

City of
ESCONDIDO
CALIFORNIA



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015



CITY OF ESCONDIDO • CALIFORNIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015



MAYOR
Sam Abed

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

CITY MANAGER
Clay Phillips

ASSISTANT CITY MANAGER
Charles Grimm

DIRECTOR OF COMMUNITY DEVELOPMENT
DIRECTOR OF LIBRARY AND COMMUNITY SERVICES
DIRECTOR OF ADMINISTRATIVE SERVICES
DIRECTOR OF INFORMATION SYSTEMS
DIRECTOR OF ENGINEERING SERVICES
DIRECTOR OF UTILITIES
CHIEF OF POLICE
FIRE CHIEF
CITY ATTORNEY
CITY CLERK
CITY TREASURER

Barbara Redlitz
Loretta McKinney
Sheryl Bennett
Mark Becker
Ed Domingue
Christopher McKinney
Craig Carter
Michael Lowry
Jeffrey Epp
Diane Halverson
Kenneth Hugins

Prepared by the Finance Department



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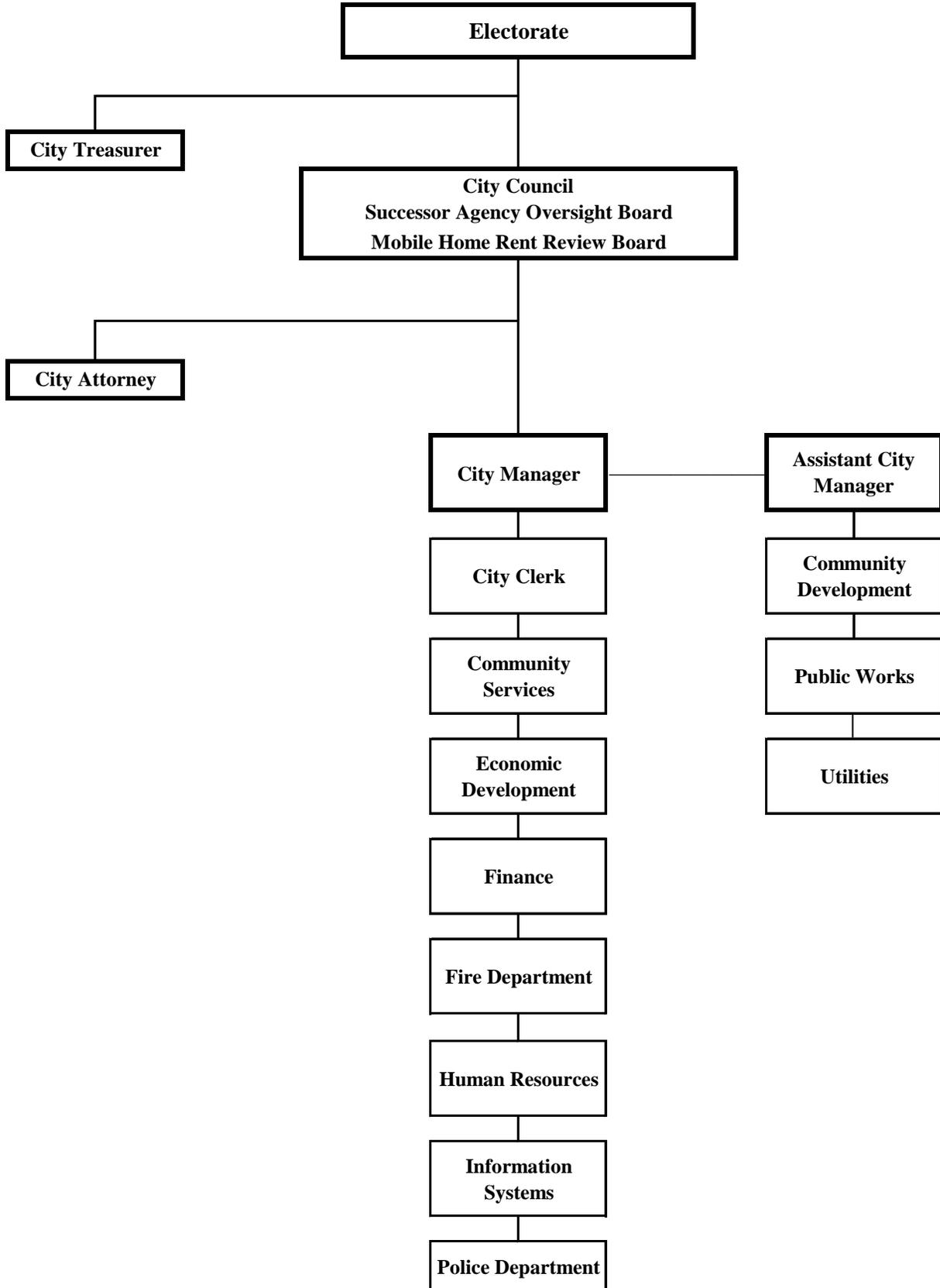
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CITY OF ESCONDIDO
Comprehensive Annual Financial Report
Organization Chart
June 30, 2015



December 28, 2015

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, 2015.

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, 2015, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Escondido's financial statements for the fiscal year ended June 30, 2015, 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 28, 2015

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.

- 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 147,095. 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 28, 2015

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 continues to receive 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 October 2015, the unemployment rate in Escondido was 4.6%. The San Diego countywide unemployment rate was 4.6% with the State of California recording a 5.9% rate.

Long-term Financial Planning. The City adopted a balanced budget for fiscal year 2014-15 with the assumption that sales tax and property tax revenue will continue to show growth. For the fourth year in a row, the City Council adopted a budget that does not rely on reserves for fiscal year 2015-16. 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. On March 3, 2015 the City Council received and filed the City Council Action Plan for fiscal year 2013-14 which had a 94% completion rate. On August 12, 2015, the City Council received and adopted the City Council Action Plan for fiscal year 2015-16.

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 2014-15 is steady at 1.08 percent, similar to 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.

CITY OF ESCONDIDO
Letter of Transmittal
December 28, 2015

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

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

When restricted and unrestricted fund balance is available, the City spends restricted fund balance first. Also, the City reduces committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes in which amounts in any of these unrestricted classifications of fund balance could be used. The City's general fund currently has \$17 million in General Fund Reserves.

In August 2015 the Standard & Poor's Ratings Services upgraded several of Escondido's bond ratings. Standard & Poor's Ratings Services raised its long-term rating to 'AA-' from 'A+' on the Escondido Joint Powers Financing Authority, Calif.'s existing series 2012 revenue bonds (water system financing), issued on behalf of the City of Escondido. At the same time, Standard & Poor's raised its rating to 'AA-' from 'A+' on the City's series 2007 water system certificates of participation (COPs). The raised rating is based on the city's consistently strong historical financial performance, which the rating agency believes will be sustainable at least for the next two years.

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, 2014. 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, 2014

Executive Director/CEO

Financial Section

INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2015, 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, 2015, 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, the budgetary comparison schedules for the general fund and the Successor Agency Housing fund, the schedule of changes in net pension liability and related ratio, and the schedule of plan contributions 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 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 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 the schedule of expenditures of federal awards 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 28, 2015 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 28, 2015

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, 2015. 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 plus deferred inflows of the City by \$354,379,314 (*net position*).
- The government's total net position increased by \$5,396,671. Using the restated beginning of year net position, Governmental activities decreased by 2.9 percent while business-type activities increased by 5.9 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 \$13,872,621, or 5.5 percent, during the fiscal year. The change reflects a \$4,874,746 decrease for governmental activities and an \$8,997,875 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 as well as the refunding of the General Obligation Bonds, election of 2004, Series A for governmental activities and the refunding of the Wastewater Certificates of Participation Series A and Series B for the business-type activities.
- During fiscal 2014-15, the City implemented GASBs No. 68 & 71 which required the recording of net pension liability and pension related deferred inflows and outflows. A restatement to record the effects of the new reporting guidance decreased beginning net position of governmental activities by \$151,509,179 and decreased beginning net position of business-type activities by \$32,504,131. See Note 1E for details of this restatement.

Fund Basis:

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$97,084,387, a decrease of \$5,661,215 in comparison with the prior year.
- At the end of the current fiscal year, fund balance committed to Reserves in the General Fund was \$17,281,659 or 19.9 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.

CITY OF ESCONDIDO Management's Discussion and Analysis

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate California Center for the Arts, Escondido Foundation. Financial information for the California Center for the Arts, Escondido Foundation for the fiscal year ending June 30, 2015 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, the Successor Agency Housing Special Revenue Fund, and the General Obligation Debt Service Fund which are considered to be major funds. Data from the other 17 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

CITY OF ESCONDIDO Management's Discussion and Analysis

among the City's various functions. The City uses internal service funds to account for its Vehicle and Equipment Maintenance, General Liability, Workers' Compensation, Central Services, Insurance, Building Maintenance, and Office Automation Funds. Since these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The proprietary fund financial statements can be found on pages 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 54-103 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 105-114 of this report. The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds can be found on pages 140-147 of this report.

CITY OF ESCONDIDO
Management's Discussion and Analysis

City of Escondido's Statement of Net Position

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Assets and deferred outflows of resources:						
Current and other assets	\$ 145,015	\$ 152,070	\$ 121,587	\$ 125,109	\$ 266,602	\$ 277,179
Capital assets	277,800	285,103	246,903	241,046	524,703	526,149
Deferred outflows of resources	15,345	55	5,426	2,715	20,771	2,770
Total assets and deferred outflows of resources	<u>438,160</u>	<u>437,228</u>	<u>373,916</u>	<u>368,870</u>	<u>812,076</u>	<u>806,098</u>
Liabilities and deferred inflows of resources:						
Long-term liabilities outstanding	227,338	96,219	166,906	146,314	394,244	242,533
Other liabilities	14,059	17,093	14,649	13,477	28,708	30,570
Deferred inflows of resources	29,435		5,310		34,745	
Total liabilities and deferred inflows of resources	<u>270,832</u>	<u>113,312</u>	<u>186,865</u>	<u>159,791</u>	<u>457,697</u>	<u>273,103</u>
Net position:						
Net investment in capital assets	201,314	207,004	158,231	151,540	359,545	358,544
Restricted	90,510	92,356			90,510	92,356
Unrestricted	(124,496)	24,556	28,820	57,540	(95,676)	82,096
Total net position	<u>\$ 167,328</u>	<u>\$ 323,916</u>	<u>\$ 187,051</u>	<u>\$ 209,080</u>	<u>\$ 354,379</u>	<u>\$ 532,996</u>

Comparative data is not available for fiscal year 2014 related to deferred outflows, deferred inflows and net pension liability due to pension accounting change required by GASBs No. 68 & 71.

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 plus deferred inflows of resources by \$354,379,314. Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At June 30, 2015 the net investment in capital assets represents \$360.0 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, 2015 restricted net position account for 25.5 percent, or \$90.5 million, of the City's total net position and represent resources that are subject to external restrictions on how they may be used.
- **Unrestricted net position:** Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Due to the implementation of GASBs No. 68 and 71 and the recording of a net pension liability, the unrestricted net position was (\$95.7) million.

In the prior 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. In the current fiscal year the City is able to report positive balances in all categories of net position as a whole except for unrestricted net position due to the implementation of GASBs No. 68 and 71 and the recording of the net pension liability, which will likely remain a long term liability.

CITY OF ESCONDIDO
Management's Discussion and Analysis

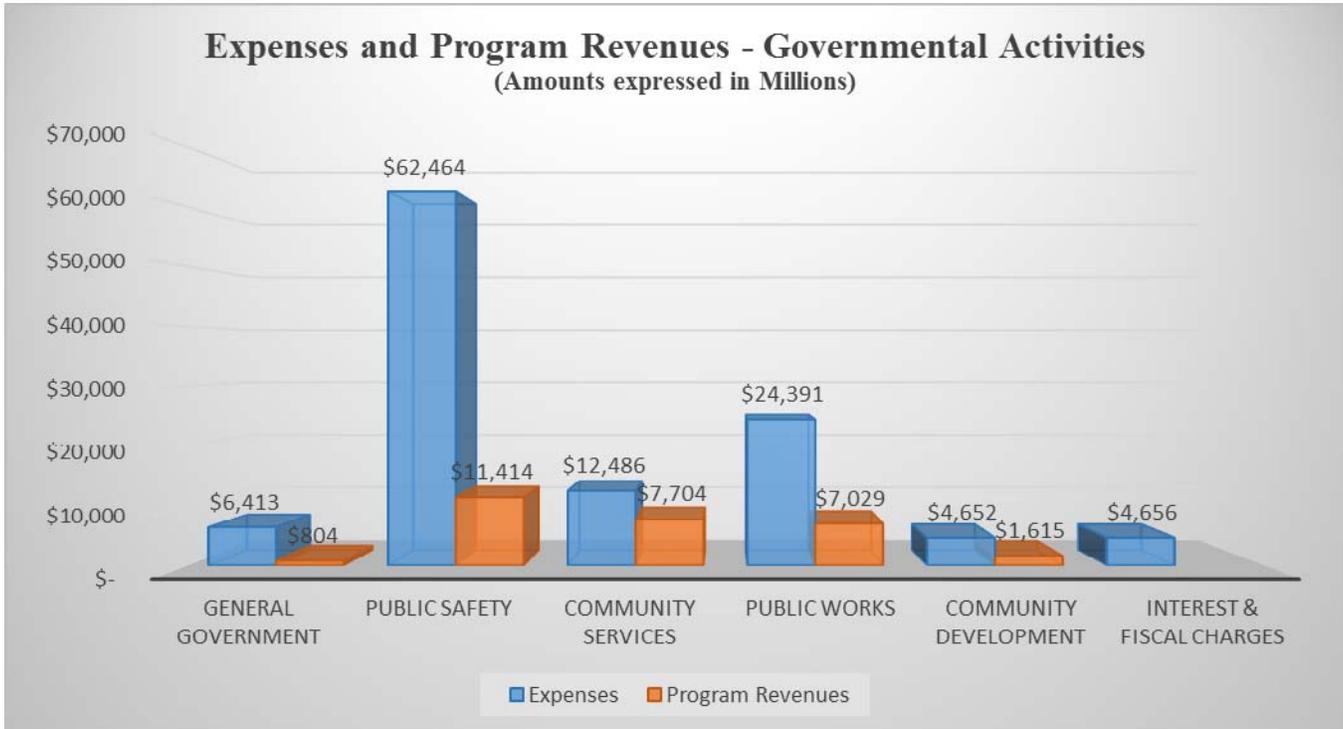
City of Escondido's Changes in Net Position

(Amounts expressed in thousands)

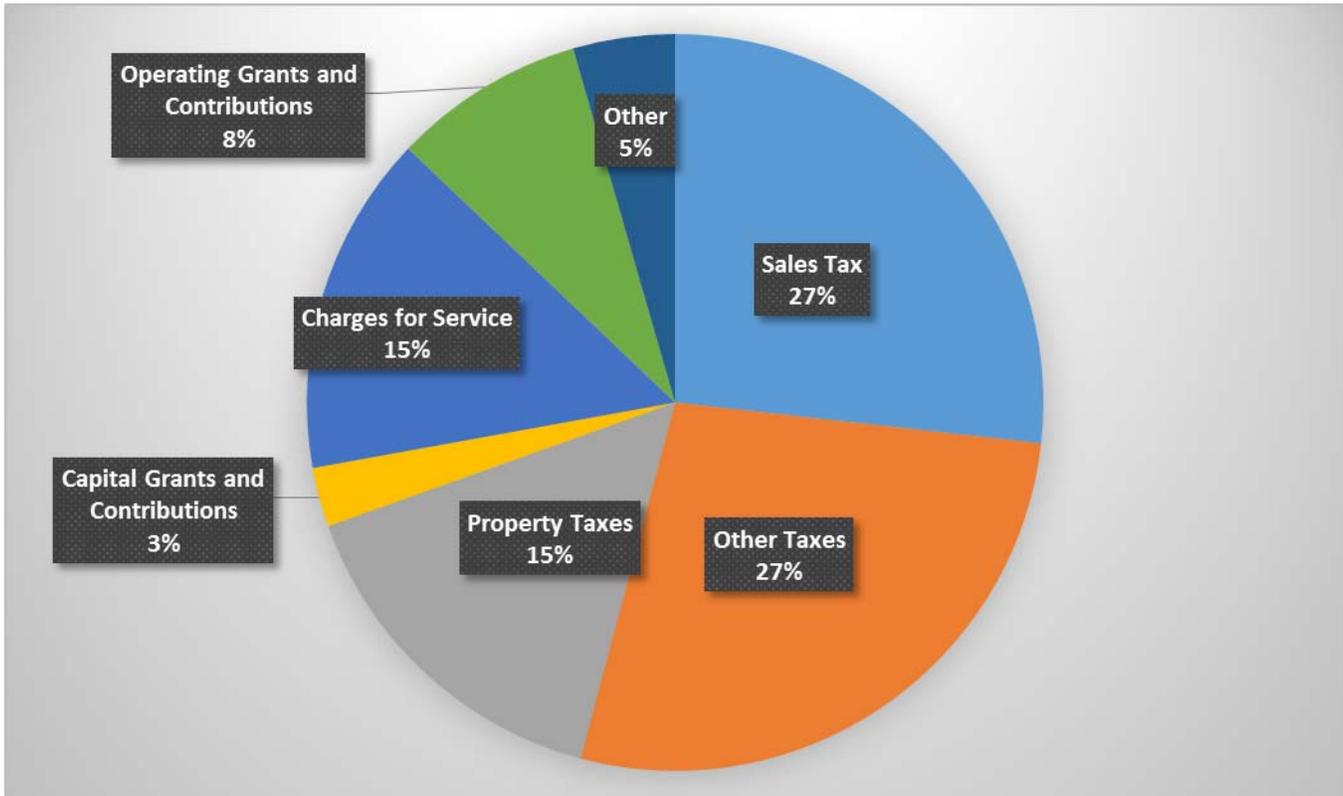
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 16,663	\$ 16,277	\$ 86,338	\$ 83,825	\$103,001	\$100,102
Operating grants and contributions	9,216	13,031	534	243	9,750	13,274
Capital grants and contributions	2,856	3,332	2,973	1,880	5,829	5,212
General revenues:						
Sales tax	29,447	27,366			29,447	27,366
Property taxes	16,953	16,805			16,953	16,805
Other taxes	30,093	28,988			30,093	28,988
Other	4,809	5,047	1,875	1,738	6,684	6,785
Total revenues	<u>110,037</u>	<u>110,846</u>	<u>91,720</u>	<u>87,686</u>	<u>201,757</u>	<u>198,532</u>
Expenses:						
General government	6,413	6,817			6,413	6,817
Public safety	62,464	64,735			62,464	64,735
Community services	12,485	13,824			12,485	13,824
Public works	24,391	22,831			24,391	22,831
Community development	4,652	4,443			4,652	4,443
Interest and fiscal charges	4,656	3,708			4,656	3,708
Water			51,559	51,937	51,559	51,937
Wastewater			29,741	28,748	29,741	28,748
Total expenses	<u>115,061</u>	<u>116,358</u>	<u>81,300</u>	<u>80,685</u>	<u>196,361</u>	<u>197,043</u>
Increase in net position before transfers	(5,024)	(5,512)	10,420	7,001	5,396	1,489
Transfers	(55)	125	55	(125)		
Increase in net position after transfers	(5,079)	(5,387)	10,475	6,876	5,396	1,489
Net position – July 1, as restated	172,407	329,303	176,576	202,204	348,983	531,507
Net position – June 30	<u>\$167,328</u>	<u>\$323,916</u>	<u>\$187,051</u>	<u>\$209,080</u>	<u>\$354,379</u>	<u>\$532,996</u>

CITY OF ESCONDIDO
Management's Discussion and Analysis

Expenses and Program Revenues – Governmental Activities



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 \$5,078,949.

Total governmental revenues decreased by \$810,451 or .73 percent during the current fiscal year resulting in total revenues of \$110 million. Key elements of this change are as follows:

- Overall sales tax revenue increased by \$2.0 million, or 7.6 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. Buildings materials wholesale also increased significantly over the prior fiscal year.
- Property tax revenue increased \$147,939 over the prior fiscal year increasing by about 0.9 percent. The assessed value growth for Escondido in fiscal year 2014/15 was up about 5.3 percent compared to the prior year.
- Other tax revenue increased by \$1.1 million, or 3.8 percent, and is composed of increases in property tax in lieu of vehicle license fees (VLF), property transfer tax, franchise tax, transient occupancy tax, and business licenses. Property tax in lieu of VLF saw the largest increase over the prior fiscal year of 5.1 percent or \$542,000 due to the increase in the property tax assessed values in the City. Franchise tax also had a significant increase over the prior fiscal year, about \$454,000 due to increases in franchise fees from San Diego Gas & Electric. Transient Occupancy Tax is also up about 8.6 percent from the prior fiscal year.
- Other revenue decreased by \$237,000 or 4.7 percent, compared to last year due to a decrease in the gain on the sale of capital assets reported in the prior year resulting from the sale of Park Development owned property by the Wastewater Fund for the Recycled Water Easterly Main Extension Project. The current year gain on sale of capital assets of \$138,304 is due to the sale of various mobilehome lots categorized as Land Held for Resale by the Successor Agency Housing Fund.

Overall charges for services increased by \$385,500 or 2.3 percent, reflecting the following:

- General government charges for services decreased by \$788,000 due to the completion of the San Diego County Abandoned Vehicle Abatement program, the elimination of passport services provided by the City, and a decrease in the outstanding balance of the DUI Cost Recovery billings.
- Public safety charges for services increased by \$1.2 million primarily due to an increase in the fire operations fee received by the Rincon Water District of \$703,075 as well as an increase in vehicle code and parking ticket fines.
- Community services charges for services decreased by \$62,000 due to a decrease in current year financial activity at the Reidy Creek Golf Course. The rounds of golf played at the course decreased 15% from the prior year. In addition, the number of golfers is decreasing annually due to 10 competitively priced local golf courses in the area that are offering lower rates and creating price erosion.
- Public works charges for services decreased by \$261,000 due to a decrease in engineering fees. In the prior year several deposits related to completed projects were recognized as revenue; fewer projects were completed in the current fiscal year.
- Community development charges for services increased by \$264,000 due to an increase in conservation credits received related to the Daley Ranch Conservation Bank to satisfy the environmental mitigation requirements of development projects.

Operating grants and contributions decreased by \$3.8 million, or 28.9 percent, reflecting the following:

- General government operating grants and contributions increased by \$160,000 due to an increase in federal grant revenue. The largest portion of federal grant revenue received was for reimbursement for

CITY OF ESCONDIDO Management's Discussion and Analysis

the City's costs incurred in participating in the 2014 Cocos fire. In addition, the City had an increase in PEG fee revenue recognized during the current fiscal year for a capital improvement project that will be used to purchase equipment to support the City's Government Access Channel facilities.

- Public safety operating grants and contributions decreased by \$2.1 million. In the prior fiscal year the City received approximately \$933,000 in new Federal funding administered by the California Department of Health and Human Services called the Ground Emergency Medical Transportation Supplemental Reimbursement Program. The current year revenue for the program decreased by approximately \$.5 million. In the prior year the City also received approximately \$200,000 in American Recovery and Reinvestment Act funds for the COPS hiring grant, the ARRA funds are not available in the current fiscal year. The City also saw decreases in several federal grant funds received in the current fiscal year including the Firefighter Assistance Grant of 2012, the FY2014 Office of Traffic and Safety Sobriety Checkpoint federal grant, and various State Homeland Security Grants.
- Community services operating grants and contributions decreased by \$.9 million primarily due to a reduction of \$604,000 or 31 percent in the funds received for the Community Development Block Grant. The City also recognized a decrease of \$152,000 received for the HOME program.
- Public works operating grants and contributions decreased by \$.9 million due to a decrease of approximately \$885,000 in Gas Tax revenue received over the prior fiscal year due to falling gas prices and the "true up" by the state as part of their rules for replacing Proposition 42 funds with gas tax.

