

City of Escondido

CALIFORNIA

MAPLE STREET PLAZA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



CITY OF ESCONDIDO • CALIFORNIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

MAYOR
Sam Abed

CITY COUNCIL
Olga Diaz, Deputy Mayor
Ed Gallo
Michael Morasco
John Masson

CITY MANAGER
Clay Phillips

ASSISTANT CITY MANAGER
Charles Grimm

CHIEF OF POLICE

Craig Carter

CITY ATTORNEY

Jeffrey Epp

CITY CLERK

Diane Halverson

CITY TREASURER

Kenneth Hugins

DIRECTOR OF ADMINISTRATIVE SERVICES

Sheryl Bennett

DIRECTOR OF COMMUNITY DEVELOPMENT

Barbara Redlitz

DIRECTOR OF INFORMATION SYSTEMS

Mark Becker

DIRECTOR OF LIBRARY AND COMMUNITY SERVICES

Loretta McKinney

DIRECTOR OF PUBLIC WORKS

Ed Domingue

DIRECTOR OF UTILITIES

Christopher McKinney

FIRE CHIEF

Michael Lowry

Prepared by the Finance Department



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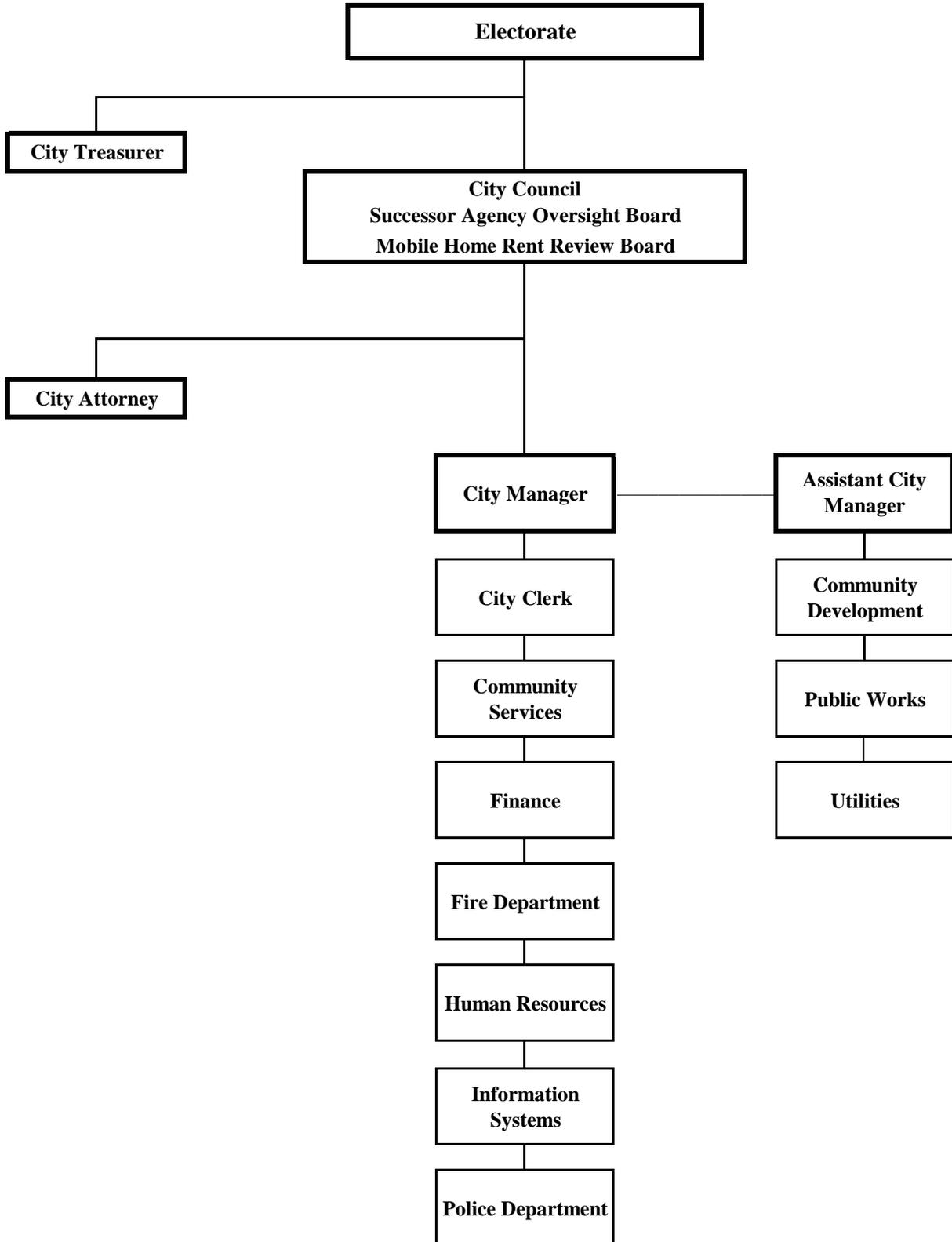
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CITY OF ESCONDIDO
Comprehensive Annual Financial Report
Organization Chart
June 30, 2014



December 30, 2014

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, 2014.

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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

In addition, Lance, Soll & Lunghard, LLP audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Finance Department.

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

This report is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of City services, and specifics of the City's legal operating environment.
- The Financial Section includes Management's Discussion & Analysis, Basic Financial Statements, Notes to Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's

CITY OF ESCONDIDO
Letter of Transmittal
December 30, 2014

major funds, non-major governmental funds, as well as proprietary funds, internal service funds, and fiduciary funds. This section also contains the independent auditor's report on the Basic Financial Statements.

- o The Statistical Section presents up to ten years of detailed statistical data on the City's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as a context to the information presented in the financial statements and note disclosures.

CITY OF ESCONDIDO PROFILE

The City of Escondido is located in north San Diego County, approximately 30 miles north of the City of San Diego, California. Escondido is an established community incorporated on October 8, 1888 under the general laws of the State of California. The City's current population is 145,900. Within the 36 square miles that comprise the City, there are many residential communities; the largest enclosed regional mall in San Diego County; 2 regional hospitals; 17 hotels; an auto center; many office, industrial, and commercial centers; and civic, cultural, and recreational facilities.

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

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

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

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

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

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

CITY OF ESCONDIDO
Letter of Transmittal
December 30, 2014

ECONOMIC CONDITION

Local Economy. The “Great Recession” starting at the end of 2008 has had a significant impact on City services. Quick and decisive action by the City Council and Management to cut costs has been a significant factor in reestablishing City services as quickly as possible. The goal was to cut expenses, but keep as many services as possible by being efficient and economical in providing basic service. The local economy received an economic boost from the opening of a Wal-Mart store and a separate Wal-Mart grocery store in fiscal year 2013-2014. The recently completed remodel of Westfield shopping mall and the possible additions of popular restaurants on the premises should also be of significant economic benefit to City revenues. As of September 2014, the unemployment rate in Escondido was 6.1%. The San Diego countywide unemployment rate was 5.9% with the State of California recording a 7.3% rate.

Long-term Financial Planning. The City adopted a balanced budget for fiscal year 2013-14 using a combination of cost reductions and revenue increases. For the fourth year in a row, the City Council adopted a budget that does not rely on reserves for fiscal year 2014-15. The two-year General Fund budget was adopted with the assumption that sales tax and property tax will continue to show growth.

The City Council Action Plan is developed biennially following a workshop where key policy interests are identified and discussed by the City Council and City Staff represents the City Council's collective vision for Escondido's future and the key activities that will be used to achieve that vision. In February 2013, the City Council held a workshop to identify and discuss key policy goals. During that meeting, each council member was able to elaborate on their ideas for city priorities. At the conclusion of the workshop, the City Council approved the following categories (in alphabetical order) for the fiscal year 2013-14 Council Action Plan: Economic Development, Fiscal Management, Neighborhood Improvement, and Public Safety.

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

The City's investments include United States Treasury Notes, obligations issued by various United States Government Agencies, money market funds and investments in the Local Agency Investment fund (LAIF) established by the State Treasurer. The average yield on the general investment portfolio for the Fiscal Year 2013-14 was 1.08 percent, as compared to 1.27 percent for the Fiscal Year 2012-13. 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.

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

CITY OF ESCONDIDO
Letter of Transmittal
December 30, 2014

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. The City's general fund currently has \$17 million in General Fund Reserves.

In August 2014 the Standard & Poor's Ratings Services upgraded several of Escondido's bond ratings. Standard & Poors raised its long-term rating and underlying rating to 'AA-' from 'A+' on Escondido's existing general obligation (GO) bonds. At the same time, Standard & Poor's raised the long-term ratings to 'A+' from 'A' on the Escondido Joint Powers Financing Authority's lease revenue bonds, and on the city's existing appropriation debt. The stable outlook for all bonds reflects Standard & Poor's opinion that Escondido's strong unreserved fund balances will likely provide a financial cushion should the city experience any revenue decrease to balance operations.

AWARDS AND ACKNOWLEDGMENTS

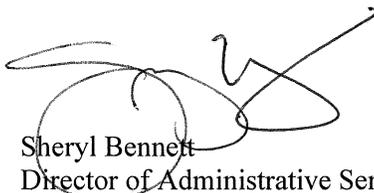
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Escondido for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

We would like to extend our appreciation to the Mayor, City Council, City Manager, and each City department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully submitted,


Sheryl Bennett
Director of Administrative Services


Joan Ryan
Assistant Director of Finance





Government Finance Officers Association

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

Presented to

**City of Escondido
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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 aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Escondido, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress as listed in the table of contents 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.

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Lughard, LLP

Brea, California
December 30, 2014

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, 2014. 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 8-11 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 \$532,995,953 (*net position*).
- The government's total net position increased by \$1,488,603. Governmental activities decreased by 1.6 percent using beginning of year net position, while business-type activities increased by 3.4 percent. The increase in net position is largely attributable to an increase in total charges for services for the business-type activities.
- The City's total long-term liabilities, including such items as bonds, loans payable, accrued self-insured claims, and employee leave benefits decreased by \$6,892,213, or 2.6 percent, during the fiscal year. The change reflects a \$1,640,874 decrease for governmental activities and a \$5,251,339 decrease for business-type activities. The decrease in long-term liabilities for governmental activities and 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 \$102,745,602, a decrease of \$559,587 in comparison with the prior year.
- At the end of the current fiscal year, fund balance committed to Reserves in the General Fund was \$17,319,659 or 21.4 percent of General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

CITY OF ESCONDIDO Management's Discussion and Analysis

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, 2014 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*.

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 38-45 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

CITY OF ESCONDIDO
Management's Discussion and Analysis

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 46-51 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 52-53 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 54-96 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 98-104 of this report. The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds can be found on pages 110-137 of this report.

City of Escondido's Statement of Net Position

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Assets and deferred outflows of resources:						
Current and other assets	\$ 152,070	\$ 150,124	\$ 125,109	\$ 128,086	\$ 277,179	\$ 278,210
Capital assets	285,103	291,770	241,046	234,716	526,149	526,486
Deferred outflows of resources	55	58	2,715	2,906	2,770	2,964
Total assets and deferred outflows of resources	<u>437,228</u>	<u>441,952</u>	<u>368,870</u>	<u>365,708</u>	<u>806,098</u>	<u>807,660</u>
Liabilities:						
Long-term liabilities outstanding	96,219	98,845	146,314	151,488	242,533	250,333
Other liabilities	17,093	13,804	13,477	12,015	30,570	25,820
Total liabilities	<u>113,312</u>	<u>112,649</u>	<u>159,791</u>	<u>163,503</u>	<u>273,103</u>	<u>276,153</u>
Net position:						
Net investment in capital assets	207,004	211,228	151,540	141,057	358,544	352,285
Restricted	92,356	90,152			92,356	90,152
Unrestricted	24,556	27,923	57,540	61,147	82,096	89,070
Total net position	<u>\$ 323,916</u>	<u>\$ 329,303</u>	<u>\$ 209,080</u>	<u>\$ 202,204</u>	<u>\$ 532,996</u>	<u>\$ 531,507</u>

CITY OF ESCONDIDO Management's Discussion and Analysis

Analysis of Net Position

As noted earlier, the City's net position can serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets plus deferred outflows of resources exceeded liabilities by \$532,995,953. Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At June 30, 2014 the net investment in capital assets represents 67.3 percent, or \$358.5 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, 2014 restricted net position account for 17.3 percent, or \$92.4 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 15.4 percent, or \$82.1 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
Management's Discussion and Analysis

City of Escondido's Changes in Net Position

(Amounts expressed in thousands)

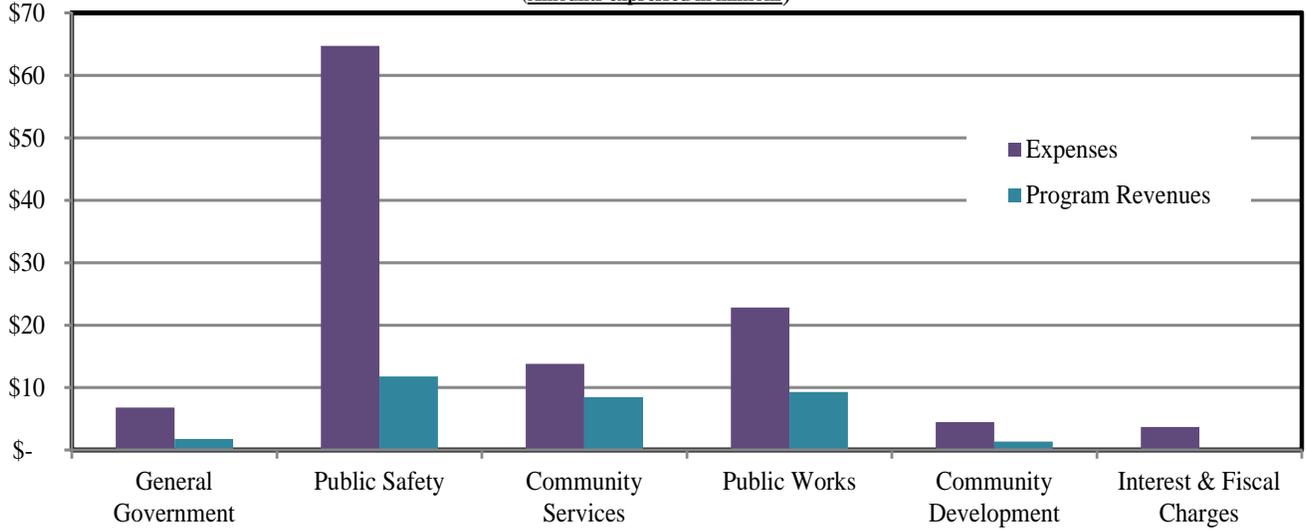
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 16,277	\$ 15,099	\$ 83,825	\$ 77,339	\$ 100,102	\$ 92,438
Operating grants and contributions	13,031	12,507	243	7	13,274	12,514
Capital grants and contributions	3,332	8,528	1,880	3,859	5,212	12,387
General revenues:						
Sales tax	27,366	24,202			27,366	24,202
Property taxes	16,805	16,739			16,805	16,739
Other taxes	28,988	27,530			28,988	27,530
Other	5,047	4,360	1,738	1,970	6,785	6,330
Total revenues	<u>110,846</u>	<u>108,965</u>	<u>87,686</u>	<u>83,175</u>	<u>198,532</u>	<u>192,140</u>
Expenses:						
General government	6,817	6,931			6,817	6,931
Public safety	64,735	58,937			64,735	58,937
Community services	13,824	13,492			13,824	13,492
Public works	22,831	28,719			22,831	28,719
Community development	4,443	6,096			4,443	6,096
Contributions to other governments		4,319				4,319
Interest and fiscal charges	3,708	4,039			3,708	4,039
Water			51,937	48,899	51,937	48,899
Wastewater			28,748	25,848	28,748	25,848
Total expenses	<u>116,358</u>	<u>122,533</u>	<u>80,685</u>	<u>74,747</u>	<u>197,043</u>	<u>197,280</u>
Extraordinary gain (loss)		<u>(34,948)</u>				<u>(34,948)</u>
Increase in net position before transfers	(5,512)	(48,516)	7,001	8,428	1,489	(40,088)
Transfers	125	25	(125)	(25)		
Increase in net position before transfers	(5,387)	(48,491)	6,876	8,403	1,489	(40,088)
Net assets – July 1, as restated	<u>329,303</u>	<u>377,794</u>	<u>202,204</u>	<u>193,801</u>	<u>531,507</u>	<u>571,595</u>
Net assets – June 30	<u>\$ 323,916</u>	<u>\$ 329,303</u>	<u>\$ 209,080</u>	<u>\$ 202,204</u>	<u>\$ 532,996</u>	<u>\$ 531,507</u>

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

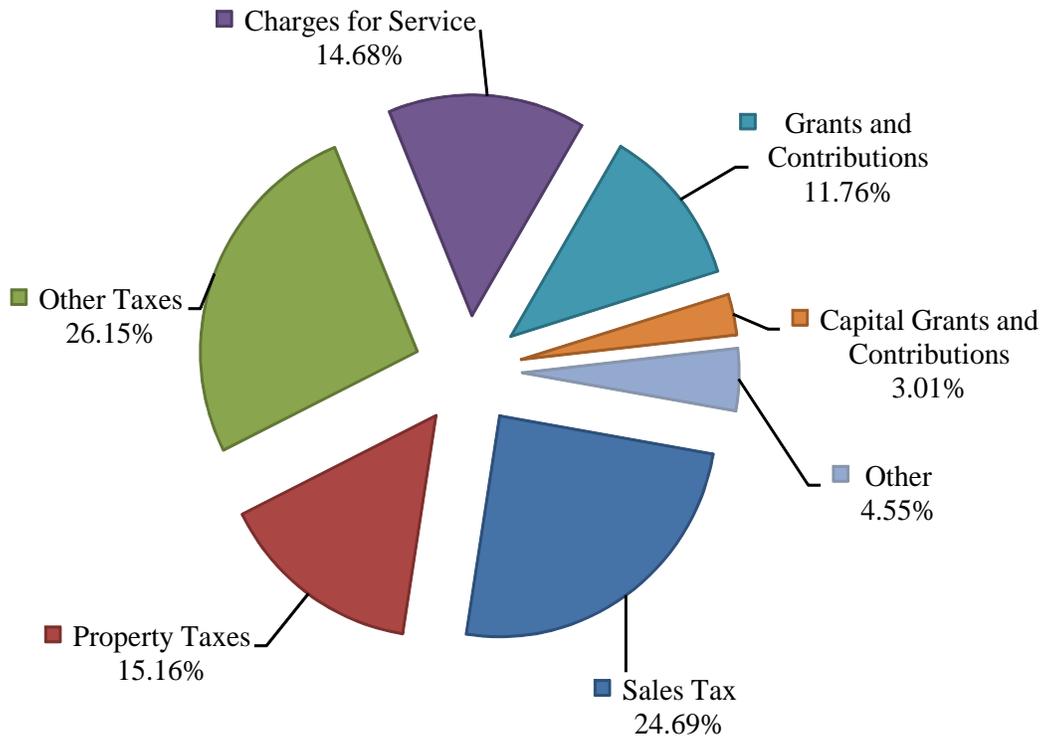
Expenses and Program Revenues – Governmental Activities

Expenses and Program Revenues - Governmental Activities

(Amounts expressed in millions)



Revenues by Source – Governmental Activities



CITY OF ESCONDIDO

Management's Discussion and Analysis

Analysis of Changes in Net Position – Governmental activities

Governmental activities decreased the City's net position by \$5,386,997.

Total governmental revenues increased by \$1.9 million or 1.7 percent during the current fiscal year to reach total revenues of \$110 million. Key elements of this change are as follows:

- Overall sales tax revenue increased by \$3.2 million, or 13.1 percent compared to the prior year. Revenue received from sales tax increased from the prior fiscal year due to an increase in the City's largest economic category, transportation, due to a rise in new and used auto sales during the fiscal year.
- Property tax revenue remained steady over the prior fiscal year increasing by about 0.4 percent. The assessed value growth for Escondido in fiscal year 2013/14 was up about 2.7 percent compared to the prior year.
- Other tax revenue increased by \$1.5 million, or 5.3 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 \$723,000 due to increased sales tax collected on new auto sales. Property tax in lieu of VLF also saw an increase of 2.3 percent or \$240,000 due to the increase in the property tax assessed values in the City.
- Other revenue increased by \$686,221, or 15.7 percent, compared to last year due to an increase in loan interest revenue collected during the fiscal year as well as an increase in accrued interest revenue from the Housing Successor Agency loan portfolio.

Overall charges for services increased by \$1.2 million, or 7.8 percent, reflecting the following:

- General government charges for services increased by \$567,000 due to an increase in paramedic revenue of \$0.5 million as well as engineering fees of \$360,000 related to revenue recognized for fiber optic installations. These increases were offset by a decrease in mobilehome fees as well as the elimination of passport services performed by the City.
- 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 \$14,000 due to a reduction in the mobilehome rent revenue received during the fiscal year.
- Public works charges for services increased by \$293,000 due to an increase in engineering fees as a result of more construction activity throughout the city as well as increases in the utility underground waiver fees collected from developers.
- Community development charges for services increased by \$438,000 due to an increase in other planning fees collected as a result of an increase in construction and building activity in the city.

