254	24,660,271
Golf	1,204,061	102,235		
Total Business-type Activities Expenses	49,860,849	55,809,476	56,232,039	62,243,957
Total Primary Government Expenses	\$ 151,408,699	\$ 162,001,801	\$ 169,280,559	\$ 186,844,963
<u>Program Revenues</u>				
Governmental activities:				
Charges for services:				
General government	\$ 154,900	\$ 262,617	\$ 207,933	\$ 277,178
Public safety	7,772,419	8,130,038	9,053,779	9,702,964
Community services	1,997,154	3,409,784	3,922,815	4,222,222
Public works	2,833,676	2,665,396	3,300,443	1,556,038
Community development	1,991,669	2,200,680	3,026,817	2,148,321
Operating grants and contributions	13,617,538	9,537,429	15,336,026	29,978,774
Capital grants and contributions	6,946,504	19,127,256	16,511,533	19,574,286
Total Governmental Activities Program Revenues	35,313,860	45,333,200	51,359,346	67,459,783
Business-type Activities:				
Charges for services:				
Water	32,502,340	29,932,089	34,092,368	39,087,592
Wastewater	17,663,139	16,230,386	20,368,422	22,643,416
Golf	573,165			
Operating grants and contributions				
Capital grants and contributions	4,414,530	5,838,768	13,978,586	11,036,390
Total Business-type Activities Program Revenues	55,153,174	52,001,243	68,439,376	72,767,398
Total Primary Government Program Revenues	\$ 90,467,034	\$ 97,334,443	\$ 119,798,722	\$ 140,227,181

2008	2009	2010	2011	2012	2013
\$ 9,646,524	\$ 8,183,784	\$ 8,058,408	\$ 8,162,775	\$ 7,923,896	\$ 6,931,282
57,284,755	53,639,237	58,486,106	56,170,547	60,467,057	58,937,215
29,728,378	20,460,103	20,321,281	13,935,737	14,428,323	13,492,016
18,340,037	23,475,660	25,927,953	30,251,264	23,508,515	28,719,020
13,974,447	12,777,932	7,814,707	9,908,625	6,765,185	6,095,723
					4,319,291
14,338,384	8,050,461	7,649,971	7,459,498	5,946,168	4,038,630
143,312,525	126,587,177	128,258,426	125,888,446	119,039,144	122,533,177
37,989,541	38,810,712	40,277,313	37,364,315	43,537,887	48,899,219
26,995,420	24,743,922	24,154,671	23,833,875	23,995,887	25,847,825
64,984,961	63,554,634	64,431,984	61,198,190	67,533,774	74,747,044
\$ 208,297,486	\$ 190,141,811	\$ 192,690,410	\$ 187,086,636	\$ 186,572,918	\$ 197,280,221
\$ 290,007	\$ 455,029	\$ 159,353	\$ 351,155	\$ 735,395	\$ 481,812
9,241,808	9,980,199	9,207,628	8,273,579	8,429,675	8,322,729
6,864,643	6,798,670	5,625,758	3,871,455	4,158,173	4,118,332
1,411,020	1,253,367	1,076,721	994,907	1,160,643	1,261,705
1,507,452	1,128,602	1,372,001	1,154,371	820,337	914,370
15,513,780	9,728,353	14,568,341	12,988,723	13,503,657	12,507,289
9,042,570	11,779,461	14,818,607	10,550,030	5,608,064	8,528,675
43,871,280	41,123,681	46,828,409	38,184,220	34,415,944	36,134,912
38,944,163	39,161,082	40,155,208	37,293,900	42,398,099	48,857,327
23,699,984	25,741,913	29,208,703	28,176,381	26,430,851	28,482,081
2,657,685	301,875				6,559
3,554,975	4,725,698	5,851,309	8,922,144	2,155,659	3,858,657
68,856,807	69,930,568	75,215,220	74,392,425	70,984,609	81,204,624
\$ 112,728,087	\$ 111,054,249	\$ 122,043,629	\$ 112,576,645	\$ 105,400,553	\$ 117,339,536

(Continued)

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

	2004	2005	2006	2007
<u>Net (Expense)/Revenue</u>				
Governmental activities	\$ (66,233,990)	\$ (60,859,125)	\$ (61,689,174)	\$ (57,141,223)
Business-type activities	5,292,325	(3,808,233)	12,207,337	10,523,441
Total Primary Government Net Expense	<u>\$ (60,941,665)</u>	<u>\$ (64,667,358)</u>	<u>\$ (49,481,837)</u>	<u>\$ (46,617,782)</u>
<u>General Revenues and Other</u> <u>Changes in Net Position</u>				
Governmental activities:				
Taxes:				
Sales taxes	\$ 32,619,181	\$ 30,336,573	\$ 30,002,918	\$ 28,419,440
Property taxes	23,193,418	26,392,928	30,556,891	39,320,532
Franchise tax		3,930,492	4,241,212	4,625,383
Payments in lieu of taxes		18,130,405	15,974,459	21,162,788
Other taxes	13,835,116	4,506,357	4,900,694	5,419,437
Use of money and property	2,750,045	4,019,491	4,025,320	7,341,621
Sale of capital assets				
Miscellaneous	800,333	675,801	1,400,371	526,770
Transfers	23,037	(29,253)	201,000	1,455
Extraordinary item: Gain/(loss) (Note 17)				
Total Governmental Activities	<u>73,221,130</u>	<u>87,962,794</u>	<u>91,302,865</u>	<u>106,817,426</u>
Business-type activities:				
Use of money and property	933,992	1,483,411	1,675,819	2,708,150
Miscellaneous	1,005,949	357,270	291,140	200,160
Transfers	(23,037)	29,253	(201,000)	(1,455)
Extraordinary item: Loss on chemical tank spill				
Total Business-type Activities	<u>1,916,904</u>	<u>1,869,934</u>	<u>1,765,959</u>	<u>2,906,855</u>
Total Primary Government	<u>\$ 75,138,034</u>	<u>\$ 89,832,728</u>	<u>\$ 93,068,824</u>	<u>\$ 109,724,281</u>
<u>Change in Net Position</u>				
Governmental activities	\$ 6,987,140	\$ 27,103,669	\$ 29,613,691	\$ 49,676,203
Business-type activities	7,209,229	(1,938,299)	13,973,296	13,430,296
Total primary government	<u>\$ 14,196,369</u>	<u>\$ 25,165,370</u>	<u>\$ 43,586,987</u>	<u>\$ 63,106,499</u>