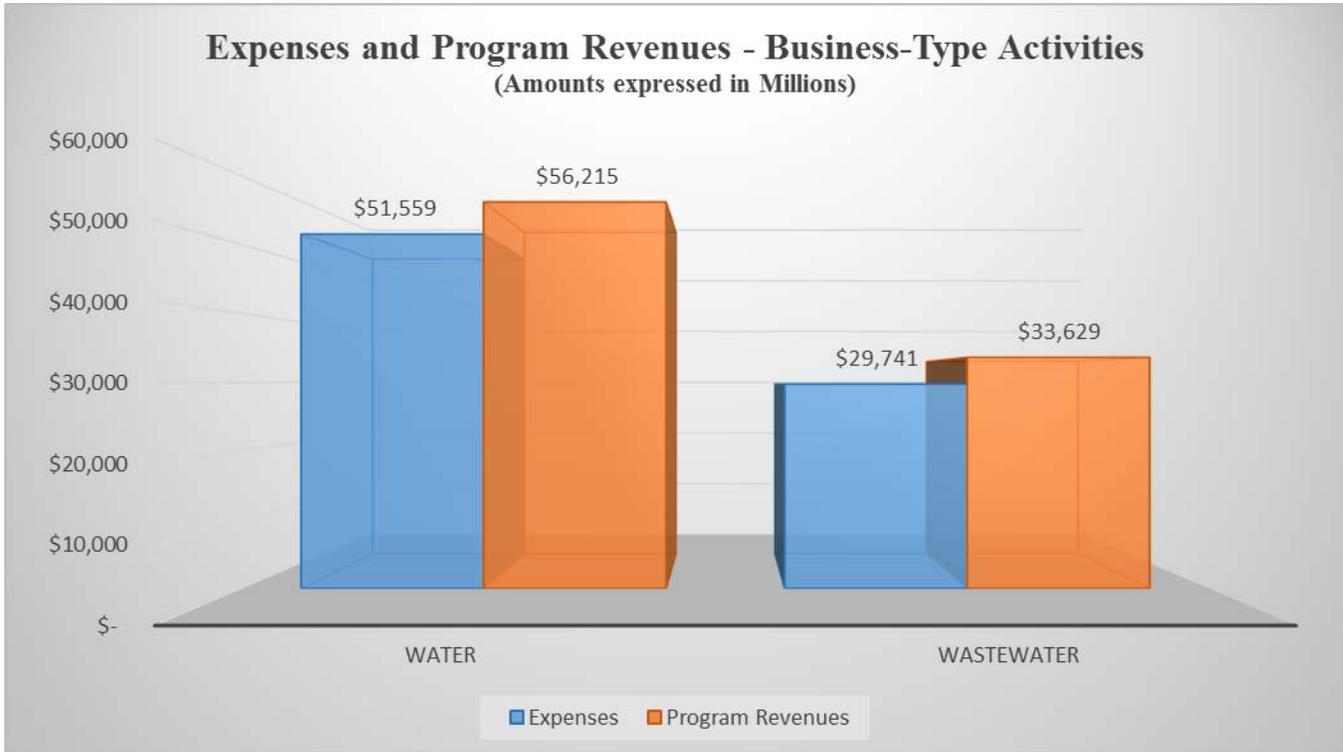
Capital grants and contributions decreased by \$476,000, or 14.3 percent, compared to the prior year. This decrease was mainly the result of large developer contributions received in fiscal year 2014 totaling \$1.1 million for streets, signalized lights and storm drains related to the completion of several housing projects. The decrease was offset by increases in grant revenue received for various Street projects throughout the City.

Governmental activities expenses decreased by \$1.3 million, or 1.1 percent, in fiscal year 2015. Due to the implementation of GASBs No. 68 and 71, journal entries were recorded to report and reclassify certain pension expense contributions which are included in each governmental activity expense line item that were not included in the prior year reducing overall expenses by \$4,108,674. Excluding the Pensions Expense activity, overall expenses increased by \$2.8 million or 2.4 percent. Details of these expenses include:

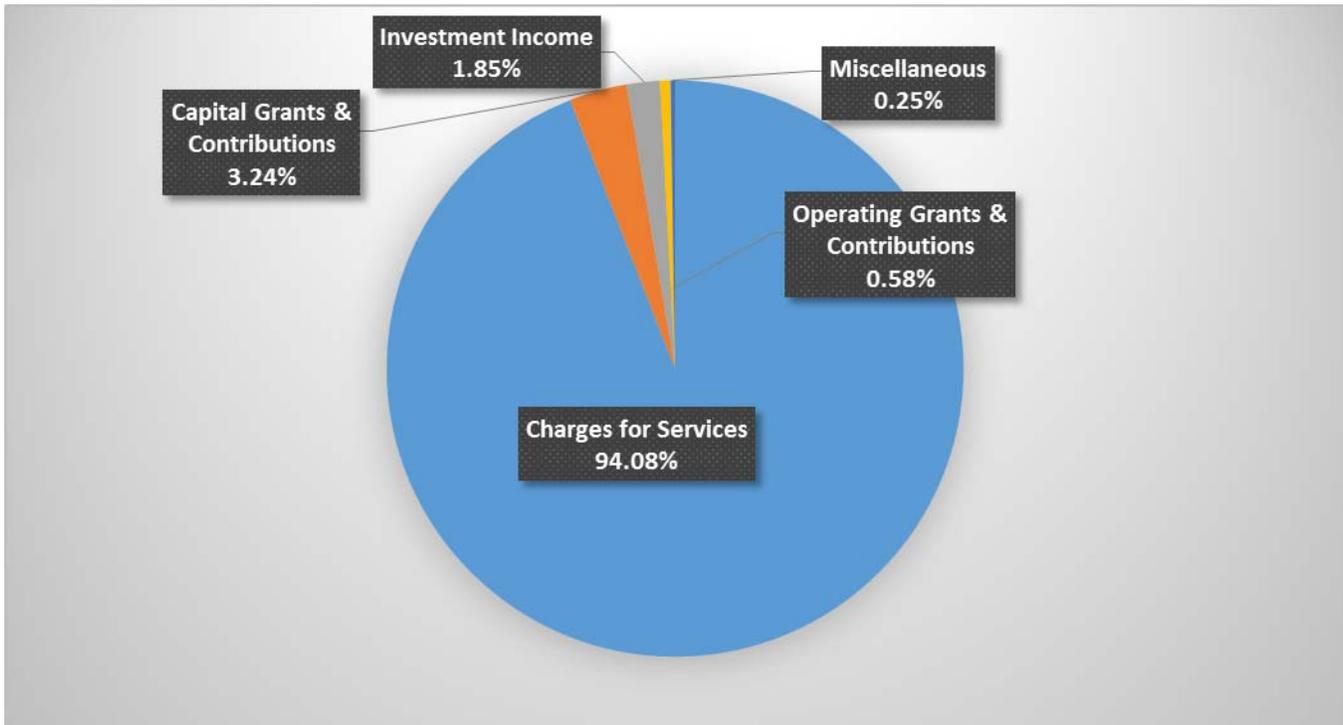
- Public safety expenses decreased by \$2.3 million, or 3.5 percent, compared to the prior year. Excluding pension expense activity expenses increased by \$.9 million due to negotiated salary increases as well as an increase in employee overhead, including retirement rates, workers' compensation rates, medical insurance and other benefits provided to employees.
- Public works expenses increased by \$1.6 million, or 6.8 percent, primarily due to increased capital related items. Current year additions include several street projects, one of which is widening an existing two-lane roadway to four-lanes on East Valley Parkway near Valley Center Road, another includes widening the street and median improvements for the Citracado & Harmony Grove project. Some of the other projects in progress are bathrooms at Daley Ranch, and upgrading the City's Downtown Wireless.
- Community services expenses decreased by \$1.3 million, or 9.7 percent, compared to the prior year due to temporarily vacant positions during the year. In addition, due to the decrease in Federal grant revenue received for the Community Development Block Grant and HOME program less expenditures were incurred in the fiscal year.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Expenses and Program Revenues – Business-type Activities



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 \$10,475,620. Key elements of this increase are as follows:

- Charges for services increased by \$2.5 million or 3.0 percent largely due to rate increases that went into effect in the current year and resulted in increased charges for services to the wastewater fund of \$2.6 million. The water fund saw a decrease in charges for services of \$88,000 due to a decrease in water usage for the fiscal year as the result of drought restrictions mandated by the State and the City.
- Total expenses increased by \$613,000 or .76 percent, mainly due to negotiated contract and increased employee overhead costs. In addition, the cost of purchased water continues to see increases each fiscal year as well as increased maintenance costs for aging infrastructure.
- Intergovernmental revenue increased by \$3.7 million compared to the prior year due to several ongoing capital projects. Proposition 84 grant and Proposition E1 revenues were received for the construction of a new dam downstream of the existing Lake Wohlford Dam which has been identified as unstable during a seismic event. The new dam will restore the lake to full capacity. State Revolving Loan Funds were also received for the Recycled Water Easterly Main Extension which will extend the existing recycled water pipeline east from Grape Day Park to the agricultural area of Cloverdale and Mountain View.

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 \$97,084,307, a decrease of \$5,661,215 in comparison with the prior year. Of this amount, .2 percent or \$183,403 represents non-spendable assets, advances and loans receivable, which are not expected to be converted to cash until future periods. Approximately 80.6 percent of this total amount or \$78,261,012 is not available for new spending because it is legally restricted by external third parties. In addition, \$19,142,345 or 20.4 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 (\$1,184,683) is due to negative fund balances reported in the Community Development Block Grant Fund and the Vehicle Parking District Fund. These deficits are expected to be eliminated with future operating revenues including reimbursements and transfers.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, committed fund balance of the General Fund includes \$17,281,659 in Reserves available to fund one-time unanticipated expenditures while total fund balance is \$18,146,884. 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 20.0 percent of total General Fund expenditures, while total fund balance represents 21.0 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$2,041,449. General Fund operating revenues were \$3.7 million greater than the prior fiscal year but were also under budget by \$1.6 million. Operating expenditures for the General Fund were \$5.7 million greater than the prior year but under budgeted amounts by approximately \$2.1 million. The deficiency of revenues over expenditures of (\$1,766,341) was increased by net transfers out of the General Fund of \$275,135. Due to the fiscal year 2013/2014 surplus of funds the current fiscal year Operating Transfers Out included funds transferred to the Building Maintenance

CITY OF ESCONDIDO
Management's Discussion and Analysis

Fund to cover certain capital projects, a transfer to the General Liability Fund reserves to increase the cash balance in anticipation of future unpaid claims, and other increases in certain expenditures.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the current fiscal year, the unrestricted net position of the Water and Wastewater Fund amounted to \$8,535,369, and \$20,126,915 respectively. The decrease in unrestricted net position from the prior year was due to the implementation of GASBs No. 68 and 71; however, both funds increased their net position in the current fiscal year by \$6,069,202 in the Water Fund and \$4,502,756 in the Wastewater Fund. Other factors concerning the finances of these two funds have been addressed in the discussion of the City's business-type activities above.

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 \$88.5 million and estimated expenditures and transfers out of \$88.5 million.

A comparison of the original general fund budgeted revenue of \$88.5 million to the final general fund budgeted revenue of \$88.6 results in a net increase in budgeted revenue of \$106,505. This increase was due to a mid-year budget adjustment that increased federal and state grant revenue due to reimbursements from FEMA for the City's assistance during the Cocos Fire.

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

- \$ 44,945 in increases to intergovernmental revenue
- 61,560 in increases in other miscellaneous revenue

Comparison of the fiscal year original general fund budgeted expenditures of \$88.4 million to the final general fund budgeted expenditures of \$91.2 million results in a net increase in budgeted expenditures of \$2.8 million.

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

- \$ 325,607 in decreases in general government activities
- 639,608 in increases allocated to the police department
- 226,630 in increases allocated to the fire department
- 239,420 in increases allocated for public works
- 217,902 in increases in community services
- 95,377 in increases in community development activities
- 1,680,000 in increases to operating transfers out

Actual General Fund revenues were \$1.6 million less than final budgeted amounts and expenditures were \$2.1 million less than final budgeted amounts. The General Fund ended the fiscal year with a \$2,041,449 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, 2015, the City's investments in capital assets for its governmental and business-type activities are \$524,704,108, (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 .27 percent; this represents a 2.6 percent decrease for governmental activities and a 2.4 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 increased by a net \$944,727 due to current year additions of \$2,849,341 and transfers of CIP of \$1,904,614. Current year additions include several street projects, one of which is widening an existing two-lane roadway to four-lanes on East Valley Parkway near Valley Center Road, another includes widening the street and median improvements for the Citracado & Harmony Grove project. Some of the other projects in progress are bathrooms at Daley Ranch, and upgrading the City's Downtown Wireless.

Current year transfers of construction in progress included the completion of the Elm Street Improvement project which includes new curbs, gutters, retaining walls, sidewalks, street lights and street surfaces, the installation of lights on field 3 at Jesmond Dene Ballpark, some facility improvements and the network backbone upgrade.

Motorized vehicles increased by a net \$2.9 million due to current year additions of \$3,831,727 and deletions of \$897,338. The City has a vehicle replacement schedule that predetermines vehicles that will need replacement in the near future. Some of the significant purchases this year were nineteen Ford Police Interceptor vehicles, a Sutphen Ladder Fire Truck and a Jet/Vacuum Truck.

Machinery and equipment decreased by a net \$5,152,604 due to current year additions of \$824,649 and deletions of \$5,977,253. A city wide inventory of assets was completed this fiscal year and it was determined that a lot of old machinery and equipment had not been removed when the items were surplus or disposed of in prior years. The items were removed from the financials this year in order to correct and resulted in the large deletion. Additions included the replacement of the City's CAD system this year along with several items for the network.

Additions to infrastructure totaled \$525,278. Of these additions, \$439,387 came from the completion of the Elm Street Improvement project. An additional \$85,891 of additions was due to developer contributions of storm drains and streets. These additions were offset by depreciation expense of \$4.8 million.

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

Construction in progress increased by a net \$14 million due to several capital improvement projects. The major projects under construction are located at the HAARF and include rehabilitation and expansion of the existing Influent Pump Station at the wastewater treatment plant, 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, the expansion of the recycled water system to Eastern Escondido and chlorine generation at the Water Treatment Plant.

Machinery and equipment increased by a net \$353,781. This included some upgrades the water and wastewater plant equipment and machinery.

Additions to the water system and sewer system totaled \$386,387. The additions to the water system were for a new water line at Birch Ave, and the Elm Street Improvements added to the water and sewer system. Developers contributed water and sewer lines of \$70,062 related to the completion of Tract 888 at Campbell Court.

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	
	2015	2014	2015	2014	2015	2014
	Land	\$ 45,906	\$ 45,906	\$ 2,868	\$ 2,868	\$ 48,774
Buildings and systems	90,042	93,421	5,923	6,506	95,965	99,927
Improvements other than buildings	15,693	18,623	743	775	16,436	19,398
Machinery and equipment	10,409	8,076	2,248	2,665	12,657	10,741
Infrastructure	106,629	110,901	199,890	207,015	306,519	317,916
Construction in progress	9,121	8,176	35,232	21,217	44,353	29,393
Total	\$ 277,800	\$ 285,103	\$ 246,904	\$ 241,046	\$ 524,704	\$ 526,149

Additional information on the City's capital assets can be found in the notes on pages 72-74 of this report.

Long-term debt. At the end of the current fiscal year, the City has total bonded debt outstanding of \$169,905,000. 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	
	2015	2014	2015	2014	2015	2014
	Certificates of participation		\$ 645	\$ 27,035	\$ 55,225	\$ 27,035
Revenue bonds			76,935	57,850	76,935	57,850
Lease revenue bonds	4,415	4,625			4,415	4,625
GO bonds	61,520	73,965			61,520	73,965
Total	\$ 65,935	\$ 79,235	\$ 103,970	\$ 113,075	\$ 169,905	\$ 192,310

On May 12, 2015, the City issued \$61,520,000 of General Obligation Refunding Bonds Series 2015. Proceeds from the Bonds were used to refund the General Obligation Bonds, election 2004, Series A, fund a debt service reserve fund and pay the costs of issuance. The refunding decreased the total debt service payment by \$10.3 million over the next 22 years and resulted in an economic gain of \$7.4 million

On April 29, 2015, the City issued \$14,645,000 of Refunding Revenue Bonds (Wastewater System), Series 2015A. Proceeds from the issuance was used to refund the 2004A COP Bonds and pay the costs of issuing the Bonds. The refunding decreased the total debt service payment by \$5.0 million over the next 12 years and resulted in an economic gain of \$2.4 million

CITY OF ESCONDIDO

Management's Discussion and Analysis

On April 29, 2015, the City issued \$5,060,000 of Refunding Revenue Bonds (Wastewater System), Series 2015B. Proceeds from the issuance was used to refund the 2004B COP Bonds and pay the costs of issuing the Bonds. The refunding decreased the total debt service payment by \$3.9 million over the next 11 years and resulted in an economic gain of \$1.1 million.

Other 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.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City as of June 2014 was 5.0 percent, which is a decrease from a rate of 6.4 percent a year ago, and it continues to show a downward trend. Taxable sales increased from the previous year by about \$2.1 million or 7.6% but were under budget by about \$3.2 million. This is because sales tax was projected to grow annually by 9% and actual growth was 4%. Sales tax results per quarter in fiscal year 2014/15 saw growth of 6%, 3%, 4% and 9%, respectively. Overall, the City's General Fund revenue was up 4.6% over the prior year.

The fiscal year 2015-16 General Fund operating budget has been balanced without relying on the use of reserves for the fifth 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 5.0% and expenditures were increased by 2.5% 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total June 30, 2015	California Center for the Arts, Escondido Foundation June 30, 2015
<u>Assets</u>				
Cash and investments	\$ 61,706,317	\$ 60,647,190	\$ 122,353,507	\$ 1,786,868
Cash and investments with fiscal agent	12,235	49,997,384	50,009,619	
Receivables, net of allowances	74,227,303	9,407,902	83,635,205	123,446
Internal balances	(157,547)	157,547		
Due from other governments	5,444,373	1,146,625	6,590,998	
Inventory, at cost	431,674		431,674	32,223
Deposits	369,162	6,800	375,962	
Prepaid expenses	11,499	4,064	15,563	101,543
Prepaid bond insurance		114,637	114,637	
Land held for resale	2,969,358	104,573	3,073,931	
Assets held in charitable remainder				109,895
Capital assets:				
Not being depreciated	64,558,922	38,100,413	102,659,335	
Being depreciated, net	213,241,351	208,803,422	422,044,773	49,323
Total Assets	422,814,647	368,490,557	791,305,204	2,203,298
<u>Deferred outflows of resources</u>				
Deferred pension related items	15,294,216	2,728,804	18,023,020	
Deferred charges on refunding	51,275	2,697,088	2,748,363	
Total Deferred Outflows of Resources	15,345,491	5,425,892	20,771,383	
<u>Liabilities</u>				
Payables:				
Accounts	3,453,054	7,022,716	10,475,770	164,267
Retentions		301,157	301,157	
Interest	212,853	1,420,789	1,633,642	
Deposits	2,686,104	603,515	3,289,619	
Accrued expenses	2,789,206	318,316	3,107,522	98,339
Due to other governments	469,988		469,988	
Unearned revenue	468,340		468,340	454,231
Noncurrent liabilities:				
Payables due within one year:				
Employee leave benefits	698,502	110,680	809,182	67,879
Claims	2,811,143		2,811,143	
Loans	113,673	2,151,301	2,264,974	
Leases	171,211		171,211	
Bonds	215,000	645,000	860,000	
Certificates of participation		2,075,000	2,075,000	
Payables due in more than one year:				
Connection rights		13,323,491	13,323,491	
Employee leave benefits	6,098,144	996,117	7,094,261	
Net pension liability	133,598,038	29,496,456	163,094,494	
Claims	11,244,572		11,244,572	
Loans	665,457	16,153,466	16,818,923	
Leases	874,856		874,856	
Bonds, net	74,826,749	59,757,806	134,584,555	
Certificates of participation		47,179,443	47,179,443	
Total Liabilities	241,396,890	181,555,253	422,952,143	784,716

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total June 30, 2015	California Center for the Arts, Escondido Foundation June 30, 2015
<u>Deferred inflows of resources</u>				
Deferred pension related items	28,985,455	5,309,989	34,295,444	
Deferred charges on refunding	449,686		449,686	
Total Deferred Inflows of Resources	29,435,141	5,309,989	34,745,130	
<u>Net Position</u>				
Net investment in capital assets	201,314,048	158,231,376	359,545,424	49,323
Restricted for:				
Community services:				
Expendable	2,119,309		2,119,309	
Nonexpendable	240,808		240,808	
Debt service	565,803		565,803	
Capital projects	1,288,982		1,288,982	
General government	2,164,192		2,164,192	
Low and moderate income housing	69,544,000		69,544,000	
Public safety	2,992,851		2,992,851	
Public works	11,593,593		11,593,593	
Unrestricted	(124,495,479)	28,819,831	(95,675,648)	1,369,259
Total Net Position	\$ 167,328,107	\$ 187,051,207	\$ 354,379,314	\$ 1,418,582

CITY OF ESCONDIDO
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 6,412,164	\$ 261,135	\$ 790,350	\$ 209,610
Public safety	62,464,110	9,450,880	1,364,051	311,002
Community services	12,485,541	4,042,601	3,200,551	461,154
Public works	24,390,896	1,292,959	3,861,476	1,874,083
Community development	4,652,366	1,615,495		
Interest and fiscal charges	4,655,972			
Total Governmental Activities	<u>115,061,049</u>	<u>16,663,070</u>	<u>9,216,428</u>	<u>2,855,849</u>
Business-type activities:				
Water	51,558,727	54,323,287		1,892,065
Wastewater	29,740,987	32,014,382	533,816	1,080,928
Total Business-type Activities	<u>81,299,714</u>	<u>86,337,669</u>	<u>533,816</u>	<u>2,972,993</u>
Total Primary Government	<u>\$ 196,360,763</u>	<u>\$ 103,000,739</u>	<u>\$ 9,750,244</u>	<u>\$ 5,828,842</u>
Component Unit:				
California Center for the Arts, Escondido Foundation	<u>\$ 9,995,062</u>	<u>\$ 3,904,790</u>	<u>\$ 5,742,181</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		
		Sale of property		
		Miscellaneous		
		Transfers		
		Total General Revenues and Transfers		
		Change in Net Position		
		Net Position - Beginning of Year		
		Restatements		
		Net Position - Beginning of Year, as restated		
		Net Position - End of Year		