Operating grants and contributions increased by \$.5 million, or 4.2 percent, reflecting the following:

- General government operating grants and contributions decreased by \$230,000 due to fewer state and county grants received in the current fiscal year. In fiscal year 2013 the City received a one-time grant of \$200,000 from the State for remediation of the Benton Burn Site located within the Escondido Country Club area. The City also received approximately \$100,000 more in fiscal year 2013 from the County of San Diego for the Regional Auto Theft Task Force program. These decreases were offset by increases in PEG fee revenue recognized during the current fiscal year for a capital improvement project that will use those fees to purchase equipment to support the City's Government Access Channel facilities.

CITY OF ESCONDIDO

Management's Discussion and Analysis

- Public safety operating grants and contributions increased by \$.9 million. This was primarily due to new Federal funding administered by the California Department of Health and Human Services called the Ground Emergency Medical Transportation Supplemental Reimbursement Program. The City received approximately \$933,000 in fiscal year 2014 and anticipates receiving \$400,000 annually.
- Community services operating grants and contributions decreased by \$.9 million due to federal grant revenue of \$977,000 received in the prior fiscal year for the Neighborhood Stabilization Program. Funds were used for the new construction of affordable housing units for the purpose of redevelopment. This grant program ended in fiscal year 2013.
- Public works operating grants and contributions increased by \$.7 million due to an increase of approximately \$1.2 million in Gas Tax revenue received over the prior fiscal year. This increase was offset by \$.4 million of one-time revenue received in fiscal year 2013 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.

Capital grants and contributions decreased by \$5.2 million, or 60.9 percent, compared to the prior year. This decrease was mainly the result of large developer contributions received in fiscal year 2013 totaling \$3.7 million for streets, signalized lights and storm drains related to the completion of several housing projects. The City also received approximately \$1.5 million more than the current fiscal year in federal grant revenue for construction of the Maple Street Pedestrian Plaza which was completed in the prior fiscal year.

Governmental activities expenses decreased by \$6.2 million, or 5.0 percent, in fiscal year 2014. Details of these expenses include:

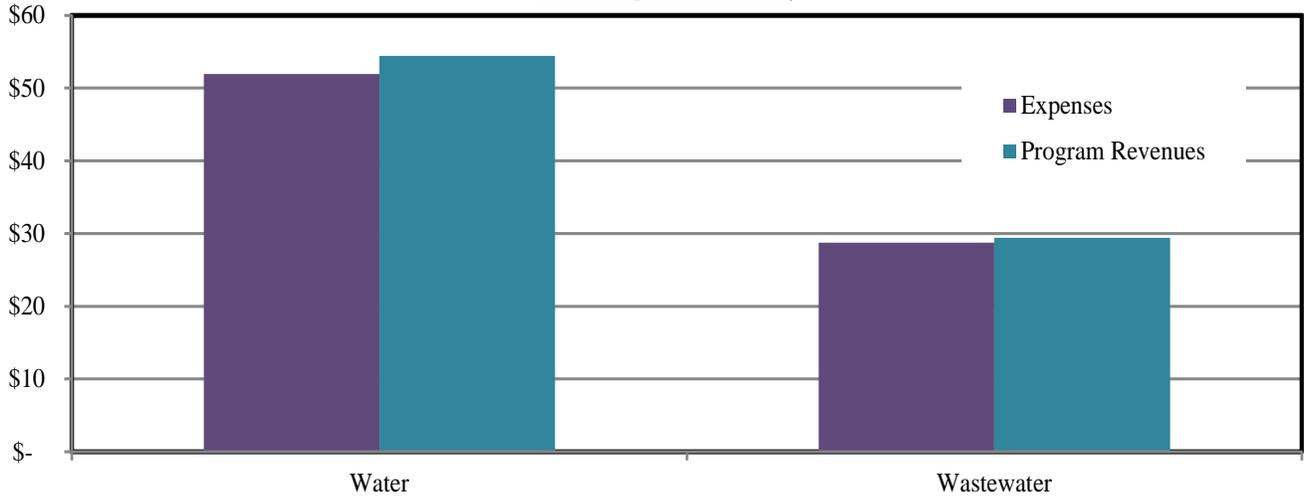
- Public safety expenses increased by \$5.8 million, or 9.8 percent, compared to the prior year. The Fire department added three safety positions to staff the Seventh Engine Company and twenty-four non-safety positions to staff additional ambulances during mid-year 2012-13. In addition there were negotiated salary increases effective during the fiscal year, increases to workers' compensation liabilities as well as increased overtime paid to firefighters and public safety employee overhead expenses.
- Public works expenses decreased by \$5.9 million, or 20.5 percent, primarily due to a decrease in Street Maintenance expenditures of approximately \$1.7 million. In addition, a department reorganization decreased employee services, internal service charges, and professional service charges. Supplies for the parks maintenance department also decreased in the fiscal year.
- Community development expenses decreased by \$1.7 million, or 27.1 percent, compared to the prior year due to the dissolution of the Community Development Commission. The dissolution of the Commission 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.
- Contributions to other governments of \$4.3 million were reported in the prior fiscal year due to activities related to the dissolution of the Escondido Redevelopment Agency. This activity represented available resources in the Debt Service Housing fund that were contributed to the Successor Agency of the Former Community Development Commission Private Purpose Trust Fund.

CITY OF ESCONDIDO
Management's Discussion and Analysis

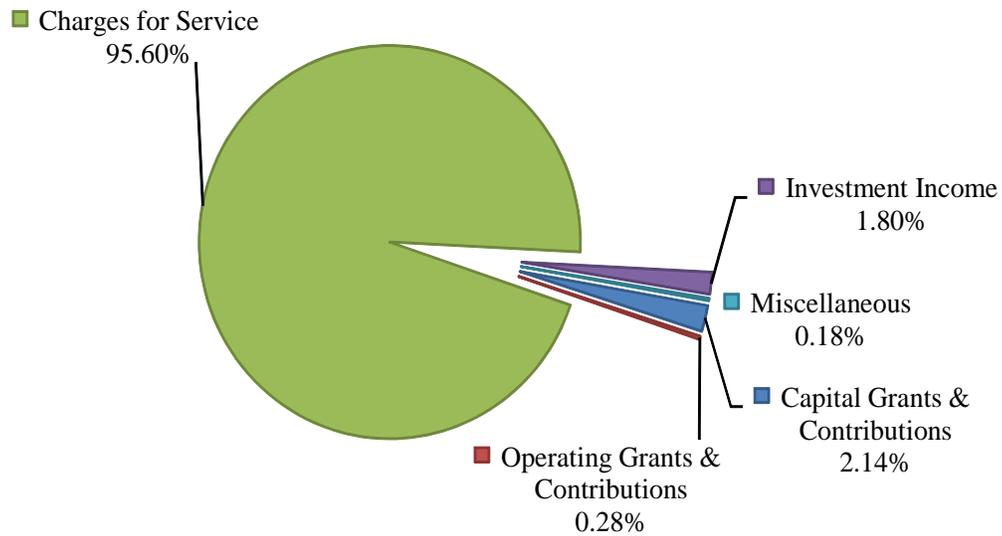
Expenses and Program Revenues – Business-type Activities

Expenses and Program Revenues - Business Activities

(Amounts expressed in millions)



Revenues by Source – Business-type Activities



CITY OF ESCONDIDO Management's Discussion and Analysis

Analysis of Changes in Net Position – Business-type activities. Business-type activities increased the City's net position by \$6,875,600. Key elements of this increase are as follows:

- Charges for services increased by \$6.5 million or 8.4 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 \$5.5 million and \$931,000 in the wastewater fund.
- Total expenses increased by \$5.9 million or 8.0 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 2013-14, 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 increased due to a \$1 million increase in professional service contracts for the benthic study, ocean monitoring and municipal separate storm sewer (MS4) maintenance. In addition, due to reorganization within the utilities department, five full-time positions were added to the Wastewater fund.
- Capital contributions decreased by \$2.3 million due to donated assets received in the prior fiscal year by private developers as part of the following capital projects completed in fiscal year 2013: 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 \$102,745,602, a decrease of \$560,000 in comparison with the prior year. Of this amount, .2 percent or \$217,690 represents non-spendable assets, advances and loans receivable, which are not expected to be converted to cash until future periods. Approximately 79.4 percent of this total amount or \$81,559,045 is not available for new spending because it is legally restricted by external third parties. In addition, \$20,365,302 or 19.8 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 Director of Administrative Services to meet specific expenditures in subsequent years. The remaining unassigned fund balance of \$603,565 is available for spending.

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 \$17,319,659 in Reserves available to fund one-time unanticipated expenditures while total fund balance is \$20,188,333. 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 21.4 percent of total General Fund expenditures, while total fund balance represents 25.0 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$753,472. General Fund operating revenues were \$3.5 million greater than the prior fiscal year but were also slightly under budget by \$.3 million. Operating expenditures for the General Fund were \$3.4 million greater than the prior year but under budgeted amounts by approximately \$2 million. The excess of revenues over expenditures of \$260,000 was offset by net transfers out of the General Fund of \$1.6 million. The Fleet and Public Facilities Funds transferred money to the General Fund in December 2010 to go towards the purchase of property. This property was sold during the current fiscal year; the proceeds were used to pay back the transfer.

CITY OF ESCONDIDO
Management's Discussion and Analysis

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 \$21,567,036, and \$35,719,184 respectively. The total growth in net position was the result of an increase of \$5,118,805 in the Water Fund and \$2,343,267 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 \$82.8 million and estimated expenditures and transfers out of \$82.5 million.

A comparison of the original general fund budgeted revenue of \$82.8 million to the final general fund budgeted revenue of \$84.0 results in a net increase in budgeted revenue of \$1.2 million. This increase was due to a mid-year budget adjustment that increased revenue estimates by \$1.2 million mainly as a result of improved other tax receipts and charges for services.

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

\$ 1,257,500	in decreases in sales taxes
1,221,500	in increases in other taxes
100,000	in decreases to fines and forfeitures
36,000	in increases to intergovernmental revenue
830,190	in increases in charges for services
200,000	in decreases in investment income
515,155	in increases in other miscellaneous revenue
130,079	in increases in transfers in

Comparison of the fiscal year original general fund budgeted expenditures of \$82.5 million to the final general fund budgeted expenditures of \$86.6 million results in a net increase in budgeted expenditures of \$4.1 million.

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

\$ 108,465	in decreases in general government activities
427,625	in increases allocated to the police department
360,625	in increases allocated to the fire department
50,335	in increases allocated for public works
110,495	in increases in community services
39,730	in increases in community development activities
3,208,937	in increases to operating transfers out

Actual General Fund revenues were \$129,903 less than final budgeted amounts and expenditures were \$1,970,289 less than final budgeted amounts. The General Fund ended the fiscal year with a \$753,472 net loss and Reserve balance of \$17.3 million.

CITY OF ESCONDIDO Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. As of June 30, 2014, the City's investments in capital assets for its governmental and business-type activities are \$526,149,682, (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 .06 percent; this represents a 2.3 percent decrease for governmental activities and a 2.7 percent increase for business-type activities.

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

Construction in progress decreased by a net \$87,560 due to current year increases of \$4,686,394 and decreases of \$4,773,957. Current year additions include a street project to widen an existing two-lane roadway to four-lanes on Bear Valley Parkway; the Citracado & Harmony Grove project which includes widening the street and median improvements, and various network upgrades.

Current year decreases to construction in progress were due to the completion of the Grape Street Improvement project which includes new curbs, gutters, retaining walls, sidewalks, street lights and street surfaces, the Daley Ranch Improvement Project to retrofit the ranch house for public use and construction of restroom facilities housed within the façade of the existing garage, and the installation of a storm drain on Eldorado and Encino Drive.

Motorized vehicles increased by \$2.9 million due to the purchase of city vehicles for the replacement of older vehicles and equipment that are replaced on a predetermined schedule. This included the purchase of twenty-three Ford Police Interceptor vehicles as well as a street sweeper. Increases also include additions from construction in progress due to the completion of two Pierce Arrow Pumps as well as one ambulance.

Additions to infrastructure totaled \$2.4 million. Of these additions, \$1.6 million came from the completion of various projects such as the Grape Street improvement project, improvements at the Daley Ranch House, and the installation of a storm drain on Eldorado and Encino Drive. An additional \$1.1 million of additions was due to developer contributions of signal lights and streets. These additions were offset by depreciation expense of \$4.8 million.

Machinery and equipment additions totaled \$886,000 due to the purchase of twenty-six EKG monitors for the Fire department. In addition, twenty-two mobile data computers used in fire engines and ambulances reached their useful life in the current fiscal year and were replaced.

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

Construction in progress increased by \$11.9 million due to several capital improvement projects. The largest increases to construction in progress was due ongoing projects located at the HAARF including rehabilitation and expansion of the existing Influent Pump Station at the wastewater treatment plant, a current year addition of \$6.1 million, as well as construction of a new plant operations building which will also house the wastewater collections staff.

Other additions to CIP include the Lake Wohlford Dam project which will investigate the potential for expansion of the capacity of the Lake Wohlford Reservoir; the Vista Verde Reservoir project which will replace an existing 0.75MG steel reservoir constructed in 1979 with two adequately sized to future needs; and a water line replacement on Bear Valley Parkway.

Developers contributed water and sewer lines of \$379,000 related to the completion of several projects including improvements for the new Walmart store which included a new water line, sidewalk improvements, landscaping, chain link fencing as well as a new traffic signal for the Harding Street extension project.

CITY OF ESCONDIDO
Management's Discussion and Analysis

City of Escondido's Capital Assets

(net of depreciation / in thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
	Land	\$ 45,906	\$ 46,483	\$ 2,868	\$ 1,801	\$ 48,774
Buildings and systems	93,421	95,916	6,506	7,089	99,927	103,005
Improvements other than buildings	18,623	18,755	775	760	19,398	19,515
Machinery and equipment	8,076	9,137	2,665	2,053	10,741	11,190
Infrastructure	110,901	113,217	207,015	213,700	317,916	326,917
Construction in progress	8,176	8,263	21,217	9,314	29,393	17,577
Total	\$ 285,103	\$ 291,771	\$ 241,046	\$ 234,717	\$ 526,149	\$ 526,488

Additional information on the City's capital assets can be found in the notes on pages 71-73 of this report.

Long-term debt. At the end of the current fiscal year, the City has total bonded debt outstanding of \$192,310,000. 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	
	2014	2013	2014	2013	2014	2013
	Certificates of participation	\$ 645	\$ 1,240	\$ 55,225	\$ 57,340	\$ 55,870
Revenue bonds			57,850	58,635	57,850	58,635
Lease revenue bonds	4,625	4,830			4,625	4,830
GO bonds	73,965	75,665			73,965	75,665
Total	\$ 79,235	\$ 81,735	\$ 113,075	\$ 115,975	\$ 192,310	\$ 197,710

Changes to the City's outstanding debt during the current fiscal year are 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 75-83 of this report.

CITY OF ESCONDIDO

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City as of June 2014 was 6.4 percent, which is a decrease from a rate of 7.7 percent a year ago, and it continues to show a downward trend. Taxable sales increased from the previous year by about \$1.4 million or 4.7% but were under budget by about \$1.3 million. Sales tax was projected to grow by 8% due to the opening of new businesses such as the Walmart Store and Cheesecake Factory; however, actual growth was only 5%. Overall, the City's General Fund revenue was up 4.4% over the prior year.

The fiscal year 2014-15 General Fund operating budget has been balanced without relying on the use of reserves for the fourth 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 5.6% and expenditures were increased by 6.6% 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total June 30, 2014	California Center for the Arts, Escondido Foundation June 30, 2014
<u>Assets</u>				
Cash and investments	\$ 67,566,256	\$ 54,199,902	\$ 121,766,158	\$ 1,555,673
Cash and investments with fiscal agent	673,137	57,823,934	58,497,071	
Receivables, net of allowances	72,162,814	12,234,425	84,397,239	115,406
Internal balances	(253,885)	253,885		
Due from other governments	7,796,336	241,574	8,037,910	
Inventory, at cost	454,863		454,863	23,348
Prepaid expenses	11,248		11,248	66,638
Deposits	367,688	6,800	374,488	
Prepaid expenses		12,267	12,267	
Prepaid bond insurance	202,430	231,721	434,151	
Land held for resale	3,089,552	104,573	3,194,125	
Assets held in charitable remainder				108,453
Capital assets:				
Not being depreciated	63,614,195	24,084,585	87,698,780	
Being depreciated, net	221,489,246	216,961,656	438,450,902	72,509
Total Assets	437,173,880	366,155,322	803,329,202	1,942,027
<u>Deferred outflows of resources</u>				
Deferred charges on refunding	54,526	2,715,557	2,770,083	
<u>Liabilities</u>				
Payables:				
Accounts	3,831,170	5,691,955	9,523,125	66,865
Retentions		150,445	150,445	
Interest	1,222,698	1,760,689	2,983,387	
Deposits	2,527,678	531,767	3,059,445	
Accrued expenses	2,279,005	266,126	2,545,131	96,003
Due to other governments	469,988		469,988	
Unearned revenue	387,579		387,579	327,295
Noncurrent liabilities:				
Payables due within one year:				
Employee leave benefits	725,585	111,234	836,819	79,806
Claims	2,910,112		2,910,112	
Loans	109,588	2,143,933	2,253,521	
Bonds	1,995,000	620,000	2,615,000	
Certificates of participation	645,000	2,200,000	2,845,000	
Payables due in more than one year:				
Connection rights		13,351,823	13,351,823	
Employee leave benefits	6,530,260	1,001,105	7,531,365	
Claims	11,640,447		11,640,447	
Loans	778,778	18,304,767	19,083,545	
Bonds, net	77,259,283	60,520,998	137,780,281	
Certificates of participation		53,136,319	53,136,319	
Total Liabilities	113,312,171	159,791,161	273,103,332	569,969

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total June 30, 2014	California Center for the Arts, Escondido Foundation June 30, 2014
<u>Net Position</u>				
Net investment in capital assets	207,003,751	151,539,613	358,543,364	79,806
Restricted for:				
Community services				
Expendable	2,302,472		2,302,472	
Nonexpendable	222,728		222,728	
Debt service	2,993,853		2,993,853	
Capital projects	1,829,815		1,829,815	
General government	2,281,299		2,281,299	
Low and moderate income housing	68,460,031		68,460,031	
Public safety	3,315,714		3,315,714	
Public works	10,950,668		10,950,668	
Unrestricted	24,555,904	57,540,105	82,096,009	1,292,252
Total Net Position	\$ 323,916,235	\$ 209,079,718	\$ 532,995,953	\$ 1,372,058

CITY OF ESCONDIDO
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 6,817,120	\$ 1,049,402	\$ 629,974	\$ 69,428
Public safety	64,735,010	8,217,629	3,450,379	123,869
Community services	13,824,749	4,104,210	4,182,963	176,044
Public works	22,830,644	1,554,453	4,767,861	2,962,560
Community development	4,442,510	1,351,882		
Interest and fiscal charges	3,709,135			
Total Governmental Activities	<u>116,359,168</u>	<u>16,277,576</u>	<u>13,031,177</u>	<u>3,331,901</u>
Business-type activities:				
Water	51,937,493	54,411,250		1,071,907
Wastewater	28,748,596	29,413,549	243,302	807,902
Total Business-type Activities	<u>80,686,089</u>	<u>83,824,799</u>	<u>243,302</u>	<u>1,879,809</u>
Total Primary Government	<u>\$ 197,045,257</u>	<u>\$ 100,102,375</u>	<u>\$ 13,274,479</u>	<u>\$ 5,211,710</u>
Component Unit:				
California Center for the Arts, Escondido Foundation	<u>\$ 8,726,399</u>	<u>\$ 2,594,774</u>	<u>\$ 5,511,574</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

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

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, 2014	California Center for the Arts, Escondido Foundation June 30, 2014
\$ (5,068,316)	\$	\$ (5,068,316)	\$
(52,943,133)		(52,943,133)	
(5,361,532)		(5,361,532)	
(13,545,770)		(13,545,770)	
(3,090,628)		(3,090,628)	
(3,709,135)		(3,709,135)	
(83,718,514)		(83,718,514)	
	3,545,664	3,545,664	
	1,716,157	1,716,157	
	5,261,821	5,261,821	
(83,718,514)	5,261,821	(78,456,693)	
\$	\$	\$	\$ (620,051)
27,366,084		27,366,084	
16,805,289		16,805,289	
8,169,146		8,169,146	
10,668,256		10,668,256	
507,599		507,599	
4,694,252		4,694,252	
1,237,826		1,237,826	
1,322,016		1,322,016	
1,658,276		1,658,276	
648,068		648,068	
82,955		82,955	
62,583		62,583	244,520
4,091,316	1,577,693	5,669,009	82,503
892,851	161,086	1,053,937	106,732
125,000	(125,000)		
78,331,517	1,613,779	79,945,296	433,755
(5,386,997)	6,875,600	1,488,603	(186,296)
329,303,232	202,204,118	531,507,350	1,558,354
\$ 323,916,235	\$ 209,079,718	\$ 532,995,953	\$ 1,372,058

CITY OF ESCONDIDO
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Special Revenue Successor Agency Housing</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 17,263,978	\$ 1,267,541	\$ 27,614,824	\$ 46,146,343
Cash and investments with fiscal agent			673,137	673,137
Receivables (net):				
Accounts	4,101,035	2,778	315,079	4,418,892
Interest	73,018	5,806,225	3,457,102	9,336,345
Taxes	8,260,243		29,613	8,289,856
Loans	58,440	35,500,788	14,421,451	49,980,679
Loans to Successor Agency		3,399,292	974,044	4,373,336
Due from:				
Other funds	1,158,720			1,158,720
Other governments	227,534		3,195,466	3,423,000
Inventory, at cost			9,000	9,000
Prepaid expenditures			11,248	11,248
Deposits			55,088	55,088
Land held for resale, at cost		2,287,410	802,142	3,089,552
Advances to other funds	159,250		530,000	689,250
 Total Assets	 <u>\$ 31,302,218</u>	 <u>\$ 48,264,034</u>	 <u>\$ 52,088,194</u>	 <u>\$ 131,654,446</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Balance Sheet
Governmental Funds (Continued)
June 30, 2014

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities:				
Payables:				
Accounts	\$ 1,794,570	\$ 6,340	\$ 1,296,559	\$ 3,097,469
Deposits	554,598		1,973,080	2,527,678
Accrued expenditures	2,003,468	4,904	178,249	2,186,621
Due to other funds			1,158,720	1,158,720
Due to other governments			469,988	469,988
Unearned revenue			387,579	387,579
Advances from other funds	330,000		359,250	689,250
Total Liabilities	4,682,636	11,244	5,823,425	10,517,305
Deferred Inflows of Resources:				
Unavailable revenue	6,431,249	5,802,028	6,158,262	18,391,539
Fund Balances:				
Nonspendable	217,690			217,690
Restricted for		42,450,762	39,108,283	81,559,045
Committed to	17,319,659		2,008,525	19,328,184
Assigned to	897,465		139,653	1,037,118
Unassigned	1,753,519		(1,149,954)	603,565
Total Fund Balances	20,188,333	42,450,762	40,106,507	102,745,602
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,302,218</u>	<u>\$ 48,264,034</u>	<u>\$ 52,088,194</u>	<u>\$ 131,654,446</u>

See Accompanying Notes to Basic Financial Statements.



