

# City of ESCONDIDO CALIFORNIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
JUNE 30, 2016







CITY OF ESCONDIDO • CALIFORNIA

# Comprehensive Annual Financial Report

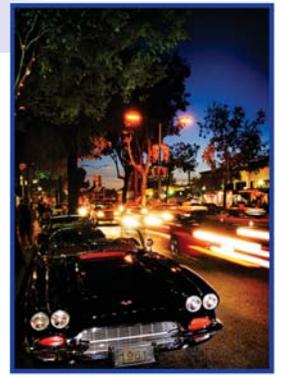
Fiscal Year Ended June 30, 2016

MAYOR  
Sam Abed

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

CITY MANAGER  
Graham Mitchell

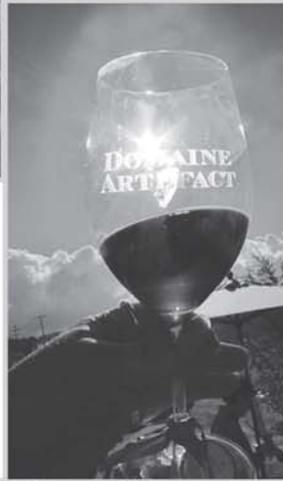
ASSISTANT CITY MANAGER  
Jay Petrek



DIRECTOR OF COMMUNITY DEVELOPMENT	Bill Martin
DIRECTOR OF LIBRARY AND COMMUNITY SERVICES	Loretta McKinney
DIRECTOR OF ADMINISTRATIVE SERVICES	Sheryl Bennett
DIRECTOR OF INFORMATION SYSTEMS	Mark Becker
DIRECTOR OF PUBLIC WORKS	Ed Domingue
DIRECTOR OF UTILITIES	Christopher McKinney
CHIEF OF POLICE	Craig Carter
FIRE CHIEF	Russell Knowles
CITY ATTORNEY	Jeffery Epp
CITY CLERK	Diane Halverson
CITY TREASURER	Kenneth Hugins