Source:

City of Escondido Finance Department.

2008	2009	2010	2011	2012	2013
\$ (99,441,245)	\$ (85,463,496)	\$ (81,430,017)	\$ (87,704,226)	\$ (84,623,200)	\$ (86,398,265)
3,871,846	6,375,934	10,783,236	13,194,235	3,450,835	6,457,580
<u>\$ (95,569,399)</u>	<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>
\$ 24,471,382	\$ 18,841,244	\$ 17,826,617	\$ 20,819,517	\$ 25,532,055	\$ 24,202,373
43,123,943	37,745,185	27,884,137	28,168,365	24,060,363	16,738,501
4,088,986	4,540,227	4,344,355	4,461,129	4,563,576	4,516,247
20,550,985	18,907,389	17,989,533	17,652,114	19,548,954	19,041,332
4,801,752	4,264,906	4,014,349	4,048,337	2,899,789	3,971,585
14,217,786	6,977,368	4,654,030	4,810,578	5,885,611	3,290,477
			171,386	399,819	
971,977	872,722	2,130,400	476,135	748,181	1,070,052
81,500	29,200	41,330	1,248,845	25,000	25,000
				29,693,992	(34,948,363)
<u>112,308,311</u>	<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>
3,497,943	2,791,475	1,794,117	1,608,420	1,750,475	1,522,495
1,214,200	988,624	274,876	297,338	250,862	447,638
(81,500)	(29,200)	(41,330)	(1,248,845)	(25,000)	(25,000)
				(1,114,066)	
<u>4,630,643</u>	<u>3,750,899</u>	<u>2,027,663</u>	<u>656,913</u>	<u>862,271</u>	<u>1,945,133</u>
<u>\$ 116,938,954</u>	<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>
\$ 12,867,066	\$ 6,714,745	\$ (2,545,266)	\$ (5,847,820)	\$ 28,734,140	\$ (48,491,061)
8,502,489	10,126,833	12,810,899	13,851,148	4,313,106	8,402,713
<u>\$ 21,369,555</u>	<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>

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

	2004	2005	2006	2007
General Fund				
Reserved	\$ 12,519,799	\$ 12,000,715	\$ 11,979,933	\$ 11,981,270
Unreserved, designated	28,386,584	34,886,626	33,314,688	39,074,546
Unreserved, undesignated	4,296,377	2,213,347	5,618,069	18,267
Nonspendable				
Committed to				
Assigned to				
Unassigned				
Total General Fund	\$ 45,202,760	\$ 49,100,688	\$ 50,912,690	\$ 51,074,083
All Other Governmental Funds				
Reserved	\$ 47,044,861	\$ 51,100,638	\$ 59,867,398	\$ 70,384,963
Reserved for current projects, reported in:				
Special revenue funds	6,583,371	8,357,924	8,779,174	3,343,847
Capital projects funds	28,321,501	24,682,928	23,071,427	111,342,705
Unreserved, reported in:				
Special revenue funds	1,669,915	1,469,997	753,179	3,886,179
Capital projects funds	989,460	648,746	232,743	4,519,393
Undesignated, reported in:				
Special revenue funds			580,649	638,880
Capital projects funds		(149,480)	(2,050,830)	(653,000)
Nonspendable				
Restricted for				
Committed to				
Assigned to				
Unassigned				
Total All Other Governmental Funds	\$ 84,609,108	\$ 86,110,753	\$ 91,233,740	\$ 193,462,967

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.

2008	2009	2010	2011	2012	2013
\$ 10,149,296	\$ 10,763,636	\$ 10,331,307	\$	\$	\$
36,201,191	30,001,183	21,694,390			
31,478	360,555				
			5,456,377	5,180,347	2,503,401
			28,354,588	31,938,244	17,210,596
			713,361	852,481	980,678
			399,790	753,121	247,130
<u>\$ 46,381,965</u>	<u>\$ 41,125,374</u>	<u>\$ 32,025,697</u>	<u>\$ 34,924,116</u>	<u>\$ 38,724,193</u>	<u>\$ 20,941,805</u>
\$ 79,272,342	\$ 90,244,472	\$ 91,342,926	\$	\$	\$
4,409,890	4,506,647	3,005,679			
83,750,017	38,533,362	9,407,468			
903,378	1,656,500	4,762,099			
4,822,008	6,609,031	8,691,702			
17,198	612,564	1,097,044			
			61,204,587	57,982,791	60,199,844
			21,732,085	30,695,122	20,785,893
			8,418,117	5,208,585	2,466,775
			774,990	447,148	159,405
			(14,547,286)	(1,021,715)	(1,248,533)
<u>\$ 173,174,833</u>	<u>\$ 142,162,576</u>	<u>\$ 118,306,918</u>	<u>\$ 77,582,493</u>	<u>\$ 93,311,931</u>	<u>\$ 82,363,384</u>