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total June 30, 2015	California Center for the Arts, Escondido Foundation June 30, 2015
\$ (5,151,069)	\$	\$ (5,151,069)	\$
(51,338,177)		(51,338,177)	
(4,781,235)		(4,781,235)	
(17,362,378)		(17,362,378)	
(3,036,871)		(3,036,871)	
(4,655,972)		(4,655,972)	
<u>(86,325,702)</u>		<u>(86,325,702)</u>	
	4,656,625	4,656,625	
	3,888,139	3,888,139	
	<u>8,544,764</u>	<u>8,544,764</u>	
<u>(86,325,702)</u>	<u>8,544,764</u>	<u>(77,780,938)</u>	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (348,091)</u>
29,447,205		29,447,205	
16,953,228		16,953,228	
8,135,058		8,135,058	
11,210,341		11,210,341	
551,265		551,265	
5,147,696		5,147,696	
1,186,328		1,186,328	
1,435,406		1,435,406	
1,705,214		1,705,214	
637,125		637,125	
82,666		82,666	
60,452		60,452	214,130
4,309,471	1,699,516	6,008,987	807
138,304		138,304	
301,614	176,720	478,334	149,264
<u>(54,620)</u>	<u>54,620</u>		
<u>81,246,753</u>	<u>1,930,856</u>	<u>83,177,609</u>	<u>364,201</u>
(5,078,949)	10,475,620	5,396,671	16,110
323,916,235	209,079,718	532,995,953	1,372,058
<u>(151,509,179)</u>	<u>(32,504,131)</u>	<u>(184,013,310)</u>	<u>30,414</u>
<u>172,407,056</u>	<u>176,575,587</u>	<u>348,982,643</u>	<u>1,402,472</u>
<u>\$ 167,328,107</u>	<u>\$ 187,051,207</u>	<u>\$ 354,379,314</u>	<u>\$ 1,418,582</u>

CITY OF ESCONDIDO
Balance Sheet
Governmental Funds
June 30, 2015

	General	Special Revenue Successor Agency Housing	Debt Service General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 15,804,654	\$ 2,313,406	\$ 694,397	\$ 22,138,965	\$ 40,951,422
Cash and investments with fiscal agent			8,648	3,587	12,235
Receivables (net):					
Accounts	3,837,314			225,897	4,063,211
Interest	60,530	6,463,591	8,456	3,797,602	10,330,179
Taxes	8,412,527		53,642	1,825	8,467,994
Loans	24,153	35,405,203		15,815,128	51,244,484
Loans to Successor Agency		2,704,314		1,021,870	3,726,184
Due from:					
Other funds	339,562				339,562
Other governments	202,146			1,516,043	1,718,189
Inventory, at cost				11,659	11,659
Prepaid expenditures				11,499	11,499
Deposits				56,562	56,562
Land held for resale, at cost		2,167,216		802,142	2,969,358
Advances to other funds	159,250			645,000	804,250
Total Assets	\$ 28,840,136	\$ 49,053,730	\$ 765,143	\$ 46,047,779	\$ 124,706,788

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Balance Sheet
Governmental Funds (Continued)
June 30, 2015

	General	Special Revenue Successor Agency Housing	Debt Service General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities:					
Payables:					
Accounts	\$ 1,723,561	\$ 1,694	\$ 78	\$ 874,544	\$ 2,599,877
Deposits	609,691			2,076,413	2,686,104
Accrued expenditures	2,393,084	5,558		287,197	2,685,839
Due to other funds				339,562	339,562
Due to other governments				469,988	469,988
Unearned revenue				468,340	468,340
Advances from other funds	445,000			359,250	804,250
Total Liabilities	<u>5,171,336</u>	<u>7,252</u>	<u>78</u>	<u>4,875,294</u>	<u>10,053,960</u>
Deferred Inflows of Resources:					
Unavailable revenue	5,521,916	6,455,798		5,590,727	17,568,441
Fund Balances:					
Nonspendable	183,403				183,403
Restricted for		42,590,680	765,065	34,905,267	78,261,012
Committed to	17,281,659			1,860,686	19,142,345
Assigned to	681,822			488	682,310
Unassigned				(1,184,683)	(1,184,683)
Total Fund Balances	<u>18,146,884</u>	<u>42,590,680</u>	<u>765,065</u>	<u>35,581,758</u>	<u>97,084,387</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,840,136</u>	<u>\$ 49,053,730</u>	<u>\$ 765,143</u>	<u>\$ 46,047,779</u>	<u>\$ 124,706,788</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, 2015

Fund balances for governmental funds	\$	97,084,387
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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	\$ 562,856,986	
Ending accumulated depreciation	(294,458,589)	
		268,398,397

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	17,568,441
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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.	5,578,396
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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	(6,608,278)	
Loans	(116,733)	
Net Pension Liability	(138,923,490)	
Bonds	(65,935,000)	
Bond premium	(9,115,358)	
Bond discount	8,609	
Deferred loss on refunding	(449,686)	
Deferred gain on refunding	51,275	
		(221,088,661)

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

Interest payable	(212,853)

Net position of governmental activities	\$	<u>167,328,107</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, 2015

	General	Special Revenue Successor Agency Housing	Debt Service General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Sales tax	\$ 33,604,138	\$	\$	\$	\$ 33,604,138
Other taxes	22,528,530			3,856,843	26,385,373
Licenses and permits	862,280				862,280
Fines and forfeits	1,151,366				1,151,366
Intergovernmental	14,943,667			7,957,187	22,900,854
Charges for services	8,016,826			5,653,221	13,670,047
Special assessments			5,181,396	788,935	5,970,331
Lease income		203,599			203,599
Investment income	187,896	445,368	(10,000)	318,514	941,778
Miscellaneous	3,477,534	11,868		1,054,958	4,544,360
Total Revenues	84,772,237	660,835	5,171,396	19,629,658	110,234,126
Expenditures:					
Current:					
General government	5,900,781			185,330	6,086,111
Public safety	60,451,779			1,391,851	61,843,630
Public works	10,454,613			6,952,584	17,407,197
Community services	6,433,927			5,310,746	11,744,673
Community development	3,271,854	684,221		629,422	4,585,497
Capital outlay				2,966,301	2,966,301
Debt service:					
Principal retirements	22,822		73,965,000	860,185	74,848,007
Interest and fiscal charges	2,775		5,456,922	178,266	5,637,963
Total Expenditures	86,538,551	684,221	79,421,922	18,474,685	185,119,379
Excess (Deficiency) of Revenues Over Expenditures	(1,766,314)	(23,386)	(74,250,526)	1,154,973	(74,885,253)

(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, 2015

	General	Special Revenue Successor Agency Housing	Debt Service General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Debt issuance			70,660,479		70,660,479
Sale of capital assets		138,304			138,304
Transfers in	2,200,000	25,000	50,560	898,135	3,173,695
Transfers out	(2,475,135)			(2,273,305)	(4,748,440)
Total Other Financing Sources (Uses)	(275,135)	163,304	70,711,039	(1,375,170)	69,224,038
 Net Change in Fund Balance	 (2,041,449)	 139,918	 (3,539,487)	 (220,197)	 (5,661,215)
Fund Balances:					
Fund Balances at Beginning of Year	20,188,333	42,450,762	4,304,552	35,801,955	102,745,602
Fund Balances at End of Year	<u>\$ 18,146,884</u>	<u>\$ 42,590,680</u>	<u>\$ 765,065</u>	<u>\$ 35,581,758</u>	<u>\$ 97,084,387</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, 2015

Net change in fund balances - total governmental funds: \$ (5,661,215)

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	\$ 2,950,326	
Contributed capital assets	85,890	
Depreciation	(12,188,104)	
Disposal of capital assets	(184,993)	
Capital assets contributed to business-type activities	(292,925)	
		(9,629,806)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (823,098)

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. 1,206,399

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	480,077	
Change in pension liability	4,108,674	
Principal retirements	74,848,007	
Debt issuance	(70,660,479)	
Accrued interest	1,052,492	
		9,828,771

Change in net assets of governmental activities \$ (5,078,949)

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water	Wastewater	Total	Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 21,792,370	\$ 38,854,820	\$ 60,647,190	\$ 20,754,895
Receivables (Net):				
Accounts	7,796,193	731,078	8,527,271	59,206
Interest	83,623	135,899	219,522	62,229
Loans	5,574		5,574	
Due from other governments	808,325	338,300	1,146,625	
Inventory		4,064	4,064	420,015
Deposits	6,800		6,800	312,600
Total Current Assets	<u>30,492,885</u>	<u>40,064,161</u>	<u>70,557,046</u>	<u>21,608,945</u>
Noncurrent assets:				
Receivables (Net):				
Loans		655,535	655,535	
Total Noncurrent Receivables		<u>655,535</u>	<u>655,535</u>	
Land held for resale	104,573		104,573	
Prepaid bond insurance	114,637		114,637	
Restricted:				
Cash and investments with fiscal agent	<u>27,212,584</u>	<u>22,784,800</u>	<u>49,997,384</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	1,708,975
Water system	123,248,107		123,248,107	
Electric system	3,609,179		3,609,179	
Recycled water system		24,163,391	24,163,391	
Sewer system		159,154,575	159,154,575	
Machinery and equipment	3,418,313	4,345,885	7,764,198	30,227,262
Construction in progress	13,112,894	22,119,495	35,232,389	
Total Capital Assets	<u>160,352,256</u>	<u>221,132,112</u>	<u>381,484,368</u>	<u>31,936,237</u>
Less accumulated depreciation	<u>(59,261,543)</u>	<u>(75,318,990)</u>	<u>(134,580,533)</u>	<u>(22,534,361)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>101,090,713</u>	<u>145,813,122</u>	<u>246,903,835</u>	<u>9,401,876</u>
Total Noncurrent Assets	<u>128,522,507</u>	<u>169,253,457</u>	<u>297,775,964</u>	<u>9,401,876</u>
Total Assets	<u>159,015,392</u>	<u>209,317,618</u>	<u>368,333,010</u>	<u>31,010,821</u>
<u>Deferred outflows of resources</u>				
Deferred pension related items	1,258,588	1,470,216	2,728,804	711,668
Deferred charges on refunding	1,009,873	1,687,215	2,697,088	
Total deferred outflows of resources	<u>2,268,461</u>	<u>3,157,431</u>	<u>5,425,892</u>	<u>711,668</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position
Proprietary Funds (Continued)
June 30, 2015

	Water	Wastewater	Total	Internal Service Funds
Liabilities				
Current Liabilities:				
Payables:				
Accounts	5,477,019	1,545,697	7,022,716	853,177
Revenue bonds	495,000	150,000	645,000	
Certificates of participation	565,000	1,510,000	2,075,000	
Loans	225,154	1,926,147	2,151,301	84,314
Leases				171,211
Retentions		301,157	301,157	
Accrued interest	888,085	532,704	1,420,789	
Employee leave benefits	44,136	66,544	110,680	18,837
Estimated claims				2,811,143
Accrued expenses	149,024	169,292	318,316	103,367
Total Current Liabilities	7,843,418	6,201,541	14,044,959	4,042,049
Noncurrent Liabilities:				
Payables:				
Revenue bonds	31,241,604	28,516,202	59,757,806	
Certificates of participation	26,653,624	20,525,819	47,179,443	
Connection rights payable	9,321,134	4,002,357	13,323,491	
Deposits	459,444	144,071	603,515	
Employee leave benefits	397,226	598,891	996,117	169,531
Net Pension liability	13,604,457	15,891,999	29,496,456	7,692,620
Estimated claims				11,244,572
Loans	3,239,695	12,913,771	16,153,466	578,083
Leases				874,856
Total Noncurrent Liabilities	84,917,184	82,593,110	167,510,294	20,559,662
Total Liabilities	92,760,602	88,794,651	181,555,253	24,601,711
Deferred inflows of resources				
Deferred pension related items	2,449,091	2,860,898	5,309,989	1,384,835
Net Position				
Net investment in capital assets	57,538,791	100,692,585	158,231,376	8,355,809
Unrestricted	8,535,369	20,126,915	28,662,284	(2,619,866)
Total Net Position	\$ 66,074,160	\$ 120,819,500	\$ 186,893,660	\$ 5,735,943

Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds

157,547

Net position of business-type activities

\$ 187,051,207

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, 2015

	Water	Wastewater	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 53,511,317	\$ 31,028,975	\$ 84,540,292	\$ 27,729,870
Operating Expenses:				
Personnel services	7,520,892	8,541,209	16,062,101	4,428,648
Purchased water	23,183,794		23,183,794	
Administrative expenses	5,562,990	2,053,067	7,616,057	1,892,652
Benefit claims				1,409,901
Supplies	2,209,655	1,461,625	3,671,280	279,048
Repairs and maintenance	1,308,779	1,939,477	3,248,256	944,564
Depreciation	3,751,074	5,202,735	8,953,809	2,413,748
Utilities	2,739,092	2,643,566	5,382,658	1,340,766
Fuel				1,088,516
Professional services	1,102,166	3,619,188	4,721,354	4,066,817
Insurance premiums	440,285	325,215	765,500	10,110,138
Rent	324,308	330,015	654,323	1,248
Other	584,967	415,466	1,000,433	494,885
Total Operating Expenses	48,728,002	26,531,563	75,259,565	28,470,931
Operating Income	4,783,315	4,497,412	9,280,727	(741,061)
Nonoperating Revenues (Expenses):				
Investment income	264,981	439,140	704,121	168,241
Rents and concessions	884,026		884,026	
Intergovernmental	2,146,219	1,520,605	3,666,824	
Interest and fiscal charges	(2,768,105)	(3,175,706)	(5,943,811)	(70,501)
Miscellaneous	182,070	126,947	309,017	109,720
Total Nonoperating Revenues (Expenses)	709,191	(1,089,014)	(379,823)	207,460
Income Before Transfers and Capital Contributions	5,492,506	3,408,398	8,900,904	(533,601)

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, 2015

	Water	Wastewater	Total	Internal Service Funds
Transfers in	39,810	39,810	79,620	1,620,125
Transfers out		(25,000)	(25,000)	(100,000)
Total Transfers	39,810	14,810	54,620	1,520,125
Income Before Capital Contributions	5,532,316	3,423,208	8,955,524	986,524
Capital Contributions:				
Connection fees	280,340	973,110	1,253,450	
Developer contributions	256,546	106,438	362,984	123,528
Total Capital Contributions	536,886	1,079,548	1,616,434	123,528
Changes in Net Position	6,069,202	4,502,756	10,571,958	1,110,052
Net Position at Beginning of Year	74,996,625	133,829,208	208,825,833	13,102,906
Restatements	(14,991,667)	(17,512,464)	(32,504,131)	(8,477,015)
Net Position at Beginning of Year, as restated	60,004,958	116,316,744	176,321,702	4,625,891
Net Position at End of Year	<u>\$ 66,074,160</u>	<u>\$ 120,819,500</u>	<u>\$ 186,893,660</u>	<u>\$ 5,735,943</u>
Change in Net Position			\$ 10,571,958	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			<u>(96,338)</u>	
Change in net assets of business-type activities			<u>\$ 10,475,620</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Water	Wastewater	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 55,792,571	\$ 31,590,154	\$ 87,382,725	\$ 27,733,273
Cash paid to employees for services	(7,633,159)	(8,808,785)	(16,441,944)	(6,387,027)
Cash paid to other suppliers of goods or services	(35,909,562)	(12,856,684)	(48,766,246)	(20,099,038)
Cash from rents and concessions	884,026		884,026	
Cash from other sources	182,070	174,992	357,062	63,198
Net Cash Provided by Operating Activities	<u>13,315,946</u>	<u>10,099,677</u>	<u>23,415,623</u>	<u>1,310,406</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds	39,810	14,810	54,620	1,620,000
Cash paid to other funds				(99,875)
Net Cash Provided by Noncapital Financing Activities	<u>39,810</u>	<u>14,810</u>	<u>54,620</u>	<u>1,520,125</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(6,484,969)	(7,963,449)	(14,448,418)	(3,422,957)
Construction in progress reimbursement	1,337,893	1,423,880	2,761,773	
Sale of capital assets				46,522
Payments on connection rights	(6,460)	(21,872)	(28,332)	
Cash received for connection fees	280,340	973,110	1,253,450	
Proceeds from bond issuance		19,705,000	19,705,000	
Proceeds from bond premium net of issuance costs		2,160,222	2,160,222	
Bond redemption		(25,990,000)	(25,990,000)	
Principal payments on certificates of participation	(1,025,000)	(1,795,000)	(2,820,000)	
Interest payments on certificates of participation	(2,687,150)	(2,853,021)	(5,540,171)	
Capital lease payment				(190,375)
Principal payments on loans	(219,613)	(1,924,320)	(2,143,933)	(81,229)
Interest payments on loans	(90,938)	(392,339)	(483,277)	(27,956)
Net Cash (Used for) Capital and Related Financing Activities	<u>(8,895,897)</u>	<u>(16,677,789)</u>	<u>(25,573,686)</u>	<u>(3,675,995)</u>
Cash Flows from Investing Activities:				
Investment income received	257,243	466,938	724,181	180,445
Net Cash Provided by (Used for) Investing Activities	<u>257,243</u>	<u>466,938</u>	<u>724,181</u>	<u>180,445</u>
Net Increase in Cash and Cash Equivalents	4,717,102	(6,096,364)	(1,379,262)	(665,019)
Cash and Cash Equivalents at Beginning of Year	<u>44,287,852</u>	<u>67,735,984</u>	<u>112,023,836</u>	<u>21,419,914</u>
Cash and Cash Equivalents at End of Year	<u>\$ 49,004,954</u>	<u>\$ 61,639,620</u>	<u>\$ 110,644,574</u>	<u>\$ 20,754,895</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2015

	Water	Wastewater	Totals	Internal Service Funds
Reconciliation of Cash Equivalents to the statement of net position:				
Cash and investments	\$ 21,792,370	\$ 38,854,820	\$ 60,647,190	\$ 20,754,895
Restricted assets	27,212,584	22,784,800	49,997,384	
Cash and Cash Equivalents at the End of Year	<u>\$ 49,004,954</u>	<u>\$ 61,639,620</u>	<u>\$ 110,644,574</u>	<u>\$ 20,754,895</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	<u>\$ 4,783,315</u>	<u>\$ 4,497,412</u>	<u>\$ 9,280,727</u>	<u>\$ (741,061)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation expense	3,751,074	5,202,735	8,953,809	2,413,744
Pension expense	(196,708)	(229,783)	(426,491)	(111,230)
Cash from rents and concessions	884,026		884,026	
Cash from other sources	182,070	126,947	309,017	63,198
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	2,215,080	548,912	2,763,992	3,403
(Increase) decrease in inventories		(4,064)	(4,064)	25,848
(Increase) decrease in prepaid expenses		12,267	12,267	
(Increase) decrease in loans receivable	(5,574)	48,045	42,471	
Increase (decrease) in accounts payable	1,546,474	(245,099)	1,301,375	119,486
Increase (decrease) in retentions payable		180,098	180,098	
Increase (decrease) in accrued expenses	24,568	27,622	52,190	10,983
Increase (decrease) in employee leave benefits payable	59,873	(65,415)	(5,542)	20,879
Increase (decrease) in customer deposits	71,748		71,748	
(Decrease) in estimated claims payable				(494,844)
Total Adjustments	<u>8,532,631</u>	<u>5,602,265</u>	<u>14,134,896</u>	<u>2,051,467</u>
Net Cash Provided by Operating Activities	<u>\$ 13,315,946</u>	<u>\$ 10,099,677</u>	<u>\$ 23,415,623</u>	<u>\$ 1,310,406</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 256,546	\$ 106,438	\$ 362,984	\$ 107,553
Bond amortization	517	62,478	62,995	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Agency Funds	Private Purpose Trust Fund Successor Agency of the Former CDC
<u>Assets</u>		
Cash and investments	\$ 7,890,882	\$ 7,430,362
Restricted:		
Cash and investments with fiscal agent	684,809	
Receivables:		
Interest	3,681	9,241
Taxes	3,789	
Loans		2,208,038
Pepaid bond insurance		111,100
Due from other governments		469,988
Capital assets:		
Not being depreciated		6,074,290
Being depreciated, net		29,383,783
Total Assets	<u>\$ 8,583,161</u>	<u>45,686,802</u>
<u>Deferred outflow of resources</u>		
Deferred charges on refunding		<u>142,537</u>
<u>Liabilities</u>		
Accounts payable	\$ 160,693	1,259
Deposits payable	6,957,873	
Due to bondholders	1,464,595	
Interest payable		974,639
Long-term liabilities:		
Due in one year		6,085,000
Due in more than one year		26,691,104
Total Liabilities	<u>\$ 8,583,161</u>	<u>33,752,002</u>
<u>Net Position</u>		
Held in trust for other purposes		<u>12,077,337</u>
Total Net Position		<u>\$ 12,077,337</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, 2015

	Private Purpose Trust Fund
	Successor Agency of the Former CDC
<u>Additions</u>	
Taxes	\$ 8,401,417
Interest and change in fair value of investments	54,936
Contributions from other governments	52,668
Total Additions	8,509,021
<u>Deductions</u>	
Administrative expenses	306,100
Interest expense	1,376,735
Depreciation expense	2,736,016
Total Deductions	4,418,851
Changes in Net Position	4,090,170
Net Position - Beginning of the Year	7,987,167
Net Position - End of the Year	\$ 12,077,337

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements
June 30, 2015

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 inclusion of an organization within the scope of the reporting entity of the City of Escondido is based on the provisions of GASB Statement No. 14 and amended with GASB Statement No. 61. The following criteria were used in the determination of the blended component units:

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

Blended Component Units

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

Escondido Vehicle Parking District

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

Escondido Joint Powers Financing Authority

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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 fiscally dependent on the City; the City has assumed the obligation to provide financial support to the organization including the Center's management fee, facility and additional funding as needed based on annual operations. The City issued bonds in 1992 for the construction of the facility and was obligated for those payments. In addition, all land and buildings used by the Foundation is legally owned by the City. Separate financial statements of the Foundation can be obtained at:

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

B. 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, 2015

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

The General Obligation Fund was created to account for transactions related to debt issued for the construction of the new public safety facilities. On November 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.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

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.

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."

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

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, 2015.

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

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

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

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.

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 reports 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 reports deferred outflows of resources for pension contributions made after the actuarial measurement date which will be expensed in the following year. The government also reports in this category deferred charge on refunding which 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 reports 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 thus will not be recognized as an inflow of resources (revenue) until that time. The government has one 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: taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government has also deferred inflows relating to the net pension obligation reported in the government-wide statement and proprietary fund statement of net position. These inflows are the result of the net difference between projected and

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

actual earnings on pension plan investments. This amount is deferred and amortized straight-line over a five year period. In addition, the government reports deferred charge on refunding which 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.

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.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

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.

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, 2015, the balance totaled \$17,281,659.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

1: Summary of Significant Accounting Policies (Continued)

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.

E. Effect of New Accounting Standards

During the fiscal year ended June 30, 2015, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 68 – *Accounting and financial Reporting for Pensions—an Amendment of GASB Statement No. 27* will improve the decision-usefulness of information in local government employer entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a local government employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014.

As a result, beginning net position and beginning fund balances were restated as follows:

Governmental Activities	\$ (151,509,179)
Business-type Activities	(32,504,131)
Water	(14,991,667)
Wastewater	(17,512,464)
Internal Service Fund	
Building Maintenance	(3,087,519)
Vehicle and Equipment Maintenance	(2,082,584)
Central Services	(549,622)
Office Automation	(2,167,124)
Workers' Compensation	(213,654)
Insurance	(376,512)

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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
Vehicle Parking District	Special Revenue	\$ 3,805
General Obligation	Debt Service	74,216,802

These expenditures were funded with a combination of excess revenues over expenditures during the current fiscal year and by the available fund balance for the Vehicle Parking District Fund and with bond proceeds for the General Obligation Fund.