Prepared by the Finance Department



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**June 30, 2016**

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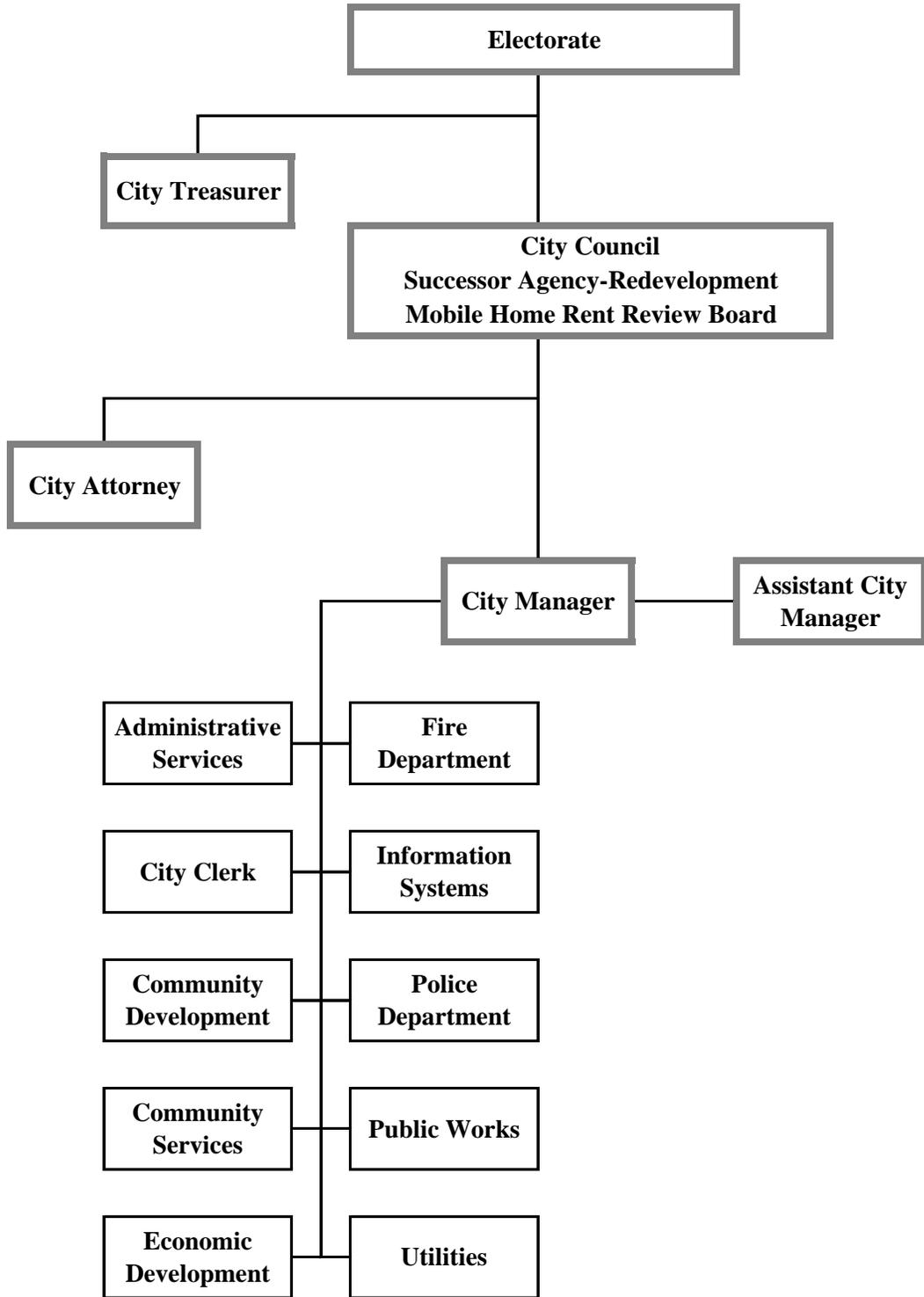
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**CITY OF ESCONDIDO**  
**Comprehensive Annual Financial Report**  
**Organization Chart**  
**June 30, 2016**

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December 13, 2016

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, 2016.

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

The City of Escondido's financial statements have been audited by The Pun Group, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Escondido for the fiscal year ended June 30, 2016, 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, 2016, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

In addition, The Pun Group audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget 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.

## **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 150,760. Within the 36 square miles that comprise the City, there are many residential communities; the largest enclosed regional mall in San Diego County; 1 regional hospital; 16 hotels; an auto center; many office, industrial, and commercial centers; and civic, cultural, and recreational facilities.

**CITY OF ESCONDIDO**  
**Letter of Transmittal**  
**December 13, 2016**

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

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

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

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

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

Financial administration of the City is the responsibility of the 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.

**ECONOMIC CONDITION**

**Local Economy.** Escondido's economy is one of the most diversified in North San Diego County. Industries such as healthcare, specialty food and beverage manufacturing, agriculture, professional services and precision manufacturing all call Escondido home. Retail sales are among the highest in San Diego County due to the presence of the Escondido Auto Park and Westfield North County. Palomar Medical Center, which opened its doors in the Escondido Research and Technology Center in 2012, is the centerpiece of the region's health care system and is recognized as one of the most technologically advanced hospitals in the world. Escondido is home to dozens of innovative companies and entrepreneurs, with one of the highest numbers of recorded patents per capita in the nation. As of September 2016, the unemployment rate in Escondido was 4.6%. The San Diego countywide unemployment rate was 4.6% with the State of California recording a 5.3% rate.

**CITY OF ESCONDIDO**  
**Letter of Transmittal**  
**December 13, 2016**

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**Long-term Financial Planning.** The City adopted a balanced budget for fiscal year 2015-16 with the assumption that sales tax and property tax revenue will continue to show growth. For the sixth year in a row, the City Council adopted a budget that does not rely on reserves for fiscal year 2016-17. The two-year General Fund budget was adopted with the assumption that sales tax, the City's largest revenue source which represents 41 percent of total General Fund revenue, grow by \$1.57 million or 4 percent. The City has experienced a steady increase in sales tax growth in fiscal year 2015-16 of about 6 percent mainly from increases in new auto sales, building materials wholesale and restaurants, which make up 40 percent of total sales tax revenue.