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

	2004	2005	2006	2007
<u>Revenues</u>				
Taxes	\$ 63,439,940	\$ 71,655,717	\$ 77,734,043	\$ 81,151,830
Licenses and permits	1,178,717	948,731	1,466,492	1,192,210
Fines and forfeits	2,009,866	2,345,309	2,591,254	3,438,103
Intergovernmental	16,578,889	20,636,158	25,479,372	24,847,891
Charges for services	12,634,030	13,808,460	17,159,737	28,652,127
Special assessments	509,713	486,509	534,503	5,977,365
Lease income	90,253	41,674	74,598	67,842
Investment income	1,202,632	2,925,655	2,945,448	10,853,706
Miscellaneous	4,337,574	6,377,728	4,870,084	4,460,671
Total Revenues	101,981,614	119,225,941	132,855,531	160,641,745
<u>Expenditures</u>				
General government	6,296,011	6,099,209	6,794,411	7,255,759
Public safety	42,059,732	48,378,236	51,915,935	55,236,173
Public works	10,740,417	9,819,464	10,950,990	15,876,014
Community services	10,727,405	11,485,472	12,161,879	13,644,105
Community development	7,700,946	5,429,443	6,857,595	6,266,748
Contributions to other governments				
Capital outlay	14,095,598	15,289,826	19,826,969	21,588,318
Debt service:				
Principal retirements	7,600,360	9,439,275	10,011,703	9,014,873
Interest and fiscal charges	4,642,924	3,564,360	3,314,576	6,000,362
SERAF payment	694,978	1,371,088	1,333,226	
Cost of issuance				1,838,207
Payment to refunding bond escrow agent				9,331,468
Agency tax sharing agreement	2,227,303	2,502,874	2,867,983	3,280,870
Total Expenditures	106,785,674	113,379,247	126,035,267	149,332,897
Excess (Deficiency) of Revenues Over Expenditures	(4,804,060)	5,846,694	6,820,264	11,308,848
<u>Other Financing Sources (Uses)</u>				
Issuance of debt				140,900,000
Bond issue costs				
Payment to refunding escrow agent				(52,543,700)
Premium of debt				3,366,017
Sale of capital assets	1,256,656	91,102	851,185	
Transfers in	11,343,641	7,748,864	10,491,946	17,333,710
Transfers out	(11,774,496)	(8,287,087)	(12,628,406)	(17,974,255)
Total Other Financing Sources (Uses)	825,801	(447,121)	(1,285,275)	91,081,772
Special item: Economic development incentive	(2,043,559)			
Extraordinary item: Gain/(loss) (Note 17)				
Net Change in Fund Balance	\$ (6,021,818)	\$ 5,399,573	\$ 5,534,989	\$ 102,390,620
Debt service as a percentage of noncapital expenditures	13.2%	13.3%	12.5%	11.8%

2008	2009	2010	2011	2012	2013
\$ 80,426,993	\$ 74,152,418	\$ 66,166,696	\$ 69,907,949	\$ 65,556,779	\$ 53,387,010
1,083,012	984,790	1,350,224	1,193,338	821,380	887,383
2,775,808	2,552,099	2,186,227	1,895,447	1,640,528	1,468,309
24,981,294	24,161,739	26,889,870	26,688,728	27,513,328	25,945,352
14,534,487	14,518,395	12,759,043	9,976,316	10,281,595	11,335,203
6,114,007	5,560,064	5,742,487	5,759,888	5,892,241	5,958,662
65,380	48,743	47,609	75,321	60,024	221,513
17,189,718	5,993,386	2,301,810	16,367,414	1,469,849	856,466
6,037,085	6,211,906	8,177,104	4,253,232	4,432,737	4,645,031
<u>153,207,784</u>	<u>134,183,540</u>	<u>125,621,070</u>	<u>136,117,633</u>	<u>117,668,461</u>	<u>104,704,929</u>
9,127,482	6,908,388	6,761,408	7,096,148	6,407,543	5,834,828
57,495,217	54,009,216	55,863,025	52,038,011	53,083,126	55,246,097
16,530,427	15,116,819	15,364,185	18,146,072	12,542,175	17,392,655
19,136,835	17,849,432	18,114,581	12,072,344	12,016,459	11,815,547
7,484,775	10,003,869	5,132,958	7,165,632	4,774,106	5,331,818
					4,319,291
46,039,380	47,671,550	28,777,524	26,536,515	9,153,723	7,794,450
5,893,863	6,233,746	9,653,787	10,760,000	10,512,620	7,528,360
14,271,646	7,922,238	7,585,243	23,952,729	5,792,921	3,983,078
		8,556,226	1,761,576		
3,697,911	5,448,326	3,817,295	9,101,406	5,921,213	
<u>179,677,536</u>	<u>171,163,584</u>	<u>159,626,232</u>	<u>168,630,433</u>	<u>120,203,886</u>	<u>119,246,124</u>
<u>(26,469,752)</u>	<u>(36,980,044)</u>	<u>(34,005,162)</u>	<u>(32,512,800)</u>	<u>(2,535,425)</u>	<u>(14,541,195)</u>
2,050,000				224,078	4,830,000
					(122,073)
	681,996		463,018	474,819	111,234
12,095,699	9,445,273	9,195,181	28,486,232	8,237,198	6,522,962
(12,656,199)	(9,416,073)	(8,873,851)	(25,059,387)	(8,062,198)	(6,673,765)
<u>1,489,500</u>	<u>711,196</u>	<u>321,330</u>	<u>3,889,863</u>	<u>873,897</u>	<u>4,668,358</u>
				21,191,043	(9,832,652)
<u>\$ (24,980,252)</u>	<u>\$ (36,268,848)</u>	<u>\$ (33,683,832)</u>	<u>\$ (28,622,937)</u>	<u>\$ 19,529,515</u>	<u>\$ (19,705,489)</u>
15.1%	11.5%	13.2%	24.4%	14.7%	10.3%