Deficit Fund Equity

The following funds reported a deficit fund balance as of June 30, 2015:

Fund	Deficit
Community Development Block Grant	\$ 400,620
Vehicle Parking District	628,276

The following funds reported a deficit net position as of June 30, 2015:

Fund	Deficit
Building Maintenance	\$ 2,224,375
Office Automation	1,896,512
Workers' Compensation	2,416,971
General Liability Self-Insurance	347,577

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

3: Cash and Investments

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Governmental Activities	
Cash and investments	\$ 61,706,317
Cash and investments held by fiscal agent	12,235
Business-type Activities	
Cash and investments	60,647,190
Cash and investments held by fiscal agent	49,997,384
Component Unit	
Cash and investments	1,786,868
Fiduciary Funds:	
Cash and investments	15,321,244
Cash and investments held by fiscal agent	684,809
Total cash and investments	\$ 190,156,047

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 18,345
Deposits with financial institutions	5,264,338
Investments	184,873,364
Total cash and investments	\$ 190,156,047

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

3: Cash and Investments (Continued)

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

Investments Authorized by Debt Agreements

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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
Federal Agency Securities	\$ 83,111,556	\$ 9,036,260	\$ 50,325,528	\$ 23,749,768
Money Market Funds	4,239,476	4,239,476		
Negotiable Certificates of Deposit	6,502,434	246,258	2,235,843	4,020,333
State Investment Pool (LAIF)	40,325,470	40,325,470		
Subtotal	<u>134,178,936</u>	<u>53,847,464</u>	<u>52,561,371</u>	<u>27,770,101</u>
Held by fiscal agent:				
Federal Agency Securities	325,018	325,018		
Money Market Funds	50,369,410	50,369,410		
Subtotal	<u>50,694,428</u>	<u>50,694,428</u>		
Total	<u>\$ 184,873,364</u>	<u>\$ 104,541,892</u>	<u>\$ 52,561,371</u>	<u>\$ 27,770,101</u>

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, 2015

3: Cash and Investments (Continued)

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AA+	Not Rated
Federal Agency Securities	\$ 83,111,556	N/A	\$	\$ 83,111,556	\$
Money Market Funds	4,239,476	N/A	4,239,476		
Negotiable Certificates of Deposit	6,502,434				6,502,434
State Investment Pool (LAIF)	40,325,470	N/A			40,325,470
Held by fiscal agent:					
Federal Agency Securities	325,018	N/A		325,018	
Money Market Funds	50,369,410	N/A			50,369,410
Total	<u>\$ 184,873,364</u>		<u>\$ 4,239,476</u>	<u>\$ 83,436,574</u>	<u>\$ 97,197,314</u>

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	\$ 24,611,077
Federal Home Loan Bank	Federal agency securities	23,546,153
Federal Home Loan Mortgage Corp.	Federal agency securities	20,618,100
Federal Farm Credit Bank	Federal agency securities	14,083,610

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

3: Cash and Investments (Continued)

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, 2015, all of the City's deposits in excess of the federal depository insurance limit were held 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, 2015 is as follows:

<u>Fund</u>	<u>Allowance Amount</u>
General Fund	\$ 1,825,815
Water Enterprise Fund	94,445

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

5: Loans Receivable (Continued)

At June 30, 2015, the loans receivable was reported in the governmental and proprietary fund types as follows:

Governmental Funds	\$ 54,970,668
Proprietary Funds	<u>661,109</u>
Total loans receivable	<u><u>\$ 55,631,777</u></u>

The loans at June 30, 2015, consisted of the following:

City of Escondido	
HOME grant fund loans	\$ 15,373,270
National Golf Operations	200,000
Successor Agency loan	1,021,870
Notes receivable	927,120
Successor Agency Housing Special Revenue Fund	
Loans given to developers and non-profits	28,721,582
Mobile home loan program	2,955,626
First-time homebuyer program	3,212,995
Successor Agency loan	2,704,314
HOME loans	<u>515,000</u>
Total loans receivable	<u><u>\$ 55,631,777</u></u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015, is as follows:

Governmental-Activities:

	Balance at July 1, 2014	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance at June 30, 2015
Capital assets, not being depreciated:						
Art and historical treasures	\$ 9,532,194	\$	\$	\$	\$	\$ 9,532,194
Land	45,906,124					45,906,124
Construction in progress	8,175,877	(1,904,614)		2,849,341		9,120,604
Total capital assets, not being depreciated	<u>63,614,195</u>	<u>(1,904,614)</u>		<u>2,849,341</u>		<u>64,558,922</u>
Capital assets, being depreciated:						
Land improvements	36,753,893	201,759				36,955,652
Buildings	136,762,455	155,110				136,917,565
Machinery and equipment	30,022,226	815,433		824,649	5,977,253	25,685,055
Motorized vehicles	20,579,396			3,831,727	897,338	23,513,785
Infrastructure	302,310,132	732,312	(292,925)	85,891		302,835,410
Golf course	4,326,835					4,326,835
Total capital assets, being depreciated	<u>530,754,935</u>	<u>1,904,614</u>	<u>(292,925)</u>	<u>4,742,267</u>	<u>6,874,591</u>	<u>530,234,302</u>
Less accumulated depreciation for:						
Land improvements	30,307,202			2,988,177		33,295,379
Buildings	43,341,008			3,534,772		46,875,780
Machinery and equipment	27,350,061			1,074,386	5,977,253	22,447,194
Motorized vehicles	15,175,059			2,064,955	897,338	16,342,676
Infrastructure	191,410,516			4,795,289		196,205,805
Golf course	1,681,844			144,273		1,826,117
Total accumulated depreciation	<u>309,265,689</u>			<u>14,601,852</u>	<u>6,874,591</u>	<u>316,992,951</u>
Total capital assets being depreciated, net	<u>221,489,246</u>	<u>1,904,614</u>	<u>(292,925)</u>	<u>(9,859,585)</u>		<u>213,241,351</u>
Governmental activities capital assets, net	<u>\$ 285,103,441</u>	<u>\$</u>	<u>\$ (292,925)</u>	<u>\$ (7,010,244)</u>	<u>\$</u>	<u>\$ 277,800,273</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, 2015

6: Capital Assets (Continued)

Business-type Activities:

	Balance at July 1, 2014	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated:						
Land	\$ 2,868,024	\$	\$	\$	\$	2,868,024
Construction in progress	21,216,561	(23,400)		14,039,228		35,232,389
Total Capital Assets Not being Depreciated	24,084,585	(23,400)		14,039,228		38,100,413
Capital assets being depreciated:						
Land improvements	963,287					963,287
Buildings	24,481,218					24,481,218
Machinery and equipment	7,410,417			409,188	55,407	7,764,198
Water system	122,968,161	23,400	219,694	36,852		123,248,107
Electrical system	3,609,179					3,609,179
Sewer system	159,048,136		73,231	33,210		159,154,577
Recycled water system	24,163,391					24,163,391
Total capital assets being depreciated	342,643,789	23,400	292,925	479,250	55,407	343,383,957
Less accumulated depreciation for:						
Land improvements	187,687			32,111		219,798
Buildings	17,974,641			583,017		18,557,658
Machinery and equipment	4,745,386			826,101	55,407	5,516,080
Water system	37,618,119			2,984,811		40,602,930
Electrical system	3,088,102			49,270		3,137,372
Sewer system	55,882,891			3,871,615		59,754,506
Recycled water system	6,185,307			606,884		6,792,191
Total accumulated depreciation	125,682,133			8,953,809	55,407	134,580,535
Total capital assets, being depreciated, net	216,961,656	23,400	292,925	(8,474,559)		208,803,422
Business-type activities capital assets, net	<u>\$ 241,046,241</u>	<u>\$</u>	<u>\$ 292,925</u>	<u>\$ 5,564,669</u>	<u>\$</u>	<u>\$ 246,903,835</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, 2015

6: Capital Assets (Continued)

Component Unit:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets being depreciated:				
Leasehold improvements	\$ 1,989	\$	\$	\$ 1,989
Machinery and equipment	777,985		42,745	735,240
Total capital assets being depreciated	779,974		42,745	737,229
Less accumulated depreciation for:				
Leasehold improvements	1,989			1,989
Machinery and equipment	705,476	22,686	42,745	685,417
Total accumulated depreciation	707,465	22,686	42,745	687,406
Total capital assets, being depreciated, net	72,509	(22,686)		49,823
Component unit capital assets, net	<u>\$ 72,509</u>	<u>\$ (22,686)</u>	<u>\$</u>	<u>\$ 49,823</u>

Depreciation Expense:

Depreciation expense was charged to the following functions:

	Governmental Activities	Business Type- Activities	Component Unit
General Government	\$ 1,038,824	\$	\$
Public Safety	3,236,366		
Public Works	6,893,338		
Community Services	898,159		
Community Development	121,417		
Water		3,751,074	
Wastewater		5,202,735	
Capital Assets held by governments internal service funds are charged to the various functions based on their usage of the assets	2,413,748		
California Center for the Arts, Escondido Foundation			22,686
	<u>\$ 14,601,852</u>	<u>\$ 8,953,809</u>	<u>\$ 22,686</u>

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

7: Interfund Receivable, Payable and Transfers

Due to/from other funds

	Due To Other Funds
	Nonmajor Governmental Funds
<u>Due from other Funds</u>	
General Fund	\$ 339,562

The \$339,562 due from Nonmajor Governmental Funds to the General Fund are short term borrowings due to negative cash balances at the end of this fiscal year.

Advances to/from other funds

	Advances From:		
<u>Advance To:</u>	General Fund	Nonmajor Governmental Fund	Total
General Fund	\$	\$ 159,250	\$ 159,250
Nonmajor Governmental Funds	445,000	200,000	645,000
Total	\$ 445,000	\$ 359,250	\$ 804,250

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, 2015.

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, 2015, the amount of \$445,000 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, 2015

7: Interfund Receivable, Payable and Transfers (Continued)

Interfund Transfers

Transfer Out:	Transfers In:							Total
	General Fund	Successor Agency Housing	General Obligation	Nonmajor Governmental	Enterprise - Water	Enterprise - Wastewater	Internal Service	
General Fund	\$	\$ 25,000	\$	\$ 830,135	\$	\$	\$ 1,620,000	\$ 2,475,135
Nonmajor Governmental	2,075,000		50,560	68,000	39,810	39,810	125	2,273,305
Internal Service Funds	100,000							100,000
Enterprise:								
Wastewater	25,000							25,000
Total	\$ 2,200,000	\$ 25,000	\$ 50,560	\$ 898,135	\$ 39,810	\$ 39,810	\$ 1,620,125	\$ 4,873,440

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, 2015, are as follows:

	Balance at July 1, 2014	Deceased	Additions	Reductions	Balance at June 30, 2015	Due Within One Year	Due Beyond One Year
Employee Leave Benefits Payable	\$ 7,255,845	\$	\$ 5,697,462	\$ 6,156,661	\$ 6,796,646	\$ 698,502	\$ 6,098,144
Claims Payable	14,550,559		1,949,123	2,443,967	14,055,715	2,811,143	11,244,572
Loans Payable	888,366			109,236	779,130	113,673	665,457
1993 Taxable Certificates of Participation	645,000			645,000			
2006 Public Safety Facilities GO Bonds	73,965,000	72,180,000		1,785,000			
2015 Refunding Bonds General Obligation			61,520,000		61,520,000		61,520,000
2013A Lease Revenue Bonds	4,625,000			210,000	4,415,000	215,000	4,200,000
Capital Leases							
Stephen Fire Truck			1,193,897	147,830	1,046,067	171,211	874,856
	<u>\$ 101,929,770</u>	<u>\$ 72,180,000</u>	<u>\$ 70,360,482</u>	<u>\$ 11,497,694</u>	<u>88,612,558</u>	<u>\$ 4,009,529</u>	<u>\$ 84,603,029</u>
			Unamortized Bond Premium		9,115,359		
			Unamortized Bond Discount		(8,610)		
			Total		<u>\$ 97,719,307</u>		

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015, is \$6,796,646. 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, 2015, is \$14,055,715. 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, 2015, is \$662,397.

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, 2015, is \$116,733.

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 final principal payment was made during the current fiscal year and the Certificates of Participation is paid off.

General Obligation Bonds

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

8: Long-Term Liabilities (Continued)

On May 12, 2015, the City issued \$61,520,000 of General Obligation Refunding Bonds Series 2015. Proceeds from the Bonds were used to refund the General Obligation Bonds, election 2004, Series A, fund a debt service reserve fund and pay the costs of issuance. The Bonds bear interest ranging from 3.00% to 5.00% per annum payable on March 1 and September 1 of each year commencing March 1, 2015. The Bonds mature starting September 1, 2016 and end on September 1, 2036. At June 30, 2015, the outstanding balance of the Bonds was \$61,250,000 and unamortized bond premium was \$9,115,359.

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

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, 2015, the outstanding balance of these bonds was \$4,415,000 and unamortized bond discount was \$8,610.

Capital Leases

In September 2014, the City entered into a lease agreement with Leasing 2, Inc. to acquire a Stuphen aerial ladder fire truck. Per the lease agreement, the annual payments of \$190,375 are due in August of each year with the final payment due in August 2020. The outstanding balance at June 30, 2015, was \$1,046,067.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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	Leases Payable		Lease Revenue Bonds		General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 171	\$ 19	\$ 215	\$ 145	\$	\$ 2,197	\$ 113	\$ 24
2017	165	25	220	140	1,060	3,002	116	21
2018	170	20	230	133	1,780	2,951	118	18
2019	175	16	235	126	1,870	2,878	110	15
2020	180	11	245	118	1,965	2,791	108	11
2021-2025	185	5	1,335	476	11,420	12,341	214	10
2026-2030			1,580	226	14,860	9,078		
2031-2035			355	71	19,330	4,824		
2036-2040					9,235	468		
Total Debt Service Payments	<u>\$ 1,046</u>	<u>\$ 96</u>	<u>\$ 4,415</u>	<u>\$ 1,435</u>	<u>\$ 61,520</u>	<u>\$ 40,530</u>	<u>\$ 779</u>	<u>\$ 99</u>

Changes in long-term liabilities for Business-type Activities as of June 30, 2015, are as follows:

	Balance at July 1, 2014	Defeased	Additions	Reductions	Balance at June 30, 2015	Due Within One Year	Due Beyond One Year
Connection rights payable	\$ 13,351,823	\$	\$	\$ 28,332	\$ 13,323,491	\$	\$ 13,323,491
Employee leave benefits payable	1,112,339		918,110	923,652	1,106,797	110,680	996,117
2007 Water Revenue COP	27,585,000			550,000	27,035,000	565,000	26,470,000
2012 Water Revenue Bonds	30,730,000			475,000	30,255,000	495,000	29,760,000
2004A Wastewater COP	19,920,000	(18,740,000)		1,180,000			
2004B Wastewater COP	7,720,000	(7,250,000)		470,000			
2015A Wastewater Refunding Revenue Bonds			14,645,000		14,645,000	1,070,000	13,575,000
2015B Wastewater Refunding Revenue Bonds			5,060,000		5,060,000	440,000	4,620,000
2012 Wastewater Revenue Bonds	27,120,000			145,000	26,975,000	150,000	26,825,000
Loans payable	20,448,700			2,143,933	18,304,767	2,151,301	16,153,466
	<u>\$ 147,987,862</u>	<u>\$ (25,990,000)</u>	<u>\$ 20,623,110</u>	<u>\$ 5,915,917</u>	<u>136,705,055</u>	<u>\$ 4,981,981</u>	<u>\$ 131,723,074</u>
				Unamortized bond premium	5,741,592		
				Unamrtized bond discount	(54,343)		
				Total	<u>\$ 142,392,304</u>		

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

8: Long-Term Liabilities (Continued)

Connection Rights Payable

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

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

There was no limit to the number of rights purchased under a contract or the number of contracts an individual might purchase. Both contracts allowed several options to the purchaser. These options were: 1) The rights could be used by the purchaser at the time of pulling building permits, thus waiving the current fee being charged by the Building Department; 2) if the owner of the rights sold the property for which the rights were originally purchased, the rights could be transferred to the new owner; 3) the last option was to turn in the right to the City of Escondido for the purpose of resale on a "first come, first served" basis. Resales are determined monthly and paid based on receipts from current connection fees on building permits.

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, 2015, is \$13,323,491.

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, 2015, is \$1,106,797.

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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

8: Long-Term Liabilities (Continued)

The \$5,775,000 term certificates pay interest at 5.0% and the \$13,325,000 term certificates pay interest at 4.75%. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2008. The certificates maturing on or after September 1, 2018, are subject to optional prepayment prior to their respective maturities, as a whole or in part on any date in the order of maturity as directed by the City in a Written Request provided to the Trustee at least 45 days prior to the prepayment date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 2007, from amounts prepaid by the City pursuant to the Installment Purchase Agreement at a Prepayment Price equal to 100% of the principal amount of such Certificates to be prepaid. Additionally, the term certificates maturing on September 1, 2030 and 2037 are subject to mandatory prepayment in part (by lot) on each September 1 on and after September 1, 2026 and 2031, respectively, in integral multiple of \$5,000 at a prepayment price as described in the Certificate covenants. The outstanding balance at June 30, 2015 was \$27,035,000 and unamortized bond premium was \$136,685 at June 30, 2015.

Certificates of Participation

In December 2004, the City of Escondido issued \$28,805,000 Certificates of Participation, Series 2004A to refund the 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 and September 1, 2026 in the amounts ranging from \$725,000 to \$1,975,000. On April 29, 2015, the 2004A refunding COP was defeased with the issuance of the Series 2015A Refunding Revenue Bonds (Wastewater System) and the liability has been removed from long-term debt.

In December 2004, the City of Escondido issued \$10,775,000 Certificates of Participation, Series 2004B 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. On April 29, 2015, the 2004A refunding COP was defeased with the issuance of the Series 2015B Refunding Revenue Bonds (Wastewater System) and the liability has been removed from long-term debt.

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

8: Long-Term Liabilities (Continued)

and maintenance costs. At June 30, 2015, the outstanding balance of the Bonds was \$14,645,000 and unamortized bond premium was \$2,385,162.

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

On April 29, 2015, the City issued \$5,060,000 of Refunding Revenue Bonds (Wastewater System), Series 2015B. Proceeds from the issuance was used to refund the 2004B COP Bonds and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 0.40% to 3.25% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2025. The 2015 Bonds are limited obligations of the City payable solely from net revenues of the City's Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2015, the outstanding balance of the Bonds was \$5,060,000 and unamortized bond discount was \$54,343.

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

8: Long-Term Liabilities (Continued)

be subject to optional redemption prior to their respective stated maturities, as a whole or in part, on any date as directed by the City provided at least a 30 day notice is mailed by the Trustee to bondholders, and by lot within each maturity in integral multiples of \$5,000, on or after March 1, 2022 at a price without premium, equal to the principal amount plus accrued interest to the redemption date. Additionally, the term certificates, maturing on September 1, 2028, 2030, 2033, 2036 and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2027 2029, 2032, 2034, and 2034 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 115% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2015, was \$26,975,000 and unamortized bond premium is \$1,691,202. 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 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, 2015, was \$30,255,000 and the unamortized bond premium was \$1,528,543. A reserve fund is not established.

Loans Payable

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

8: Long-Term Liabilities (Continued)

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, 2015, is \$13,970,583.

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, 2015, is \$1,048,658.

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, 2015, is \$869,335.

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, 2015, is \$2,416,191.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015, 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
2016	\$ 565	\$ 1,238	\$ 495	\$ 1,408	\$ 1,510	\$ 624	\$ 150	\$ 1,290	\$ 2,151	\$ 476
2017	595	1,214	500	1,391	1,385	753	155	1,286	2,159	468
2018	620	1,190	520	1,370	1,425	706	160	1,280	2,167	461
2019	640	1,165	545	1,349	1,480	649	165	1,274	2,175	453
2020	670	1,139	565	1,327	1,540	587	175	1,267	2,183	445
2021-2025	3,855	5,249	3,090	6,275	8,795	1,857	985	6,224	6,399	1,192
2026-2030	5,490	4,194	3,725	5,588	3,570	163	4,105	5,803	809	90
2031-2035	5,390	2,964	6,510	4,327			7,365	4,308	262	7
2036-2040	9,210	670	6,805	3,240			9,310	2,302		
2041-2045			7,500	380			4,405	223		
Total Debt Service	<u>\$ 27,035</u>	<u>\$ 19,023</u>	<u>\$ 30,255</u>	<u>\$ 26,655</u>	<u>\$ 19,705</u>	<u>\$ 5,339</u>	<u>\$ 26,975</u>	<u>\$ 25,257</u>	<u>\$ 18,305</u>	<u>\$ 3,592</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	\$ 21,365,940	\$ 11,008,855	51.53%
Loan repayment revenue	1,031,358	1,031,358	100.00%

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015, the City met this requirement, as follows:

	Water	Wastewater
Gross revenues, excluding intergovernmental revenue and developer contributions	\$ 55,103,524	\$ 32,568,172
Operating and maintenance expenses, excluding depreciation, interest and transfers	44,976,928	21,328,828
Net revenues	10,126,596	11,239,344
Amount required:		
Debt service payments	4,023,219	5,374,775
Coverage required	1.20	1.15
Amount required	4,827,863	6,180,991
Excess of net revenues	\$ 5,298,733	\$ 5,058,353

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

9: Fund Balance and Net Position

A. Fund Balance Classifications

	<u>General</u>	<u>Special Revenue Successor Agency Housing</u>	<u>Debt Service General Obligation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable					
Advances to other funds	\$ 159,250	\$	\$	\$	\$ 159,250
Noncurrent loans receivable	24,153				24,153
Restricted for					
Housing & community development		42,590,680		16,772,448	59,363,128
Debt service			765,065	13,591	778,656
Capital projects				6,429,761	6,429,761
Street maintenance				7,593,643	7,593,643
Landscape and assessment districts				1,052,550	1,052,550
Other grants				300,445	300,445
Daley Ranch				740,808	740,808
Park development				1,650,806	1,650,806
Public Art				351,215	351,215
Committed to					
Reserves	17,281,659				17,281,659
Capital projects				1,263,087	1,263,087
Parks & Recreation				442,382	442,382
Daley Ranch restoration				24,065	24,065
Reidy Creek Golf Course				79,720	79,720
Ryan Trust				46,709	46,709
Hegyí Trust				4,723	4,723
Assigned to					
Carryovers	258,340				258,340
Underground waivers	102,688				102,688
Library Trust	320,794				320,794
Capital projects				488	488
Unassigned					
				(1,184,683)	(1,184,683)
Total Fund Balances	<u>\$ 18,146,884</u>	<u>\$ 42,590,680</u>	<u>\$ 765,065</u>	<u>\$ 35,581,758</u>	<u>\$ 97,084,387</u>

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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

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

As of June 30, 2015, the City has recorded general self-insurance and workers' compensation liabilities of \$4,111,715 and \$9,944,000 respectively, for a total of \$14,055,715. 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, 2015

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
2013-14	\$ 13,836,057	\$ 4,563,880	\$ (3,849,378)	\$ 14,550,559
2014-15	14,550,559	1,949,123	(2,443,967)	14,055,715

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, 2015	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, 2015, the 86-1-R Limited Obligation Improvement Refunding Bonds outstanding were \$1,425,000.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

11: Debt without Government Commitment (Continued)

In August 1998, the City issued \$5,105,000 in Limited Obligation Refunding Bonds for Assessment District No. 98-1 (Rancho San Pasqual). Interest payments commenced March 2, 1999 and are paid semiannually thereafter on March 2 and September 2. Principal payments are paid annually in amounts ranging from \$80,000 to \$165,000 commencing September 2, 1999 and ending September 2, 2013. In addition, \$3,040,000 of Term Bonds are due September 2, 2026. These bonds were issued to refund the Limited Obligation Improvements Bonds issued in September 1995 for Rancho San Pasqual Assessment District No. 95-1. On June 30, 2015, the 98-1 Limited Obligation Refunding Bonds outstanding were \$3,040,000.