CITY OF ESCONDIDO
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2014

Fund balances for governmental funds	\$ 102,745,602
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Amounts reported for governmental activities in the statement of net position are different because:

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.

Capital assets	\$ 563,930,148	
Ending accumulated depreciation	(285,901,945)	
		278,028,203

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	18,391,539
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Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position.	12,849,012
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Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Noncurrent liabilities allocated from internal service funds are included in the internal service fund adjustment above.

Employee leave benefits	(7,088,356)	
Loans	(144,740)	
Bonds	(79,235,000)	
Bond premium	(673,440)	
Bond discount	9,157	
Loss on refunding	54,526	
Prepaid bond insurance	202,430	
		(86,875,423)

Interest on noncurrent liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Interest payable	(1,222,698)
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Net position of governmental activities	\$ <u><u>323,916,235</u></u>
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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, 2014

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Sales tax	\$ 32,277,295	\$	\$	\$ 32,277,295
Other taxes	21,920,254		3,091,906	25,012,160
Licenses and permits	991,164			991,164
Fines and forfeits	1,184,292			1,184,292
Intergovernmental	13,703,132		10,005,457	23,708,589
Charges for services	7,500,560		5,013,025	12,513,585
Special assessments			5,796,337	5,796,337
Lease income		205,259		205,259
Investment income	156,253	272,247	467,326	895,826
Miscellaneous	3,329,114	41,640	895,225	4,265,979
Total Revenues	81,062,064	519,146	25,269,276	106,850,486
Expenditures:				
Current:				
General government	5,584,674		226,342	5,811,016
Public safety	56,166,466		1,707,555	57,874,021
Public works	9,813,633		5,375,707	15,189,340
Community services	6,234,010		5,894,494	12,128,504
Community development	2,979,712	724,378	534,104	4,238,194
Capital outlay			5,550,440	5,550,440
Debt service:				
Principal retirements	23,176		2,505,185	2,528,361
Interest and fiscal charges			3,737,237	3,737,237
Total Expenditures	80,801,671	724,378	25,531,064	107,057,113
Excess (Deficiency) of Revenues Over Expenditures	260,393	(205,232)	(261,788)	(206,627)

(Continued)

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2014

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Sale of capital assets	537,293	(250,753)	1,060,000	1,346,540
Transfers in	2,278,879	60,000	2,696,364	5,035,243
Transfers out	(3,830,037)		(2,904,706)	(6,734,743)
Total Other Financing Sources (Uses)	(1,013,865)	(190,753)	851,658	(352,960)
 Net Change in Fund Balance	 (753,472)	 (395,985)	 589,870	 (559,587)
 Fund Balances:				
Fund Balance at Beginning of Year	20,941,805	42,846,747	39,516,637	103,305,189
Fund Balances at End of Year	<u>\$ 20,188,333</u>	<u>\$ 42,450,762</u>	<u>\$ 40,106,507</u>	<u>\$ 102,745,602</u>

See Accompanying Notes to Basic Financial Statements.



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, 2014

Net change in fund balances - total governmental funds: \$ (559,587)

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	\$ 5,381,293	
Contributed capital assets	1,102,418	
Depreciation	(12,780,065)	
Disposal of capital assets	(576,857)	
Capital assets contributed to business-type activities	(265,676)	
		(7,138,887)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,611,163

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. (1,617,913)

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	(269,221)	
Principal retirements	2,528,361	
Accrued interest	59,087	
		2,318,227

Change in net assets of governmental activities \$ (5,386,997)

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position
Proprietary Funds
June 30, 2014

	Water	Wastewater	Total	Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 17,091,277	\$ 37,108,625	\$ 54,199,902	\$ 21,419,914
Receivables (Net):				
Accounts	10,011,273	1,279,990	11,291,263	59,909
Interest	75,885	163,697	239,582	77,132
Loans		45,254	45,254	
Due from other governments		241,574	241,574	
Inventory				445,863
Prepaid expenses		12,267	12,267	
Deposits	6,800		6,800	312,600
Total Current Assets	<u>27,185,235</u>	<u>38,851,407</u>	<u>66,036,642</u>	<u>22,315,418</u>
Noncurrent assets:				
Receivables (Net):				
Loans		658,326	658,326	
Total Noncurrent Receivables		<u>658,326</u>	<u>658,326</u>	
Land held for resale	104,573		104,573	
Prepaid bond insurance	119,789	111,932	231,721	
Restricted:				
Cash and investments with fiscal agent	<u>27,196,575</u>	<u>30,627,359</u>	<u>57,823,934</u>	
Capital assets:				
Land	1,488,268	1,379,756	2,868,024	
Land improvements	626,162	337,125	963,287	
Buildings	14,849,333	9,631,885	24,481,218	1,553,865
Water system	122,968,161		122,968,161	
Electric system	3,609,179		3,609,179	
Recycled water system		24,163,391	24,163,391	
Sewer system		159,048,136	159,048,136	
Machinery and equipment	3,399,345	4,011,072	7,410,417	28,872,721
Construction in progress	6,698,921	14,517,640	21,216,561	12,397
Total Capital Assets	<u>153,639,369</u>	<u>213,089,005</u>	<u>366,728,374</u>	<u>30,438,983</u>
Less accumulated depreciation	<u>(55,539,098)</u>	<u>(70,143,035)</u>	<u>(125,682,133)</u>	<u>(23,363,745)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>98,100,271</u>	<u>142,945,970</u>	<u>241,046,241</u>	<u>7,075,238</u>
Total Noncurrent Assets	<u>125,521,208</u>	<u>174,343,587</u>	<u>299,864,795</u>	<u>7,075,238</u>
Total Assets	<u>152,706,443</u>	<u>213,194,994</u>	<u>365,901,437</u>	<u>29,390,656</u>
<u>Deferred outflows of resources</u>				
Deferred charge on refunding	<u>1,068,683</u>	<u>1,646,874</u>	<u>2,715,557</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position
Proprietary Funds (Continued)
June 30, 2014

	Water	Wastewater	Total	Internal Service Funds
<u>Liabilities</u>				
Current Liabilities:				
Payables:				
Accounts	3,901,159	1,790,796	5,691,955	733,691
Revenue bonds	475,000	145,000	620,000	
Certificates of participation	550,000	1,650,000	2,200,000	
Loans	219,613	1,924,320	2,143,933	81,229
Retentions	29,386	121,059	150,445	
Accrued interest	898,586	862,103	1,760,689	
Employee leave benefits	38,149	73,085	111,234	16,750
Estimated claims				2,910,112
Accrued expenses	124,456	141,670	266,126	92,385
Total Current Liabilities	6,236,349	6,708,033	12,944,382	3,834,167
Noncurrent Liabilities:				
Payables:				
Revenue bonds	31,791,796	28,729,202	60,520,998	
Certificates of participation	27,226,877	25,909,442	53,136,319	
Connection rights payable	9,327,594	4,024,229	13,351,823	
Deposits	387,696	144,071	531,767	
Employee leave benefits	343,340	657,765	1,001,105	150,739
Estimated claims				11,640,447
Loans	3,464,849	14,839,918	18,304,767	662,397
Total Noncurrent Liabilities	72,542,152	74,304,627	146,846,779	12,453,583
Total Liabilities	78,778,501	81,012,660	159,791,161	16,287,750
<u>Net Position</u>				
Net investment in capital assets	53,429,589	98,110,024	151,539,613	7,075,238
Unrestricted	21,567,036	35,719,184	57,286,220	6,027,668
Total Net Position	\$ 74,996,625	\$ 133,829,208	\$ 208,825,833	\$ 13,102,906
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			253,885	
Net position of business-type activities			\$ 209,079,718	

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, 2014

	Water	Wastewater	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 53,920,870	\$ 29,413,549	\$ 83,334,419	\$ 25,747,849
Operating Expenses:				
Personnel services	7,278,175	8,332,836	15,611,011	4,225,296
Purchased water	24,283,807		24,283,807	
Administrative expenses	5,338,640	1,739,223	7,077,863	1,833,569
Benefit claims				2,117,752
Supplies	2,351,990	1,327,803	3,679,793	289,232
Repairs and maintenance	1,269,945	2,044,549	3,314,494	967,210
Depreciation	3,529,669	5,257,941	8,787,610	2,009,368
Utilities	2,514,393	2,199,439	4,713,832	1,208,246
Fuel				1,267,187
Professional services	1,005,355	3,498,002	4,503,357	5,356,508
Insurance premiums	424,415	315,855	740,270	10,395,665
Rent	310,536	319,436	629,972	1,284
Other	440,221	425,326	865,547	587,846
Total Operating Expenses	48,747,146	25,460,410	74,207,556	30,259,163
Operating Income	5,173,724	3,953,139	9,126,863	(4,511,314)
Nonoperating Revenues (Expenses):				
Investment income	220,284	430,783	651,067	151,839
Rents and concessions	845,134		845,134	
Interest and fiscal charges	(2,805,090)	(3,086,971)	(5,892,061)	(30,985)
Miscellaneous	632,174	364,069	996,243	189,595
Total Nonoperating Revenues (Expenses)	(1,107,498)	(2,292,119)	(3,399,617)	310,449
Income Before Transfers and Capital Contributions	4,066,226	1,661,020	5,727,246	(4,200,865)

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, 2014

	Water	Wastewater	Total	Internal Service Funds
Transfers in				2,273,600
Transfers out		(125,000)	(125,000)	(449,100)
Total Transfers		(125,000)	(125,000)	1,824,500
Income Before Capital Contributions	4,066,226	1,536,020	5,602,246	(2,376,365)
Capital Contributions:				
Connection fees	490,380	764,266	1,254,646	
Developer contributions	562,199	42,981	605,180	171,989
Total Capital Contributions	1,052,579	807,247	1,859,826	171,989
Changes in Net Position	5,118,805	2,343,267	7,462,072	(2,204,376)
Net Position at Beginning of Year	69,877,820	131,485,941	201,363,761	15,307,282
Net Position at End of Year	\$ 74,996,625	\$ 133,829,208	\$ 208,825,833	\$ 13,102,906
Change in Net Position			\$ 7,462,072	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			(586,472)	
Change in net assets of business-type activities			\$ 6,875,600	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Water	Wastewater	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 53,652,829	\$ 29,640,313	\$ 83,293,142	\$ 25,755,351
Cash paid to employees for services	(7,396,494)	(8,218,353)	(15,614,847)	(6,068,785)
Cash paid to other suppliers of goods or services	(37,139,420)	(11,288,139)	(48,427,559)	(21,430,215)
Cash from rents and concessions	845,134		845,134	
Cash from other sources	606,703	387,101	993,804	69,419
Net Cash Provided by Operating Activities	10,568,752	10,520,922	21,089,674	(1,674,230)
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds				2,273,600
Cash paid to other funds		(125,000)	(125,000)	(449,100)
Net Cash Provided by Noncapital Financing Activities		(125,000)	(125,000)	1,824,500
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(3,975,403)	(10,482,788)	(14,458,191)	(2,295,191)
Sale of capital assets				106,228
Payments on connection rights	(41,990)		(41,990)	
Cash received for connection fees	490,380	764,266	1,254,646	
Principal payments on certificates of participation	(1,175,000)	(1,725,000)	(2,900,000)	
Interest payments on certificates of participation	(2,739,001)	(2,587,198)	(5,326,199)	
Proceeds from loans				
Principal payments on loans	(214,210)	(1,922,536)	(2,136,746)	(78,200)
Interest payments on loans	(96,343)	(394,123)	(490,466)	(30,985)
Net Cash (Used for) Capital and Related Financing Activities	(7,751,567)	(16,347,379)	(24,098,946)	(2,298,148)
Cash Flows from Investing Activities:				
Advance to other fund		3,780,000	3,780,000	
Investment income received	220,465	533,216	753,681	174,357
Net Cash Provided by (Used for) Investing Activities	220,465	4,313,216	4,533,681	174,357
Net Increase in Cash and Cash Equivalents	3,037,650	(1,638,241)	1,399,409	(1,973,521)
Cash and Cash Equivalents at Beginning of Year	41,250,202	69,374,225	110,624,427	23,393,435
Cash and Cash Equivalents at End of Year	\$ 44,287,852	\$ 67,735,984	\$ 112,023,836	\$ 21,419,914

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2014

	Water	Wastewater	Totals	Internal Service Funds
Reconciliation of Cash Equivalents to the statement of net assets:				
Cash and investments	\$ 17,091,277	\$ 37,108,625	\$ 54,199,902	\$ 21,419,912
Restricted assets	27,196,575	30,627,359	57,823,934	
Cash and Cash Equivalents at the End of Year	<u>\$ 44,287,852</u>	<u>\$ 67,735,984</u>	<u>\$ 112,023,836</u>	<u>\$ 21,419,914</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	<u>\$ 5,173,724</u>	<u>\$ 3,953,139</u>	<u>\$ 9,126,863</u>	<u>\$ (4,511,314)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation expense	3,529,669	5,257,941	8,787,610	2,009,368
Cash from rents and concessions	845,134		845,134	
Cash from other sources	605,095	334,397	939,492	69,419
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(281,870)	471,651	189,781	7,502
(Increase) decrease in due from other governments		(241,574)	(241,574)	
(Increase) decrease in inventories				(23,395)
(Increase) decrease in prepaid expenses		(3,313)	(3,313)	
(Increase) decrease in deposits	(6,800)		(6,800)	
(Increase) decrease in loans receivable	1,608	52,704	54,312	
Increase (decrease) in accounts payable	799,882	581,494	1,381,376	69,608
Increase (decrease) in accrued expenses	14,035	34,732	48,767	(21,832)
Increase (decrease) in employee leave benefits payable	(132,354)	79,751	(52,603)	11,912
Increase in customer deposits	20,629		20,629	
(Decrease) in estimated claims payable				714,502
Total Adjustments	<u>5,395,028</u>	<u>6,567,783</u>	<u>11,962,811</u>	<u>2,837,084</u>
Net Cash Provided by Operating Activities	<u>\$ 10,568,752</u>	<u>\$ 10,520,922</u>	<u>\$ 21,089,674</u>	<u>\$ (1,674,230)</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 562,199	\$ 42,981	\$ 605,180	\$ 171,989
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, 2014

	Agency Funds	Private Purpose Trust Fund Successor Agency of the Former CDC
<u>Assets</u>		
Cash and investments	\$ 7,206,446	\$ 8,445,820
Restricted:		
Cash and investments with fiscal agent	1,904,189	
Receivables:		
Interest	10,985	12,493
Taxes	1,868	
Loans		2,741,651
Deferred bond issuance costs		142,843
Due from other governments		469,988
Capital assets:		
Not being depreciated		6,074,290
Being depreciated, net		32,119,799
Total Assets	<u>\$ 9,123,488</u>	<u>50,006,884</u>
<u>Deferred outflow of resources</u>		
Deferred charges on refunding		<u>183,262</u>
<u>Liabilities</u>		
Accounts payable	\$ 267,609	4,372
Deposits payable	5,376,392	
Due to bondholders	3,479,487	
Interest payable		1,386,088
Long-term liabilities:		
Due in one year		5,785,000
Due in more than one year		35,027,519
Total Liabilities	<u>\$ 9,123,488</u>	<u>42,202,979</u>
<u>Net Position</u>		
Held in trust for other purposes		<u>7,987,167</u>
Total Net Position		<u>\$ 7,987,167</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, 2014

	Private Purpose Trust Fund
	Successor Agency of the Former CDC
<u>Additions</u>	
Taxes	\$ 8,466,135
Interest and change in fair value of investments	25,902
Contributions from other governments	3,132,320
Total Additions	11,624,357
<u>Deductions</u>	
Administrative expenses	293,650
Residual payment	
Interest expense	1,721,879
Depreciation expense	2,736,015
Total Deductions	4,751,544
Changes in Net Position	6,872,813
Net Position - Beginning of the Year	1,114,354
Net Position - End of the Year	\$ 7,987,167

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements
June 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014.

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, 2014

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, 2014

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 government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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, 2014

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, as well as gains or losses on refunding, 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. Gains or losses on bond refunding are reported as deferred charges and amortized over the term of the related debt.

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. Debt 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 the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

1: Summary of Significant Accounting Policies (Continued)

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is Council resolution.

Assigned include amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The Administrative Services Director is authorized to assign amounts to a specific purpose, which was established by the governing body by resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

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, 2014, the balance totaled \$17,319,659.

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.

2: Stewardship, Compliance and Accountability

Excess of Expenditures Over Appropriations

The following individual fund exceeded its expenditures budget:

Fund	Type of Fund	Amount Over Budget
HOME	Special Revenue	\$ 50,603
Golf Course	Debt Service	157

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

2: Stewardship, Compliance and Accountability (Continued)

Deficit Fund Equity

The following funds reported a deficit fund balance as of June 30, 2014:

Fund	Deficit
Community Development Block Grant	\$ 252,431
Law Enforcement	261,652
Vehicle Parking District	624,380

The following funds reported a deficit net position as of June 30, 2014:

Fund	Deficit
Workers' Compensation	\$ 1,713,673
General Liability Self-Insurance	1,713,762

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

3: Cash and Investments

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Governmental Activities

Cash and investments	\$ 67,566,256
Cash and investments held by fiscal agent	673,137

Business-type Activities

Cash and investments	54,199,902
Cash and investments held by fiscal agent	57,823,934

Component Unit

Cash and investments	1,555,673
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Fiduciary Funds:

Cash and investments	15,652,266
Cash and investments held by fiscal agent	1,904,189

Total cash and investments	\$ 199,375,357
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CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

3: Cash and Investments (Continued)

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

Cash on hand	\$	16,721
Deposits with financial institutions		9,760,523
Investments		<u>189,598,113</u>
Total cash and investments	\$	<u><u>199,375,357</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.