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

Fiscal Year Ended June 30	Secured ⁽¹⁾				Total
	Residential	Commercial	Industrial	Other	
2004 ⁽²⁾	\$	\$	\$	\$	8,330,767,634
2005					9,175,561,577
2006					10,557,048,856
2007	8,504,862,463	696,109,094	630,995,760	1,605,438,683	11,437,406,000
2008	9,296,316,740	810,686,675	689,162,975	1,753,357,367	12,549,523,757
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

Fiscal Year Ended June 30	Unsecured	Less: Exemptions	Taxable	Total
			Assessed Value	Direct Tax Rate
2004 ⁽²⁾	\$ 253,041,202	\$ (371,853,469)	\$ 8,211,955,367	0.103
2005	258,794,691	(383,405,102)	9,050,951,166	0.103
2006	291,432,112	(405,785,782)	10,442,695,186	0.103
2007	420,118,000	(408,095,000)	11,449,429,000	0.103
2008	465,923,040	(425,349,881)	12,590,096,916	0.103
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

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.

(2) Assessed value by major component is not available for fiscal years 2002/03 to FY 2005/06

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			
2004	0.103 %	0.103 %	0.710 %	0.157 %	0.030 %	1.000 %	0.068 %	1.068 %
2005	0.103	0.103	0.710	0.157	0.030	1.000	0.066	1.066
2006	0.103	0.103	0.710	0.157	0.030	1.000	0.072	1.072
2007	0.103	0.103	0.710	0.157	0.030	1.000	0.115	1.115
2008	0.103	0.103	0.710	0.157	0.030	1.000	0.112	1.112
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

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	2013		2004	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Percentage of Total Taxable Assessed Value ⁽²⁾
North County Fair LLC	\$178,351,172	1.53 %	\$153,826,940	1.87 %
Prebys Conrad Trust	74,884,634	0.64	53,915,676	0.66
Frit Escondido Promenade, LLC	43,991,480	0.38	25,109,724	0.31
Luna Properties LLC	41,295,463	0.35		
Garrick Motors Inc	38,023,980	0.33		
O C/S D Holdings LLC	34,814,252	0.30		
Felicita Garp L L C	30,737,700	0.26		
Cox Communications San Diego	30,322,985	0.26	36,628,537	0.45
Vons	29,583,349	0.25	15,703,269	0.19
Goal Line L P	28,455,189	0.24	55,475,271	0.68
Morning View Terrace			29,785,989	0.36
PG&E Dispersed Generating Company			28,050,083	0.34
CT Operating Partnership			24,241,280	0.30
LVND Limited			20,481,373	0.25
TOTAL	\$530,460,204	4.54 %	\$443,218,142	5.41 %

Notes:

(1) Net assessed valuation for 2012-13 is \$12,170,958,717

(2) Net assessed valuation for 2003-04 is \$8,211,954,367

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
2004	\$ 7,015,758	\$ 6,814,320	97.13 %	\$ 123,792	\$ 6,938,111	98.89 %
2005	8,592,735	8,074,890	93.97	122,320	8,197,210	95.40
2006	10,090,319	9,520,693	94.35	200,970	9,721,663	96.35
2007	10,867,792	10,233,625	94.16	230,682	10,464,307	96.29
2008	11,218,291	10,495,467	93.56	299,605	10,795,072	96.23
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

Notes:

The amounts presented do not include property taxes collected for the Community Development Commission in the following amounts: 2003/04 - \$12,704,173, 2004/05 - \$14,287,104, 2005/06 - \$16,364,873, 2006/07 - \$18,343,838, 2007/08 - \$21,069,222, 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.

The amounts collected in subsequent years do not include penalties and interest from fiscal year 2007 forward.

Source:

County of San Diego Auditor and Controller's Office.

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

Fiscal Year Ended June 30	Governmental Activities						Total Governmental Activities
	(1) General Obligation Bonds	(2,3,4,5,6,10,17, 20) Lease Revenue Bonds	(3) Certificates of Participation	(4, 18) Tax Allocation Bonds	(2,7,8,16, 21) Loans Payable	Capital Leases Payable	
2004		\$ 88,921,299	\$ 4,895,000	\$ 13,521,074	\$ 3,222,246	\$ 578,220	\$ 111,137,839
2005		88,980,733	4,605,000	12,085,203	4,131,369	476,207	110,278,512
2006		83,571,167	4,290,000	10,580,371	5,463,369	281,243	104,186,150
2007	84,350,000	74,400,000	3,950,000	9,002,298	5,484,285	93,895	177,280,478
2008	83,180,000	72,000,000	3,585,000	7,346,752	7,435,425		173,547,177
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

Notes:

- (1) In FY 2007, the City issued \$84,350,000 of new GO bonds for the construction of the new Public Safety Facilities.
- (2) Beginning net assets were restated in the June 30, 2003 financial statements for accretion of capital appreciation on lease revenue bonds and on loans payable. The above figures reflect the lease revenue and loans payable balances as they should have been reported in the financial statements prior to restatement in Fiscal Year 2003.
- (3) The 1991 certificates of participation were refunded with the 1999 lease revenue bonds in FY 1999.
- (4) The 1992 tax allocation bonds were refunded with 2001 lease revenue bonds in FY 2002. All 2001 lease revenue bonds have matured as of FY 2012.
- (5) Lease revenue bonds of \$6,195,000 were transferred from an enterprise fund to a debt service fund in FY 2005.
- (6) The 1995 lease revenue bonds were refunded with the 2007 lease revenue bonds in FY 2007.
- (7) The City received loans from the California Housing Finance Agency of \$800,000 in FY 2002, \$1,850,000 in FY 2004, \$1,400,000 in FY 2006, and \$2,050,000 in FY 2008.
- (8) The City received a loan from the California Energy Commission in FY 2005.
- (9) In FY 2000, the City issued the 2000 water revenue certificates of participation which refunded the 1996 water revenue bonds and funded new capital improvement projects.
- (10) The City issued the \$6,300,000 2001 JPFA Lease Revenue Bonds (Reidy Creek Project) in FY 2001.
- (11) The City issued \$9,170,000 of new water revenue certificates of participation in FY 2003.
- (12) The 1996 wastewater certificates of participation were refunded with the 2004A wastewater certificates of participation in FY 2005.
- (13) The City issued \$10,775,000 of new wastewater certificates of participation in FY 2005.
- (14) The City received loan advances from the State Water Resources Control Board revolving loan fund from FY 2000 to FY 2012. Repayment of the loans began in FY 2002.
- (15) The 2000A water revenue certificates of participation were partially refunded (\$12,410,000) in FY 2008 with the \$30,440,000 issue of the 2007 series water revenue certificates of participation. The remaining \$9,830,000 outstanding 2000A certificates (as of April 2012) were refunded with the issue of \$31,660,000 of 2012 JPFA Water and \$27,390,000 of JPFA Wastewater Revenue bonds.
- (16) The City received installment loans from San Diego Gas and Electric in FY 2012.
- (17) 2007A & B lease revenue bond obligations were transferred from the City of Escondido Redevelopment Agency to the Successor Agency, as part of the required dissolution of the Redevelopment Agency effective on February 1, 2012
- (18) 1992 tax allocation bond obligations were transferred from the City of Escondido Redevelopment Agency to the Successor Agency, as part of the required dissolution of the Redevelopment Agency effective on February 1, 2012
- (19) The 2002A water revenue certificates of participation, in the remaining outstanding amount of \$8,585,000, were refunded with the April 2012 issue of \$31,660,000 of 2012 JPFA Water Revenue bonds.

Business-type Activities

(5,9,11,12,13,15,19)		(14)							
Revenue COP & Lease Revenue Bonds	Special Tax/ Assessment Bonds	Loans Payable	Capital Leases Payable	Total Business Activities	Total Primary Government	Percentage of Personal Income	%	Debt Per Capita	
\$ 67,875,000	\$ 90,000	\$ 36,256,556	\$ 119,591	\$ 104,341,147	\$ 215,478,986	4.93	%	1,555	
73,340,000	75,000	34,420,708		107,835,708	218,114,220	4.84		1,554	
72,120,000	60,000	33,986,247		106,166,247	210,352,397	4.62		1,494	
70,350,000	40,000	31,988,970		102,378,970	279,659,448	8.74		1,972	
86,515,000	20,000	29,990,130		116,525,130	290,072,307	9.11		2,023	
84,450,000		27,987,565		112,437,565	279,939,706	8.14		1,954	
82,315,000		25,981,179		108,296,179	266,311,605	7.66		1,832	
80,095,000		26,507,579		106,602,579	254,037,635	8.97		1,750	
118,420,000		24,715,177		143,135,177	233,938,750	7.80		1,602	
115,975,000		22,585,446		138,560,446	221,290,372	7.28		1,517	

(20) The 2001 JPFA Lease Revenue Bonds (Reidy Creek Project), in the remaining outstanding amount of \$5,205,000 were refunded with \$4,830,000 from the March 2013 issue of JPFA Lease Revenue Refunding Bonds, Series 2013A, and the remaining \$540,000 of Reserve funds from the 2001 JPFA issue .

(21) The \$5,300,000 remaining balance of California Housing Finance Agency loan obligations were transferred from the City of Escondido Redevelopment Agency to the Successor Agency in FY 2013, as part of the required dissolution of the Redevelopment Agency effective on February 1, 2012

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

Fiscal Year Ended June 30	Outstanding General Obligation Bonded Debt			Total	Percent of Assessed Value ⁽¹⁾	Per Capita
	General Obligation Bonds	Certificates of Participation	Tax Allocation Bonds ⁽²⁾			
2004		\$ 4,895,000	\$ 13,521,074	\$ 18,416,074	1.31 %	131
2005		4,605,000	12,085,203	16,690,203	1.17	119
2006		4,290,000	10,580,371	14,870,371	0.94	105
2007	84,350,000	3,950,000	9,002,298	97,302,298	1.10	686
2008	83,180,000	3,585,000	7,346,752	94,111,752	1.32	656
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	0.73	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

Notes:

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

(2) 1992 Tax Allocation Bond obligations were transferred from the City of Escondido Redevelopment Agency to the Successor Agency, as part of the required dissolution of the Redevelopment Agency effective on February 1, 2012