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

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, 2015, the outstanding principal of Community Facilities District No. 2000-01 (Hidden Trails) Special Tax Refunding bonds, Series 2013 was \$2,260,000.

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, 2015

12: City Employees Retirement Plans

Defined Benefit Pension Plan (PERS)

1. General Information about the Pension Plan

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 and disability benefits, annual cost-of-living adjustments 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. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, California 95814.

Benefits Provided

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

	Miscellaneous		
	Tier 1 *	Tier 2 *	PEPRA (Tier 3)
Hire date	Prior to December 23, 2012	December 23, 2012 and after	January 1, 2013 and after
Benefit formula	3% @ 60	2% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	2.000% - 3.000%, 50 yrs - 60+ yrs, respectively	1.092% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	28.820%	28.820%	28.820%

* Plan is closed to new entrants

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

	Safety		
	Tier 1 *	Tier 2 *	PEPRA (Tier 3)
Hire date	Fire - prior to May 27, 2012, Police - prior to September 30, 2012	Fire - May 27, 2012 and after, Police - September 30, 2012 and after	January 1, 2013 and after
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	3.000% - 3.000%, 50 yrs - 55+ yrs, respectively	2.000% - 2.700%, 50 yrs - 55+ yrs, respectively	2.000% - 2.700%, 50 yrs - 57+ yrs, respectively
Required employee contribution rates	9.000%	9.000%	12.250%
Required employer contribution rates	37.089%	37.089%	37.089%

* Plan is closed to new entrants

Employees Covered

At June 30, 2014, the following employees were covered by the benefit terms of the plan:

Description	Number of members	
	Miscellaneous Plan	Safety Plan
Active members	592	246
Transferred members	243	73
Terminated members	301	38
Retired members and beneficiaries	565	271
Total	1,701	628

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the employer contributions recognized as part of pension expense for all the Miscellaneous Plan and Safety Plan were \$8,956,957 and \$9,006,062 respectively.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

2. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous Plan	Safety Plan
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate.

Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Agent Multiple-Employer Defined Benefit Pension Plan. More information can be found on the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Assets Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

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

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

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

3. Changes in the Net Pension Liability

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

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2013 (Valuation Date) (1)	\$ 334,891,398	\$ 220,009,440	\$ 114,881,958
Changes Recognized for the Measurement Period:			
Service Cost	6,187,698		6,187,698
Interest on the Total Pension Liability	24,823,748		24,823,748
Changes of Benefit Terms			
Difference between Expected and Actual Experience			
Changes of Assumptions			
Contribution from the Employer		8,191,219	(8,191,219)
Contributions from Employees		2,751,097	(2,751,097)
Net Investment Income (2)		38,132,668	(38,132,668)
Benefit Payments including Refunds of Employee Contributions	(14,003,896)	(14,003,896)	
Net Changes During 2013-14	<u>17,007,550</u>	<u>35,071,088</u>	<u>(18,063,538)</u>
Balance at: 6/30/2014 (Measurement Date) (1)	<u>\$ 351,898,948</u>	<u>\$ 255,080,528</u>	<u>\$ 96,818,420</u>

Safety Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2013 (Valuation Date) (1)	\$ 298,471,694	\$ 213,461,153	\$ 85,010,541
Changes Recognized for the Measurement Period:			
Service Cost	5,878,133		5,878,133
Interest on the Total Pension Liability	22,099,344		22,099,344
Changes of Benefit Terms			
Difference between Expected and Actual Experience			
Changes of Assumptions			
Contribution from the Employer		7,687,967	(7,687,967)
Contributions from Employees		2,079,491	(2,079,491)
Net Investment Income (2)		36,944,486	(36,944,486)
Benefit Payments including Refunds of Employee Contributions	(13,505,688)	(13,505,688)	
Net Changes During 2013-14	<u>14,471,789</u>	<u>33,206,256</u>	<u>(18,734,467)</u>
Balance at: 6/30/2014 (Measurement Date) (1)	<u>\$ 312,943,483</u>	<u>\$ 246,667,409</u>	<u>\$ 66,276,074</u>
Total Balance at: 6/30/2014 (Measurement Date) (1)	<u>\$ 664,842,431</u>	<u>\$ 501,747,937</u>	<u>\$ 163,094,494</u>

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

(2) Net of administrative expenses.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Miscellaneous Plan's Net Pension Liability/(Assets)	\$ 141,372,819	\$ 96,818,420	\$ 59,608,083
Safety Plan's Net Pension Liability/(Assets)	109,068,028	66,276,074	31,166,520
Total Plans	<u>\$ 250,440,847</u>	<u>\$ 163,094,494</u>	<u>\$ 90,774,603</u>

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

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

As of the start of the measurement period (July 1, 2013), the net pension liability was \$199,892,499. For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense/(income) of \$13,376,626 for both the Miscellaneous Plan and Safety Plan.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

12: City Employees Retirement Plans (Continued)

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 18,023,020	
Net difference between projected and actual earnings on pension plan investments		\$ (34,295,444)
Total	\$ 18,023,020	\$ (34,295,444)

\$18,023,020 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (8,573,861)
2016	(8,573,861)
2017	(8,573,861)
2018	(8,573,861)

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, 2015, the City's total covered payroll was \$2,106,140. The City made employer contributions of \$0, and employees contributed \$157,963 (7.5 percent of covered payroll). All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions. The plan covers part-time, seasonal, or temporary employees, and all employees not covered by another retirement system, subject to the requirements of Section 3121 of the Internal Revenue Code.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015, the balance is \$10,362,700.

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.

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: Commitments

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").

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

15: Commitments (Continued)

The following material construction commitments existed at June 30, 2015:

Project Name	Contract Amount	Expenditures to date as of June 30, 2015	Remaining Commitments
Bear Valley Waterline Replacement	\$ 1,665,000	\$ 612,276	\$ 1,052,724
HARRF Influent Pump Station	10,101,080	9,202,060	899,020
Recycled Water Easterly Main Extension	6,276,000	1,245,519	5,030,481
Water Treatment Plant Onsite Chlorine Generation	12,381,760	3,552,278	8,829,482

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 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.

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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

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>7,430,362</u>
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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, 2015, is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 6,074,290	\$	\$	\$ 6,074,290
Total capital assets, not being depreciated	6,074,290			6,074,290
Capital assets, being depreciated:				
Land improvements	139,295			139,295
Buildings	84,382,538			84,382,538
Machinery and equipment	276,473			276,473
Total capital assets, being depreciated	84,798,306			84,798,306
Less accumulated depreciation for:				
Land improvements	139,295			139,295
Buildings	52,262,739	2,736,016		54,998,755
Machinery and equipment	276,473			276,473
Total accumulated depreciation	52,678,507	2,736,016		55,414,523
Total capital assets being depreciated, net	32,119,799	(2,736,016)		29,383,783
Total capital assets, net	\$ 38,194,089	\$ (2,736,016)	\$	\$ 35,458,073

CITY OF ESCONDIDO
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015, follows:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year	Due Beyond One Year
Advances from the City of Escondido	\$ 4,373,336	\$ 47,827	\$ 694,979	\$ 3,726,184	\$	\$ 3,726,184
2007 A & B Lease Revenue Bonds	32,070,000		5,785,000	26,285,000	6,085,000	20,200,000
Loans - Other Governments	3,450,000		1,400,000	2,050,000		2,050,000
	<u>\$ 39,893,336</u>	<u>\$ 47,827</u>	<u>\$ 7,879,979</u>	32,061,184	<u>\$ 6,085,000</u>	<u>\$ 25,976,184</u>
			Unamortized Bond Discount	714,920		
			Total	<u>\$ 32,776,104</u>		

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, 2015, the outstanding balance of the advances from other funds totaled \$3,726,184.

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

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

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, 2015, was \$26,285,000 and unamortized bond premium was \$714,920.

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
2016	\$ 6,085	\$ 1,198
2017	6,400	876
2018	6,730	538
2019	7,070	182
Total Debt Service Payments	<u>\$ 26,285</u>	<u>\$ 2,794</u>

D. Insurance

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

E. Commitments and Contingencies

At June 30, 2015, 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.

Required Supplementary Information

CITY OF ESCONDIDO

**Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Plan
Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years (1)**

MEASUREMENT PERIOD	2014
TOTAL PENSION LIABILITY	
Service Cost	\$ 6,187,698
Interest	24,823,748
Benefit Payments, Including Refunds of employee Contributions	(14,003,896)
Net Change in Total Pension Liability	\$ 17,007,550
Total Pension Liability - Beginning	334,891,398
Total Pension Liability - Ending (a)	\$ 351,898,948
PLAN FIDUCIARY NET POSITION	
Contribution - Employer	\$ 8,191,219
Contribution - Employee	2,751,097
Net Investment Income	38,132,668
Benefit Payments, Including Refunds of Employee Contributions	(14,003,896)
Net Change in Fiduciary Net Position	\$ 35,071,088
Plan Fiduciary Net Position - Beginning	220,009,440
Plan Fiduciary Net Position - Ending (b)	\$ 255,080,528
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 96,818,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.49%
Covered-Employee Payroll	\$ 32,920,288
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	294.10%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

CITY OF ESCONDIDO

**Safety Plan - Agent Multiple-Employer Defined Benefit Plan
Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years (1)**

MEASUREMENT PERIOD	2014
TOTAL PENSION LIABILITY	
Service Cost	\$ 5,878,133
Interest	22,099,344
Benefit Payments, Including Refunds of employee Contributions	(13,505,688)
Net Change in Total Pension Liability	\$ 14,471,789
Total Pension Liability - Beginning	298,471,694
Total Pension Liability - Ending (a)	\$ 312,943,483
PLAN FIDUCIARY NET POSITION	
Contribution - Employer	\$ 7,687,967
Contribution - Employee	2,079,491
Net Investment Income	36,944,485
Benefit Payments, Including Refunds of Employee Contributions	(13,505,688)
Net Change in Fiduciary Net Position	\$ 33,206,255
Plan Fiduciary Net Position - Beginning	213,461,153
Plan Fiduciary Net Position - Ending (b)	\$ 246,667,408
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 66,276,075
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.82%
Covered-Employee Payroll	\$ 20,583,139
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	321.99%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

CITY OF ESCONDIDO

**Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Plan
Schedule of Plan Contributions
As of June 30, for the Last Ten Fiscal Years (1)**

	2013-14
Actuarially Determined Contribution	\$ 8,191,219
Contribution in Relation to the Actuarially Determined Contribution	(8,191,219)
Contribution Deficiency (Excess)	\$ -
 Covered-Employee Payroll (3) (4)	 \$ 32,920,288
 Contributions as a Percentage of Covered-Employee Payroll (3)	 24.88%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	4.5% average, including inflation of 3.0%
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.
Retirement age	Minimum 50 years for tier 1, tier 2 and tier 3. Minimum 52 years for PEPRA
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF ESCONDIDO

**Safety Plan - Agent Multiple-Employer Defined Benefit Plan
Schedule of Plan Contributions
As of June 30, for the Last Ten Fiscal Years (1)**

	2013-14
Actuarially Determined Contribution	\$ 7,687,967
Contribution in Relation to the Actuarially Determined Contribution	(7,687,967)
Contribution Deficiency (Excess)	\$ -
 Covered-Employee Payroll (3) (4)	 \$ 20,583,139
 Contributions as a Percentage of Covered-Employee Payroll (3)	 37.35%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	4.5% average, including inflation of 3.0%
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.
Retirement age	Minimum 50 years for tier 1, tier 2 and tier 3. Minimum 52 years for PEPRA
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Sales Tax:				
Sales tax	\$ 27,793,000	\$ 27,793,000	\$ 25,276,025	\$ (2,516,975)
In-lieu sales tax	8,970,000	8,970,000	8,328,113	(641,887)
Total Sales Tax	36,763,000	36,763,000	33,604,138	(3,158,862)
Other Taxes:				
Property taxes	10,887,000	10,887,000	10,907,493	20,493
Property transfer tax	510,000	510,000	551,265	41,265
Franchise tax	7,194,000	7,194,000	6,982,149	(211,851)
Transient occupancy tax	1,343,000	1,343,000	1,435,406	92,406
Business license tax	1,675,000	1,675,000	1,705,214	30,214
Miscellaneous other taxes	1,115,000	1,115,000	947,003	(167,997)
Total Other Taxes	22,724,000	22,724,000	22,528,530	(195,470)
Licenses and Permits:				
Tow licenses	450,000	450,000	417,750	(32,250)
Building permits	296,000	296,000	196,512	(99,488)
Other licenses and permits	198,000	198,000	248,018	50,018
Total Licenses and Permits	944,000	944,000	862,280	(81,720)
Fines and Forfeits:				
Vehicle code fines	400,000	400,000	456,408	56,408
Parking ticket fines	187,000	187,000	249,219	62,219
Library fines	83,000	83,000	73,689	(9,311)
Booking fees	78,000	78,000	54,638	(23,362)
Red light photo citations			43,152	43,152
Other fines	292,000	292,000	274,260	(17,740)
Total Fines and Forfeits	1,040,000	1,040,000	1,151,366	111,366

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2015

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Intergovernmental:				
State motor vehicle in lieu			60,452	60,452
Property tax in-lieu	11,038,000	11,038,000	11,210,340	172,340
Grants	862,450	907,395	893,310	(14,085)
Rincon fire operation fees	1,800,000	1,800,000	2,169,556	369,556
Miscellaneous agencies	165,050	165,050	610,009	444,959
Total Intergovernmental	13,865,500	13,910,445	14,943,667	1,033,222
Charges for Services:				
Zoning and subdivision fees	80,000	80,000	138,454	58,454
Annexation fees	8,000	8,000		(8,000)
Sale of maps and publications	1,000	1,000	167	(833)
Plan check fees	227,500	227,500	241,161	13,661
Environmental impact report	5,000	5,000	54,211	49,211
Engineering and inspection fees	923,000	923,000	685,867	(237,133)
Special police services	604,735	604,735	1,018,204	413,469
Fire and paramedic services	4,337,000	4,337,000	4,800,160	463,160
Processing fees	8,000	8,000	9,550	1,550
Recycling revenue	776,000	776,000	526,182	(249,818)
Senior services	13,000	13,000	17,463	4,463
Audio visual rentals	60,000	60,000	34,807	(25,193)
Other	159,000	159,000	490,600	331,600
Total Charges for Services	7,202,235	7,202,235	8,016,826	814,591
Investment income	250,000	250,000	187,896	(62,104)
Miscellaneous:				
Rent	3,131,000	3,131,000	3,186,849	55,849
Contributions	89,000	100,765	15,062	(85,703)
Mobile home fees	41,000	41,000	32,987	(8,013)
Library trust donations			61,813	61,813
Other	242,165	291,960	180,823	(111,137)
Total Miscellaneous	3,503,165	3,564,725	3,477,534	(87,191)
Total Revenues	86,291,900	86,398,405	84,772,237	(1,626,168)

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2015

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Expenditures:				
General Government:				
City council	362,110	367,110	366,147	(963)
City manager	1,206,220	1,436,105	1,377,048	(59,057)
City attorney	183,255	368,515	367,885	(630)
City clerk	507,355	557,770	521,611	(36,159)
City treasurer	290,175	300,725	300,204	(521)
Finance	1,237,220	1,288,020	1,011,461	(276,559)
Human resources	597,135	666,233	436,249	(229,984)
Information systems	1,174,805	1,216,530	1,065,000	(151,530)
Other	1,680,940	712,600	455,176	(257,424)
Total General Government	<u>7,239,215</u>	<u>6,913,608</u>	<u>5,900,781</u>	<u>(1,012,827)</u>
Public Safety:				
Police	37,886,215	38,525,823	38,510,468	(15,355)
Fire	21,877,775	22,104,405	21,941,311	(163,094)
Total Public Safety	<u>59,763,990</u>	<u>60,630,228</u>	<u>60,451,779</u>	<u>(178,449)</u>
Public Works:				
Highways and streets	10,717,931	10,957,351	10,454,613	(502,738)
Community Services:				
Library	3,523,725	3,582,480	3,513,517	(68,963)
Community services	2,769,129	2,928,276	2,890,226	(38,050)
Community relations	91,170	91,170	30,184	(60,986)
Total Community Services	<u>6,384,024</u>	<u>6,601,926</u>	<u>6,433,927</u>	<u>(167,999)</u>

(Continued)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2015

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Community Development:				
Planning	1,483,010	1,509,910	1,479,901	(30,009)
Building	801,145	847,832	782,811	(65,021)
Code enforcement	1,170,900	1,192,690	1,009,142	(183,548)
Total Community Development	<u>3,455,055</u>	<u>3,550,432</u>	<u>3,271,854</u>	<u>(278,578)</u>
Debt Service:				
Principal retirements	23,175	23,175	22,822	(353)
Interest and fiscal charges	3,375	3,375	2,775	(600)
Total Debt Service	<u>26,550</u>	<u>26,550</u>	<u>25,597</u>	<u>(953)</u>
Total Expenditures	<u>87,586,765</u>	<u>88,680,095</u>	<u>86,538,551</u>	<u>(2,141,544)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,294,865)</u>	<u>(2,281,690)</u>	<u>(1,766,314)</u>	<u>515,376</u>
Other Financing Sources (Uses):				
Transfers in	2,200,000	2,200,000	2,200,000	
Transfers out	(795,135)	(2,475,135)	(2,475,135)	
Total Other Financing Sources (Uses)	<u>1,404,865</u>	<u>(275,135)</u>	<u>(275,135)</u>	
Net Change in Fund Balance	110,000	(2,556,825)	(2,041,449)	515,376
Fund Balance at Beginning of Year	<u>20,188,333</u>	<u>20,188,333</u>	<u>20,188,333</u>	
Fund Balance at End of Year	<u>\$ 20,298,333</u>	<u>\$ 17,631,508</u>	<u>\$ 18,146,884</u>	<u>\$ 515,376</u>

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
Successor Agency Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Lease income	\$ 206,900	\$ 206,900	\$ 203,599	\$ (3,301)
Investment income	6,200	6,200	445,368	439,168
Intergovernmental		1,902,000		(1,902,000)
Miscellaneous			11,868	11,868
Total Revenues	213,100	2,115,100	660,835	(1,454,265)
Expenditures:				
Community development	571,705	859,960	684,221	(175,739)
Excess of Revenues Over Expenditures	(358,605)	1,255,140	(23,386)	(1,278,526)
Other Financing Sources (Uses):				
Sale of city property		86,685	138,304	51,619
Transfers in	25,000	25,000	25,000	
Total Other Financing Sources (Uses)	25,000	111,685	163,304	51,619
Net Change in Fund Balance	(333,605)	1,366,825	139,918	(1,226,907)
Fund Balance at Beginning of Year	42,450,762	42,450,762	42,450,762	
Fund Balance at End of Year	\$ 42,117,157	\$ 43,817,587	\$ 42,590,680	\$ (1,226,907)

See Note to Required Supplementary Information.

CITY OF ESCONDIDO
Notes to Required Supplementary Information
June 30, 2015

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, Community Services, Community Development Block Grant, Landscape and Assessment District, HOME, Miscellaneous Funds and the Vehicle Parking District Fund.

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

COMMUNITY SERVICES 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 Community Services department 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 38 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.

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 PROJECTS FUND

This fund was established to account for funds received:

- Through the adoption of the 1987 San Diego County Special Proposition A, this provides a transportation sales tax override to fund local street improvements.

PUBLIC FACILITIES FUND

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

PERMANENT FUNDS

DALEY RANCH FUND

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

CITY OF ESCONDIDO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
<u>Assets:</u>				
Cash and investments	\$ 5,520,214	\$ 2,449,966	\$	\$ 1,063,030
Cash and investments with fiscal agent				
Receivables:				
Accounts		224,239		
Interest	14,462	7,872		3,033
Taxes				1,825
Loans		200,000	241,858	
Loans to Successor Agency	1,021,870			
Due from other governments		43,703	380,324	
Inventory, at cost		11,659		
Prepaid expenditures		11,499		
Deposits		56,562		
Land held for resale				
Advances to other funds				
Total Assets	<u>\$ 6,556,546</u>	<u>\$ 3,005,500</u>	<u>\$ 622,182</u>	<u>\$ 1,067,888</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances:</u>				
Liabilities:				
Payables:				
Accounts	\$ 290,569	\$ 90,123	\$ 23,554	\$ 15,338
Deposits		43,317		
Accrued expenditures	202	78,397	37,504	
Due to other funds			339,562	
Due to other governments				
Unearned revenue				
Advances from other funds		200,000		
Total Liabilities	<u>290,771</u>	<u>411,837</u>	<u>400,620</u>	<u>15,338</u>
Deferred Inflows of Resources:				
Unavailable Revenue	<u>850,006</u>	<u>43,704</u>	<u>622,182</u>	
Fund Balances (Deficits):				
Restricted	5,415,769	2,150,806		1,052,550
Committed		546,167		
Assigned				
Unassigned		(147,014)	(400,620)	
Total Fund Balances (Deficits)	<u>5,415,769</u>	<u>2,549,959</u>	<u>(400,620)</u>	<u>1,052,550</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,556,546</u>	<u>\$ 3,005,500</u>	<u>\$ 622,182</u>	<u>\$ 1,067,888</u>

Special Revenue Funds

Law Enforcement	Cable Technology	HOME	Miscellaneous	Vehicle Parking District
\$ 620,707	\$	\$ 1,392,125	\$ 402,706	\$ 1,371
3,330		3,732,237	1,233	68
		15,373,270		
493,560			11,027	
<u>\$ 1,117,597</u>	<u>\$</u>	<u>\$ 20,497,632</u>	<u>\$ 414,966</u>	<u>\$ 1,439</u>
\$ 68,175	\$	\$ 109	\$ 8,039	\$ 477
1,590			258	
468,340				469,988
<u>538,105</u>		<u>109</u>	<u>8,297</u>	<u>159,250</u>
<u>279,047</u>		<u>3,725,075</u>	<u>12,795</u>	
300,445		16,772,448	351,215	
			51,432	
<u>300,445</u>		<u>16,772,448</u>	<u>(8,773)</u>	<u>(628,276)</u>
<u>\$ 1,117,597</u>	<u>\$</u>	<u>\$ 20,497,632</u>	<u>\$ 414,966</u>	<u>\$ 1,439</u>

(Continued)

CITY OF ESCONDIDO
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2015

	Debt Service Fund	Capital Projects Funds		
	Golf Course	Street Improvement	Storm Drain	Public Safety Facilities
<u>Assets:</u>				
Cash and investments	\$ 10,004	\$ 3,790,144	\$ 264,006	\$ 25,327
Cash and investments with fiscal agent	3,587			
Receivables:				
Accounts				
Interest		11,628	732	80
Taxes				
Loans				
Loans to Successor Agency				
Due from other governments		429,929		
Inventory, at cost				
Prepaid expenditures				
Deposits				
Land held for resale				
Advances to other funds		200,000		
Total Assets	<u>\$ 13,591</u>	<u>\$ 4,431,701</u>	<u>\$ 264,738</u>	<u>\$ 25,407</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances:</u>				
Liabilities:				
Payables:				
Accounts	\$	\$ 190,876	\$	\$
Deposits		2,005,033	9,573	
Accrued expenditures				
Due to other funds				
Due to other governments				
Unearned revenue				
Advances from other funds				
Total Liabilities		<u>2,195,909</u>	<u>9,573</u>	
Deferred Inflows of Resources:				
Unavailable Revenue		<u>57,918</u>		
Fund Balances:				
Restricted	13,591	2,177,874	255,165	25,407
Committed				
Assigned				
Unassigned				
Total Fund Balances (Deficits)	<u>13,591</u>	<u>2,177,874</u>	<u>255,165</u>	<u>25,407</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,591</u>	<u>\$ 4,431,701</u>	<u>\$ 264,738</u>	<u>\$ 25,407</u>

Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
General Capital Project	County Transportation Street Projects	Public Facilities	Daley Ranch	
\$ 1,305,535	\$ 322,061	\$ 4,731,719	\$ 240,050	\$ 22,138,965
				3,587
1,658				225,897
4,625	1,597	15,947	758	3,797,602
				1,825
				15,815,128
				1,021,870
	157,500			1,516,043
				11,659
				11,499
				56,562
	802,142			802,142
		445,000		645,000
<u>\$ 1,311,818</u>	<u>\$ 1,283,300</u>	<u>\$ 5,192,666</u>	<u>\$ 240,808</u>	<u>\$ 46,047,779</u>
\$ 26,278	\$ 138,678	\$ 22,328	\$	\$ 874,544
18,490				2,076,413
3,475	165,107	664		287,197
				339,562
				469,988
				468,340
				359,250
<u>48,243</u>	<u>303,785</u>	<u>22,992</u>		<u>4,875,294</u>
				5,590,727
	979,515	5,169,674	240,808	34,905,267
1,263,087				1,860,686
488				488
				(1,184,683)
<u>1,263,575</u>	<u>979,515</u>	<u>5,169,674</u>	<u>240,808</u>	<u>35,581,758</u>
<u>\$ 1,311,818</u>	<u>\$ 1,283,300</u>	<u>\$ 5,192,666</u>	<u>\$ 240,808</u>	<u>\$ 46,047,779</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			
	Street	Community Services	Community Development Block Grant	Landscape Assessment District
Revenues:				
Other taxes	\$	\$	\$	\$
Intergovernmental	3,740,171	805,353	1,336,260	
Charges for services	302,525	2,903,292		
Special assessments				788,935
Investment income	36,488	34,180		9,082
Miscellaneous	30,835	602,593	10,000	6,145
Total Revenues	<u>4,110,019</u>	<u>4,345,418</u>	<u>1,346,260</u>	<u>804,162</u>
Expenditures:				
Current:				
General government				
Public safety				
Public works	2,776,716			647,371
Community services		4,223,686	611,081	
Community development	33,366		173,431	
Capital outlay	11,900	226,092	709,937	
Debt Service:				
Principal retirements		5,185		
Interest and fiscal charges				
Total Expenditures	<u>2,821,982</u>	<u>4,454,963</u>	<u>1,494,449</u>	<u>647,371</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,288,037</u>	<u>(109,545)</u>	<u>(148,189)</u>	<u>156,791</u>
Other Financing Sources (Uses):				
Transfers in		283,100		
Transfers out	<u>(2,055,000)</u>	<u>(64,500)</u>		
Total Other Financing Sources (Uses)	<u>(2,055,000)</u>	<u>218,600</u>		
Net Change in Fund Balances	(766,963)	109,055	(148,189)	156,791
Fund Balances at Beginning of Fiscal Year	<u>6,182,732</u>	<u>2,440,904</u>	<u>(252,431)</u>	<u>895,759</u>
Fund Balances at End of Year	<u>\$ 5,415,769</u>	<u>\$ 2,549,959</u>	<u>\$ (400,620)</u>	<u>\$ 1,052,550</u>

Special Revenue Funds

Law Enforcement	Cable Technology	HOME	Miscellaneous	Vehicle Parking District
\$ 1,950,283	\$	\$ 43,935	\$ 40,770 64,877	\$
10,179	16	112,604	4,048 60	109
<u>1,960,462</u>	<u>16</u>	<u>156,539</u>	<u>109,755</u>	<u>109</u>
1,284,388	11,432		1,778 39,774	89,590
113,977		231,220	50,240	
<u>1,398,365</u>	<u>11,432</u>	<u>231,220</u>	<u>91,792</u>	<u>89,590</u>
<u>562,097</u>	<u>(11,416)</u>	<u>(74,681)</u>	<u>17,963</u>	<u>(89,481)</u>
			3,500 (20,000)	85,585
	(125)		(16,500)	85,585
562,097	(11,541)	(74,681)	1,463	(3,896)
<u>(261,652)</u>	<u>11,541</u>	<u>16,847,129</u>	<u>392,411</u>	<u>(624,380)</u>
<u>\$ 300,445</u>	<u>\$</u>	<u>\$ 16,772,448</u>	<u>\$ 393,874</u>	<u>\$ (628,276)</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, 2015

	Debt Service Fund	Capital Project Funds		
	Golf Course	Street Improvement	Storm Drain	Public Safety Facilities
Revenues:				
Other taxes	\$	\$	\$	\$
Intergovernmental		40,415		
Charges for services		1,710,544	91,059	
Special assessments				
Investment income	271	32,395	2,028	272
Miscellaneous				
Total Revenues	<u>271</u>	<u>1,783,354</u>	<u>93,087</u>	<u>272</u>
Expenditures:				
Current:				
General government				
Public safety				
Public works		243,110	5,589	
Community services				
Community development				
Capital outlay		957,572		
Debt Service:				
Principal retirements	855,000			
Interest and fiscal charges	178,266			
Total Expenditures	<u>1,033,266</u>	<u>1,200,682</u>	<u>5,589</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,032,995)</u>	<u>582,672</u>	<u>87,498</u>	<u>272</u>
Other Financing Sources (Uses):				
Transfers in	525,950			
Transfers out				(50,560)
Total Other Financing Sources (Uses)	<u>525,950</u>			<u>(50,560)</u>
Net Change in Fund Balances	(507,045)	582,672	87,498	(50,288)
Fund Balances at Beginning of Fiscal Year	<u>520,636</u>	<u>1,595,202</u>	<u>167,667</u>	<u>75,695</u>
Fund Balances at End of Year	<u>\$ 13,591</u>	<u>\$ 2,177,874</u>	<u>\$ 255,165</u>	<u>\$ 25,407</u>

Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
General Capital Project	County Transportation Street Projects	Public Facilities	Daley Ranch	
\$	\$ 3,856,843	\$	\$	\$ 3,856,843
				7,957,187
		580,924		5,653,221
				788,935
16,631	4,660	53,011	2,540	318,514
389,785			15,540	1,054,958
<u>406,416</u>	<u>3,861,503</u>	<u>633,935</u>	<u>18,080</u>	<u>19,629,658</u>
173,898				185,330
1,772		105,691		1,391,851
62,975	3,125,455			6,952,584
242,142		194,063		5,310,746
141,165				629,422
191,889	530,012	224,922		2,966,301
				860,185
				178,266
<u>813,841</u>	<u>3,655,467</u>	<u>524,676</u>		<u>18,474,685</u>
<u>(407,425)</u>	<u>206,036</u>	<u>109,259</u>	<u>18,080</u>	<u>1,154,973</u>
				898,135
<u>(83,120)</u>				<u>(2,273,305)</u>
<u>(83,120)</u>				<u>(1,375,170)</u>
(490,545)	206,036	109,259	18,080	(220,197)
1,754,120	773,479	5,060,415	222,728	35,801,955
<u>\$ 1,263,575</u>	<u>\$ 979,515</u>	<u>\$ 5,169,674</u>	<u>\$ 240,808</u>	<u>\$ 35,581,758</u>

CITY OF ESCONDIDO
Street Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 3,754,000	\$ 3,740,171	\$ (13,829)
Charges for services	842,700	302,525	(540,175)
Investment income	41,500	36,488	(5,012)
Miscellaneous		30,835	30,835
Total Revenues	4,638,200	4,110,019	(528,181)
Expenditures:			
Public works	4,225,687	2,776,716	(1,448,971)
Community development	661,880	33,366	(628,514)
Capital outlay	3,190,546	11,900	(3,178,646)
Total Expenditures	8,078,113	2,821,982	(5,256,131)
(Deficiency) of Revenues Over Expenditures	(3,439,913)	1,288,037	4,727,950
Other Financing (Uses):			
Transfers out	(2,055,000)	(2,055,000)	
Net Change in Fund Balance	(5,494,913)	(766,963)	4,727,950
Fund Balance at Beginning of Year	6,182,732	6,182,732	
Fund Balance at End of Year	<u>\$ 687,819</u>	<u>\$ 5,415,769</u>	<u>\$ 4,727,950</u>

CITY OF ESCONDIDO
Community Services Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 845,740	\$ 805,353	\$ (40,387)
Charges for services	3,673,005	2,903,292	(769,713)
Investment income	19,600	34,180	14,580
Miscellaneous	610,705	602,593	(8,112)
Total Revenues	5,149,050	4,345,418	(803,632)
Expenditures:			
Community services	4,648,236	4,223,686	(424,550)
Capital outlay	1,973,595	226,092	(1,747,503)
Debt Service:			
Principal retirements	5,185	5,185	
Total Expenditures	6,627,016	4,454,963	(2,172,053)
Excess of Revenues Over Expenditures	(1,477,966)	(109,545)	1,368,421
Other Financing Sources (Uses):			
Sale of capital assets			
Transfers in	283,100	283,100	
Transfers out	(64,500)	(64,500)	
Total Other Financing Sources	218,600	218,600	
Net Change in Fund Balance	(1,259,366)	109,055	1,368,421
Fund Balance at Beginning of Year	2,440,904	2,440,904	
Fund Balance at End of Year	\$ 1,181,538	\$ 2,549,959	\$ 1,368,421

CITY OF ESCONDIDO
Community Development Block Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 1,452,000	\$ 1,336,260	\$ (115,740)
Miscellaneous		10,000	10,000
Total Revenues	<u>1,452,000</u>	<u>1,346,260</u>	<u>(105,740)</u>
Expenditures:			
Community services	860,784	611,081	(249,703)
Community development	200,000	173,431	(26,569)
Capital outlay	963,869	709,937	(253,932)
Total Expenditures	<u>2,024,653</u>	<u>1,494,449</u>	<u>(530,204)</u>
Net Change in Fund Balance	(572,653)	(148,189)	424,464
Fund Balance at Beginning of Year	<u>(252,431)</u>	<u>(252,431)</u>	
Fund Balance at End of Year	<u><u>\$ (825,084)</u></u>	<u><u>\$ (400,620)</u></u>	<u><u>\$ 424,464</u></u>

CITY OF ESCONDIDO
Landscape and Assessment District Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Special assessments	\$ 762,970	\$ 788,935	\$ 25,965
Investment income	4,800	9,082	4,282
Miscellaneous	6,145	6,145	
Total Revenues	773,915	804,162	30,247
Expenditures:			
Public works	913,090	647,371	(265,719)
Net Change in Fund Balance	(139,175)	156,791	295,966
Fund Balance at Beginning of Year	895,759	895,759	
Fund Balance at End of Year	\$ 756,584	\$ 1,052,550	\$ 295,966

CITY OF ESCONDIDO
HOME Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 470,405	\$ 43,935	\$ (426,470)
Investment income	12,700	112,604	99,904
Total Revenues	483,105	156,539	(326,566)
Expenditures:			
Community development	288,327	231,220	(57,107)
Net Change in Fund Balance	194,778	(74,681)	(269,459)
Fund Balance at Beginning of Year	16,847,129	16,847,129	
Fund Balance at End of Year	\$ 17,041,907	\$ 16,772,448	\$ (269,459)

CITY OF ESCONDIDO
Miscellaneous Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$ 889,054	\$ 40,770	\$ (848,284)
Charges for services	117,600	64,877	(52,723)
Investment income	4,500	4,048	(452)
Miscellaneous	60	60	60
Total Revenues	1,011,154	109,755	(901,399)
Expenditures:			
Public works	1,778	1,778	
Community services	956,890	39,774	(917,116)
Community development	512,206	50,240	(461,966)
Capital outlay	63,335	63,335	(63,335)
Total Expenditures	1,534,209	91,792	(1,442,417)
Excess (Deficiency) of Revenues Over Expenditures	(523,055)	17,963	541,018
Other Financing Sources (Uses):			
Transfers in	3,500	3,500	
Transfers out	(20,000)	(20,000)	
Total Other Financing Sources	(16,500)	(16,500)	
Net Change in Fund Balance	(539,555)	1,463	541,018
Fund Balance at Beginning of Year	392,411	392,411	
Fund Balances at End of Year	\$ (147,144)	\$ 393,874	\$ 541,018

CITY OF ESCONDIDO
Vehicle Parking District Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Investment income	\$ 200	\$ 109	\$ (91)
Expenditures:			
Public works	85,785	89,590	3,805
Excess (Deficiency) of Revenues Over Expenditures	(85,585)	(89,481)	(3,896)
Other Financing Sources (Uses):			
Transfers in	85,585	85,585	
Net Change in Fund Balance		(3,896)	(3,896)
Fund Balance at Beginning of Year	(624,380)	(624,380)	
Fund Balances at End of Year	<u>\$ (624,380)</u>	<u>\$ (628,276)</u>	<u>\$ (3,896)</u>

CITY OF ESCONDIDO
General Obligation Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Special assessments	\$ 5,062,465	\$ 5,181,396	\$ 118,931
Investment income	20,560	(10,001)	(30,561)
Total Revenues	5,083,025	5,171,395	88,370
Expenditures:			
Principal retirements	1,785,000	73,965,000	72,180,000
Interest and fiscal charges	3,420,120	5,456,922	2,036,802
Total Expenditures	5,205,120	79,421,922	74,216,802
(Deficiency) of Revenues Over Expenditures	(122,095)	(74,250,527)	(74,128,432)
Other Financing Sources:			
Bond proceeds		70,660,479	70,660,479
Transfers in		50,561	50,561
Total Other Financing Sources (Uses)		70,711,040	70,711,040
Net Change in Fund Balance	(122,095)	(3,539,487)	(3,417,392)
Fund Balance at Beginning of Year	4,304,552	4,304,552	
Fund Balance at End of Year	\$ 4,182,457	\$ 765,065	\$ (3,417,392)

CITY OF ESCONDIDO
Golf Course Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Investment income	\$ 200	\$ 271	\$ 71
Expenditures:			
Principal retirements	855,000	855,000	
Interest and fiscal charges	183,960	178,266	(5,694)
Total Expenditures	1,038,960	1,033,266	(5,694)
(Deficiency) of Revenues Over Expenditures	(1,038,760)	(1,032,995)	5,765
Other Financing Sources:			
Transfers in	525,950	525,950	
Total Other Financing Sources	525,950	525,950	
Net Change in Fund Balance	(512,810)	(507,045)	5,765
Fund Balance at Beginning of Year	520,636	520,636	
Fund Balance at End of Year	\$ 7,826	\$ 13,591	\$ 5,765



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, 2015

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 500,116	\$ 6,851,686	\$ 870,567
Receivables:			
Accounts		14,902	2,700
Interest	1,726	23,104	
Inventory	62,245	68,279	289,491
Deposits			
Total Current Assets	<u>564,087</u>	<u>6,957,971</u>	<u>1,162,758</u>
Non-current assets:			
Capital Assets:			
Buildings	1,305,905	342,000	61,070
Equipment	1,098,438	28,846,281	62,251
Total Capital Assets	2,404,343	29,188,281	123,321
Less accumulated depreciation	<u>(1,157,298)</u>	<u>(21,177,789)</u>	<u>(99,314)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,247,045</u>	<u>8,010,492</u>	<u>24,007</u>
Total Assets	<u>1,811,132</u>	<u>14,968,463</u>	<u>1,186,765</u>
<u>Deferred Outflows of Resources</u>			
Deferred pension related items	<u>259,205</u>	<u>174,838</u>	<u>46,143</u>
<u>Liabilities</u>			
Current Liabilities:			
Payables:			
Accounts	177,332	410,007	142,036
Employee leave benefits	11,666	5,158	1,219
Estimated claims			
Loans	84,314		
Leases		171,211	
Accrued expenses	32,111	23,097	4,445
Total Current Liabilities	<u>305,423</u>	<u>609,473</u>	<u>147,700</u>
Noncurrent Liabilities:			
Payables:			
Employee leave benefits	104,994	46,422	10,972
Estimated claims			
Loans	578,083		
Leases		874,856	
Net Pension Liability	2,801,824	1,889,878	498,765
Total Noncurrent Liabilities	<u>3,484,901</u>	<u>2,811,156</u>	<u>509,737</u>
Total Liabilities	<u>3,790,324</u>	<u>3,420,629</u>	<u>657,437</u>
<u>Deferred Inflows of Resources</u>			
Deferred pension related items	<u>504,388</u>	<u>340,218</u>	<u>89,789</u>
<u>Net Position</u>			
Net investment in capital assets	1,247,045	6,964,425	24,007
Unrestricted (deficit)	<u>(3,471,420)</u>	<u>4,418,029</u>	<u>461,675</u>
Total Net Position	<u>\$ (2,224,375)</u>	<u>\$ 11,382,454</u>	<u>\$ 485,682</u>

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 140,265	\$ 7,488,820	\$ 3,783,614	\$ 1,119,827	\$ 20,754,895
			41,604	59,206
362	22,821	11,587	2,629	62,229
	250,000		62,600	420,015
<u>140,627</u>	<u>7,761,641</u>	<u>3,795,201</u>	<u>1,226,660</u>	<u>21,608,945</u>
				1,708,975
<u>220,292</u>				<u>30,227,262</u>
220,292				31,936,237
<u>(99,960)</u>				<u>(22,534,361)</u>
<u>120,332</u>				<u>9,401,876</u>
<u>260,959</u>	<u>7,761,641</u>	<u>3,795,201</u>	<u>1,226,660</u>	<u>31,010,821</u>
<u>181,936</u>	<u>17,937</u>		<u>31,609</u>	<u>711,668</u>
				853,177
1,454	21,259	31,063	70,026	18,837
	90		704	2,811,143
	1,988,800	822,343		84,314
				171,211
<u>17,328</u>	<u>1,605</u>		<u>24,781</u>	<u>103,367</u>
<u>18,782</u>	<u>2,011,754</u>	<u>853,406</u>	<u>95,511</u>	<u>4,042,049</u>
				169,531
	808		6,335	11,244,572
	7,955,200	3,289,372		578,083
<u>1,966,596</u>	<u>193,884</u>		<u>341,673</u>	<u>7,692,620</u>
<u>1,966,596</u>	<u>8,149,892</u>	<u>3,289,372</u>	<u>348,008</u>	<u>20,559,662</u>
<u>1,985,378</u>	<u>10,161,646</u>	<u>4,142,778</u>	<u>443,519</u>	<u>24,601,711</u>
<u>354,029</u>	<u>34,903</u>		<u>61,508</u>	<u>1,384,835</u>
120,332				8,355,809
<u>(2,016,844)</u>	<u>(2,416,971)</u>	<u>(347,577)</u>	<u>753,242</u>	<u>(2,619,866)</u>
<u>\$ (1,896,512)</u>	<u>\$ (2,416,971)</u>	<u>\$ (347,577)</u>	<u>\$ 753,242</u>	<u>\$ 5,735,943</u>

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
Operating Revenues:			
Charges for services	\$ 3,949,285	\$ 5,227,540	\$ 1,269,198
Operating Expenses:			
Personnel services	1,799,804	1,015,614	284,228
Administrative expenses	12,037	10,955	24,455
Benefit claims			
Supplies	105,025	69,806	84,879
Repairs and maintenance	3,554	870,017	64,520
Depreciation	141,677	2,230,812	4,040
Utilities	905,778	4,414	409,699
Fuel		1,088,516	
Professional services	1,240,866	52,328	277,969
Insurance premiums	49,400	37,340	13,770
Rent	1,248		
Other		51,266	73,451
Total Operating Expenses	4,259,389	5,431,068	1,237,011
Operating Income (Loss)	(310,104)	(203,528)	32,187
Non-Operating Revenues (Expenses):			
Investment income	5,083	58,764	8,820
Interest and fiscal charges	(27,956)	(42,545)	
Miscellaneous	630	101,511	3,033
Total Non-Operating Revenues	(22,243)	117,730	11,853
Income (Loss) Before Transfers and Capital Contributions	(332,347)	(85,798)	44,040
Transfers in	570,000		125
Transfers out			(100,000)
Capital contributions	15,975	107,553	
Change in Net Position	253,628	21,755	(55,835)
Net Position at Beginning of Year	609,516	13,443,283	1,091,139
Restatements	(3,087,519)	(2,082,584)	(549,622)
Net Position at Beginning of Year, as restated	(2,478,003)	11,360,699	541,517
Net Position at End of Year	\$ (2,224,375)	\$ 11,382,454	\$ 485,682

<u>Office Automation</u>	<u>Workers' Compensation</u>	<u>General Liability Self-Insurance</u>	<u>Insurance</u>	<u>Total</u>
\$ 1,518,360	\$ 2,835,482	\$ 2,344,974	\$ 10,585,031	\$ 27,729,870
1,048,039	105,842		175,121	4,428,648
	295,200	1,342,935	207,070	1,892,652
	747,128		662,773	1,409,901
14,230	4,069		1,039	279,048
3,754			2,719	944,564
37,219				2,413,748
9,547	2,208		9,120	1,340,766
				1,088,516
6,109	1,738,848	610,710	139,987	4,066,817
10,930	482,296	45,973	9,470,429	10,110,138
				1,248
318,814	6,122	8,949	36,283	494,885
<u>1,448,642</u>	<u>3,381,713</u>	<u>2,008,567</u>	<u>10,704,541</u>	<u>28,470,931</u>
<u>69,718</u>	<u>(546,231)</u>	<u>336,407</u>	<u>(119,510)</u>	<u>(741,061)</u>
1,549	56,587	29,778	7,660	168,241
				(70,501)
			4,546	109,720
<u>1,549</u>	<u>56,587</u>	<u>29,778</u>	<u>12,206</u>	<u>207,460</u>
71,267	(489,644)	366,185	(107,304)	(533,601)
50,000		1,000,000		1,620,125
				(100,000)
				123,528
<u>121,267</u>	<u>(489,644)</u>	<u>1,366,185</u>	<u>(107,304)</u>	<u>1,110,052</u>
149,345	(1,713,673)	(1,713,762)	1,237,058	13,102,906
(2,167,124)	(213,654)		(376,512)	(8,477,015)
<u>(2,017,779)</u>	<u>(1,927,327)</u>	<u>(1,713,762)</u>	<u>860,546</u>	<u>4,625,891</u>
<u>\$ (1,896,512)</u>	<u>\$ (2,416,971)</u>	<u>\$ (347,577)</u>	<u>\$ 753,242</u>	<u>\$ 5,735,943</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services
Cash flows from Operating Activities:			
Cash received from customers	\$ 3,949,285	\$ 5,229,345	\$ 1,269,198
Cash paid to employees for services	(1,837,990)	(1,051,034)	(290,644)
Cash paid to other suppliers of goods or services	(2,332,707)	(1,802,326)	(918,353)
Cash from other sources	630	58,022	
Net Cash Provided by (Used for) Operating Activities	(220,782)	2,434,007	60,201
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	570,000		
Cash paid from other funds			(99,875)
Net Cash Provided by Noncapital Financing Activities	570,000		(99,875)
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(333,331)	(3,032,895)	(12,663)
Sale of capital assets		43,489	3,033
Capital lease payment		(190,375)	
Principal payments on loans	(81,229)		
Interest payments on loans	(27,956)		
Net Cash (Used for) Capital and Related Financing Activities	(442,516)	(3,179,781)	(9,630)
Cash Flows from Investing Activities:			
Investment income received	5,575	62,854	9,496
Net Increase (Decrease) in Cash and Cash Equivalents	(87,723)	(682,920)	(39,808)
Cash and Cash Equivalents at Beginning of Year	587,839	7,534,606	910,375
Cash and Cash Equivalents at End of Year	<u>\$ 500,116</u>	<u>\$ 6,851,686</u>	<u>\$ 870,567</u>