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

3: Cash and Investments (Continued)

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>*Maximum Investment in One Issuer</u>
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, 2014

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	\$ 3,518,800	\$ 3,518,800	\$	\$
Federal Agency Securities	87,509,416	27,315,890	44,816,469	15,377,057
Money Market Funds	10,925,784	10,925,784		
Negotiable Certificates of Deposit	2,980,479	1,242,212	988,850	749,417
State Investment Pool (LAIF)	24,262,374	24,262,374		
Subtotal	129,196,853	67,265,060	45,805,319	16,126,474
Held by fiscal agent:				
Federal Agency Securities	5,403,585	5,403,585		
Money Market Funds	9,984,231	9,984,231		
State Investment Pool (LAIF)	45,013,444	45,013,444		
Subtotal	60,401,260	60,401,260		
Total	\$ 189,598,113	\$ 127,666,320	\$ 45,805,319	\$ 16,126,474

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, 2014

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	\$ 3,518,800	N/A	\$ 3,518,800	\$	\$
Federal Agency Securities	87,509,416	N/A		87,509,416	
Money Market Funds	10,925,784	N/A	10,925,784		
Negotiable Certificates of Deposit	2,980,479				2,980,479
State Investment Pool (LAIF)	24,262,374	N/A			24,262,374
Held by fiscal agent:					
Federal Agency Securities	5,403,585	N/A		5,403,585	
Money Market Funds	9,984,231	N/A			9,984,231
State Investment Pool (LAIF)	45,013,444	N/A			45,013,444
Total	\$ 189,598,113		\$ 14,444,584	\$ 92,913,001	\$ 82,240,528

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	\$ 27,799,719
Federal Home Loan Bank	Federal agency securities	28,079,383
Federal Home Loan Mortgage Corp.	Federal agency securities	26,027,720
Federal Farm Credit Bank	Federal agency securities	11,006,179

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, 2014, 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, 2014

3: Cash and Investments (Continued)

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

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, 2014 is as follows:

Fund	Allowance Amount
General Fund	\$ 1,816,564
Water Enterprise Fund	35,108

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

5: Loans Receivable

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

At June 30, 2014, the loans receivable was reported in the governmental and proprietary fund types as follows:

Governmental Funds	\$ 54,354,015
Proprietary Funds	703,580
Total loans receivable	\$ 55,057,595

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

5: Loans Receivable (Continued)

The loans at June 30, 2014, consisted of the following:

City of Escondido	
HOME grant fund loans	\$ 13,910,296
National Golf Operations	259,297
Successor Agency loan	974,044
Various loans	310,298
Successor Agency Housing Special Revenue Fund	
Loans given to developers and non-profits	28,036,370
Mobile home loan program	3,284,297
First-time homebuyer program	3,665,121
Successor Agency loan	3,399,292
HOME loans	<u>515,000</u>
Total loans receivable	<u><u>\$ 54,354,015</u></u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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, 2014, is as follows:

Governmental-Activities:

	Balance at July 1, 2013	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:						
Art and historical treasures	\$ 9,532,194	\$	\$	\$	\$	\$ 9,532,194
Land	46,482,981				576,857	45,906,124
Construction in progress	8,263,440	(4,773,957)		4,686,394		8,175,877
Total capital assets, not being depreciated	<u>64,278,615</u>	<u>(4,773,957)</u>		<u>4,686,394</u>	<u>576,857</u>	<u>63,614,195</u>
Capital assets, being depreciated:						
Land improvements	36,248,863	505,030				36,753,893
Buildings	135,682,521	1,079,934				136,762,455
Machinery and equipment	29,135,617	281,041	68,598	1,259,330	722,360	30,022,226
Motorized vehicles	17,667,577	1,305,884		1,853,744	247,809	20,579,396
Infrastructure	299,876,964	1,602,068	(225,738)	1,056,836		302,310,130
Golf course	4,326,835					4,326,835
Total capital assets, being depreciated	<u>522,938,377</u>	<u>4,773,957</u>	<u>(157,140)</u>	<u>4,169,910</u>	<u>970,169</u>	<u>530,754,935</u>
Less accumulated depreciation for:						
Land improvements	27,025,750			3,281,452		30,307,202
Buildings	39,766,586			3,574,422		43,341,008
Machinery and equipment	26,781,749			1,290,673	722,361	27,350,061
Motorized vehicles	13,674,870			1,747,998	247,808	15,175,060
Infrastructure	186,659,898			4,750,616		191,410,514
Golf course	1,537,572			144,272		1,681,844
Total accumulated depreciation	<u>295,446,425</u>			<u>14,789,433</u>	<u>970,169</u>	<u>309,265,689</u>
Total capital assets being depreciated, net	<u>227,491,952</u>	<u>4,773,957</u>	<u>(157,140)</u>	<u>(10,619,523)</u>		<u>221,489,246</u>
Governmental activities capital assets, net	<u>\$ 291,770,567</u>	<u>\$</u>	<u>\$ (157,140)</u>	<u>\$ (5,933,129)</u>	<u>\$ 576,857</u>	<u>\$ 285,103,441</u>

Construction in progress in the governmental activities consists primarily of additions to infrastructure, parks, and the design of the library expansion project.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

6: Capital Assets (Continued)

Business-type Activities:

	Balance at July 1, 2013	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance at June 30, 2014
Capital assets not being depreciated:						
Land	\$ 1,800,524	\$ 1,067,500	\$	\$	\$	\$ 2,868,024
Construction in progress	9,314,075	(2,636,966)		14,539,452		21,216,561
Total Capital Assets Not being Depreciated	<u>11,114,599</u>	<u>(1,569,466)</u>		<u>14,539,452</u>		<u>24,084,585</u>
Capital assets being depreciated:						
Land improvements	946,475	138,080			121,268	963,287
Buildings	24,481,218					24,481,218
Machinery and equipment	6,213,179	1,157,231	(68,597)	131,849	23,245	7,410,417
Water system	122,171,624	234,338	189,587	372,612		122,968,161
Electrical system	3,609,179					3,609,179
Sewer system	158,965,338	39,817	36,150	6,831		159,048,136
Recycled water system	24,163,391					24,163,391
Total capital assets being depreciated	<u>340,550,404</u>	<u>1,569,466</u>	<u>157,140</u>	<u>511,292</u>	<u>144,513</u>	<u>342,643,789</u>
Less accumulated depreciation for:						
Land improvements	186,202			31,804	30,319	187,687
Buildings	17,391,625			583,016		17,974,641
Machinery and equipment	4,159,980			608,651	23,245	4,745,386
Water system	34,641,276			2,976,843		37,618,119
Electrical system	3,038,832			49,270		3,088,102
Sewer system	51,951,748			3,931,143		55,882,891
Recycled water system	5,578,424			606,883		6,185,307
Total accumulated depreciation	<u>116,948,087</u>			<u>8,787,610</u>	<u>53,564</u>	<u>125,682,133</u>
Total capital assets, being depreciated, net	<u>223,602,317</u>	<u>1,569,466</u>	<u>157,140</u>	<u>(8,276,318)</u>	<u>90,949</u>	<u>216,961,656</u>
Business-type activities capital assets, net	<u>\$ 234,716,916</u>	<u>\$</u>	<u>\$ 157,140</u>	<u>\$ 6,263,134</u>	<u>\$ 90,949</u>	<u>\$ 241,046,241</u>

Business-type construction in progress consists primarily of expansion of the wastewater treatment plant, construction of a reclamation distribution system and water and sewer line installation projects.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

6: Capital Assets (Continued)

Component Unit:

	Balance at July 1, 2013	Adjustments*	Additions	Deletions	Balance at June 30, 2014
Capital assets being depreciated:					
Leasehold improvements	\$ 1,989	\$	\$	\$	\$ 1,989
Machinery and equipment	640,551	74,890	74,648	12,104	777,985
Total capital assets being depreciated	642,540	74,890	74,648	12,104	779,974
Less accumulated depreciation for:					
Leasehold improvements	1,989				1,989
Machinery and equipment	626,389	74,890	16,301	12,104	705,476
Total accumulated depreciation	628,378	74,890	16,301	12,104	707,465
Total capital assets, being depreciated, net	14,162		58,347		72,509
Component unit capital assets, net	\$ 14,162	\$	\$ 58,347	\$	\$ 72,509

* During the year, the Foundation performed a physical inventory and determined that \$74,890 of equipment was in the possession of the Foundation but not recorded as a capital asset.

Depreciation Expense:

Depreciation expense was charged to the following functions:

	Governmental Activities	Business Type- Activities	Component Unit
General Government	\$ 909,900	\$	\$
Public Safety	3,778,946		
Public Works	6,868,714		
Community Services	1,110,553		
Community Development	111,952		
Water		3,529,669	
Wastewater		5,257,941	
Capital Assets held by governments internal service funds are charged to the various functions based on their usage of the assets	2,009,368		
California Center for the Arts, Escondido Foundation			16,301
	\$ 14,789,433	\$ 8,787,610	\$ 16,301

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

7: Interfund Receivable, Payable and Transfers

Due to/from other funds

	Due To Other Funds	
	Nonmajor Governmental Funds	Totals
<u>Due from other Funds</u>		
General Fund	\$ 1,158,720	\$ 1,158,720
Total	\$ 1,158,720	\$ 1,158,720

The \$1,158,720 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:		
	General Fund	Nonmajor Governmental Fund	Total
<u>Advance To:</u>			
General Fund	\$	\$ 159,250	\$ 159,250
Nonmajor Governmental Funds	330,000	200,000	530,000
Total	\$ 330,000	\$ 359,250	\$ 689,250

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, 2014.

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, 2014, the amount of \$330,000 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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

7: Interfund Receivable, Payable and Transfers (Continued)

Interfund Transfers

Transfer Out:	Transfers In:				Total
	General Fund	Successor Agency Housing	Nonmajor Governmental	Internal Service	
General Fund	\$	\$	\$ 1,679,037	\$ 2,151,000	\$ 3,830,037
Nonmajor Governmental	2,154,779	60,000	667,327	22,600	2,904,706
Internal Service Funds	99,100		350,000		449,100
Enterprise:					
Wastewater	25,000			100,000	125,000
Total	\$ 2,278,879	\$ 60,000	\$ 2,696,364	\$ 2,273,600	\$ 7,308,843

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.

8: Long-Term Liabilities

Changes in long-term liabilities for Governmental Activities as of June 30, 2014, are as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year	Due Beyond One Year
Employee Leave Benefits Payable	\$ 6,974,713	\$ 5,747,490	\$ 5,466,358	\$ 7,255,845	\$ 725,585	\$ 6,530,260
Claims Payable	13,836,057	4,563,880	3,849,378	14,550,559	2,910,112	11,640,447
Loans Payable	994,925		106,559	888,366	109,588	778,778
1993 Taxable Certificates of Participation	1,240,000		595,000	645,000	645,000	
2006 Public Safety Facilities GO Bonds	75,665,000		1,700,000	73,965,000	1,785,000	72,180,000
2013A Lease Revenue Bonds	4,830,000		205,000	4,625,000	210,000	4,415,000
Total	\$ 103,540,695	\$ 10,311,370	\$ 11,922,295	101,929,770	\$ 6,385,285	\$ 95,544,485
Unamortized Bond Premium				673,440		
Unamortized Bond Discount				(9,157)		
Total				\$ 102,594,053		

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

8: Long-Term Liabilities (Continued)

Employee Leave Benefits Payable

The City's policies relating to employee leave benefits are described in Note 1. The balance at June 30, 2014, is \$7,255,845. 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, 2014, is \$14,550,559. For more information, see Note 10.

Loans Payable

In 2004, the City was granted an energy conservation loan from the California Energy Commission to fund various energy conservation projects. The term of the loan is 15 years with an annual interest rate of 3.95%. The outstanding balance at June 30, 2014, is \$727,227.

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, 2014, is \$161,139.

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, 2014, is \$645,000.

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, 2014, is \$73,965,000. Unamortized bond premium is \$673,440 at June 30, 2014.

Lease Revenue Bonds

In March 2013, the City of Escondido issued \$4,830,000 in Lease Revenue Bonds to currently refund the outstanding Escondido Joint Powers Financing Authority 2001 Lease Revenue Bonds and to pay the costs incurred in connection with the issuance of the Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A. The principal is due annually on October 1 in amounts ranging from \$205,000 to 355,000, commencing 2013 and ending 2030. Interest is payable semi-annually on April 1 and October 1 of each year commencing October 1, 2013, at rates ranging from 2.00% to 4.00%. At June 30, 2014, the outstanding balance of these bonds was \$4,625,000. Unamortized bond discount was \$9,157 at June 30, 2014.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

8: Long-Term Liabilities (Continued)

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
2015	\$ 645	\$ 27	\$ 210	\$ 149	\$ 1,785	\$ 3,418	\$ 110	\$ 24
2016			215	145	1,875	3,326	113	21
2017			220	140	1,970	3,230	116	18
2018			230	133	2,065	3,140	118	14
2019			235	126	2,170	3,054	110	15
2020-2024			1,295	516	12,595	13,543	321	21
2025-2029			1,525	283	16,070	10,248		
2030-2034			695	28	20,500	6,072		
2035-2038					14,935	1,087		
Total Debt Service Payments	\$ 645	\$ 27	\$ 4,625	\$ 1,520	\$ 73,965	\$ 47,118	\$ 888	\$ 113

Changes in long-term liabilities for Business-type Activities as of June 30, 2014, are as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year	Due Beyond One Year
Connection rights payable	\$ 13,393,813	\$	\$ 41,990	\$ 13,351,823	\$	\$ 13,351,823
Employee leave benefits payable	1,164,942	764,210	816,813	1,112,339	111,234	1,001,105
2007 Water Revenue COP	28,115,000		530,000	27,585,000	550,000	27,035,000
2012 Water Revenue Revenue Bond	31,375,000		645,000	30,730,000	475,000	30,255,000
2004A Wastewater COP	21,060,000		1,140,000	19,920,000	1,180,000	18,740,000
2004B Wastewater COP	8,165,000		445,000	7,720,000	470,000	7,250,000
2012 Wastewater Revenue Bond	27,260,000		140,000	27,120,000	145,000	26,975,000
Loans payable	22,585,446		2,136,746	20,448,700	2,143,933	18,304,767
Total	\$ 153,119,201	\$ 764,210	\$ 5,895,549	147,987,862	\$ 5,075,167	\$ 142,912,695
Less:						
Unamortized bond premium				3,482,875		
Unamortized bond discount				(80,558)		
Total				\$ 151,390,179		

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

8: Long-Term Liabilities (Continued)

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.

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, 2014, is \$13,351,823.

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, 2014, is \$1,112,339

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,

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

8: Long-Term Liabilities (Continued)

respectively, in integral multiple of \$5,000 at a prepayment price as described in the Certificate covenants. The outstanding balance at June 30, 2014, is \$27,585,000. Unamortized bond premium is \$191,877 at June 30, 2014.

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. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

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 ranging from \$725,000 to \$1,975,000. At June 30, 2013, the reserve was fully funded. The outstanding balance at June 30, 2014, is \$19,920,000. Unamortized bond discount and loss on refunding are \$80,558 and \$1,646,874, respectively, at June 30, 2014.

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, 2014, the reserve was fully funded. The outstanding balance at June 30, 2014, is \$7,720,000.

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 the \$9,830,000 of outstanding Water Revenue Certificates of Participation, series 2000. The principal for the \$4,070,000 serial bonds is due annually on September 1 in amounts ranging from \$130,000 to \$1,410,000 commencing 2013 and ending 2031 with interest at rates varying from 1.0% to 4.0%. In addition, Term bonds are due in the amounts of \$2,375,000, \$2,615,000, \$3,000,000, \$5,075,000 and \$10,225,000 on September 1, 2028, 2030, 2033, 2036, and 2041 respectively. The term certificates pay interest at rates of 4.25% and 5.0%, and require sinking fund deposits or principal installment payments due annually on September 1 in amounts ranging from \$475,000 to \$2,255,000, commencing 2027 and ending 2041. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2013. Bonds with stated maturities on or after September 1, 2022 will be subject to optional redemption prior to their respective stated maturities, as a whole or in part, on any date as directed by the City provided at least a 30 day notice is mailed by the Trustee to bondholders, and by lot within each maturity in integral multiples of \$5,000, on or after

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

8: Long-Term Liabilities (Continued)

March 1, 2022 at a price without premium, equal to the principal amount plus accrued interest to the redemption date. Additionally, the term certificates, maturing on September 1, 2028, 2030, 2033, 2036 and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2027 2029, 2032, 2034, and 2034 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 115% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2014, is \$27,120,000. Unamortized bond premium is \$1,754,202 at June 30, 2014. 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 the \$9,830,000 of outstanding Revenue Certificates of Participation, series 2000, and \$8,585,000 of outstanding Revenue Certificates of Participation, series 2002. The principal for the \$10,845,000 serial bonds is due annually on September 1 in amounts ranging from \$285,000 to \$815,000 commencing 2012 and ending 2029 with interest at rates varying from 1.0% to 4.0%. In addition, Term bonds are due in the amounts of \$2,485,000, \$4,025,000, and \$14,305,000 September 1, 2031, 2033 and 2041 respectively. Term certificates pay interest at 5.0%, and require sinking fund deposits or principal installment payments due annually on September 1 in amounts ranging from \$840,000 to \$3,840,000, commencing 2030 and ending 2041. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2012. Bonds with stated maturities on or after September 1, 2022 will be subject to optional redemption prior to their respective stated maturities, as a whole or in part, on any date as directed by the City provided at least a 30 day notice is mailed by the Trustee to bondholders, and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 2022 at a price without premium, equal to the principal amount plus accrued interest to the redemption date. Additionally, the term certificates, maturing on September 1, 2031, 2033, and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2030, 2032, and 2038 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 120% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2014, is \$30,730,000. Unamortized bond premium and loss on refunding are \$1,536,796 and \$1,068,683, respectively, at June 30, 2014. 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 of 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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

8: Long-Term Liabilities (Continued)

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, 2014, is \$15,818,775.

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, 2014, is \$1,151,284.

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, 2014, is \$945,462.

In October 2009, the City of Escondido entered into an agreement with the State Department of Public Health for funding of construction of the Alexander Area Phase II Water Line. The agreement provided for the loan funding, up to a maximum loan amount of \$6,500,000, under the provisions of the California Safe Drinking Water State Revolving Fund Loan Program and the American Recovery and Reinvestment Act of 2009. A total of \$5,626,469 in project costs were incurred and submitted to the State for reimbursement. As per the terms of the agreement, fifty percent of each disbursement was forgiven by the State and not added to the principal amount of the loan. Upon project completion in October, 2012, final loan principal to be repaid amounted to \$2,813,324. Repayment began March 1, 2012, with semi-annual payments of Principal and Interest of \$89,816, including interest at the rate of 2.5017%. The repayment period ends on September 1, 2031. The outstanding balance at June 30, 2014, is \$2,533,179.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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, 2014, 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
2015	\$ 550	\$ 1,260	\$ 475	\$ 1,420	\$ 1,650	\$ 1,257	\$ 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	1,031	160	1,280	2,167	461
2019	640	1,165	545	1,349	1,960	946	165	1,274	2,175	453
2020-2024	3,635	5,404	3,040	6,400	11,305	3,225	945	6,261	8,335	1,605
2025-2029	5,170	4,451	3,525	5,732	7,335	505	3,045	5,972	885	112
2030-2034	3,810	3,187	7,325	4,669			7,025	4,651	433	16
2035-2039	12,000	1,174	3,320	3,493			8,880	2,747		
2040-2042			10,985	842			6,450	494		
Total Debt Service	<u>\$ 27,585</u>	<u>\$ 20,283</u>	<u>\$ 30,730</u>	<u>\$ 28,074</u>	<u>\$ 27,640</u>	<u>\$ 9,264</u>	<u>\$ 27,120</u>	<u>\$ 26,549</u>	<u>\$ 20,449</u>	<u>\$ 4,074</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	\$ 21,247,715	\$ 8,231,366	38.74%
Loan repayment revenue	1,034,046	1,033,884	99.98%

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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	\$ 55,938,951	\$ 30,728,710
Operating and maintenance expenses, excluding depreciation, interest and transfers	<u>45,217,477</u>	<u>20,202,469</u>
Net revenues	<u>10,721,474</u>	<u>10,526,241</u>
Amount required:		
Debt service payments	4,198,358	6,660,219
Coverage required	<u>1.20</u>	<u>1.15</u>
Amount required	<u>5,038,030</u>	<u>7,659,252</u>
Excess of net revenues	<u>\$ 5,683,444</u>	<u>\$ 2,866,989</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

9: Fund Balance and Net Position

A. Fund Balance Classifications

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Advances to other funds	\$ 159,250	\$	\$	\$ 159,250
Noncurrent loans receivable	58,440			58,440
Restricted for				
Housing & community development		42,450,762	16,847,129	59,297,891
Debt service			4,889,688	4,889,688
Capital projects			6,077,256	6,077,256
Street maintenance			7,777,934	7,777,934
Landscape and assessment districts			895,759	895,759
Other grants			11,541	11,541
Daley Ranch			722,728	722,728
Park development			1,553,166	1,553,166
Public Art			333,082	333,082
Committed to				
Reserves	17,319,659			17,319,659
Capital projects			1,614,467	1,614,467
Parks & Recreation			301,169	301,169
Daley Ranch restoration			18,504	18,504
Reidy Creek Golf Course			3,565	3,565
Ryan Trust			64,154	64,154
Hegy Trust			6,666	6,666
Assigned to				
Carryovers	99,420			99,420
Underground waivers	486,166			486,166
Library Trust	311,879			311,879
Capital projects			139,653	139,653
Unassigned	1,753,519		(1,149,954)	603,565
Total Fund Balances	\$ 20,188,333	\$ 42,450,762	\$ 40,106,507	\$ 102,745,602

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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, 2014, the City has recorded general self-insurance and workers' compensation liabilities of \$4,886,559 and \$9,664,000 respectively, for a total of \$14,550,559. 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, 2014

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
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
2013-14	13,836,057	4,563,880	(3,849,378)	14,550,559

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, 2014	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 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, 2014, the 86-1-R Limited Obligation Improvement Refunding Bonds outstanding were \$1,425,000.