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Direct and Overlapping Debt
For the Year Ended June 30, 2013

2012-13 Assessed Valuation:		\$ 12,029,628,486	
Redevelopment Agency Incremental Valuation:		2,355,293,134	
Adjusted Assessed Valuation:		<u>\$ 9,674,335,352</u>	
	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.570 %	\$ 165,085,000	\$ 940,985
Palomar Community College District	13.312	315,828,901	42,043,143
San Marcos Unified School District School	3.628	207,041,998	7,511,484
San Marcos Unified School District School Facilities Improvement District No. 1	2.281	8,498,019	193,840
San Marcos Unified School District Community Facilities District No. 1	100.000	960,000	960,000
Escondido Union High School District	78.053	99,325,338	77,526,406
Escondido Union School District	78.822	43,379,622	34,192,686
San Pasqual Union School District	56.903	521,351	296,664
Valley Center-Pauma Unified School District	0.001	1,477,146	15
Total Overlapping Tax and Assessment Debt		<u>842,117,375</u>	<u>163,665,223</u>
<u>OVERLAPPING GENERAL OBLIGATION DEBT:</u>			
San Diego County General Fund Obligations	3.148	399,780,000	12,585,074
San Diego County Pension Obligations	3.148	753,897,748	23,732,701
San Diego County Superintendent of School Obligations	3.148	17,462,500	549,720
Palomar Community College District Certificates of Participation	13.312	5,345,000	711,526
San Marcos Unified School General Fund Obligations	3.628	55,483,327	2,012,935
Escondido Union High School District Certificates of Participation	78.053	60,310,000	47,073,764
Escondido Union School District Certificates of Participation	78.822	21,255,000	16,753,616
Palomar Pomerado Hospital District	19.369	477,631,555	92,512,456
Total Overlapping General Fund Obligation Debt		<u>1,791,165,130</u>	<u>195,931,792</u>
<u>OVERLAPPING TAX INCREMENT DEBT:</u>			
Escondido Tax Allocation Bonds	100.000	568,892	568,892
Escondido Lease Revenue Bonds	100.000	35,545,000	35,545,000
Total Overlapping Tax Increment Debt		<u>36,113,892</u>	<u>36,113,892</u>
TOTAL OVERLAPPING DEBT		<u>\$ 2,669,396,397</u>	<u>\$ 395,710,907</u>
<u>CITY DIRECT DEBT:</u>			
City of Escondido General Fund Obligations	100.000 %	75,665,000	75,665,000
City of Escondido General Obligations	100.000	6,070,000	6,070,000
City of Escondido Hidden Trails Community Facilities District	100.000	2,505,000	2,505,000
City of Escondido Community Facilities District 2006-01	100.000	16,575,000	16,575,000
City of Escondido 1915 Act Bonds	100.000	4,860,000	4,860,000
TOTAL CITY DIRECT DEBT		<u>105,675,000</u>	<u>105,675,000</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 501,385,907</u> ⁽²⁾

Notes:

(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 each of the overlapping district's assessed value that is within the City's boundaries and dividing it by the district's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Source: MuniServices, LLC.

CITY OF ESCONDIDO
Legal Debt Margin Information
Last Ten Fiscal Years

	2004	2005	2006	2007
Assessed valuation	\$ 6,854,440,987	\$ 7,557,521,777	\$ 8,716,447,815	\$ 9,842,664,350
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 1,713,610,247	\$ 1,889,380,444	\$ 2,179,111,954	\$ 2,460,666,088
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	257,041,537	283,407,067	326,866,793	369,099,913
Total Net Debt General Obligation Bonds				84,350,000
Applicable to Limit:				
Legal Debt Margin	<u>\$ 257,041,537</u>	<u>\$ 283,407,067</u>	<u>\$ 326,866,793</u>	<u>\$ 284,749,913</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0%	0%	0%	23%

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.

2008	2009	2010	2011	2012	2013
\$ 10,437,917,513	\$ 10,419,201,152	\$ 9,608,214,935	\$ 9,501,563,129	\$ 9,663,353,864	\$ 9,674,335,352
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
\$ 2,609,479,378	\$ 2,604,800,288	\$ 2,402,053,734	\$ 2,375,390,782	\$ 2,415,838,466	\$ 2,418,583,838
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
391,421,907	390,720,043	360,308,060	356,308,617	362,375,770	362,787,576
83,180,000	81,800,000	80,360,000	78,860,000	77,295,000	75,665,000
<u>\$ 308,241,907</u>	<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>
21%	21%	22%	22%	21%	21%

CITY OF ESCONDIDO
Pledged-Revenue Coverage
Last Ten Fiscal Years

1999 Lease Revenue Bonds

Fiscal Year Ended June 30	Low/Mod Tax Increment & Other Revenue	Less: Housing Fund Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	5,475,314	1,212,594	4,262,720	1,520,000	170,045	2.52
2005	4,243,671	942,754	3,300,917	1,025,000	90,900	2.96
2006	6,083,947	1,303,187	4,780,760	1,310,000	42,983	3.53
2007 ⁽²⁾						
2008						
2009						
2010						
2011						
2012						
2013						

2001 Lease Revenue Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000						
2001						
2002						
2003	151,185		151,185.00		151,185.00	1.00
2004	405,533		405,533.00	105,000.00	300,533.00	1.00
2005	411,683		411,683	115,000	296,683	1.00
2006	422,395		422,395	130,000	292,395	1.00
2007	427,320		427,320	140,000	287,320	1.00
2008	431,520		431,520	150,000	281,520	1.00
2009	347,190		347,190	70,000	277,190	1.00
2010	354,300		354,300	80,000	274,300	1.00
2011	360,940		360,940	90,000	270,940	1.00
2012	367,015		367,015	100,000	267,015	1.00
2013 ⁽⁶⁾	404,925		404,925	115,000	289,925	1.00