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 2015, 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 2015-16 Council Action Plan: Economic Development, Fiscal Management, Neighborhood Improvement, and Public Safety. On August 12, 2015 the City Council received and adopted the City Council Action Plan for fiscal year 2015-16. A final report on the 2015-2016 Council Action Plan will be presented to the City Council in 2017.

**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. Over the past 5 years, a decline in the City's average annual investment portfolio yield has been realized, decreasing from 2.17% at June 2011 to 1.22% at June 2016. This decline is representative of the continuous decline in investment interest rates and the portfolio's maturing, higher yielding investments being replaced with newer, lower yielding investments.

The Treasurer prepares quarterly investment reports that provide summary information on the status of the portfolio, including the par, book and market values of each security by investment type, detail of major portfolio transactions occurring during the period and investment yield information. The Quarterly investment reports are submitted to the City Manager and City Council.

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

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

**CITY OF ESCONDIDO**  
**Letter of Transmittal**  
**December 13, 2016**

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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 \$16.8 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, 2015. 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.

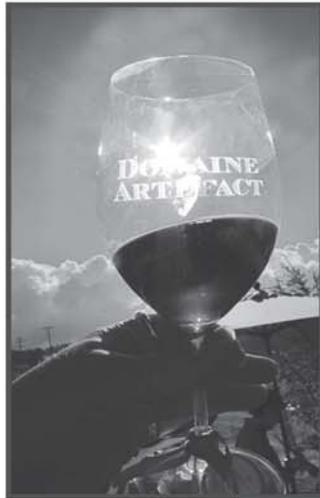
Respectfully submitted,



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, 2015**

Executive Director/CEO

# Financial Section



## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Escondido, California (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

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## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, and Schedules of Plan Contributions on pages 19 through 32 and 106 through 115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, 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 the 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.

*The PwC Group, LLP*

San Diego, California  
December 13, 2016

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## CITY OF ESCONDIDO

### Management's Discussion and Analysis

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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, 2016. 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 \$394,232,924 (*net position*).
- The government's total net position increased by \$31,944,031. Of this amount, \$30,722,560 is due to the transfer of capital assets from the Successor Agency as part of the dissolution of the Redevelopment Agency. Excluding this special item, Governmental activities increased by 0.7 percent or \$1,221,471 while business-type activities increased by 4.2 percent. The increase in net position is largely attributable to an increase in total capital assets 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 \$4,565,737, or 1.9 percent, during the fiscal year. The change reflects a \$576,768 increase for governmental activities and a \$5,142,505 decrease for business-type activities. The increase in long-term liabilities for governmental activities is mainly due to an increase the claims payable liability which was offset by routine principal and interest payments on outstanding obligations. The decrease in long-term liabilities for business-type activities is due to routine principal and interest payments on outstanding obligations.
- 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. The net pension liability increased by a combined total of \$15,267,205 or 9.3 percent. The change reflects a \$13,403,969 increase to governmental activities and a \$1,863,236 increase to business-type activities.

##### Fund Basis:

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$104,793,728, an increase of \$7,709,341 in comparison with the prior year.
- At the end of the current fiscal year, fund balance committed to Reserves in the General Fund was \$16,892,319 or 18.8 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

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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, 2016 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 35-37 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Successor Agency Housing Special Revenue Fund which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 38-41 of this report.