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

11: Debt without Government Commitment (Continued)

semiannually thereafter on March 2 and September 2. Principal payments are paid annually in amounts ranging from \$80,000 to \$165,000 commencing September 2, 1999 and ending September 2, 2013. In addition, \$3,040,000 of Term Bonds are due September 2, 2026. These bonds were issued to refund the Limited Obligation Improvements Bonds issued in September 1995 for Rancho San Pasqual Assessment District No. 95-1. On June 30, 2014, the 98-1 Limited Obligation Refunding Bonds outstanding were \$3,040,000.

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). On June 30, 2014, the 2006-01 Special Tax Bonds outstanding were \$16,200,000.

In July 2013, the City issued \$2,355,000 in Special Tax Refunding Bonds for Community Facility District No. 2000-01 (Hidden Trails). These bonds were issued to refund the 2001 Series Special Tax Bonds issued to finance various public improvements needed to develop property located within Community Facility District No. 2000-01 (Hidden Trails). The July 2013 issuance of the Special Tax Refunding Bonds fully defeased the 2001 Special Tax bonds. Interest payments for the Special Tax Refunding Bonds, Series 2013 commenced March 1, 2014, and are paid semiannually thereafter on September 1 and March 1 of each year. Principal payments are paid annually in amounts ranging from \$95,000 to \$185,000, commencing September 1, 2014 and ending September 1, 2031. On June 30, 2014, the outstanding principal of Community Facilities District No. 2000-01 (Hidden Trails) Special Tax Refunding bonds, Series 2013 was \$2,355,000.

The bonds are secured by and payable from the proceeds of annual special assessment taxes levied and collected on the property within the Districts. The bonds are not general or special obligations of the City of Escondido. The City is not obligated in any manner for the payment of debt service in the event of default by the property owners but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Neither the faith and credit nor taxing power of the City is pledged to the payment of these bonds. Accordingly, no liability for these bond issuances has been recorded and all debt service transactions have been recorded as an agency fund.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

12: 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.

Funding Policy

In September 2012, the California Public Employees' Pension Reform Act (PEPRA) was enacted. Under its provisions, employees hired on or after January 1, 2013, have a lower cost-pension benefit formula than employees hired before that date.

Tier 1 participants under the miscellaneous plan are required to contribute 8% of their annual covered salary, Tier 2 participants are required to contribute 7% of their annual covered salary, and Tier 3 participants are required to contribute 6.25% of their annual covered salary. The City previously made 7% of the 8% contributions required of Tier 1 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.

Until January 2013 participants under the safety plan were required to contribute 9% of their annual covered salary of which the City paid all of the Police employees required contribution. The Fire employees paid their own required contribution. Beginning January 2013 Tier 1 and Tier 2 Police and Fire Employees are required to pay the full 9% of the required contribution and Tier 3 Police and Fire Employees are required to pay the full 12.25% of the 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, 2013 to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2012. The contribution rate indicated for the period is 25.150 % of payroll for the miscellaneous plan and 34.486% 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, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

12: City Employees Retirement Plans (Continued)

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

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 6,850,763	\$ 6,821,337	100%	\$
6/30/2013	6,899,676	7,321,546	100%	
6/30/2014	7,662,810	8,144,874	100%	

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the miscellaneous and safety plans were 69.3% and 74.5% funded, respectively. The actuarial accrued liability for benefits was \$316,832,264 and \$285,837,080 for miscellaneous and safety, respectively, and the actuarial value of assets was \$219,521,228 and \$213,084,280 for miscellaneous and safety, respectively, resulting in an unfunded actuarial accrued liability (UAAL) of \$97,311,036 and \$72,752,800 for miscellaneous and safety, respectively. The covered payroll (annual payroll of active employees covered by the plans) were \$31,961,445 and \$19,983,630 for miscellaneous and safety, respectively, and the ratios of the UAAL to the covered payroll were 304.5% and 364.1% 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:

	Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2013	June 30, 2013
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	18 Years as of the Valuation Date	23 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%

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

12: City Employees Retirement Plans (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. 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.

Defined Contribution Plan

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

For the year ended June 30, 2014, the City's total covered payroll was \$1,996,787. The City made employer contributions of \$0, and employees contributed \$149,760 (7.5 percent of covered payroll). All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions. The plan covers part-time, seasonal, or temporary employees, and all employees not covered by another retirement system, subject to the requirements of Section 3121 of the Internal Revenue Code.

13: 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, 2014, the balance is \$11,485,403.

14: 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, 2014

14: 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.

15: Construction Commitments

The following material construction commitments existed at June 30, 2014:

Project Name	Contract Amount	Expenditures to date as of June 30, 2014	Remaining Commitments
HARRF Influent Pump Station Rehab	\$ 7,833,111	\$ 6,135,604	\$ 1,697,507
HARRF Expansion Ph III-Ops	5,540,642	2,293,508	3,247,134
Lake Wohlford Dam Replacement Design Proj	5,090,858	930,041	4,160,817
Final Design of Citracado Pkwy, Andreasen Dr to W Valley Pkwy St Improvement Proj	2,488,045	436,682	2,051,363

16: 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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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

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.

A. Cash and investments

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

Cash and investments	<u>\$ 8,445,820</u>
Total	<u><u>\$ 8,445,820</u></u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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

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, 2014, is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 6,074,290	\$	\$	\$ 6,074,290
Total capital assets, not being depreciated	<u>6,074,290</u>			<u>6,074,290</u>
Capital assets, being depreciated:				
Land improvements	139,295			139,295
Buildings	84,382,538			84,382,538
Machinery and equipment	<u>276,473</u>			<u>276,473</u>
Total capital assets, being depreciated	<u>84,798,306</u>			<u>84,798,306</u>
Less accumulated depreciation for:				
Land improvements	139,295			139,295
Buildings	49,526,724	2,736,015		52,262,739
Machinery and equipment	<u>276,473</u>			<u>276,473</u>
Total accumulated depreciation	<u>49,942,492</u>	<u>2,736,015</u>		<u>52,678,507</u>
Total capital assets being depreciated, net	<u>34,855,814</u>	<u>(2,736,015)</u>		<u>32,119,799</u>
Total capital assets, net	<u>\$ 40,930,104</u>	<u>\$ (2,736,015)</u>	<u>\$</u>	<u>\$ 38,194,089</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

16: 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, 2014, follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year	Due Beyond One Year
Advances from the City of Escondido	\$ 4,370,046	\$ 3,290	\$	\$ 4,373,336	\$	\$ 4,373,336
1992 Tax Allocation Revenue Bonds	2,216,646		2,216,646			
2007 A & B Lease Revenue Bonds	35,545,000		3,475,000	32,070,000	5,785,000	26,285,000
Loans - Other Governments	6,582,222		3,132,222	3,450,000		3,450,000
Total	\$ 48,713,914	\$ 3,290	\$ 8,823,868	39,893,336	\$ 5,785,000	\$ 34,108,336
Unamortized Bond Premium				919,184		
Total				\$ 40,812,520		

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, 2014, the outstanding balance of the advances from other funds totaled \$4,373,336.

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 bonds were paid in full during the year ending June 30, 2014.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

16: 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 proceed as described in the bond covenants. The reserve for 2007A and 2007B bonds was in form of surety bond and fully funded. The outstanding balance at June 30, 2014, is \$32,070,000. Unamortized bond premium and gain on refunding was \$919,184 and \$183,262 respectively, at June 30, 2014.

Debt Service Requirements to Maturity

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 June 30	Lease Revenue Bonds	
	Principal	Interest
2015	\$ 5,785	\$ 1,504
2016	6,085	1,198
2017	6,400	876
2018	6,730	538
2019	7,070	182
Total Debt Service Payments	\$ 32,070	\$ 4,298

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2014

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

E. Commitments and Contingencies

At June 30, 2014, 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.

17: Subsequent Event

In December 2014 the San Luis Rey settlement agreement with the City of Escondido, the Bands (the La Jolla, Rincon, San Pasqual, Pauma, and Pala Bands of Mission Indians) and Vista Irrigation District (VID) was signed by all parties and will be enacted once various preconditions are met which is expected to be completed in 2016. The Agreement commits Escondido and VID within five year from the effective date of that agreement to "remove, relocate, and replace with an underground pipeline most or all of that portion of the Escondido Canal and its appurtenant structures, facilities, and rights-of-way that currently occupy land within the San Pasqual Reservation." The cost of this project is currently unknown but is estimated to cost approximately \$11 million. Additionally, Escondido and VID will each pay the Indian Water Authority \$3.85 million ("Settlement Payment").

Required Supplementary Information

CITY OF ESCONDIDO
Public Employees Retirement System
Schedule of Funding Progress
June 30, 2014

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
6/30/2011	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%
6/30/2013	285,837,080	213,084,280	72,752,800	74.5%	19,983,630	364.1%

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
6/30/2011	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%
6/30/2013	316,832,264	219,521,228	97,311,036	69.3%	31,961,445	304.5%

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Sales Tax:				
Sales tax	\$ 26,352,000	\$ 25,452,000	\$ 24,145,308	\$ (1,306,692)
In-lieu sales tax	8,489,500	8,132,000	8,131,987	(13)
Total Sales Tax	34,841,500	33,584,000	32,277,295	(1,306,705)
Other Taxes:				
Property taxes	10,280,000	10,526,000	10,556,483	30,483
Property transfer tax	386,000	495,000	507,599	12,599
Franchise tax	6,249,000	6,953,000	6,591,147	(361,853)
Transient occupancy tax	1,205,000	1,304,000	1,322,016	18,016
Business license tax	1,622,000	1,642,000	1,658,276	16,276
Miscellaneous other taxes	798,415	841,915	1,284,733	442,818
Total Other Taxes	20,540,415	21,761,915	21,920,254	158,339
Licenses and Permits:				
Tow licenses	450,000	450,000	446,250	(3,750)
Building permits	290,000	290,000	317,983	27,983
Other licenses and permits	194,000	194,000	226,931	32,931
Total Licenses and Permits	934,000	934,000	991,164	57,164
Fines and Forfeits:				
Vehicle code fines	500,000	400,000	228,808	(171,192)
Parking ticket fines	200,000	200,000	397,390	197,390
Library fines	83,000	83,000	174,899	91,899
Booking fees	78,000	78,000	73,797	(4,203)
Red light photo citations	206,500	206,500	56,162	(150,338)
Other fines	349,000	349,000	253,236	(95,764)
Total Fines and Forfeits	1,416,500	1,316,500	1,184,292	(132,208)

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Intergovernmental:				
State motor vehicle in lieu			62,583	62,583
Property tax in-lieu	10,532,000	10,668,000	10,668,256	256
Grants	462,450	462,450	1,329,837	867,387
Rincon fire operation fees	1,900,000	1,800,000	1,466,481	(333,519)
Miscellaneous agencies	165,050	165,050	175,975	10,925
Total Intergovernmental	13,059,500	13,095,500	13,703,132	607,632
Charges for Services:				
Zoning and subdivision fees	70,000	70,000	137,488	67,488
Annexation fees	5,000	5,000	22,000	17,000
Sale of maps and publications	1,000	1,000	223	(777)
Plan check fees	173,000	223,000	254,207	31,207
Environmental impact report	5,000	5,000	30,098	25,098
Engineering and inspection fees	460,000	974,000	969,639	(4,361)
Special police services	455,500	505,500	468,108	(37,392)
Fire and paramedic services	3,963,000	4,229,190	4,671,014	441,824
Processing fees	44,000	44,000	17,990	(26,010)
Recycling revenue	776,000	726,000	596,216	(129,784)
Senior services	13,000	13,000	12,142	(858)
Audio visual rentals	60,000	60,000	51,260	(8,740)
Other	131,000	131,000	270,175	139,175
Total Charges for Services	6,156,500	6,986,690	7,500,560	513,870
Investment income	450,000	250,000	156,253	(93,747)
Miscellaneous:				
Rent	2,966,000	3,013,120	2,913,387	(99,733)
Contributions	63,500	89,335	27,769	(61,566)
Mobile home fees	41,000	41,000	33,107	(7,893)
Library trust donations			102,807	102,807
Other	237,000	241,905	252,044	10,139
Total Miscellaneous	3,307,500	3,385,360	3,329,114	(56,246)
Total Revenues	80,705,915	81,313,965	81,062,064	(251,901)

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Expenditures:				
General Government:				
City council	302,215	303,915	303,263	(652)
City manager	989,505	1,168,530	1,117,985	(50,545)
City attorney	178,710	355,710	344,318	(11,392)
City clerk	478,595	647,015	565,505	(81,510)
City treasurer	287,270	289,805	282,050	(7,755)
Finance	1,208,225	1,304,805	1,070,053	(234,752)
Human resources	536,130	580,965	529,784	(51,181)
Information systems	1,078,215	1,097,265	1,014,221	(83,044)
Other	1,457,805	660,195	357,495	(302,700)
Total General Government	6,516,670	6,408,205	5,584,674	(823,531)
Public Safety:				
Police	35,307,675	35,735,300	35,589,194	(146,106)
Fire	20,312,690	20,673,315	20,577,272	(96,043)
Total Public Safety	55,620,365	56,408,615	56,166,466	(242,149)
Public Works:				
Highways and streets	10,330,295	10,380,630	9,813,633	(566,997)
Community Services:				
Library	3,525,625	3,531,240	3,495,897	(35,343)
Community services	2,645,835	2,740,715	2,689,113	(51,602)
Community relations	91,170	101,170	49,000	(52,170)
Total Community Services	6,262,630	6,373,125	6,234,010	(139,115)

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Community Development:				
Planning	1,369,000	1,406,085	1,347,121	(58,964)
Building	767,980	770,625	712,265	(58,360)
Code enforcement	1,024,675	1,024,675	920,326	(104,349)
Total Community Development	<u>3,161,655</u>	<u>3,201,385</u>	<u>2,979,712</u>	<u>(221,673)</u>
Debt Service:				
Principal retirements			23,176	23,176
Total Expenditures	<u>81,891,615</u>	<u>82,771,960</u>	<u>80,801,671</u>	<u>(1,970,289)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,185,700)</u>	<u>(1,457,995)</u>	<u>260,393</u>	<u>1,718,388</u>
Other Financing Sources (Uses):				
Sale of capital assets		437,295	537,293	99,998
Transfers in	2,126,800	2,256,879	2,278,879	22,000
Transfers out	(621,100)	(3,830,037)	(3,830,037)	
Total Other Financing Sources (Uses)	<u>1,505,700</u>	<u>(1,135,863)</u>	<u>(1,013,865)</u>	<u>121,998</u>
Net Change in Fund Balance	320,000	(2,593,858)	(753,472)	1,840,386
Fund Balance at Beginning of Year	<u>20,941,805</u>	<u>20,941,805</u>	<u>20,941,805</u>	
Fund Balance at End of Year	<u>\$ 21,261,805</u>	<u>\$ 18,347,947</u>	<u>\$ 20,188,333</u>	<u>\$ 1,840,386</u>

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
Successor Agency Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Lease income	\$ 191,945	\$ 191,945	\$ 205,259	\$ 13,314
Investment income	100	100	272,247	272,147
Miscellaneous			41,640	41,640
Total Revenues	192,045	192,045	519,146	327,101
Expenditures:				
Community development	625,015	625,015	724,378	99,363
Excess of Revenues Over Expenditures	(432,970)	(432,970)	(205,232)	227,738
Other Financing Sources (Uses):				
Sale of city property	55,000	55,000	(250,753)	(305,753)
Transfers in	60,000	60,000	60,000	
Total Other Financing Sources (Uses)	115,000	115,000	(190,753)	(305,753)
Net Change in Fund Balance	(317,970)	(317,970)	(395,985)	(78,015)
Fund Balance at Beginning of Year	42,846,747	42,846,747	42,846,747	
Fund Balance at End of Year	\$ 42,528,777	\$ 42,528,777	\$ 42,450,762	\$ (78,015)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
Notes to Required Supplementary Information
June 30, 2014

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, Miscellaneous Funds and the Vehicle Parking District Fund.

The City holds a midyear budget review meeting at which time revenue and expenditure projections are reviewed. Any necessary changes are approved by the City Council. Prior period appropriations lapse unless they are 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.

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:

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

VEHICLE PARKING DISTRICT FUND

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

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.

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.

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.

CAPITAL PROJECT FUNDS

(Continued)

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, 2014

	Special Revenue Funds			
	Street	Parks and Recreation	Community Development Block Grant	Landscape and Assessment District
<u>Assets:</u>				
Cash and investments	\$ 6,013,810	\$ 2,206,657	\$	\$ 899,102
Cash and investments with fiscal agent				
<u>Receivables:</u>				
Accounts		310,853		
Interest	18,471	6,936		2,966
Taxes				565
Loans		259,297	251,858	
Loans to Successor Agency	974,044			
Due from other governments	433,197	47,870	1,136,363	
Inventory, at cost		9,000		
Prepaid expenditures		11,248		
Deposits		55,088		
Land held for resale				
Advances to other funds				
Total Assets	<u>\$ 7,439,522</u>	<u>\$ 2,906,949</u>	<u>\$ 1,388,221</u>	<u>\$ 902,633</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances:</u>				
<u>Liabilities:</u>				
<u>Payables:</u>				
Accounts	\$ 454,610	\$ 85,632	\$ 36,067	\$ 6,874
Deposits		43,919		
Accrued expenditures		85,144	76,558	
Due to other funds			959,890	
Due to other governments				
Unearned revenue				
Advances from other funds		200,000		
Total Liabilities	<u>454,610</u>	<u>414,695</u>	<u>1,072,515</u>	<u>6,874</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable Revenue	<u>802,180</u>	<u>51,350</u>	<u>568,137</u>	
<u>Fund Balances (Deficits):</u>				
Restricted	6,182,732	2,117,666		895,759
Committed		323,238		
Assigned				
Unassigned			(252,431)	
Total Fund Balances (Deficits)	<u>6,182,732</u>	<u>2,440,904</u>	<u>(252,431)</u>	<u>895,759</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,439,522</u>	<u>\$ 2,906,949</u>	<u>\$ 1,388,221</u>	<u>\$ 902,633</u>

Special Revenue Funds

<u>Law Enforcement</u>	<u>Cable Technology</u>	<u>HOME</u>	<u>Miscellaneous</u>	<u>Vehicle Parking District</u>
\$	\$ 11,506	\$ 2,926,930	\$ 388,028	\$ 5,220
3,323	35	3,370,115	4,226 1,530	79
		13,910,296		
923,472			11,027	
<u>\$ 926,795</u>	<u>\$ 11,541</u>	<u>\$ 20,207,341</u>	<u>\$ 404,811</u>	<u>\$ 5,299</u>
\$ 160	\$	\$ 100	\$ 971	\$ 441
8,493 43,887			402	
387,579				469,988
<u>440,119</u>		<u>100</u>	<u>1,373</u>	<u>159,250</u> <u>629,679</u>
<u>748,328</u>		<u>3,360,112</u>	<u>11,027</u>	
	11,541	16,847,129	333,082 70,820	
(261,652)			(11,491)	(624,380)
<u>(261,652)</u>	<u>11,541</u>	<u>16,847,129</u>	<u>392,411</u>	<u>(624,380)</u>
<u>\$ 926,795</u>	<u>\$ 11,541</u>	<u>\$ 20,207,341</u>	<u>\$ 404,811</u>	<u>\$ 5,299</u>

(Continued)

CITY OF ESCONDIDO
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2014

	Debt Service Funds		Capital Projects Funds	
	Golf Course	General Obligation	Street Improvement	Storm Drain
<u>Assets:</u>				
Cash and investments	\$	\$ 4,264,526	\$ 3,523,677	\$ 176,422
Cash and investments with fiscal agent	673,137			
Receivables:				
Accounts				
Interest	2,442	11,796	12,957	
Taxes		28,230		818
Loans				
Loans to Successor Agency				
Due from other governments			642,239	
Inventory, at cost				
Prepaid expenditures				
Deposits				
Land held for resale				
Advances to other funds			200,000	
Total Assets	\$ 675,579	\$ 4,304,552	\$ 4,378,873	\$ 177,240
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances:</u>				
Liabilities:				
Payables:				
Accounts	\$	\$	\$ 265,195	\$
Deposits			1,901,348	9,573
Accrued expenditures				
Due to other funds	154,943			
Due to other governments				
Unearned revenue				
Advances from other funds				
Total Liabilities	154,943		2,166,543	9,573
Deferred Inflows of Resources:				
Unavailable Revenue			617,128	
Fund Balances:				
Restricted	520,636	4,304,552	1,595,202	167,667
Committed				
Assigned				
Unassigned				
Total Fund Balances (Deficits)	520,636	4,304,552	1,595,202	167,667
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 675,579	\$ 4,304,552	\$ 4,378,873	\$ 177,240