Office Automation	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
\$ 1,518,360	\$ 2,835,482	\$ 2,344,974	\$ 10,586,629	\$ 27,733,273
(1,076,616)	(404,308)	(1,342,935)	(383,500)	(6,387,027)
(367,697)	(2,804,711)	(1,555,331)	(10,317,913)	(20,099,038)
			4,546	63,198
74,047	(373,537)	(553,292)	(110,238)	1,310,406
50,000		1,000,000		1,620,000
				(99,875)
50,000		1,000,000		1,520,125
(44,068)				(3,422,957)
				46,522
				(190,375)
				(81,229)
				(27,956)
(44,068)				(3,675,995)
1,313	62,148	30,814	8,245	180,445
81,292	(311,389)	477,522	(101,993)	(665,019)
58,973	7,800,209	3,306,092	1,221,820	21,419,914
\$ 140,265	\$ 7,488,820	\$ 3,783,614	\$ 1,119,827	\$ 20,754,895

(Continued)

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2015

	<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)	\$ (310,104)	\$ (203,528)	\$ 32,187
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	141,677	2,230,809	4,040
Pension expense	(40,511)	(27,326)	(7,213)
Cash from other sources	630	58,022	
Change in assets and liabilities:			
Decrease in accounts receivable		1,805	
(Increase) decrease in inventories	(62,245)	75,521	12,572
Increase (decrease) in accounts payable	35,408	295,843	7,540
Increase (decrease) in accrued expenses	5,150	3,463	1,082
Increase (decrease) in employee leave benefits payable	9,213	(602)	9,993
Increase (decrease) in estimated claims payable			
Total Adjustments	<u>89,322</u>	<u>2,637,535</u>	<u>28,014</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (220,782)</u>	<u>\$ 2,434,007</u>	<u>\$ 60,201</u>
Noncash Investing, Capital and Financing Activities:			
Contributed property, plant and equipment		<u>\$ 107,553</u>	

<u>Office Automation</u>	<u>Workers' Compensation</u>	<u>General Liability Self-Insurance</u>	<u>Insurance</u>	<u>Total</u>
\$ 69,718	\$ (546,231)	\$ 336,407	\$ (119,510)	\$ (741,061)
37,218				2,413,744
(28,435)	(2,803)		(4,942)	(111,230)
			4,546	63,198
			1,598	3,403
				25,848
(4,312)	(104,040)	(114,855)	3,902	119,486
(142)	46		1,384	10,983
	(509)		2,784	20,879
	280,000	(774,844)		(494,844)
<u>4,329</u>	<u>172,694</u>	<u>(889,699)</u>	<u>9,272</u>	<u>2,051,467</u>
<u>\$ 74,047</u>	<u>\$ (373,537)</u>	<u>\$ (553,292)</u>	<u>\$ (110,238)</u>	<u>\$ 1,310,406</u>
				<u>\$ 107,553</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, 2015

	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	\$ 189,365	\$ 25,747	\$ 303,303	\$ 257,063	\$ 7,115,404	\$ 7,890,882
Cash and investments with fiscal agent		5,020	336,803	342,986		684,809
Receivables:						
Interest	462	1,262	798	726	433	3,681
Taxes		3,504		285		3,789
 Total Assets	 <u>\$ 189,827</u>	 <u>\$ 35,533</u>	 <u>\$ 640,904</u>	 <u>\$ 601,060</u>	 <u>\$ 7,115,837</u>	 <u>\$ 8,583,161</u>
<u>Liabilities</u>						
Accounts payable	\$	\$ 29	\$	\$ 2,700	\$ 157,964	\$ 160,693
Deposits payable					6,957,873	6,957,873
Due to bondholders	<u>189,827</u>	<u>35,504</u>	<u>640,904</u>	<u>598,360</u>		<u>1,464,595</u>
 Total Liabilities	 <u>\$ 189,827</u>	 <u>\$ 35,533</u>	 <u>\$ 640,904</u>	 <u>\$ 601,060</u>	 <u>\$ 7,115,837</u>	 <u>\$ 8,583,161</u>

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	<u>Balance at</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2015</u>
<u>Hidden Trails Community Facilities District</u>				
<u>Assets</u>				
Cash and investments	\$ 176,061	\$ 202,079	\$ (188,775)	\$ 189,365
Restricted assets:				
Cash and investments with fiscal agent	9,998	2	(10,000)	
Receivables:				
Interest	471	462	(471)	462
Taxes	1,155		(1,155)	
	<u>1,155</u>	<u> </u>	<u>(1,155)</u>	<u> </u>
Total Assets	<u>\$ 187,685</u>	<u>\$ 202,543</u>	<u>\$ (200,401)</u>	<u>\$ 189,827</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 185,495	\$ (185,495)	\$
Due to bondholders	187,685	302,543	(300,401)	189,827
	<u>187,685</u>	<u>302,543</u>	<u>(300,401)</u>	<u>189,827</u>
Total Liabilities	<u>\$ 187,685</u>	<u>\$ 488,038</u>	<u>\$ (485,896)</u>	<u>\$ 189,827</u>
<u>Eureka Ranch Community Facilities District</u>				
<u>Assets</u>				
Cash and investments	\$ 832,940	\$ 1,230,300	\$ (2,037,493)	\$ 25,747
Restricted assets:				
Cash and investments with fiscal agent	1,217,269	32,947,817	(34,160,066)	5,020
Receivables:				
Interest	6,269	1,262	(6,269)	1,262
Taxes		3,504		3,504
	<u> </u>	<u>3,504</u>	<u> </u>	<u>3,504</u>
Total Assets	<u>\$ 2,056,478</u>	<u>\$ 34,182,883</u>	<u>\$ (36,203,828)</u>	<u>\$ 35,533</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 2,029,252	\$ (2,029,223)	\$ 29
Due to bondholders	2,056,478	15,407,491	(17,428,465)	35,504
	<u>2,056,478</u>	<u>15,407,491</u>	<u>(17,428,465)</u>	<u>35,504</u>
Total Liabilities	<u>\$ 2,056,478</u>	<u>\$ 17,436,743</u>	<u>\$ (19,457,688)</u>	<u>\$ 35,533</u>

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2015

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
<u>Auto Parkway Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$ 297,171	\$ 341,043	\$ (334,911)	\$ 303,303
Restricted assets:				
Cash and investments with fiscal agent	335,379	1,947	(523)	336,803
Receivables:				
Interest	1,892	798	(1,892)	798
	<u>\$ 634,442</u>	<u>\$ 343,788</u>	<u>\$ (337,326)</u>	<u>\$ 640,904</u>
Total Assets				
	<u>\$ 634,442</u>	<u>\$ 343,788</u>	<u>\$ (337,326)</u>	<u>\$ 640,904</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 332,311	\$ (332,311)	\$
Due to bondholders	634,442	617,763	(611,301)	640,904
	<u>\$ 634,442</u>	<u>\$ 950,074</u>	<u>\$ (943,612)</u>	<u>\$ 640,904</u>
Total Liabilities				
	<u>\$ 634,442</u>	<u>\$ 950,074</u>	<u>\$ (943,612)</u>	<u>\$ 640,904</u>
<u>Rancho San Pasqual</u>				
<u>Assets</u>				
Cash and investments	\$ 256,768	\$ 345,734	\$ (345,439)	\$ 257,063
Restricted assets:				
Cash and investments with fiscal agent	341,543	2,818	(1,375)	342,986
Receivables:				
Interest	1,858	726	(1,858)	726
Taxes	713	286	(714)	285
	<u>\$ 600,882</u>	<u>\$ 349,564</u>	<u>\$ (349,386)</u>	<u>\$ 601,060</u>
Total Assets				
	<u>\$ 600,882</u>	<u>\$ 349,564</u>	<u>\$ (349,386)</u>	<u>\$ 601,060</u>
<u>Liabilities</u>				
Accounts payable	\$	\$ 348,139	\$ (345,439)	\$ 2,700
Due to bondholders	600,882	526,853	(529,375)	598,360
	<u>\$ 600,882</u>	<u>\$ 874,992</u>	<u>\$ (874,814)</u>	<u>\$ 601,060</u>
Total Liabilities				
	<u>\$ 600,882</u>	<u>\$ 874,992</u>	<u>\$ (874,814)</u>	<u>\$ 601,060</u>

(Continued)

CITY OF ESCONDIDO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2015

	<u>Balance at</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2015</u>
<u>Deposit Trust</u>				
<u>Assets</u>				
Cash and investments	\$ 5,643,506	\$ 2,510,484	\$ (1,038,586)	\$ 7,115,404
Receivables:				
Interest	495	433	(495)	433
Total Assets	<u>\$ 5,644,001</u>	<u>\$ 2,510,917</u>	<u>\$ (1,039,081)</u>	<u>\$ 7,115,837</u>
<u>Liabilities</u>				
Accounts payable	\$ 267,609	\$ 936,469	\$ (1,046,114)	\$ 157,964
Deposits payable	5,376,392	2,535,531	(954,050)	6,957,873
Total Liabilities	<u>\$ 5,644,001</u>	<u>\$ 3,472,000</u>	<u>\$ (2,000,164)</u>	<u>\$ 7,115,837</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$ 7,206,446	\$ 4,629,640	\$ (3,945,204)	\$ 7,890,882
Restricted assets:				
Cash and investments with fiscal agent	1,904,189	32,952,584	(34,171,964)	684,809
Receivables:				
Interest	10,985	3,681	(10,985)	3,681
Taxes	1,868	3,790	(1,869)	3,789
Total Assets	<u>\$ 9,123,488</u>	<u>\$ 37,589,695</u>	<u>\$ (38,130,022)</u>	<u>\$ 8,583,161</u>
<u>Liabilities</u>				
Accounts payable	\$ 267,609	\$ 3,831,666	\$ (3,938,582)	\$ 160,693
Deposits payable	5,376,392	2,535,531	(954,050)	6,957,873
Due to bondholders	3,479,487	16,854,650	(18,869,542)	1,464,595
Total Liabilities	<u>\$ 9,123,488</u>	<u>\$ 23,221,847</u>	<u>\$ (23,762,174)</u>	<u>\$ 8,583,161</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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009
Governmental Activities:				
Net investment in capital assets	\$ 147,033,475	\$ 175,696,600	\$ 197,917,746	\$ 198,895,947
Restricted	69,207,183	77,955,931	83,690,162	89,093,908
Unrestricted	67,952,345	80,216,675	65,128,364	65,461,162
Total Governmental Activities Net Position	\$ 284,193,003	\$ 333,869,206	\$ 346,736,272	\$ 353,451,017
Business-type Activities:				
Net investment in capital assets	\$ 94,483,383	\$ 118,573,025	\$ 123,532,924	\$ 126,868,016
Restricted				
Unrestricted	37,421,108	26,761,762	30,304,352	37,096,093
Total Business-type Activities Net Position	\$ 131,904,491	\$ 145,334,787	\$ 153,837,276	\$ 163,964,109
Primary Government:				
Net investment in capital assets	\$ 241,516,858	\$ 294,269,625	\$ 321,450,670	\$ 325,763,963
Restricted	69,207,183	77,955,931	83,690,162	89,093,908
Unrestricted	105,373,453	106,978,437	95,432,716	102,557,255
Total Primary Government Activities Net Position	\$ 416,097,494	\$ 479,203,993	\$ 500,573,548	\$ 517,415,126

Source:

City of Escondido Finance Department.

2010	2011	2012	2013	2014	2015
\$ 205,646,459	\$ 222,661,354	\$ 225,296,741	\$ 211,228,317	\$ 207,003,751	\$ 201,314,048
114,214,410	86,393,247	98,970,485	90,152,311	92,356,580	90,509,538
36,921,478	40,341,057	53,862,572	27,922,604	24,555,904	(124,495,479)
<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>	<u>\$ 167,328,107</u>
\$ 130,301,709	\$ 137,189,496	\$ 138,580,703	\$ 141,057,087	\$ 151,539,613	\$ 158,231,376
46,473,299	53,436,660	56,358,559	61,147,031	57,540,105	28,819,831
<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>	<u>\$ 187,051,207</u>
\$ 335,948,168	\$ 359,850,850	\$ 363,877,444	\$ 352,285,404	\$ 358,543,364	\$ 359,545,424
114,214,410	86,393,247	98,970,485	90,152,311	92,356,580	90,509,538
83,394,777	93,777,717	110,221,131	89,069,635	82,096,009	(95,675,648)
<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>	<u>\$ 354,379,314</u>

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

	2006	2007	2008	2009
<u>Expenses</u>				
Governmental Activities:				
General government	\$ 7,899,175	\$ 8,373,054	\$ 9,646,524	\$ 8,183,784
Public safety	52,318,975	53,981,546	57,284,755	53,639,237
Community services	11,298,631	15,004,608	29,728,378	20,460,103
Public works	24,150,012	24,159,197	18,340,037	23,475,660
Community development	10,067,992	12,635,417	13,974,447	12,777,932
Contributions to other governments				
Interest and fiscal charges	7,313,735	10,447,184	14,338,384	8,050,461
Total Governmental Activities Expenses	113,048,520	124,601,006	143,312,525	126,587,177
Business-type Activities:				
Water	33,612,785	37,583,686	37,989,541	38,810,712
Wastewater	22,619,254	24,660,271	26,995,420	24,743,922
Total Business-type Activities Expenses	56,232,039	62,243,957	64,984,961	63,554,634
Total Primary Government Expenses	\$ 169,280,559	\$ 186,844,963	\$ 208,297,486	\$ 190,141,811
<u>Program Revenues</u>				
Governmental activities:				
Charges for services:				
General government	\$ 207,933	\$ 277,178	\$ 290,007	\$ 455,029
Public safety	9,053,779	9,702,964	9,241,808	9,980,199
Community services	3,922,815	4,222,222	6,864,643	6,798,670
Public works	3,300,443	1,556,038	1,411,020	1,253,367
Community development	3,026,817	2,148,321	1,507,452	1,128,602
Operating grants and contributions	15,336,026	29,978,774	15,513,780	9,728,353
Capital grants and contributions	16,511,533	19,574,286	9,042,570	11,779,461
Total Governmental Activities Program Revenues	51,359,346	67,459,783	43,871,280	41,123,681
Business-type Activities:				
Charges for services:				
Water	34,092,368	39,087,592	38,944,163	39,161,082
Wastewater	20,368,422	22,643,416	23,699,984	25,741,913
Operating grants and contributions			2,657,685	301,875
Capital grants and contributions	13,978,586	11,036,390	3,554,975	4,725,698
Total Business-type Activities Program Revenues	68,439,376	72,767,398	68,856,807	69,930,568
Total Primary Government Program Revenues	\$ 119,798,722	\$ 140,227,181	\$ 112,728,087	\$ 111,054,249

2010	2011	2012	2013	2014	2015
\$ 8,058,408	\$ 8,162,775	\$ 7,923,896	\$ 6,931,282	\$ 6,817,120	\$ 6,412,164
58,486,106	56,170,547	60,467,057	58,937,215	64,735,010	62,464,110
20,321,281	13,935,737	14,428,323	13,492,016	13,824,749	12,485,541
25,927,953	30,251,264	23,508,515	28,719,020	22,830,644	24,390,896
7,814,707	9,908,625	6,765,185	6,095,723	4,442,510	4,652,366
			4,319,291		
7,649,971	7,459,498	5,946,168	4,038,630	3,709,135	4,655,972
128,258,426	125,888,446	119,039,144	122,533,177	116,359,168	115,061,049
40,277,313	37,364,315	43,537,887	48,899,219	51,937,493	51,558,727
24,154,671	23,833,875	23,995,887	25,847,825	28,748,596	29,740,987
64,431,984	61,198,190	67,533,774	74,747,044	80,686,089	81,299,714
<u>\$ 192,690,410</u>	<u>\$ 187,086,636</u>	<u>\$ 186,572,918</u>	<u>\$ 197,280,221</u>	<u>\$ 197,045,257</u>	<u>\$ 196,360,763</u>
\$ 159,353	\$ 351,155	\$ 735,395	\$ 481,812	\$ 1,049,402	\$ 261,135
9,207,628	8,273,579	8,429,675	8,322,729	8,217,629	9,450,880
5,625,758	3,871,455	4,158,173	4,118,332	4,104,210	4,042,601
1,076,721	994,907	1,160,643	1,261,705	1,554,453	1,292,959
1,372,001	1,154,371	820,337	914,370	1,351,882	1,615,495
14,568,341	12,988,723	13,503,657	12,507,289	13,031,177	9,216,428
14,818,607	10,550,030	5,608,064	8,528,675	3,331,901	2,855,849
46,828,409	38,184,220	34,415,944	36,134,912	32,640,654	28,735,347
40,155,208	37,293,900	42,398,099	48,857,327	54,411,250	54,323,287
29,208,703	28,176,381	26,430,851	28,482,081	29,413,549	32,014,382
			6,559	243,302	533,816
5,851,309	8,922,144	2,155,659	3,858,657	1,879,809	2,972,993
75,215,220	74,392,425	70,984,609	81,204,624	85,947,910	89,844,478
<u>\$ 122,043,629</u>	<u>\$ 112,576,645</u>	<u>\$ 105,400,553</u>	<u>\$ 117,339,536</u>	<u>\$ 118,588,564</u>	<u>\$ 118,579,825</u>

(Continued)

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

	2006	2007	2008	2009
<u>Net (Expense)/Revenue</u>				
Governmental activities	\$ (61,689,174)	\$ (57,141,223)	\$ (99,441,245)	\$ (85,463,496)
Business-type activities	12,207,337	10,523,441	3,871,846	6,375,934
Total Primary Government Net Expense	<u>\$ (49,481,837)</u>	<u>\$ (46,617,782)</u>	<u>\$ (95,569,399)</u>	<u>\$ (79,087,562)</u>
<u>General Revenues and Other</u> <u>Changes in Net Position</u>				
Governmental activities:				
Taxes:				
Sales taxes	\$ 30,002,918	\$ 28,419,440	\$ 24,471,382	\$ 18,841,244
Property taxes	30,556,891	39,320,532	43,123,943	37,745,185
Franchise tax	4,241,212	4,625,383	4,088,986	4,540,227
Payments in lieu of taxes	15,974,459	21,162,788	20,550,985	18,907,389
Other taxes	4,900,694	5,419,437	4,801,752	4,264,906
Use of money and property	4,025,320	7,341,621	14,217,786	6,977,368
Sale of capital assets				
Miscellaneous	1,400,371	526,770	971,977	872,722
Transfers	201,000	1,455	81,500	29,200
Extraordinary item: Gain/(loss)				
Total Governmental Activities	<u>91,302,865</u>	<u>106,817,426</u>	<u>112,308,311</u>	<u>92,178,241</u>
Business-type activities:				
Use of money and property	1,675,819	2,708,150	3,497,943	2,791,475
Miscellaneous	291,140	200,160	1,214,200	988,624
Transfers	(201,000)	(1,455)	(81,500)	(29,200)
Extraordinary item: Loss on chemical tank spill				
Total Business-type Activities	<u>1,765,959</u>	<u>2,906,855</u>	<u>4,630,643</u>	<u>3,750,899</u>
Total Primary Government	<u>\$ 93,068,824</u>	<u>\$ 109,724,281</u>	<u>\$ 116,938,954</u>	<u>\$ 95,929,140</u>
<u>Change in Net Position</u>				
Governmental activities	\$ 29,613,691	\$ 49,676,203	\$ 12,867,066	\$ 6,714,745
Business-type activities	13,973,296	13,430,296	8,502,489	10,126,833
Total primary government	<u>\$ 43,586,987</u>	<u>\$ 63,106,499</u>	<u>\$ 21,369,555</u>	<u>\$ 16,841,578</u>

Source:

City of Escondido Finance Department.

2010	2011	2012	2013	2014	2015
\$ (81,430,017)	\$ (87,704,226)	\$ (84,623,200)	\$ (86,398,265)	\$ (83,718,514)	\$ (86,325,702)
10,783,236	13,194,235	3,450,835	6,457,580	5,261,821	8,544,764
<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>	<u>\$ (77,780,938)</u>
\$ 17,826,617	\$ 20,819,517	\$ 25,532,055	\$ 24,202,373	\$ 27,366,084	\$ 29,447,205
27,884,137	28,168,365	24,060,363	16,738,501	16,805,289	16,953,228
4,344,355	4,461,129	4,563,576	4,516,247	4,694,252	5,147,696
17,989,533	17,652,114	19,548,954	19,041,332	20,075,228	20,531,727
4,014,349	4,048,337	2,899,789	3,971,585	4,218,914	4,411,676
4,654,030	4,810,578	5,885,611	3,290,477	4,153,899	4,309,471
	171,386	399,819			138,304
2,130,400	476,135	748,181	1,070,052	892,851	362,066
41,330	1,248,845	25,000	25,000	125,000	(54,620)
		29,693,992	(34,948,363)		
<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>	<u>81,246,753</u>
1,794,117	1,608,420	1,750,475	1,522,495	1,577,693	1,699,516
274,876	297,338	250,862	447,638	161,086	176,720
(41,330)	(1,248,845)	(25,000)	(25,000)	(125,000)	54,620
		(1,114,066)			
<u>2,027,663</u>	<u>656,913</u>	<u>862,271</u>	<u>1,945,133</u>	<u>1,613,779</u>	<u>1,930,856</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>	<u>\$ 83,177,609</u>
\$ (2,545,266)	\$ (5,847,820)	\$ 28,734,140	\$ (48,491,061)	\$ (5,386,997)	\$ (5,078,949)
12,810,899	13,851,148	4,313,106	8,402,713	6,875,600	10,475,620
<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>	<u>\$ 5,396,671</u>

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

	2006	2007	2008	2009
General Fund				
Reserved	\$ 11,979,933	\$ 11,981,270	\$ 10,149,296	\$ 10,763,636
Unreserved, designated	33,314,688	39,074,546	36,201,191	30,001,183
Unreserved, undesignated	5,618,069	18,267	31,478	360,555
Nonspendable				
Committed to				
Assigned to				
Unassigned				
Total General Fund	\$ 50,912,690	\$ 51,074,083	\$ 46,381,965	\$ 41,125,374
All Other Governmental Funds				
Reserved	\$ 59,867,398	\$ 70,384,963	\$ 79,272,342	\$ 90,244,472
Reserved for current projects, reported in:				
Special revenue funds	8,779,174	3,343,847	4,409,890	4,506,647
Capital projects funds	23,071,427	111,342,705	83,750,017	38,533,362
Unreserved, reported in:				
Special revenue funds	753,179	3,886,179	903,378	1,656,500
Capital projects funds	232,743	4,519,393	4,822,008	6,609,031
Undesignated, reported in:				
Special revenue funds	580,649	638,880	17,198	612,564
Capital projects funds	(2,050,830)	(653,000)		
Nonspendable				
Restricted for				
Committed to				
Assigned to				
Unassigned				
Total All Other Governmental Funds	\$ 91,233,740	\$ 193,462,967	\$ 173,174,833	\$ 142,162,576

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.