## CITY OF ESCONDIDO Management's Discussion and Analysis

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

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

The proprietary fund financial statements can be found on pages 42-47 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 48-49 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 50-104 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 1065-115 of this report. The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds can be found on pages 121-149 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	
	2016	2015	2016	2015	2016	2015
Assets and deferred outflows of resources:						
Current and other assets	\$ 150,421	\$ 145,015	\$ 105,713	\$ 121,587	\$ 256,134	\$ 266,602
Capital assets	299,554	277,800	265,476	246,903	565,030	524,703
Deferred outflows of resources	36,128	15,345	9,259	5,426	45,387	20,771
Total assets and deferred outflows of resources	486,103	438,160	380,448	373,916	866,551	812,076
Liabilities and deferred inflows of resources:						
Long-term liabilities outstanding	241,790	227,338	163,693	166,906	405,483	394,244
Other liabilities	13,806	14,059	15,807	14,649	29,613	28,708
Deferred inflows of resources	31,234	29,435	5,987	5,310	37,221	34,745
Total liabilities and deferred inflows of resources	286,830	270,832	185,487	186,865	472,317	457,697
Net position:						
Net investment in capital assets	223,907	201,314	172,888	158,231	396,795	359,545
Restricted	96,530	90,510	-	-	96,530	90,510
Unrestricted	(121,165)	(124,496)	22,073	28,820	(99,092)	(95,676)
Total net position	\$ 199,272	\$ 167,328	\$ 194,961	\$ 187,051	\$ 394,233	\$ 354,379

**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 \$394,232,924. Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At June 30, 2016 the net investment in capital assets represents \$396.8 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, 2016 restricted net position account for 24.5 percent, or \$96.5 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. At June 30, 2016 unrestricted net position was (\$99.1) million.

In the prior fiscal year, the City implemented GASBs No. 68 and 71 recording of the net pension liability which created a deficit in the unrestricted net position of the City. In the current fiscal year, the City is able to report positive balances in all categories of net position as a whole except for unrestricted net position.

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

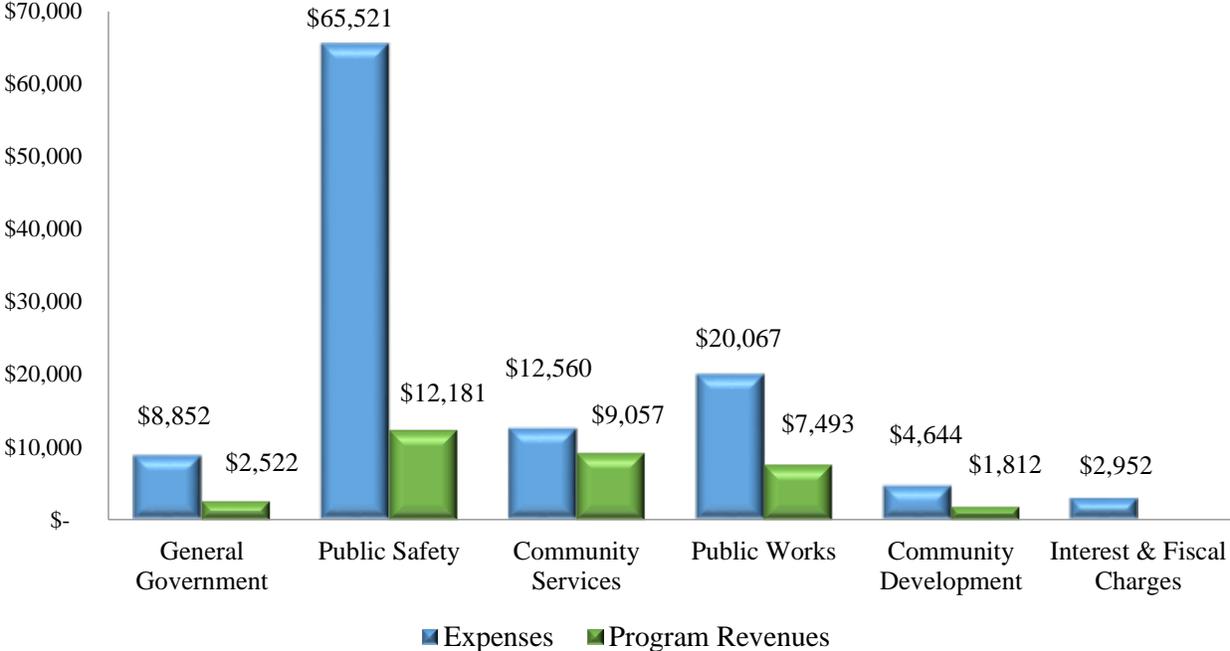
**City of Escondido's Changes in Net Position**