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	
\$ 75,573	\$ 1,779,036	\$ 392,284	\$ 4,730,135	\$ 221,918	\$ 27,614,824
					673,137
					315,079
122	7,273		18,247	810	3,457,102
					29,613
					14,421,451
					974,044
	1,298				3,195,466
					9,000
					11,248
					55,088
		802,142			802,142
			330,000		530,000
<u>\$ 75,695</u>	<u>1,787,607</u>	<u>\$ 1,194,426</u>	<u>\$ 5,078,382</u>	<u>\$ 222,728</u>	<u>\$ 52,088,194</u>
\$	\$ 7,710	\$ 420,947	\$ 17,852	\$	\$ 1,296,559
	18,240				1,973,080
	7,537		115		178,249
					1,158,720
					469,988
					387,579
					359,250
	<u>33,487</u>	<u>420,947</u>	<u>17,967</u>		<u>5,823,425</u>
					6,158,262
75,695		773,479	5,060,415	222,728	39,108,283
	1,614,467				2,008,525
	139,653				139,653
					(1,149,954)
<u>75,695</u>	<u>1,754,120</u>	<u>773,479</u>	<u>5,060,415</u>	<u>222,728</u>	<u>40,106,507</u>
<u>\$ 75,695</u>	<u>\$ 1,787,607</u>	<u>\$ 1,194,426</u>	<u>\$ 5,078,382</u>	<u>\$ 222,728</u>	<u>\$ 52,088,194</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			
	Street	Parks and Recreation	Community Development Block Grant	Landscape Assessment District
Revenues:				
Other taxes	\$	\$	\$	\$
Intergovernmental	4,624,581	768,915	1,940,652	
Charges for services	299,169	2,701,212		
Special assessments				749,328
Investment income	94,836	65,921		7,348
Miscellaneous		595,877	13,495	5,760
Total Revenues	<u>5,018,586</u>	<u>4,131,925</u>	<u>1,954,147</u>	<u>762,436</u>
Expenditures:				
Current:				
General government				
Public safety				
Public works	1,224,663		53,556	671,927
Community services		4,454,119	1,106,610	
Community development	10,262		122,643	
Capital outlay	604,947	13,810	911,723	
Debt Service:				
Principal retirements		5,185		
Interest and fiscal charges				
Total Expenditures	<u>1,839,872</u>	<u>4,473,114</u>	<u>2,194,532</u>	<u>671,927</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,178,714</u>	<u>(341,189)</u>	<u>(240,385)</u>	<u>90,509</u>
Other Financing Sources (Uses):				
Sale of capital assets		1,060,000		
Transfers in		133,984		
Transfers out	<u>(2,055,000)</u>	<u>(741,600)</u>		
Total Other Financing Sources (Uses)	<u>(2,055,000)</u>	<u>452,384</u>		
Net Change in Fund Balances	1,123,714	111,195	(240,385)	90,509
Fund Balances at Beginning of Fiscal Year	<u>5,059,018</u>	<u>2,329,709</u>	<u>(12,046)</u>	<u>805,250</u>
Fund Balances at End of Year	<u>\$ 6,182,732</u>	<u>\$ 2,440,904</u>	<u>\$ (252,431)</u>	<u>\$ 895,759</u>

Special Revenue Funds

Law Enforcement	Cable Technology	HOME	Miscellaneous	Vehicle Parking District
\$ 1,654,283		\$ 195,676	\$ 143,427 26,021	\$
8,235	86	129,633	4,472 61	90
<u>1,662,518</u>	<u>86</u>	<u>325,309</u>	<u>173,981</u>	<u>90</u>
1,593,885			105,750 34,883	74,627
587,613		237,208	59,965 26,938	
<u>2,181,498</u>		<u>237,208</u>	<u>227,536</u>	<u>74,627</u>
<u>(518,980)</u>	<u>86</u>	<u>88,101</u>	<u>(53,555)</u>	<u>(74,537)</u>
	4,065		(46,800)	76,800
	<u>4,065</u>		<u>(46,800)</u>	<u>76,800</u>
(518,980)	4,151	88,101	(100,355)	2,263
<u>257,328</u>	<u>7,390</u>	<u>16,759,028</u>	<u>492,766</u>	<u>(626,643)</u>
<u>\$ (261,652)</u>	<u>\$ 11,541</u>	<u>\$ 16,847,129</u>	<u>\$ 392,411</u>	<u>\$ (624,380)</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, 2014

	Debt Service Funds		Capital Project Funds	
	Golf Course	General Obligation	Street Improvement	Storm Drain
Revenues:				
Other taxes	\$	\$	\$	\$
Intergovernmental			677,923	
Charges for services			1,701,461	55,892
Special assessments		5,047,009		
Investment income	623	13,052	42,951	3,406
Miscellaneous				
Total Revenues	<u>623</u>	<u>5,060,061</u>	<u>2,422,335</u>	<u>59,298</u>
Expenditures:				
Current:				
General government				
Public safety				
Public works			374,984	8,573
Community services				
Community development				
Capital outlay			1,073,774	407,599
Debt Service:				
Principal retirements	800,000	1,700,000		
Interest and fiscal charges	238,542	3,498,695		
Total Expenditures	<u>1,038,542</u>	<u>5,198,695</u>	<u>1,448,758</u>	<u>416,172</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,037,919)</u>	<u>(138,634)</u>	<u>973,577</u>	<u>(356,874)</u>
Other Financing Sources (Uses):				
Sale of capital assets				
Transfers in	1,081,515			
Transfers out				
Total Other Financing Sources (Uses)	<u>1,081,515</u>			
Net Change in Fund Balances	43,596	(138,634)	973,577	(356,874)
Fund Balances at Beginning of Fiscal Year	<u>477,040</u>	<u>4,443,186</u>	<u>621,625</u>	<u>524,541</u>
Fund Balances at End of Year	<u>\$ 520,636</u>	<u>\$ 4,304,552</u>	<u>\$ 1,595,202</u>	<u>\$ 167,667</u>

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Public Safety Facilities	General Capital Project	County Transportation Street Projects	Public Facilities	Daley Ranch	
\$	\$	\$ 3,091,906	\$	\$	\$ 3,091,906
					10,005,457
			229,270		5,013,025
					5,796,337
375	21,134	3,027	69,927	2,210	467,326
	275,866			4,166	895,225
375	297,000	3,094,933	299,197	6,376	25,269,276
	226,342				226,342
	113,670				1,707,555
	12,782	2,848,845			5,375,707
	79,589		219,293		5,894,494
	104,026				534,104
	785,835	894,330	243,871		5,550,440
					2,505,185
					3,737,237
	1,322,244	3,743,175	463,164		25,531,064
375	(1,025,244)	(648,242)	(163,967)	6,376	(261,788)
					1,060,000
	400,000		1,000,000		2,696,364
	(61,306)				(2,904,706)
	338,694		1,000,000		851,658
375	(686,550)	(648,242)	836,033	6,376	589,870
75,320	2,440,670	1,421,721	4,224,382	216,352	39,516,637
\$ 75,695	\$ 1,754,120	\$ 773,479	\$ 5,060,415	\$ 222,728	\$ 40,106,507

CITY OF ESCONDIDO
Street Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 4,275,000	\$ 4,624,581	\$ 349,581
Charges for services	721,500	299,169	(422,331)
Investment income	23,300	94,836	71,536
Total Revenues	5,019,800	5,018,586	(1,214)
Expenditures:			
Public works	3,986,374	1,224,663	(2,761,711)
Community development	672,141	10,262	(661,879)
Capital outlay	3,009,094	604,947	(2,404,147)
Total Expenditures	7,667,609	1,839,872	(5,827,737)
(Deficiency) of Revenues Over Expenditures	(2,647,809)	3,178,714	5,826,523
Other Financing (Uses):			
Transfers out	(2,055,000)	(2,055,000)	
Net Change in Fund Balance	(4,702,809)	1,123,714	5,826,523
Fund Balance at Beginning of Year	5,059,018	5,059,018	
Fund Balance at End of Year	\$ 356,209	\$ 6,182,732	\$ 5,826,523

CITY OF ESCONDIDO
Parks and Recreation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 845,740	\$ 768,915	\$ (76,825)
Charges for services	3,405,320	2,701,212	(704,108)
Investment income	60,700	65,921	5,221
Miscellaneous	553,580	595,877	42,297
Total Revenues	4,865,340	4,131,925	(733,415)
Expenditures:			
Community services	4,738,960	4,454,119	(284,841)
Capital outlay	653,715	13,810	(639,905)
Debt Service:			
Principal retirements	5,185	5,185	
Total Expenditures	5,397,860	4,473,114	(924,746)
Excess of Revenues Over Expenditures	(532,520)	(341,189)	191,331
Other Financing Sources (Uses):			
Sale of capital assets	1,060,000	1,060,000	
Transfers in	133,984	133,984	
Transfers out	(741,600)	(741,600)	
Total Other Financing Sources	452,384	452,384	
Net Change in Fund Balance	(80,136)	111,195	191,331
Fund Balance at Beginning of Year	2,329,709	2,329,709	
Fund Balance at End of Year	\$ 2,249,573	\$ 2,440,904	\$ 191,331

CITY OF ESCONDIDO
Community Development Block Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 1,482,970	\$ 1,940,652	\$ 457,682
Miscellaneous		13,495	13,495
Total Revenues	<u>1,482,970</u>	<u>1,954,147</u>	<u>471,177</u>
Expenditures:			
Public works	53,556	53,556	
Community services	1,325,225	1,106,610	(218,615)
Community development	200,000	122,643	(77,357)
Capital outlay	1,335,776	911,723	(424,053)
Total Expenditures	<u>2,914,557</u>	<u>2,194,532</u>	<u>(720,025)</u>
Net Change in Fund Balance	(1,431,587)	(240,385)	1,191,202
Fund Balance at Beginning of Year	<u>(12,046)</u>	<u>(12,046)</u>	
Fund Balance at End of Year	<u><u>\$ (1,443,633)</u></u>	<u><u>\$ (252,431)</u></u>	<u><u>\$ 1,191,202</u></u>

CITY OF ESCONDIDO
Landscape and Assessment District Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Special assessments	\$ 749,220	\$ 749,328	\$ 108
Investment income	2,300	7,348	5,048
Miscellaneous	5,760	5,760	
Total Revenues	757,280	762,436	5,156
Expenditures:			
Public works	907,275	671,927	(235,348)
Net Change in Fund Balance	(149,995)	90,509	240,504
Fund Balance at Beginning of Year	805,250	805,250	
Fund Balance at End of Year	\$ 655,255	\$ 895,759	\$ 240,504

CITY OF ESCONDIDO
HOME Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 406,865	\$ 195,676	\$ (211,189)
Investment income	500	129,633	129,133
Total Revenues	407,365	325,309	(82,056)
Expenditures:			
Community development	186,605	237,208	50,603
Net Change in Fund Balance	220,760	88,101	(132,659)
Fund Balance at Beginning of Year	16,759,028	16,759,028	
Fund Balance at End of Year	<u>\$ 16,979,788</u>	<u>\$ 16,847,129</u>	<u>\$ (132,659)</u>

CITY OF ESCONDIDO
Miscellaneous Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 33,811	\$ 143,427	\$ 109,616
Charges for services	109,600	26,021	(83,579)
Investment income	6,830	4,472	(2,358)
Miscellaneous	61	61	61
Total Revenues	150,241	173,981	23,740
Expenditures:			
Public works	182,528	105,750	(76,778)
Community services	286,500	34,883	(251,617)
Community development	273,727	59,965	(213,762)
Capital outlay	109,250	26,938	(82,312)
Total Expenditures	852,005	227,536	(624,469)
Excess (Deficiency) of Revenues Over Expenditures	(701,764)	(53,555)	648,209
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(46,800)	(46,800)	
Total Other Financing Sources	(46,800)	(46,800)	
Net Change in Fund Balance	(748,564)	(100,355)	648,209
Fund Balance at Beginning of Year	492,766	492,766	
Fund Balances at End of Year	\$ (255,798)	\$ 392,411	\$ 648,209

CITY OF ESCONDIDO
Vehicle Parking District Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Investment income	\$ 200	\$ 90	\$ (110)
Expenditures:			
Public works	77,000	74,627	(2,373)
Excess (Deficiency) of Revenues Over Expenditures	(76,800)	(74,537)	2,263
Other Financing Sources (Uses):			
Transfers in	76,800	76,800	
Net Change in Fund Balance		2,263	2,263
Fund Balance at Beginning of Year	(626,643)	(626,643)	
Fund Balances at End of Year	<u>\$ (626,643)</u>	<u>\$ (624,380)</u>	<u>\$ 2,263</u>

CITY OF ESCONDIDO
Golf Course Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Investment income	\$ 840	\$ 623	\$ (217)
Expenditures:			
Principal retirements	800,000	800,000	
Interest and fiscal charges	238,385	238,542	157
Total Expenditures	1,038,385	1,038,542	157
(Deficiency) of Revenues Over Expenditures	(1,037,545)	(1,037,919)	(374)
Other Financing Sources:			
Transfers in	1,081,515	1,081,515	
Total Other Financing Sources	1,081,515	1,081,515	
Net Change in Fund Balance	43,970	43,596	(374)
Fund Balance at Beginning of Year	477,040	477,040	
Fund Balance at End of Year	\$ 521,010	\$ 520,636	\$ (374)

CITY OF ESCONDIDO
General Obligation Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Special assessments	\$ 5,062,335	\$ 5,047,009	\$ (15,326)
Investment income	14,500	13,052	(1,448)
Total Revenues	<u>5,076,835</u>	<u>5,060,061</u>	<u>(16,774)</u>
Expenditures:			
Principal retirements	1,700,000	1,700,000	
Interest and fiscal charges	3,498,745	3,498,695	(50)
Total Expenditures	<u>5,198,745</u>	<u>5,198,695</u>	<u>(50)</u>
Net Change in Fund Balance	(121,910)	(138,634)	(16,724)
Fund Balance at Beginning of Year	<u>4,443,186</u>	<u>4,443,186</u>	
Fund Balance at End of Year	<u><u>\$ 4,321,276</u></u>	<u><u>\$ 4,304,552</u></u>	<u><u>\$ (16,724)</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, 2014

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 587,839	\$ 7,534,606	\$ 910,375
Receivables:			
Accounts		16,707	
Interest	2,218	27,194	3,376
Inventory		143,800	302,063
Deposits			
Total Current Assets	<u>590,057</u>	<u>7,722,307</u>	<u>1,215,814</u>
Non-current assets:			
Capital Assets:			
Buildings	1,150,795	342,000	61,070
Equipment	903,311	27,743,599	49,588
Construction in progress	12,397		
Total Capital Assets	<u>2,066,503</u>	<u>28,085,599</u>	<u>110,658</u>
Less accumulated depreciation	<u>(1,027,087)</u>	<u>(22,178,642)</u>	<u>(95,274)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,039,416</u>	<u>5,906,957</u>	<u>15,384</u>
Total Assets	<u>1,629,473</u>	<u>13,629,264</u>	<u>1,231,198</u>
<u>Liabilities</u>			
Current Liabilities:			
Payables:			
Accounts	141,923	114,165	134,498
Employee leave benefits	10,745	5,218	220
Estimated claims			
Loans	81,229		
Accrued expenses	26,961	19,634	3,363
Total Current Liabilities	<u>260,858</u>	<u>139,017</u>	<u>138,081</u>
Noncurrent Liabilities:			
Payables:			
Employee leave benefits	96,702	46,964	1,978
Estimated claims			
Loans	662,397		
Total Noncurrent Liabilities	<u>759,099</u>	<u>46,964</u>	<u>1,978</u>
Total Liabilities	<u>1,019,957</u>	<u>185,981</u>	<u>140,059</u>
<u>Net Position</u>			
Net investment in capital assets	1,039,416	5,906,957	15,384
Unrestricted (deficit)	<u>(429,900)</u>	<u>7,536,326</u>	<u>1,075,755</u>
Total Net Position	<u>\$ 609,516</u>	<u>\$ 13,443,283</u>	<u>\$ 1,091,139</u>

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 58,973	\$ 7,800,209	\$ 3,306,092	\$ 1,221,820	\$ 21,419,914
126	28,382	12,623	43,202 3,213	59,909 77,132
	250,000		62,600	445,863 312,600
<u>59,099</u>	<u>8,078,591</u>	<u>3,318,715</u>	<u>1,330,835</u>	<u>22,315,418</u>
176,223				1,553,865 28,872,721 12,397
<u>176,223</u> <u>(62,742)</u>				<u>30,438,983</u> <u>(23,363,745)</u>
<u>113,481</u>				<u>7,075,238</u>
<u>172,580</u>	<u>8,078,591</u>	<u>3,318,715</u>	<u>1,330,835</u>	<u>29,390,656</u>
5,765	125,298 141	145,918	66,124 426	733,691 16,750
	1,932,800	977,312		2,910,112 81,229
<u>17,470</u>	<u>1,559</u>		<u>23,398</u>	<u>92,385</u>
<u>23,235</u>	<u>2,059,798</u>	<u>1,123,230</u>	<u>89,948</u>	<u>3,834,167</u>
	1,266		3,829	150,739
	7,731,200	3,909,247		11,640,447 662,397
	<u>7,732,466</u>	<u>3,909,247</u>	<u>3,829</u>	<u>12,453,583</u>
<u>23,235</u>	<u>9,792,264</u>	<u>5,032,477</u>	<u>93,777</u>	<u>16,287,750</u>
113,481				7,075,238
<u>35,864</u>	<u>(1,713,673)</u>	<u>(1,713,762)</u>	<u>1,237,058</u>	<u>6,027,668</u>
<u>\$ 149,345</u>	<u>\$ (1,713,673)</u>	<u>\$ (1,713,762)</u>	<u>\$ 1,237,058</u>	<u>\$ 13,102,906</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2014

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
Operating Revenues:			
Charges for services	\$ 3,188,200	\$ 5,379,980	\$ 1,278,869
Operating Expenses:			
Personnel services	1,709,763	1,000,032	218,305
Administrative expenses	15,284	10,760	
Benefit claims			
Supplies	103,151	41,559	97,727
Repairs and maintenance	101,012	793,735	71,297
Depreciation	128,207	1,844,755	4,548
Utilities	761,510	4,130	419,011
Fuel		1,267,187	
Professional services	1,312,458	39,125	243,453
Insurance premiums	46,065	32,910	11,275
Rent	1,284		
Other		41,186	151,130
Total Operating Expenses	4,178,734	5,075,379	1,216,746
Operating Income (Loss)	(990,534)	304,601	62,123
Non-Operating Revenues (Expenses):			
Investment income	4,092	65,236	10,614
Interest and fiscal charges	(30,985)		
Miscellaneous	465	157,516	2,506
Total Non-Operating Revenues	(26,428)	222,752	13,120
Income (Loss) Before Transfers and Capital Contributions	(1,016,962)	527,353	75,243
Transfers in	1,151,000	1,100,000	
Transfers out			(449,100)
Capital contributions		171,989	
Change in Net Position	134,038	1,799,342	(373,857)
Net Position at Beginning of Year	475,478	11,643,941	1,464,996
Net Position at End of Year	\$ 609,516	\$ 13,443,283	\$ 1,091,139

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 1,462,781	\$ 1,881,363	\$ 2,189,331	\$ 10,367,325	\$ 25,747,849
1,037,871	101,320		158,005	4,225,296
	308,150	1,302,930	196,445	1,833,569
	859,854	583,208	674,690	2,117,752
43,470	822		2,503	289,232
148			1,018	967,210
31,858				2,009,368
12,416	1,904		9,275	1,208,246
				1,267,187
	1,904,978	1,705,568	150,926	5,356,508
10,560	472,400	568,794	9,253,661	10,395,665
				1,284
336,704	5,494	15,474	37,858	587,846
1,473,027	3,654,922	4,175,974	10,484,381	30,259,163
(10,246)	(1,773,559)	(1,986,643)	(117,056)	(4,511,314)
1,006	48,029	14,943	7,919	151,839
				(30,985)
			29,108	189,595
1,006	48,029	14,943	37,027	310,449
(9,240)	(1,725,530)	(1,971,700)	(80,029)	(4,200,865)
22,600				2,273,600
				(449,100)
				171,989
13,360	(1,725,530)	(1,971,700)	(80,029)	(2,204,376)
135,985	11,857	257,938	1,317,087	15,307,282
\$ 149,345	\$ (1,713,673)	\$ (1,713,762)	\$ 1,237,058	\$ 13,102,906