1993 Certificates of Participation

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	686,788		686,788	270,000	416,788	1.00
2005	684,870		684,870	290,000	394,870	1.00
2006	685,815		685,815	315,000	370,815	1.00
2007	684,445		684,445	340,000	344,445	1.00
2008	680,710		680,710	365,000	315,710	1.00
2009	679,352		679,352	395,000	284,352	1.00
2010	679,900		679,900	430,000	249,900	1.00
2011	677,310		677,310	465,000	212,310	1.00
2012	676,570		676,570	505,000	171,570	1.00
2013	677,260		677,260	550,000	127,260	1.00

2013A Lease Revenue Refunding Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004						
2005						
2006						
2007						
2008						
2009						
2010						
2011						
2012						
2013	(6) 404,925		404,925	0	0	n/a

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	
2000	38,361,414	30,575,751	7,785,663	620,000	1,756,095	3.28
2001	43,238,559	33,738,114	9,500,445	225,000	2,936,520	3.01
2002	49,446,742	37,311,887	12,134,855	265,000	3,014,581	3.70
2003	48,085,853	37,034,927	11,050,926	305,000	3,232,935	3.12
2004	49,789,945	39,267,735	10,522,210	755,000	3,718,091	2.35
2005	49,483,225	41,017,100	8,466,125	782,876	3,093,741	2.18
2006	63,178,518 (1)	44,933,767	18,244,751	1,235,000	3,985,477	3.49
2007	68,444,251	50,652,440	17,791,811	1,790,000	3,472,448	3.38
2008	70,037,925	53,617,950	16,419,975	14,295,000 (3)	3,652,947	0.91
2009	71,613,953	51,599,265	20,014,688	2,065,000	4,011,542	3.29
2010	72,191,950	52,131,987	20,059,963	2,135,000	3,937,058	3.30
2011	67,713,179	49,064,535	18,648,644	2,220,000	3,852,716	3.07
2012	71,296,465	53,021,213	18,275,252	2,310,000 (4)	4,020,204	2.89
2013	79,799,930	60,004,862	19,795,068	2,445,000 (5)	5,169,939	2.60

Special Assessment Debt - Auto Parkway

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	325,795		325,795	150,000	185,994	0.97
2005	342,121		342,121	150,000	178,869	1.04
2006	309,955		309,955	160,000	171,349	0.94
2007	373,134		373,134	165,000	163,304	1.14
2008	324,507		324,507	175,000	154,760	0.98
2009	333,284		333,284	185,000	145,624	1.01
2010	335,748		335,748	195,000	135,422	1.02
2011	338,480		338,480	205,000	124,172	1.03
2012	347,187		347,187	215,000	112,359	1.06
2013	343,514		343,514	225,000	99,984	1.06

Special Assessment Debt - Hidden Trails

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
				2004	253,080	
2005	271,990		271,990	45,000	180,113	1.21
2006	211,414		211,414	50,000	178,020	0.93
2007	580,694		580,694	50,000	175,708	2.57
2008	257,430		257,430	55,000	173,173	1.13
2009	240,612		240,612	65,000	170,423	1.02
2010	229,274		229,274	60,000	166,850	1.01
2011	238,709		238,709	75,000	162,900	1.00
2012	209,432		209,432	65,000	159,357	0.93
2013	229,435		229,435	70,000	155,610	1.02

Special Assessment Debt - Eureka Ranch

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
				2000		
2001						
2002						
2003						
2004						
2005						
2006						
2007	2,031,526		2,031,526		302,325	6.72
2008	1,073,930		1,073,930		906,975	1.18
2009	1,451,135		1,451,135		906,975	1.60
2010	1,419,402		1,419,402	320,000	893,243	1.17
2011	1,182,479		1,182,479	330,000	879,630	0.98
2012	1,225,888		1,225,888	345,000	865,114	1.01
2013	1,252,550		1,252,550	360,000	849,600	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	
				2004	396,183	
2005	568,965		568,965	350,000	243,189	0.96
2006	341,255		341,255	100,000	231,313	1.03
2007	405,396		405,396	105,000	226,135	1.22
2008	343,088		343,088	115,000	220,468	1.02
2009	335,979		335,979	120,000	214,298	1.01
2010	351,695		351,695	125,000	207,774	1.06
2011	351,270		351,270	130,000	200,920	1.06
2012	357,610		357,610	140,000	193,595	1.07
2013	350,697		350,697	145,000	185,793	1.06

Notes:

- (1) 2006 revenues reflect an increase in water sales, wastewater service charge rates, and recycled water sales and the inclusion of connection fees.
- (2) The 1999 Lease Revenue Bonds were paid during fiscal year 2006.
- (3) 2000A Series Water Revenue Certificates of Participation were partially refunded during fiscal year 2008.
- (4) The 2000A and 2002A Series Water Revenue Certificates of Participation were fully refunded during fiscal year 2012.
- (5) The 2012 Series Water Revenue Bonds and Wastewater Revenue Bonds were issued during fiscal year 2012.
- (6) The 2001 JPFA Lease Revenue Bonds Series Water Revenue Bonds were fully refunded during fiscal year 2013 with the issuance of the 2013A Series JPFA Lease Revenue Refunding Bonds.