*(Amounts expressed in thousands)*

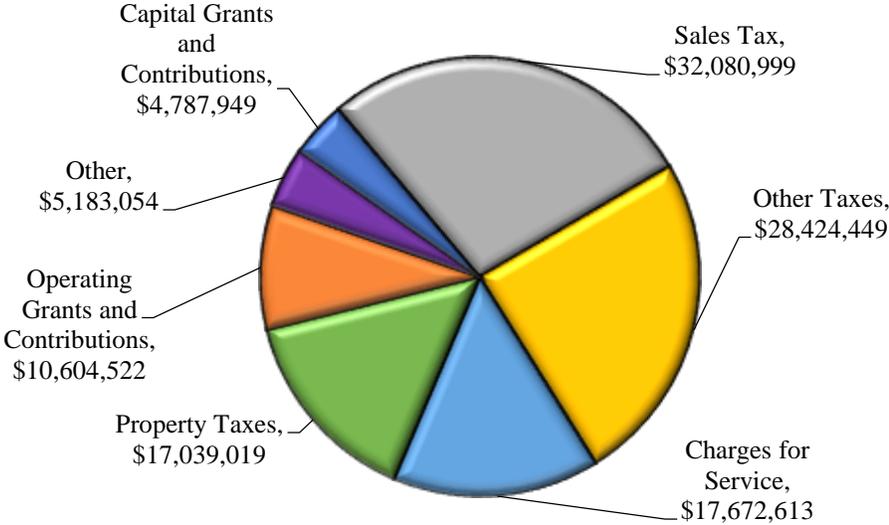
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 17,673	\$ 16,663	\$ 84,650	\$ 86,338	\$ 102,323	\$ 103,001
Operating grants and contributions	10,605	9,216	70	534	10,675	9,750
Capital grants and contributions	4,788	2,856	1,356	2,973	6,144	5,829
General revenues:						
Sales tax	32,080	29,447	-	-	32,080	29,447
Property taxes	17,039	16,953	-	-	17,039	16,953
Other taxes	28,424	30,093	-	-	28,424	30,093
Other	5,183	4,809	2,270	1,875	7,453	6,684
Total revenues	<u>115,792</u>	<u>110,037</u>	<u>88,346</u>	<u>91,720</u>	<u>204,138</u>	<u>201,757</u>
Expenses:						
General government	8,852	6,413	-	-	8,852	6,413
Public safety	65,521	62,464	-	-	65,521	62,464
Community services	12,560	12,485	-	-	12,560	12,485
Public works	20,067	24,391	-	-	20,067	24,391
Community development	4,643	4,652	-	-	4,643	4,652
Interest and fiscal charges	2,953	4,656	-	-	2,953	4,656
Water	-	-	49,845	51,559	49,845	51,559
Wastewater	-	-	30,566	29,741	30,566	29,741
Total expenses	<u>114,596</u>	<u>115,061</u>	<u>80,411</u>	<u>81,300</u>	<u>195,007</u>	<u>196,361</u>
Special item on dissolution of redevelopment agency	30,723	-	-	-	30,723	-
Increase (decrease) in net position before transfers	31,919	(5,024)	7,935	10,420	39,854	5,396
Transfers	25	(55)	(25)	55	-	-
Increase (decrease) in net position after transfers	31,944	(5,079)	7,910	10,475	39,854	5,396
Net position – July 1	167,328	172,407	187,051	176,576	354,379	348,983
Net position – June 30	<u>\$199,272</u>	<u>\$167,328</u>	<u>\$ 194,961</u>	<u>\$187,051</u>	<u>\$ 394,233</u>	<u>\$ 354,379</u>

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

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



**Revenues by Source – Governmental Activities**



## CITY OF ESCONDIDO Management's Discussion and Analysis

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### Analysis of Changes in Net Position – Governmental activities

Governmental activities increased the City's net position by \$31,944,031. This amount includes the capital asset transfer of \$30,722,560 from the Successor Agency due to the winding down of the redevelopment agency. Excluding this special item, governmental activities increased the City's net position by \$1,221,471.