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
Cash flows from Operating Activities:			
Cash received from customers	\$ 3,188,200	\$ 5,365,686	\$ 1,278,869
Cash paid to employees for services	(1,701,503)	(1,007,409)	(225,466)
Cash paid to other suppliers of goods or services	(2,244,431)	(2,532,308)	(1,001,209)
Cash from other sources	465	39,846	
Net Cash Provided by (Used for) Operating Activities	<u>(757,269)</u>	<u>1,865,815</u>	<u>52,194</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	1,151,000	1,100,000	
Cash paid from other funds			(449,100)
Net Cash Provided by Noncapital Financing Activities	<u>1,151,000</u>	<u>1,100,000</u>	<u>(449,100)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(189,399)	(2,066,528)	(8,455)
Sale of capital assets		103,722	2,506
Interest payments on loans	(30,985)		
Principal payments on loans	(78,200)		
Net Cash (Used for) Capital and Related Financing Activities	<u>(298,584)</u>	<u>(1,962,806)</u>	<u>(5,949)</u>
Cash Flows from Investing Activities:			
Investment income received	5,338	65,035	12,490
Net Increase (Decrease) in Cash and Cash Equivalents	100,485	1,068,044	(390,365)
Cash and Cash Equivalents at Beginning of Year	<u>487,354</u>	<u>6,466,562</u>	<u>1,300,740</u>
Cash and Cash Equivalents at End of Year	<u>\$ 587,839</u>	<u>\$ 7,534,606</u>	<u>\$ 910,375</u>

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 1,462,781	\$ 1,881,363	\$ 2,189,331	\$ 10,389,121	\$ 25,755,351
(1,035,073)	(409,103)	(1,302,930)	(387,301)	(6,068,785)
(405,199)	(2,844,904)	(2,308,438)	(10,093,726)	(21,430,215)
			29,108	69,419
22,509	(1,372,644)	(1,422,037)	(62,798)	(1,674,230)
22,600				2,273,600
				(449,100)
22,600				1,824,500
(30,809)				(2,295,191)
				106,228
				(30,985)
				(78,200)
(30,809)				(2,298,148)
936	58,706	22,949	8,903	174,357
15,236	(1,313,938)	(1,399,088)	(53,895)	(1,973,521)
43,737	9,114,147	4,705,180	1,275,715	23,393,435
\$ 58,973	\$ 7,800,209	\$ 3,306,092	\$ 1,221,820	\$ 21,419,914

(Continued)

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	<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)	\$ (990,534)	\$ 304,601	\$ 62,123
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	128,207	1,844,755	4,548
Cash from other sources	465	39,846	
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		(14,294)	
(Increase) in inventories		(2,590)	(20,805)
Increase (decrease) in accounts payable	81,049	(309,886)	13,489
Increase (decrease) in accrued expenses	3,088	1,639	746
Increase (decrease) in employee leave benefits payable	20,456	1,744	(7,907)
Increase in estimated claims payable			
Total Adjustments	<u>233,265</u>	<u>1,561,214</u>	<u>(9,929)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (757,269)</u>	<u>\$ 1,865,815</u>	<u>\$ 52,194</u>
Noncash Investing, Capital and Financing Activities:			
Contributed property, plant and equipment		<u>\$ 171,989</u>	

<u>Office Automation</u>	<u>Workers' Compensation</u>	<u>General Liability Self-Insurance</u>	<u>Insurance</u>	<u>Total</u>
<u>\$ (10,246)</u>	<u>\$ (1,773,559)</u>	<u>\$ (1,986,643)</u>	<u>\$ (117,056)</u>	<u>\$ (4,511,314)</u>
31,858				2,009,368
			29,108	69,419
			21,796	7,502
				(23,395)
(1,901)	125,263	125,389	36,205	69,608
2,798	31		(30,134)	(21,832)
	336		(2,717)	11,912
	<u>275,285</u>	<u>439,217</u>		<u>714,502</u>
<u>32,755</u>	<u>400,915</u>	<u>564,606</u>	<u>54,258</u>	<u>2,837,084</u>
<u>\$ 22,509</u>	<u>\$ (1,372,644)</u>	<u>\$ (1,422,037)</u>	<u>\$ (62,798)</u>	<u>\$ (1,674,230)</u>
				<u>\$ 171,989</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, 2014

	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	\$ 176,061	\$ 832,940	\$ 297,171	\$ 256,768	\$ 5,643,506	\$ 7,206,446
Cash and investments with fiscal agent	9,998	1,217,269	335,379	341,543		1,904,189
Receivables:						
Interest	471	6,269	1,892	1,858	495	10,985
Taxes	1,155			713		1,868
	<u>187,685</u>	<u>2,056,478</u>	<u>634,442</u>	<u>600,882</u>	<u>5,644,001</u>	<u>9,123,488</u>
Total Assets	<u>\$ 187,685</u>	<u>\$ 2,056,478</u>	<u>\$ 634,442</u>	<u>\$ 600,882</u>	<u>\$ 5,644,001</u>	<u>\$ 9,123,488</u>
<u>Liabilities</u>						
Accounts payable	\$	\$	\$	\$	\$ 267,609	\$ 267,609
Deposits payable					5,376,392	5,376,392
Due to bondholders	187,685	2,056,478	634,442	600,882		3,479,487
	<u>187,685</u>	<u>2,056,478</u>	<u>634,442</u>	<u>600,882</u>	<u>5,644,001</u>	<u>9,123,488</u>
Total Liabilities	<u>\$ 187,685</u>	<u>\$ 2,056,478</u>	<u>\$ 634,442</u>	<u>\$ 600,882</u>	<u>\$ 5,644,001</u>	<u>\$ 9,123,488</u>

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
<u>Hidden Trails Community Facilities District</u>				
<u>Assets</u>				
Cash and investments	\$ 170,352	\$ 217,825	\$ (212,116)	\$ 176,061
Restricted assets:				
Cash and investments with fiscal agent	229,965	5,452,035	(5,672,002)	9,998
Receivables:				
Interest	791	471	(791)	471
Taxes	832	1,155	(832)	1,155
	<u>401,940</u>	<u>5,671,486</u>	<u>(5,885,741)</u>	<u>187,685</u>
Total Assets	<u>\$ 401,940</u>	<u>\$ 5,671,486</u>	<u>\$ (5,885,741)</u>	<u>\$ 187,685</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 512,537	\$ (512,537)	\$
Due to bondholders	401,940	2,687,912	(2,902,167)	187,685
	<u>401,940</u>	<u>3,200,449</u>	<u>(3,414,704)</u>	<u>187,685</u>
Total Liabilities	<u>\$ 401,940</u>	<u>\$ 3,200,449</u>	<u>\$ (3,414,704)</u>	<u>\$ 187,685</u>
<u>Eureka Ranch Community Facilities District</u>				
<u>Assets</u>				
Cash and investments	\$ 852,902	\$ 1,216,809	\$ (1,236,771)	\$ 832,940
Restricted assets:				
Cash and investments with fiscal agent	1,233,242	7,969	(23,942)	1,217,269
Receivables:				
Interest	3,973	6,269	(3,973)	6,269
Taxes	3,823		(3,823)	
	<u>2,093,940</u>	<u>1,231,047</u>	<u>(1,268,509)</u>	<u>2,056,478</u>
Total Assets	<u>\$ 2,093,940</u>	<u>\$ 1,231,047</u>	<u>\$ (1,268,509)</u>	<u>\$ 2,056,478</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 1,228,558	\$ (1,228,558)	\$
Due to bondholders	2,093,940	1,640,199	(1,677,661)	2,056,478
	<u>2,093,940</u>	<u>2,868,757</u>	<u>(2,906,219)</u>	<u>2,056,478</u>
Total Liabilities	<u>\$ 2,093,940</u>	<u>\$ 2,868,757</u>	<u>\$ (2,906,219)</u>	<u>\$ 2,056,478</u>

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2014

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
<u>Auto Parkway Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$ 287,890	\$ 343,094	\$ (333,813)	\$ 297,171
Restricted assets:				
Cash and investments with fiscal agent	335,813	2,185	(2,619)	335,379
Receivables:				
Interest	1,168	1,892	(1,168)	1,892
Total Assets	<u>\$ 624,871</u>	<u>\$ 347,171</u>	<u>\$ (337,600)</u>	<u>\$ 634,442</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 331,234	\$ (331,234)	\$
Due to bondholders	624,871	604,632	(595,061)	634,442
Total Liabilities	<u>\$ 624,871</u>	<u>\$ 935,866</u>	<u>\$ (926,295)</u>	<u>\$ 634,442</u>
<u>Rancho San Pasqual</u>				
<u>Assets</u>				
Cash and investments	\$ 252,062	\$ 351,178	\$ (346,472)	\$ 256,768
Restricted assets:				
Cash and investments with fiscal agent	342,557	2,226	(3,240)	341,543
Receivables:				
Interest	1,166	1,858	(1,166)	1,858
Taxes	1,442	713	(1,442)	713
Total Assets	<u>\$ 597,227</u>	<u>\$ 355,975</u>	<u>\$ (352,320)</u>	<u>\$ 600,882</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 343,788	\$ (343,788)	\$
Due to bondholders	597,227	521,736	(518,081)	600,882
Total Liabilities	<u>\$ 597,227</u>	<u>\$ 865,524</u>	<u>\$ (861,869)</u>	<u>\$ 600,882</u>

(Continued)

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2014

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
<u>Deposit Trust</u>				
<u>Assets</u>				
Cash and investments	\$ 5,625,944	\$ 1,482,818	\$ (1,465,256)	\$ 5,643,506
Receivables:				
Interest	562	495	(562)	495
Total Assets	<u>\$ 5,626,506</u>	<u>\$ 1,483,313</u>	<u>\$ (1,465,818)</u>	<u>\$ 5,644,001</u>
<u>Liabilities</u>				
Accounts payable	\$ 52,697	\$ 1,398,171	\$ (1,183,259)	\$ 267,609
Deposits payable	5,573,809	1,527,251	(1,724,668)	5,376,392
Total Liabilities	<u>\$ 5,626,506</u>	<u>\$ 2,925,422</u>	<u>\$ (2,907,927)</u>	<u>\$ 5,644,001</u>
 <u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$ 7,189,150	\$ 3,611,724	\$ (3,594,428)	\$ 7,206,446
Restricted assets:				
Cash and investments with fiscal agent	2,141,577	5,464,415	(5,701,803)	1,904,189
Receivables:				
Interest	7,660	10,985	(7,660)	10,985
Taxes	6,097	1,868	(6,097)	1,868
Total Assets	<u>\$ 9,344,484</u>	<u>\$ 9,088,992</u>	<u>\$ (9,309,988)</u>	<u>\$ 9,123,488</u>
<u>Liabilities</u>				
Accounts payable	\$ 52,697	\$ 3,301,751	\$ (3,086,839)	\$ 267,609
Deposits payable	5,573,809	1,527,251	(1,724,668)	5,376,392
Due to bondholders	3,717,978	5,454,479	(5,692,970)	3,479,487
Total Liabilities	<u>\$ 9,344,484</u>	<u>\$ 10,283,481</u>	<u>\$ (10,504,477)</u>	<u>\$ 9,123,488</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)

	2005	2006	2007	2008
Governmental Activities:				
Net investment in capital assets	\$ 125,179,668	\$ 147,033,475	\$ 175,696,600	\$ 197,917,746
Restricted	66,200,766	69,207,183	77,955,931	83,690,162
Unrestricted	63,198,878	67,952,345	80,216,675	65,128,364
Total Governmental Activities Net Position	\$ 254,579,312	\$ 284,193,003	\$ 333,869,206	\$ 346,736,272
Business-type Activities:				
Net investment in capital assets	\$ 85,789,505	\$ 94,483,383	\$ 118,573,025	\$ 123,532,924
Restricted				
Unrestricted	32,141,690	37,421,108	26,761,762	30,304,352
Total Business-type Activities Net Position	\$ 117,931,195	\$ 131,904,491	\$ 145,334,787	\$ 153,837,276
Primary Government:				
Net investment in capital assets	\$ 210,969,173	\$ 241,516,858	\$ 294,269,625	\$ 321,450,670
Restricted	66,200,766	69,207,183	77,955,931	83,690,162
Unrestricted	95,340,568	105,373,453	106,978,437	95,432,716
Total Primary Government Activities Net Position	\$ 372,510,507	\$ 416,097,494	\$ 479,203,993	\$ 500,573,548

Source:

City of Escondido Finance Department.

2009	2010	2011	2012	2013	2014
\$ 198,895,947	\$ 205,646,459	\$ 222,661,354	\$ 225,296,741	\$ 211,228,317	\$ 207,003,751
89,093,908	114,214,410	86,393,247	98,970,485	90,152,311	92,356,580
65,461,162	36,921,478	40,341,057	53,862,572	27,922,604	24,555,904
<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>	<u>\$ 323,916,235</u>
\$ 126,868,016	\$ 130,301,709	\$ 137,189,496	\$ 138,580,703	\$ 141,057,087	\$ 151,539,613
37,096,093	46,473,299	53,436,660	56,358,559	61,147,031	57,540,105
<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>	<u>\$ 209,079,718</u>
\$ 325,763,963	\$ 335,948,168	\$ 359,850,850	\$ 363,877,444	\$ 352,285,404	\$ 358,543,364
89,093,908	114,214,410	86,393,247	98,970,485	90,152,311	92,356,580
102,557,255	83,394,777	93,777,717	110,221,131	89,069,635	82,096,009
<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>	<u>\$ 532,995,953</u>

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

	2005	2006	2007	2008
<u>Expenses</u>				
Governmental Activities:				
General government	\$ 7,846,655	\$ 7,899,175	\$ 8,373,054	\$ 9,646,524
Public safety	49,039,038	52,318,975	53,981,546	57,284,755
Community services	15,620,848	11,298,631	15,004,608	29,728,378
Public works	17,609,107	24,150,012	24,159,197	18,340,037
Community development	8,383,779	10,067,992	12,635,417	13,974,447
Contributions to other governments				
Interest and fiscal charges	7,692,898	7,313,735	10,447,184	14,338,384
Total Governmental Activities Expenses	106,192,325	113,048,520	124,601,006	143,312,525
Business-type Activities:				
Water	32,110,409	33,612,785	37,583,686	37,989,541
Wastewater	23,596,832	22,619,254	24,660,271	26,995,420
Golf	102,235			
Total Business-type Activities Expenses	55,809,476	56,232,039	62,243,957	64,984,961
Total Primary Government Expenses	\$ 162,001,801	\$ 169,280,559	\$ 186,844,963	\$ 208,297,486
<u>Program Revenues</u>				
Governmental activities:				
Charges for services:				
General government	\$ 262,617	\$ 207,933	\$ 277,178	\$ 290,007
Public safety	8,130,038	9,053,779	9,702,964	9,241,808
Community services	3,409,784	3,922,815	4,222,222	6,864,643
Public works	2,665,396	3,300,443	1,556,038	1,411,020
Community development	2,200,680	3,026,817	2,148,321	1,507,452
Operating grants and contributions	9,537,429	15,336,026	29,978,774	15,513,780
Capital grants and contributions	19,127,256	16,511,533	19,574,286	9,042,570
Total Governmental Activities Program Revenues	45,333,200	51,359,346	67,459,783	43,871,280
Business-type Activities:				
Charges for services:				
Water	29,932,089	34,092,368	39,087,592	38,944,163
Wastewater	16,230,386	20,368,422	22,643,416	23,699,984
Golf				
Operating grants and contributions				2,657,685
Capital grants and contributions	5,838,768	13,978,586	11,036,390	3,554,975
Total Business-type Activities Program Revenues	52,001,243	68,439,376	72,767,398	68,856,807
Total Primary Government Program Revenues	\$ 97,334,443	\$ 119,798,722	\$ 140,227,181	\$ 112,728,087

2009	2010	2011	2012	2013	2014
\$ 8,183,784	\$ 8,058,408	\$ 8,162,775	\$ 7,923,896	\$ 6,931,282	\$ 6,817,120
53,639,237	58,486,106	56,170,547	60,467,057	58,937,215	64,735,010
20,460,103	20,321,281	13,935,737	14,428,323	13,492,016	13,824,749
23,475,660	25,927,953	30,251,264	23,508,515	28,719,020	22,830,644
12,777,932	7,814,707	9,908,625	6,765,185	6,095,723	4,442,510
				4,319,291	
8,050,461	7,649,971	7,459,498	5,946,168	4,038,630	3,709,135
126,587,177	128,258,426	125,888,446	119,039,144	122,533,177	116,359,168
38,810,712	40,277,313	37,364,315	43,537,887	48,899,219	51,937,493
24,743,922	24,154,671	23,833,875	23,995,887	25,847,825	28,748,596
63,554,634	64,431,984	61,198,190	67,533,774	74,747,044	80,686,089
\$ 190,141,811	\$ 192,690,410	\$ 187,086,636	\$ 186,572,918	\$ 197,280,221	\$ 197,045,257
\$ 455,029	\$ 159,353	\$ 351,155	\$ 735,395	\$ 481,812	\$ 1,049,402
9,980,199	9,207,628	8,273,579	8,429,675	8,322,729	8,217,629
6,798,670	5,625,758	3,871,455	4,158,173	4,118,332	4,104,210
1,253,367	1,076,721	994,907	1,160,643	1,261,705	1,554,453
1,128,602	1,372,001	1,154,371	820,337	914,370	1,351,882
9,728,353	14,568,341	12,988,723	13,503,657	12,507,289	13,031,177
11,779,461	14,818,607	10,550,030	5,608,064	8,528,675	3,331,901
41,123,681	46,828,409	38,184,220	34,415,944	36,134,912	32,640,654
39,161,082	40,155,208	37,293,900	42,398,099	48,857,327	54,411,250
25,741,913	29,208,703	28,176,381	26,430,851	28,482,081	29,413,549
301,875				6,559	243,302
4,725,698	5,851,309	8,922,144	2,155,659	3,858,657	1,879,809
69,930,568	75,215,220	74,392,425	70,984,609	81,204,624	85,947,910
\$ 111,054,249	\$ 122,043,629	\$ 112,576,645	\$ 105,400,553	\$ 117,339,536	\$ 118,588,564

(Continued)

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

	2005	2006	2007	2008
<u>Net (Expense)/Revenue</u>				
Governmental activities	\$ (60,859,125)	\$ (61,689,174)	\$ (57,141,223)	\$ (99,441,245)
Business-type activities	(3,808,233)	12,207,337	10,523,441	3,871,846
Total Primary Government Net Expense	<u>\$ (64,667,358)</u>	<u>\$ (49,481,837)</u>	<u>\$ (46,617,782)</u>	<u>\$ (95,569,399)</u>
<u>General Revenues and Other</u>				
<u>Changes in Net Position</u>				
Governmental activities:				
Taxes:				
Sales taxes	\$ 30,336,573	\$ 30,002,918	\$ 28,419,440	\$ 24,471,382
Property taxes	26,392,928	30,556,891	39,320,532	43,123,943
Franchise tax	3,930,492	4,241,212	4,625,383	4,088,986
Payments in lieu of taxes	18,130,405	15,974,459	21,162,788	20,550,985
Other taxes	4,506,357	4,900,694	5,419,437	4,801,752
Use of money and property	4,019,491	4,025,320	7,341,621	14,217,786
Sale of capital assets				
Miscellaneous	675,801	1,400,371	526,770	971,977
Transfers	(29,253)	201,000	1,455	81,500
Extraordinary item: Gain/(loss) (Note 17)				
Total Governmental Activities	<u>87,962,794</u>	<u>91,302,865</u>	<u>106,817,426</u>	<u>112,308,311</u>
Business-type activities:				
Use of money and property	1,483,411	1,675,819	2,708,150	3,497,943
Miscellaneous	357,270	291,140	200,160	1,214,200
Transfers	29,253	(201,000)	(1,455)	(81,500)
Extraordinary item: Loss on chemical tank spill				
Total Business-type Activities	<u>1,869,934</u>	<u>1,765,959</u>	<u>2,906,855</u>	<u>4,630,643</u>
Total Primary Government	<u>\$ 89,832,728</u>	<u>\$ 93,068,824</u>	<u>\$ 109,724,281</u>	<u>\$ 116,938,954</u>
<u>Change in Net Position</u>				
Governmental activities	\$ 27,103,669	\$ 29,613,691	\$ 49,676,203	\$ 12,867,066
Business-type activities	(1,938,299)	13,973,296	13,430,296	8,502,489
Total primary government	<u>\$ 25,165,370</u>	<u>\$ 43,586,987</u>	<u>\$ 63,106,499</u>	<u>\$ 21,369,555</u>

Source:

City of Escondido Finance Department.