2010	2011	2012	2013	2014	2015
\$ 10,331,307	\$	\$	\$	\$	\$
21,694,390					
	5,456,377	5,180,347	2,503,401	217,690	183,403
	28,354,588	31,938,244	17,210,596	17,319,659	17,281,659
	713,361	852,481	980,678	897,465	681,822
	399,790	753,121	247,130	1,753,519	
<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>	<u>\$ 18,146,884</u>
\$ 91,342,926	\$	\$	\$	\$	\$
3,005,679					
9,407,468					
4,762,099					
8,691,702					
1,097,044					
	61,204,587	57,982,791	60,199,844		
	21,732,085	30,695,122	20,785,893	81,559,045	78,261,012
	8,418,117	5,208,585	2,466,775	2,008,525	1,860,686
	774,990	447,148	159,405	139,653	488
	(14,547,286)	(1,021,715)	(1,248,533)	(1,149,954)	(1,184,683)
<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>	<u>\$ 78,937,503</u>

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

	2006	2007	2008	2009
<u>Revenues</u>				
Taxes	\$ 77,734,043	\$ 81,151,830	\$ 80,426,993	\$ 74,152,418
Licenses and permits	1,466,492	1,192,210	1,083,012	984,790
Fines and forfeits	2,591,254	3,438,103	2,775,808	2,552,099
Intergovernmental	25,479,372	24,847,891	24,981,294	24,161,739
Charges for services	17,159,737	28,652,127	14,534,487	14,518,395
Special assessments	534,503	5,977,365	6,114,007	5,560,064
Lease income	74,598	67,842	65,380	48,743
Investment income	2,945,448	10,853,706	17,189,718	5,993,386
Miscellaneous	4,870,084	4,460,671	6,037,085	6,211,906
Total Revenues	132,855,531	160,641,745	153,207,784	134,183,540
<u>Expenditures</u>				
General government	6,794,411	7,255,759	9,127,482	6,908,388
Public safety	51,915,935	55,236,173	57,495,217	54,009,216
Public works	10,950,990	15,876,014	16,530,427	15,116,819
Community services	12,161,879	13,644,105	19,136,835	17,849,432
Community development	6,857,595	6,266,748	7,484,775	10,003,869
Contributions to other governments				
Capital outlay	19,826,969	21,588,318	46,039,380	47,671,550
Debt service:				
Principal retirements	10,011,703	9,014,873	5,893,863	6,233,746
Interest and fiscal charges	3,314,576	6,000,362	14,271,646	7,922,238
SERAF payment	1,333,226			
Cost of issuance		1,838,207		
Payment to refunding				
bond escrow agent		9,331,468		
Agency tax sharing agreement	2,867,983	3,280,870	3,697,911	5,448,326
Total Expenditures	126,035,267	149,332,897	179,677,536	171,163,584
Excess (Deficiency) of Revenues Over Expenditures	6,820,264	11,308,848	(26,469,752)	(36,980,044)
<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	851,185			681,996
Transfers in	10,491,946	17,333,710	12,095,699	9,445,273
Transfers out	(12,628,406)	(17,974,255)	(12,656,199)	(9,416,073)
Total Other Financing Sources (Uses)	(1,285,275)	91,081,772	1,489,500	711,196
Extraordinary item: Gain/(loss)				
Net Change in Fund Balance	\$ 5,534,989	\$ 102,390,620	\$ (24,980,252)	\$ (36,268,848)
Debt service as a percentage of noncapital expenditures	12.5%	11.8%	15.1%	11.5%

Source:

City of Escondido Finance Department.

2010	2011	2012	2013	2014	2015
\$ 66,166,696	\$ 69,907,949	\$ 65,556,779	\$ 53,387,010	\$ 57,289,455	\$ 59,989,511
1,350,224	1,193,338	821,380	887,383	991,164	862,280
2,186,227	1,895,447	1,640,528	1,468,309	1,184,292	1,151,366
26,889,870	26,688,728	27,513,328	25,945,352	23,708,589	22,900,854
12,759,043	9,976,316	10,281,595	11,335,203	12,513,585	13,670,047
5,742,487	5,759,888	5,892,241	5,958,662	5,796,337	5,970,331
47,609	75,321	60,024	221,513	205,259	203,599
2,301,810	16,367,414	1,469,849	856,466	895,826	941,778
8,177,104	4,253,232	4,432,737	4,645,031	4,265,979	4,544,360
125,621,070	136,117,633	117,668,461	104,704,929	106,850,486	110,234,126
6,761,408	7,096,148	6,407,543	5,834,828	5,811,016	6,086,111
55,863,025	52,038,011	53,083,126	55,246,097	57,874,021	61,843,630
15,364,185	18,146,072	12,542,175	17,392,655	15,189,340	17,407,197
18,114,581	12,072,344	12,016,459	11,815,547	12,128,504	11,744,673
5,132,958	7,165,632	4,774,106	5,331,818	4,238,194	4,585,497
			4,319,291		
28,777,524	26,536,515	9,153,723	7,794,450	5,550,440	2,966,301
9,653,787	10,760,000	10,512,620	7,528,360	2,528,361	74,848,007
7,585,243	23,952,729	5,792,921	3,983,078	3,737,237	5,637,963
8,556,226	1,761,576				
3,817,295	9,101,406	5,921,213			
159,626,232	168,630,433	120,203,886	119,246,124	107,057,113	185,119,379
(34,005,162)	(32,512,800)	(2,535,425)	(14,541,195)	(206,627)	(74,885,253)
		224,078	4,830,000		70,660,479
			(122,073)		
	463,018	474,819	111,234	1,346,540	138,304
9,195,181	28,486,232	8,237,198	6,522,962	5,035,243	3,173,695
(8,873,851)	(25,059,387)	(8,062,198)	(6,673,765)	(6,734,743)	(4,748,440)
321,330	3,889,863	873,897	4,668,358	(352,960)	69,224,038
		21,191,043	(9,832,652)		
\$ (33,683,832)	\$ (28,622,937)	\$ 19,529,515	\$ (19,705,489)	\$ (559,587)	\$ (5,661,215)
13.2%	24.4%	14.7%	10.3%	6.2%	5.4%

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

Fiscal Year Ended June 30	Secured ⁽¹⁾				
	Residential	Commercial	Industrial	Other	Total
2006 ⁽²⁾	\$	\$	\$	\$	\$ 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
2015	9,141,236,450	892,083,504	705,542,595	1,974,941,095	12,713,803,644

Fiscal Year Ended June 30	Unsecured	Less: Exemptions	Taxable	Total
			Assessed Value	Direct Tax Rate
2006 ⁽²⁾	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
2015	494,147,367	(625,897,200)	12,582,053,811	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			
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
2015	0.103	0.103	0.710	0.157	0.030	1.000	0.127	1.127

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	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾
North County Fair LLC	\$225,680,742	1	1.79 %	\$160,125,964	1	1.56 %
Prebys Conrad Trust	88,103,744	2	0.70	56,159,727	3	0.55
Cox Communications San Diego	48,920,678	3	0.39	34,667,411	4	0.34
Frit Escondido Promenade, LLC	45,245,593	4	0.36	26,300,451	7	0.26
Vons	42,343,076	5	0.34			
Luna Properties LLC	41,512,392	6	0.33			
O C/S D Holdings LLC	34,835,123	7	0.28			
Garrick Motors Inc	34,164,465	8	0.27	21,807,017	10	0.21
Felicita Garp L L C	31,516,781	9	0.25	26,500,000	6	0.26
Goal Line L P	28,274,136	10	0.22	57,641,213	2	0.56
Emil Rose Partners Ii LP				30,651,000	5	0.30
Aimco Sunset Escondido LLC				23,574,473	8	0.23
Williams Portfolio 6				23,116,518	9	0.23
TOTAL	\$620,596,730		4.93 %	\$460,543,774		4.50 %

Notes:

(1) Net assessed valuation for 2014-15 is \$12,582,053,811

(2) Net assessed valuation for 2005-06 is \$10,239,534,593

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
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
2015	10,403,367	10,222,663	98.26	189,807	10,412,470	100.09

Notes:

The amounts presented do not include property taxes collected for the Community Development Commission in the following amounts: 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	Lease Revenue Bonds	Certificates of Participation	Tax Allocation Bonds (2)	Loans Payable	Capital Leases Payable	Total Governmental Activities
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
2015	61,520,000	4,415,000			779,130	1,046,067	67,760,197

Notes:

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

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

Source:

City of Escondido Finance Department.

Business-type Activities (1)						
Revenue COP & Lease Revenue Bonds	Special Tax/ Assessment Bonds	Loans Payable	Total Business Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita
\$ 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
103,970,000		18,304,767	122,274,767	190,034,964	5.82	1,290

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		
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	0.62	507
2015	61,520,000			61,520,000	0.49	418

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, 2015

2014-15 Assessed Valuation:	\$ 12,932,089,832		
Redevelopment Agency Incremental Valuation:	2,542,597,200		
Adjusted Assessed Valuation:	\$ 10,389,492,632		
	Percentage	Outstanding	
	Applicable⁽¹⁾	Debt 6/30/15	
		Estimated Share	
		of Overlapping	
		Debt	
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.555 %	\$ 110,420,000	\$ 612,831
Palomar Community College District	12.985	515,523,901	66,940,779
San Marcos Unified School District School	3.560	280,348,736	9,980,415
San Marcos Unified School District School Facilities Improvement District No. 1	2.195	4,333,019	95,110
San Marcos Unified School District Community Facilities District No. 1	100.000	325,000	325,000
Escondido Union High School District	77.821	94,782,397	73,760,609
Escondido Union School District	78.563	100,434,622	78,904,452
San Pasqual Union School District	56.922	399,945	227,657
Valley Center-Pauma Unified School District	0.001	899,716	9
Total Overlapping Tax and Assessment Debt		1,107,467,336	230,846,862
<u>OVERLAPPING GENERAL OBLIGATION DEBT:</u>			
San Diego County General Fund Obligations	3.086	351,670,000	10,852,536
San Diego County Pension Obligations	3.086	682,615,180	21,065,504
San Diego County Superintendent of School Obligations	3.086	14,732,500	454,645
Palomar Community College District Certificates of Participation	12.985	4,350,000	564,848
San Marcos Unified School General Fund Obligations	3.560	54,688,327	1,946,904
Escondido Union High School District Certificates of Participation	77.821	58,705,000	45,684,818
Escondido Union School District Certificates of Participation	78.563	19,695,000	15,472,983
Palomar Pomerado Hospital District	18.968	471,441,406	89,423,006
Total Overlapping General Fund Obligation Debt		1,657,897,413	185,465,244
<u>OVERLAPPING TAX INCREMENT DEBT:</u>			
Escondido Lease Revenue Bonds	100.000	26,285,000	26,285,000
Total Overlapping Tax Increment Debt		26,285,000	26,285,000
TOTAL OVERLAPPING DEBT		\$ 2,791,649,749	\$ 442,597,106
<u>CITY DIRECT DEBT:</u>			
City of Escondido General Fund Obligations	100.000 %	61,520,000	61,520,000
City of Escondido General Obligations	100.000	4,415,000	4,415,000
City of Escondido Hidden Trails Community Facilities District	100.000	2,260,000	2,260,000
City of Escondido Community Facilities District 2006-01	100.000	13,745,000	13,745,000
City of Escondido 1915 Act Bonds	100.000	4,045,000	4,045,000
TOTAL CITY DIRECT DEBT		85,985,000	85,985,000
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 528,582,106 ⁽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.

CITY OF ESCONDIDO
Legal Debt Margin Information
Last Ten Fiscal Years

	2006	2007	2008	2009
Assessed valuation	\$ 8,716,447,815	\$ 9,842,664,350	\$ 10,437,917,513	\$ 10,419,201,152
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 2,179,111,954	\$ 2,460,666,088	\$ 2,609,479,378	\$ 2,604,800,288
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	326,866,793	369,099,913	391,421,907	390,720,043
Total Debt Applicable to Limit:				
General Obligation Bonds		84,350,000	83,180,000	81,800,000
Legal Debt Margin	<u>\$ 326,866,793</u>	<u>\$ 284,749,913</u>	<u>\$ 308,241,907</u>	<u>\$ 308,920,043</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0%	23%	21%	21%

Note:

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

Source:

City of Escondido Finance Department.

2010	2011	2012	2013	2014	2015
\$ 9,608,214,935	\$ 9,501,563,129	\$ 9,663,353,864	\$ 9,674,335,352	\$ 9,841,518,516	\$ 10,389,492,632
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
\$ 2,402,053,734	\$ 2,375,390,782	\$ 2,415,838,466	\$ 2,418,583,838	\$ 2,460,379,629	\$ 2,597,373,158
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
360,308,060	356,308,617	362,375,770	362,787,576	369,056,944	389,605,974
80,360,000	78,860,000	77,295,000	75,665,000	73,965,000	61,520,000
<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>	<u>\$ 328,085,974</u>
22%	22%	21%	21%	20%	16%

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	Total	
2006	\$ 6,083,947	\$ 1,303,187	\$ 4,780,760	\$ 1,310,000	\$ 42,983	\$ 1,352,983	3.53
2007							
2008							
2009							
2010							
2011							
2012							
2013							
2014							
2015							

2001 Lease Revenue Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 422,395		\$ 422,395	\$ 130,000	\$ 292,395	\$ 422,395	1.00
2007	427,320		427,320	140,000	287,320	427,320	1.00
2008	431,520		431,520	150,000	281,520	431,520	1.00
2009	347,190		347,190	70,000	277,190	347,190	1.00
2010	354,300		354,300	80,000	274,300	354,300	1.00
2011	360,940		360,940	90,000	270,940	360,940	1.00
2012	367,015		367,015	100,000	267,015	367,015	1.00
2013	404,925		404,925	115,000	289,925	404,925	1.00
2014							
2015							

2013A Lease Revenue Refunding Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006							
2007							
2008							
2009							
2010							
2011							
2012							
2013	\$ 404,925		\$ 404,925				n/a
2014	359,714		359,714	\$ 205,000	\$ 154,714	\$ 359,714	1.00
2015	359,268		359,268	210,000	149,268	359,268	1.00

Notes:

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

Source:

City of Escondido Finance Department.

1993 Certificates of Participation

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 685,815		\$ 685,815	\$ 315,000	\$ 370,815	\$ 685,815	1.00
2007	684,445		684,445	340,000	344,445	684,445	1.00
2008	680,710		680,710	365,000	315,710	680,710	1.00
2009	679,352		679,352	395,000	284,352	679,352	1.00
2010	679,900		679,900	430,000	249,900	679,900	1.00
2011	677,310		677,310	465,000	212,310	677,310	1.00
2012	676,570		676,570	505,000	171,570	676,570	1.00
2013	677,260		677,260	550,000	127,260	677,260	1.00
2014	674,170		674,170	595,000	79,170	674,170	1.00
2015	672,090		672,090	645,000	27,090	672,090	1.00

Water and Wastewater Revenue and Revenue Certificates of Participation

Fiscal Year Ended June 30	Charges for Services and Other Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 63,178,518	\$ 44,933,767	\$ 18,244,751	\$ 1,235,000	\$ 3,985,477	\$ 5,220,477	3.49
2007	68,444,251	50,652,440	17,791,811	1,790,000	3,472,448	5,262,448	3.38
2008	70,037,925	53,617,950	16,419,975	14,295,000	3,652,947	17,947,947	0.91
2009	71,613,953	51,599,265	20,014,688	2,065,000	4,011,542	6,076,542	3.29
2010	72,191,950	52,131,987	20,059,963	2,135,000	3,937,058	6,072,058	3.30
2011	67,713,179	49,064,535	18,648,644	2,220,000	3,852,716	6,072,716	3.07
2012	71,296,465	53,021,213	18,275,252	2,310,000	4,020,204	6,330,204	2.89
2013	79,799,930	60,004,862	19,795,068	2,445,000	5,169,939	7,614,939	2.60
2014	86,667,661	65,419,946	21,247,715	2,900,000	5,331,367	8,231,367	2.58
2015	87,671,696	66,305,756	21,365,940	1,170,000	3,974,086	5,144,086	4.15

Special Assessment Debt - Auto Parkway

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 309,955		\$ 309,955	\$ 160,000	\$ 171,349	\$ 331,349	0.94
2007	373,134		373,134	165,000	163,304	328,304	1.14
2008	324,507		324,507	175,000	154,760	329,760	0.98
2009	333,284		333,284	185,000	145,624	330,624	1.01
2010	335,748		335,748	195,000	135,422	330,422	1.02
2011	338,480		338,480	205,000	124,172	329,172	1.03
2012	347,187		347,187	215,000	112,359	327,359	1.06
2013	343,514		343,514	225,000	99,984	324,984	1.06
2014	347,171		347,171	240,000	86,906	326,906	1.06
2015	343,788		343,788	255,000	72,984	327,984	1.05

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	Total	
2006	\$ 211,414		\$ 211,414	\$ 50,000	\$ 178,020	\$ 228,020	0.93
2007	580,694		580,694	50,000	175,708	225,708	2.57
2008	257,430		257,430	55,000	173,173	228,173	1.13
2009	240,612		240,612	65,000	170,423	235,423	1.02
2010	229,274		229,274	60,000	166,850	226,850	1.01
2011	238,709		238,709	75,000	162,900	237,900	1.00
2012	209,432		209,432	65,000	159,357	224,357	0.93
2013	229,435		229,435	70,000	155,610	225,610	1.02
2014	227,470		227,470	75,000	130,338	205,338	1.11
2015	202,543		202,543	95,000	185,180	280,180	0.72

Special Assessment Debt - Eureka Ranch

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006							
2007	\$ 2,031,526		\$ 2,031,526		\$ 302,325	\$ 302,325	6.72
2008	1,073,930		1,073,930		906,975	906,975	1.18
2009	1,451,135		1,451,135		906,975	906,975	1.60
2010	1,419,402		1,419,402	320,000	893,243	1,213,243	1.17
2011	1,182,479		1,182,479	330,000	879,630	1,209,630	0.98
2012	1,225,888		1,225,888	345,000	865,114	1,210,114	1.01
2013	1,252,550		1,252,550	360,000	849,600	1,209,600	1.04
2014	1,231,047		1,231,047	375,000	833,058	1,208,058	1.02
2015	1,240,086		1,240,086				

Special Assessment Debt - Rancho San Pasqual

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 341,255		\$ 341,255	\$ 100,000	\$ 231,313	\$ 331,313	1.03
2007	405,396		405,396	105,000	226,135	331,135	1.22
2008	343,088		343,088	115,000	220,468	335,468	1.02
2009	335,979		335,979	120,000	214,298	334,298	1.01
2010	351,695		351,695	125,000	207,774	332,774	1.06
2011	351,270		351,270	130,000	200,920	330,920	1.06
2012	357,610		357,610	140,000	193,595	333,595	1.07
2013	350,697		350,697	145,000	185,793	330,793	1.06
2014	355,975		355,975	155,000	177,543	332,543	1.07
2015	349,564		349,564	165,000	168,577	333,577	1.05

Notes:

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

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population⁽¹⁾</u>	<u>Personal Income (in millions)⁽²⁾</u>	<u>Per Capita Income⁽²⁾</u>	<u>Unemployment Rate⁽³⁾</u>
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
2014	147,294	3,267	22,181	4.8

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	2015		2006	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Palomar Medical Center	4,411	6.37 %	1,468	2.22 %
Escondido Union School District	1,898	2.74	2,119	3.20
Welk Group Inc	1,500	2.16		
San Diego Safari Park	1,188	1.71		
City of Escondido	1,035	1.49	1,186	1.80
Escondido Union High School District	887	1.28	1,488	2.25
Home Depot ⁽¹⁾	338	0.49		
Toyota of Escondido Inc	320	0.46		
ARS National Services Inc	300	0.43		
Nordstrom Inc.	280	0.40	400	0.61
North County Transit District			600	0.91
Vons Grocery Stores			430	0.65
SDG&E			400	0.61
Pacific Bell			325	0.49

Notes:

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

(1) 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	113	120	118	112	110	109	106	108	111	107
Public Safety	374	404	397	377	381	375	360	374	383	365
Public Works	168	175	156	149	142	143	151	154	148	140
Community Development	55	58	53	42	39	38	37	35	36	37
Community Services	236	280	265	221	225	224	216	225	206	174
Housing & Neighborhood Services	11	13	13	13	14	15	12	10	10	9
Water	116	124	121	119	117	118	118	114	114	118
Wastewater	71	74	75	72	74	75	73	71	82	78
Total	1,144	1,248	1,198	1,105	1,102	1,097	1,073	1,091	1,090	1,028

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Operating Indicators by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009
Police:				
Physical Arrests	7,126	7,359	7,373	7,004
Traffic Violations	18,396	21,580	20,496	21,438
Parking Violations	8,075	8,909	8,295	7,942
Fire:				
Number of Calls Answered	10,416	10,515	10,650	11,237
Number of Inspections Conducted	1,851	1,880	1,738	3,105
Public Works⁽¹⁾:				
Street Resurfacing (miles)	2.5	4.5	2.3	1.1
Parks and Recreation⁽¹⁾:				
Number of Recreation Classes	1,093	832	977	1,228
Number of Facility Rentals	919	998	987	982
Golf Rounds Played	87,196	90,014	95,149	100,192
Water:				
Number of Service Connections	25,559	25,972	26,161	26,280
Average Daily Consumption (gallons)	27,285,671	27,301,940	25,500,000	23,170,000
Sewer:				
Number of Service Connections	26,190	26,503	26,702	26,909
Average Daily Treatment (gallons)	14,400,000	14,300,000	14,320,000	13,000,000

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.

2010	2011	2012	2013	2014	2015
7,190	7,617	7,032	5,988	5,740	4,923
16,956	13,811	13,054	9,782	8,454	8,528
7,606	5,784	4,514	4,022	4,328	5,571
11,544	11,370	11,978	13,065	13,139	13,450
2,059	2,222	1,380	1,741	1,496	2,590
1.5	9.5	3.0	19.3	18.6	44.0
1,101	1,176	990	1,275	2,410	1,070
1,106	1,125	995	2,541	1,975	1,770
97,683	95,020	95,934	95,528	97,094	94,917
26,390	26,489	26,502	26,508	26,536	26,567
18,799,222	18,835,000	20,220,000	23,370,000	22,579,315	19,500,000
27,014	27,066	27,054	27,072	27,102	27,139
12,500,000	12,900,000	12,730,000	12,630,000	12,100,000	11,900,000

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

Function	2006	2007	2008	2009
Police:				
Stations	1	1	1	1
Fire:				
Stations	5	5	5	7
Public Works:				
Streets (miles)	295.3	299.2	302.0	302.0
Streetlights	4,749	5,691	6,382	6,408
Traffic Signals	117	126	135	139
Parks and Recreation:				
Parks	13	14	14	14
Community Centers	3	3	3	3
Golf Courses	2	2	2	2
Water:				
Water Mains (miles)	415	418	425	429
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:				
Sanitary Sewers (miles)	369	375	375	375
Storm Drains (miles)	329	378	380	380
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1	1	1	1	1	1
7	7	7	7	7	7
304.4	304.6	304.9	305.0	305.0	316.0
6,460	6,479	6,480	6,479	6,487	6,488
146	148	148	151	152	153
14	14	14	14	14	14
3	3	3	3	3	3
2	2	2	2	2	2
430	430	430	431	431	423
75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
351	352	355	363	379	374
380	381	383	382	377	411
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000





Comprehensive Annual Financial Report
Fiscal Year ended June 30, 2015