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⁾
2003	138,608	4,375	31,600	5.2
2004	140,328	4,510	32,100	4.7
2005	140,803	4,550	32,300	4.3
2006	141,788	3,198	22,556	4.2
2007	143,389	3,182	22,198	4.8
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

Sources:

(1) California State Department of Finance Projections.

(2) United States Census data, adjusted for inflation. Fluctuation in per capita income from 2005 to 2006 is due to a change in source data.

(3) EDD Bureau of Labor Statistics Department.

CITY OF ESCONDIDO
Principal Employers
Current Year and Nine Years Ago

Employer	2013		2004	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment ⁽¹⁾
Palomar Medical Center	3,045	4.08 %	1,450	
Escondido Union School District	1,900	2.55	2,240	
City of Escondido	1,101	1.48	1,156	
Welk Group Inc	1,000	1.34		
San Diego Wild Animal Park	967	1.30		
Escondido Union High School District	851	1.14	800	
Vons Grocery Stores	364	0.49	900	
Palomar Community College District	322	0.67		
Home Depot ⁽³⁾	310	0.42		
Nordstrom Inc.	300	0.40	413	
Bergelectric			900	
North County Transit District			585	
Pacific Bell			504	
Albertsons			409	
SDG&E			407	

Notes:

"Total Employment" as used above represents the total employment of all employers located within City limits.

(1) The percent of total employment for 2004 was unavailable.

(2) Number includes Escondido and San Diego County employees.

(3) Employee Count was confirmed for only one of the two Home Depot locations. Last years employee count was used again for the unattainable Home Depot.

Source:

MuniServices, LLC.

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	111	108	113	120	118	112	110	109	106	108
Public Safety	356	362	374	404	397	377	381	375	360	374
Public Works	169	161	168	175	156	149	142	143	151	154
Community Development	50	51	55	58	53	42	39	38	37	35
Community Services	208	203	236	280	265	221	225	224	216	225
Housing & Neighborhood Services	10	11	11	13	13	13	14	15	12	10
Water	107	114	116	124	121	119	117	118	118	114
Wastewater	62	63	71	74	75	72	74	75	73	71
Total	<u>1,073</u>	<u>1,073</u>	<u>1,144</u>	<u>1,248</u>	<u>1,198</u>	<u>1,105</u>	<u>1,102</u>	<u>1,097</u>	<u>1,073</u>	<u>1,091</u>

Source:

City of Escondido Finance Department.



CITY OF ESCONDIDO
Operating Indicators by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007
Police:				
Physical Arrests	6,304	6,538	7,126	7,359
Traffic Violations	10,252	14,220	18,396	21,580
Parking Violations	6,647	6,530	8,075	8,909
Fire:				
Number of Calls Answered	10,420	10,547	10,416	10,515
Number of Inspections Conducted	3,054	780	1,851	1,880
Public Works⁽¹⁾:				
Street Resurfacing (miles)			2.5	4.5
Parks and Recreation⁽¹⁾:				
Number of Recreation Classes	1,152	1,124	1,093	832
Number of Facility Rentals	805	919	919	998
Golf Rounds Played	91,869	82,231	87,196	90,014
Water:				
Number of Service Connections	25,073	25,338	25,559	25,972
Average Daily Consumption (gallons)	30,365,000	25,608,270	27,285,671	27,301,940
Sewer:				
Number of Service Connections	25,703	25,338	26,190	26,503
Average Daily Treatment (gallons)	14,300,000	14,700,000	14,400,000	14,300,000

Note:

(1) No data was available for Parks and Recreation prior to 2004 and Public Works prior to 2006. A new registration process for recreation was implemented in 2013.

Source:

City of Escondido.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
7,373	7,004	7,190	7,617	7,032	5,988
20,496	21,438	16,956	13,811	13,054	9,782
8,295	7,942	7,606	5,784	4,514	4,022
10,650	11,237	11,544	11,370	11,978	13,065
1,738	3,105	2,059	2,222	1,380	1,741
2.3	1.1	1.5	9.5	3.0	19.3
977	1,228	1,101	1,176	990	1,275
987	982	1,106	1,125	995	2,541
95,149	100,192	97,683	95,020	95,934	95,528
26,161	26,280	26,390	26,489	26,502	26,508
25,500,000	23,170,000	18,799,222	18,835,000	20,220,000	23,370,000
26,702	26,909	27,014	27,066	27,054	27,072
14,320,000	13,000,000	12,500,000	12,900,000	12,730,000	12,630

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

Function	2004	2005	2006	2007
Police:				
Stations	1	1	1	1
Fire:				
Stations	5	5	5	5
Public Works:				
Streets (miles)	288	291.3	295.3	299.2
Streetlights	4,503	4,595	4,749	5,691
Traffic Signals	111	111	117	126
Parks and Recreation:				
Parks	13	13	13	14
Community Centers	3	3	3	3
Golf Courses	2	2	2	2
Water:				
Water Mains (miles)	375	376	415	418
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:				
Sanitary Sewers (miles)	362	362	369	375
Storm Drains (miles)	327	328	329	378
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	1	1	1	1	1
5	7	7	7	7	7
302.0	302.0	304.4	304.6	304.9	305.0
6,382	6,408	6,460	6,479	6,480	6,479
135	139	146	148	148	151
14	14	14	14	14	14
3	3	3	3	3	3
2	2	2	2	2	2
425	429	430	430	430	431
75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
375	375	351	352	355	363
380	380	380	381	383	382
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

CITY OF ESCONDIDO

CALIFORNIA



FISCAL YEAR ENDED JUNE 30, 2013