2009	2010	2011	2012	2013	2014
\$ (85,463,496)	\$ (81,430,017)	\$ (87,704,226)	\$ (84,623,200)	\$ (86,398,265)	\$ (83,718,514)
6,375,934	10,783,236	13,194,235	3,450,835	6,457,580	5,261,821
<u>\$ (79,087,562)</u>	<u>\$ (70,646,781)</u>	<u>\$ (74,509,991)</u>	<u>\$ (81,172,365)</u>	<u>\$ (79,940,685)</u>	<u>\$ (78,456,693)</u>
\$ 18,841,244	\$ 17,826,617	\$ 20,819,517	\$ 25,532,055	\$ 24,202,373	\$ 27,366,084
37,745,185	27,884,137	28,168,365	24,060,363	16,738,501	16,805,289
4,540,227	4,344,355	4,461,129	4,563,576	4,516,247	4,694,252
18,907,389	17,989,533	17,652,114	19,548,954	19,041,332	20,075,228
4,264,906	4,014,349	4,048,337	2,899,789	3,971,585	4,218,914
6,977,368	4,654,030	4,810,578	5,885,611	3,290,477	4,153,899
		171,386	399,819		
872,722	2,130,400	476,135	748,181	1,070,052	892,851
29,200	41,330	1,248,845	25,000	25,000	125,000
			29,693,992	(34,948,363)	
<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>	<u>78,331,517</u>
2,791,475	1,794,117	1,608,420	1,750,475	1,522,495	1,577,693
988,624	274,876	297,338	250,862	447,638	161,086
(29,200)	(41,330)	(1,248,845)	(25,000)	(25,000)	(125,000)
			(1,114,066)		
<u>3,750,899</u>	<u>2,027,663</u>	<u>656,913</u>	<u>862,271</u>	<u>1,945,133</u>	<u>1,613,779</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>	<u>\$ 79,945,296</u>
\$ 6,714,745	\$ (2,545,266)	\$ (5,847,820)	\$ 28,734,140	\$ (48,491,061)	\$ (5,386,997)
10,126,833	12,810,899	13,851,148	4,313,106	8,402,713	6,875,600
<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>	<u>\$ 1,488,603</u>

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

	2005	2006	2007	2008
General Fund				
Reserved	\$ 12,000,715	\$ 11,979,933	\$ 11,981,270	\$ 10,149,296
Unreserved, designated	34,886,626	33,314,688	39,074,546	36,201,191
Unreserved, undesignated	2,213,347	5,618,069	18,267	31,478
Nonspendable				
Committed to				
Assigned to				
Unassigned				
Total General Fund	\$ 49,100,688	\$ 50,912,690	\$ 51,074,083	\$ 46,381,965
All Other Governmental Funds				
Reserved	\$ 51,100,638	\$ 59,867,398	\$ 70,384,963	\$ 79,272,342
Reserved for current projects, reported in:				
Special revenue funds	8,357,924	8,779,174	3,343,847	4,409,890
Capital projects funds	24,682,928	23,071,427	111,342,705	83,750,017
Unreserved, reported in:				
Special revenue funds	1,469,997	753,179	3,886,179	903,378
Capital projects funds	648,746	232,743	4,519,393	4,822,008
Undesignated, reported in:				
Special revenue funds		580,649	638,880	17,198
Capital projects funds	(149,480)	(2,050,830)	(653,000)	
Nonspendable				
Restricted for				
Committed to				
Assigned to				
Unassigned				
Total All Other Governmental Funds	\$ 86,110,753	\$ 91,233,740	\$ 193,462,967	\$ 173,174,833

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.

2009	2010	2011	2012	2013	2014
\$ 10,763,636	\$ 10,331,307	\$	\$	\$	\$
30,001,183	21,694,390				
360,555					
		5,456,377	5,180,347	2,503,401	217,690
		28,354,588	31,938,244	17,210,596	17,319,659
		713,361	852,481	980,678	897,465
		399,790	753,121	247,130	1,753,519
<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>	<u>\$ 20,188,333</u>
\$ 90,244,472	\$ 91,342,926	\$	\$	\$	\$
4,506,647	3,005,679				
38,533,362	9,407,468				
1,656,500	4,762,099				
6,609,031	8,691,702				
612,564	1,097,044				
		61,204,587	57,982,791	60,199,844	
		21,732,085	30,695,122	20,785,893	81,559,045
		8,418,117	5,208,585	2,466,775	2,008,525
		774,990	447,148	159,405	139,653
		(14,547,286)	(1,021,715)	(1,248,533)	(1,149,954)
<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>	<u>\$ 82,557,269</u>

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

	2005	2006	2007	2008
<u>Revenues</u>				
Taxes	\$ 71,655,717	\$ 77,734,043	\$ 81,151,830	\$ 80,426,993
Licenses and permits	948,731	1,466,492	1,192,210	1,083,012
Fines and forfeits	2,345,309	2,591,254	3,438,103	2,775,808
Intergovernmental	20,636,158	25,479,372	24,847,891	24,981,294
Charges for services	13,808,460	17,159,737	28,652,127	14,534,487
Special assessments	486,509	534,503	5,977,365	6,114,007
Lease income	41,674	74,598	67,842	65,380
Investment income	2,925,655	2,945,448	10,853,706	17,189,718
Miscellaneous	6,377,728	4,870,084	4,460,671	6,037,085
Total Revenues	119,225,941	132,855,531	160,641,745	153,207,784
<u>Expenditures</u>				
General government	6,099,209	6,794,411	7,255,759	9,127,482
Public safety	48,378,236	51,915,935	55,236,173	57,495,217
Public works	9,819,464	10,950,990	15,876,014	16,530,427
Community services	11,485,472	12,161,879	13,644,105	19,136,835
Community development	5,429,443	6,857,595	6,266,748	7,484,775
Contributions to other governments				
Capital outlay	15,289,826	19,826,969	21,588,318	46,039,380
Debt service:				
Principal retirements	9,439,275	10,011,703	9,014,873	5,893,863
Interest and fiscal charges	3,564,360	3,314,576	6,000,362	14,271,646
SERAF payment	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	2,502,874	2,867,983	3,280,870	3,697,911
Total Expenditures	113,379,247	126,035,267	149,332,897	179,677,536
Excess (Deficiency) of Revenues Over Expenditures	5,846,694	6,820,264	11,308,848	(26,469,752)
<u>Other Financing Sources (Uses)</u>				
Issuance of debt			140,900,000	2,050,000
Bond issue costs				
Payment to refunding escrow agent			(52,543,700)	
Premium of debt			3,366,017	
Sale of capital assets	91,102	851,185		
Transfers in	7,748,864	10,491,946	17,333,710	12,095,699
Transfers out	(8,287,087)	(12,628,406)	(17,974,255)	(12,656,199)
Total Other Financing Sources (Uses)	(447,121)	(1,285,275)	91,081,772	1,489,500
Extraordinary item: Gain/(loss)				
Net Change in Fund Balance	\$ 5,399,573	\$ 5,534,989	\$ 102,390,620	\$ (24,980,252)
Debt service as a percentage of noncapital expenditures	13.3%	12.5%	11.8%	15.1%

Source:

City of Escondido Finance Department.

	2009	2010	2011	2012	2013	2014
\$	74,152,418	\$ 66,166,696	\$ 69,907,949	\$ 65,556,779	\$ 53,387,010	\$ 57,289,455
	984,790	1,350,224	1,193,338	821,380	887,383	991,164
	2,552,099	2,186,227	1,895,447	1,640,528	1,468,309	1,184,292
	24,161,739	26,889,870	26,688,728	27,513,328	25,945,352	23,708,589
	14,518,395	12,759,043	9,976,316	10,281,595	11,335,203	12,513,585
	5,560,064	5,742,487	5,759,888	5,892,241	5,958,662	5,796,337
	48,743	47,609	75,321	60,024	221,513	205,259
	5,993,386	2,301,810	16,367,414	1,469,849	856,466	895,826
	6,211,906	8,177,104	4,253,232	4,432,737	4,645,031	4,265,979
	<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>	<u>106,850,486</u>
	6,908,388	6,761,408	7,096,148	6,407,543	5,834,828	5,811,016
	54,009,216	55,863,025	52,038,011	53,083,126	55,246,097	57,874,021
	15,116,819	15,364,185	18,146,072	12,542,175	17,392,655	15,189,340
	17,849,432	18,114,581	12,072,344	12,016,459	11,815,547	12,128,504
	10,003,869	5,132,958	7,165,632	4,774,106	5,331,818	4,238,194
					4,319,291	
	47,671,550	28,777,524	26,536,515	9,153,723	7,794,450	5,550,440
	6,233,746	9,653,787	10,760,000	10,512,620	7,528,360	2,528,361
	7,922,238	7,585,243	23,952,729	5,792,921	3,983,078	3,737,237
		8,556,226	1,761,576			
	5,448,326	3,817,295	9,101,406	5,921,213		
	<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>107,057,113</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>	<u>(206,627)</u>
				224,078	4,830,000	
					(122,073)	
	681,996		463,018	474,819	111,234	1,346,540
	9,445,273	9,195,181	28,486,232	8,237,198	6,522,962	5,035,243
	(9,416,073)	(8,873,851)	(25,059,387)	(8,062,198)	(6,673,765)	(6,734,743)
	<u>711,196</u>	<u>321,330</u>	<u>3,889,863</u>	<u>873,897</u>	<u>4,668,358</u>	<u>(352,960)</u>
				21,191,043	(9,832,652)	
\$	<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>	<u>\$ (559,587)</u>
	11.5%	13.2%	24.4%	14.7%	10.3%	6.2%

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	
2005 ⁽²⁾	\$	\$	\$	\$	\$ 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
2014	8,565,684,527	874,571,529	684,905,167	1,989,341,749	12,114,502,972

Fiscal Year Ended June 30	Unsecured	Less: Exemptions	Taxable	Total
			Assessed Value	Direct Tax Rate
2005 ⁽²⁾	\$ 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
2014	465,412,975	(622,608,050)	11,957,307,897	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

Source:

County of San Diego Auditor and Controller's Office.

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

Allocation of 1% Ad Valorem Property Taxes								
Fiscal Year Ended June 30	City Direct Rate*	Total Direct Rate	Overlapping Rates			Voter Approved Debt	Total Tax Rate	
			School District	San Diego County	All Other			
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
2014	0.103	0.103	0.710	0.157	0.030	1.000	0.132	1.132

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	2014		2005	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Percentage of Total Taxable Assessed Value ⁽²⁾
North County Fair LLC	\$241,191,837	2.02 %	\$156,849,354	1.72 %
Prebys Conrad Trust	87,707,026	0.73	54,919,073	0.60
M G Morning View Apts L P	47,687,853	0.40		
Cox Communications San Diego	30,322,985	0.25	44,470,021	0.49
Frit Escondido Promenade, LLC	43,991,480	0.37	25,688,501	0.28
Vons	29,583,349	0.25	31,618,199	0.35
Luna Properties LLC	41,295,463	0.35		
O C/S D Holdings LLC	34,814,252	0.29		
Garrick Motors Inc	38,023,980	0.32	21,379,436	0.23
Felicita Garp L L C	30,737,700	0.26		
Goal Line L P			57,876,341	0.64
Aimco Sunset Escondido LLC			23,127,643	0.25
New Albertsons Inc			21,768,702	0.24
Morning View Terrace			20,429,070	0.22
TOTAL	\$625,355,925	5.24 %	\$458,126,340	5.02 %

Notes:

(1) Net assessed valuation for 2013-14 is \$11,957,307,897

(2) Net assessed valuation for 2004-05 is \$9,106,340,924

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
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
2014	10,099,951	9,834,962	97.38	126,961	9,961,923	98.63

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						
	(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	Total Governmental Activities
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
2014	73,965,000	4,625,000	645,000		888,366		80,123,366

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 \$27,390,00 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

Business-type Activities						
(5,9,11,12,13,15,19)		(14)				
Revenue COP & Lease Revenue Bonds	Special Tax/Assessment Bonds	Loans Payable	Total Business Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita
\$ 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
113,075,000		20,448,701	133,523,701	213,647,067	6.65	1,452

(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.

(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

Source:
City of Escondido Finance Department.

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

Fiscal Year Ended June 30	Outstanding General Obligation Bonded Debt				Percent of Assessed Value ⁽¹⁾	Per Capita	
	General Obligation Bonds	Certificates of Participation	Tax Allocation Bonds ⁽²⁾	Total			
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	0.74	587	
2012	77,295,000	1,790,000		79,085,000	0.68	541	
2013	75,665,000	1,240,000		76,905,000	0.66	527	
2014	73,965,000	645,000		74,610,000	0.64	507	

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, 2014

2013-14 Assessed Valuation:	\$ 12,306,747,917
Redevelopment Agency Incremental Valuation:	2,465,229,401
Adjusted Assessed Valuation:	\$ 9,841,518,516

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/14	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.560 %	\$ 132,275,000	\$ 740,740
Palomar Community College District	13.186	312,768,901	41,241,707
San Marcos Unified School District School	3.583	281,096,744	10,071,696
San Marcos Unified School District School Facilities Improvement District No. 1	2.235	6,503,019	145,342
San Marcos Unified School District Community Facilities District No. 1	100.000	640,000	640,000
Escondido Union High School District	78.002	97,117,515	75,753,604
Escondido Union School District	78.773	41,259,622	32,501,442
San Pasqual Union School District	56.685	458,792	260,066
Valley Center-Pauma Unified School District	0.001	1,190,669	12
Total Overlapping Tax and Assessment Debt		873,310,262	161,354,609
<u>OVERLAPPING GENERAL OBLIGATION DEBT:</u>			
San Diego County General Fund Obligations	3.115	379,835,000	11,831,860
San Diego County Pension Obligations	3.115	720,855,256	22,454,641
San Diego County Superintendent of School Obligations	3.115	16,125,000	502,294
Palomar Community College District Certificates of Participation	13.186	4,855,000	640,180
San Marcos Unified School General Fund Obligations	3.583	55,093,327	1,973,994
Escondido Union High School District Certificates of Participation	78.002	59,525,000	46,430,691
Escondido Union School District Certificates of Participation	78.773	20,490,000	16,140,588
Palomar Pomerado Hospital District	19.155	474,823,578	90,952,456
Total Overlapping General Fund Obligation Debt		1,731,602,161	190,926,704
<u>OVERLAPPING TAX INCREMENT DEBT:</u>			
Escondido Tax Allocation Bonds			
Escondido Lease Revenue Bonds	100.000	32,070,000	32,070,000
Total Overlapping Tax Increment Debt		32,070,000	32,070,000
TOTAL OVERLAPPING DEBT		\$ 2,636,982,423	\$ 384,351,313
<u>CITY DIRECT DEBT:</u>			
City of Escondido General Fund Obligations	100.000 %	73,965,000	73,965,000
City of Escondido General Obligations	100.000	5,270,000	5,270,000
City of Escondido Hidden Trails Community Facilities District	100.000	2,355,000	2,355,000
City of Escondido Community Facilities District 2006-01	100.000	16,200,000	16,200,000
City of Escondido 1915 Act Bonds	100.000	4,465,000	4,465,000
TOTAL CITY DIRECT DEBT		102,255,000	102,255,000
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 486,606,313 ⁽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

	2005	2006	2007	2008
Assessed valuation	\$ 7,557,521,777	\$ 8,716,447,815	\$ 9,842,664,350	\$ 10,437,917,513
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 1,889,380,444	\$ 2,179,111,954	\$ 2,460,666,088	\$ 2,609,479,378
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	283,407,067	326,866,793	369,099,913	391,421,907
Total Net Debt				
General Obligation Bonds			84,350,000	83,180,000
Applicable to Limit:				
Legal Debt Margin	<u>\$ 283,407,067</u>	<u>\$ 326,866,793</u>	<u>\$ 284,749,913</u>	<u>\$ 308,241,907</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0%	0%	23%	21%

Note:

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

Source:

City of Escondido Finance Department.

2009	2010	2011	2012	2013	2014
\$ 10,419,201,152	\$ 9,608,214,935	\$ 9,501,563,129	\$ 9,663,353,864	\$ 9,674,335,352	\$ 9,841,518,516
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
\$ 2,604,800,288	\$ 2,402,053,734	\$ 2,375,390,782	\$ 2,415,838,466	\$ 2,418,583,838	\$ 2,460,379,629
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
390,720,043	360,308,060	356,308,617	362,375,770	362,787,576	369,056,944
81,800,000	80,360,000	78,860,000	77,295,000	75,665,000	73,965,000
<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>	<u>\$ 295,091,944</u>
21%	22%	22%	21%	21%	20%

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	
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						
2014						

2001 Lease Revenue Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	404,925		404,925	115,000	289,925	1.00
2014 ⁽⁶⁾						

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
2014	674,170		674,170	595,000	79,170	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	
2005	\$	\$	\$	\$	\$	
2006						
2007						
2008						
2009						
2010						
2011						
2012						
2013	⁽⁶⁾ 404,925		404,925			n/a
2014	359,714		359,714	205,000	154,714	1.00

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	
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
2014	86,667,661	65,419,946	21,247,715	2,900,000	5,331,367	2.58

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
2014	347,171		347,171	240,000	86,906	1.06

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

Special Assessment Debt - Hidden Trails

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2014	⁽⁷⁾ 227,470		227,470	75,000	130,338	1.11

Special Assessment Debt - Eureka Ranch

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2014	1,231,047		1,231,047	375,000	833,058	1.02

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		\$ 396,183	\$ 95,000	\$ 255,368	1.13
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
2014	355,975		355,975	155,000	177,543	1.07

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.
- (7) The Special Tax Bonds for the CFD 2000-01 (Hidden Trails) were refunded in during fiscal year 2013 with the issuance of the 2013 Series 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⁾
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
2013	147,102	3,214	21,851	7.9

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	2014		2005	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment ⁽¹⁾
Palomar Medical Center	3,290	4.44 %	1,450	
Escondido Union School District	1,804	2.43	1,847	
Welk Group Inc	1,200	1.62		
San Diego Wild Animal Park	1,100	1.48		
City of Escondido	1,082	1.46	1,118	
Escondido Union High School District	861	1.16	750	
Vons Grocery Stores	360	0.49		
Home Depot ⁽³⁾	350	0.47		
Nordstrom Inc.	290	0.39	420	
Palomar Community College District	211	0.28		
North County Transit District			622	
ARS National Services Inc			520	
Coronado Funding Group			500	
SDG&E			400	
Pacific Bell			325	

Notes:

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

(1) The percent of total employment for 2005 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	108	113	120	118	112	110	109	106	108	111
Public Safety	362	374	404	397	377	381	375	360	374	383
Public Works	161	168	175	156	149	142	143	151	154	148
Community Development	51	55	58	53	42	39	38	37	35	36
Community Services	203	236	280	265	221	225	224	216	225	206
Housing & Neighborhood Services	11	11	13	13	13	14	15	12	10	10
Water	114	116	124	121	119	117	118	118	114	114
Wastewater	63	71	74	75	72	74	75	73	71	82
Total	1,073	1,144	1,248	1,198	1,105	1,102	1,097	1,073	1,091	1,090

Source:

City of Escondido Finance Department.



CITY OF ESCONDIDO
Operating Indicators by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008
Police:				
Physical Arrests	6,538	7,126	7,359	7,373
Traffic Violations	14,220	18,396	21,580	20,496
Parking Violations	6,530	8,075	8,909	8,295
Fire:				
Number of Calls Answered	10,547	10,416	10,515	10,650
Number of Inspections Conducted	780	1,851	1,880	1,738
Public Works⁽¹⁾:				
Street Resurfacing (miles)		2.5	4.5	2.3
Parks and Recreation⁽¹⁾:				
Number of Recreation Classes	1,124	1,093	832	977
Number of Facility Rentals	919	919	998	987
Golf Rounds Played	82,231	87,196	90,014	95,149
Water:				
Number of Service Connections	25,338	25,559	25,972	26,161
Average Daily Consumption (gallons)	25,608,270	27,285,671	27,301,940	25,500,000
Sewer:				
Number of Service Connections	25,338	26,190	26,503	26,702
Average Daily Treatment (gallons)	14,700,000	14,400,000	14,300,000	14,320,000

Note:

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

Source:

City of Escondido.

2009	2010	2011	2012	2013	2014
7,004	7,190	7,617	7,032	5,988	5,740
21,438	16,956	13,811	13,054	9,782	8,454
7,942	7,606	5,784	4,514	4,022	4,328
11,237	11,544	11,370	11,978	13,065	13,139
3,105	2,059	2,222	1,380	1,741	1,496
1.1	1.5	9.5	3.0	19.3	18.6
1,228	1,101	1,176	990	1,275	2,410
982	1,106	1,125	995	2,541	1,975
100,192	97,683	95,020	95,934	95,528	97,094
26,280	26,390	26,489	26,502	26,508	26,536
23,170,000	18,799,222	18,835,000	20,220,000	23,370,000	22,579,315
26,909	27,014	27,066	27,054	27,072	27,102
13,000,000	12,500,000	12,900,000	12,730,000	12,630,000	12,100,000

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

Function	2005	2006	2007	2008
Police:				
Stations	1	1	1	1
Fire:				
Stations	5	5	5	5
Public Works:				
Streets (miles)	291.3	295.3	299.2	302.0
Streetlights	4,595	4,749	5,691	6,382
Traffic Signals	111	117	126	135
Parks and Recreation:				
Parks	13	13	14	14
Community Centers	3	3	3	3
Golf Courses	2	2	2	2
Water:				
Water Mains (miles)	376	415	418	425
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:				
Sanitary Sewers (miles)	362	369	375	375
Storm Drains (miles)	328	329	378	380
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1	1	1	1	1	1
7	7	7	7	7	7
302.0	304.4	304.6	304.9	305.0	305.0
6,408	6,460	6,479	6,480	6,479	6,487
139	146	148	148	151	152
14	14	14	14	14	14
3	3	3	3	3	3
2	2	2	2	2	2
429	430	430	430	431	431
75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
375	351	352	355	363	379
380	380	381	383	382	377
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000





City of Escondido

CALIFORNIA



MAPLE STREET PLAZA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014