Total governmental revenues increased by \$5,755,885 or 5.2 percent during the current fiscal year resulting in total revenues of \$115 million. Key elements of this change are as follows:

- Overall sales tax revenue increased by \$2.6 million, or 8.9 percent compared to the prior year. This increase over the prior year is mainly due to growth in sales tax collected on new auto sales, building materials, and restaurants. These gains were offset by declines in sales tax collected from service stations and food markets.
- Property tax revenue increased \$85,790 over the prior fiscal year increasing by about 0.5 percent. The assessed value growth for Escondido in fiscal year 2015/16 was up about 4.8 percent compared to the prior year.
- Other tax revenue decreased by \$1.7 million, or 5.5 percent, and is composed of a decrease in the property tax in lieu of sales tax collected during the fiscal year. The difference between prior year and current year can also be attributed to a decrease in the in-lieu franchise fee payment received from SDG&E due to a decrease in natural gas prices. These decreases were offset by 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 4.8 percent or \$537,000 due to the increase in the property tax assessed values in the City. This amount is offset by an increase in revenue received from the transient occupancy tax which is up about 12%.
- Other revenue increased by \$373,000 or 7.7 percent, compared to last year due to an increase in investment and rental income of \$76,000 due to negotiated lease increases. The current year gain on sale of capital assets of \$173,750 is due to the sale of a property held by the City as well as two mobilehome lots categorized as Land Held for Resale by the Successor Agency Housing Fund.

Overall charges for services increased by \$1.0 million or 6.0 percent, reflecting the following:

- General government charges for services increased by \$218,000 due to rental fees charged at the Daley Ranch House that were not received in the prior year as well as an increase in mobilehome fees and other various charges collected for services.
- Public safety charges for services decreased by \$158,000 primarily due to slight decreases in the amount collected for traffic, parking ticket, and other vehicle code fines.
- Community services charges for services decreased by \$235,000 due to a decreases in current year fees collected for Recreation Classes and changes to the Hockey and Swim programs which decreased revenue but also decreased expenditures.
- Public works charges for services increased by \$988,000 and Community development charges for services increased by \$196,000 due to increased development activity in the City, which has resulted in increased revenue from engineering and planning fees as well as an increase in the number of building and permits issued during the year.

Operating grants and contributions increased by \$1.4 million, or 15.1 percent, reflecting the following:

- General government operating grants and contributions increased by \$90,000 due to an increase in payments received from the State for Senate Bill 90 claims filed in prior years as well as an increase in the amount collected for the Public, Educational, and Government (PEG) Access programming fee that is assessed to each cable subscriber.

## **CITY OF ESCONDIDO**

### **Management's Discussion and Analysis**

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- Public safety operating grants and contributions increased by \$1.1 million. The City received approximately \$300,000 from the Office of Traffic and Safety for DUI Enforcement and Awareness. Funds were also received from the Department of Homeland Security for Firefighter Assistance of \$500,000 as well as various Homeland Security grants used for planning, equipment, and training totaling approximately \$345,000.
- Community services operating grants and contributions increased by \$600,000 primarily due to an increase in current year HOME fund revenue recognized during the fiscal year of approximately \$850,000. This amount was offset by a decrease in the amount of Community Development Block Grant funds received in the current fiscal year.
- Public works operating grants and contributions decreased by \$.5 million due to a decrease of approximately \$518,000 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 increased by \$1.9 million, or 67.6 percent, compared to the prior year, reflecting the following:

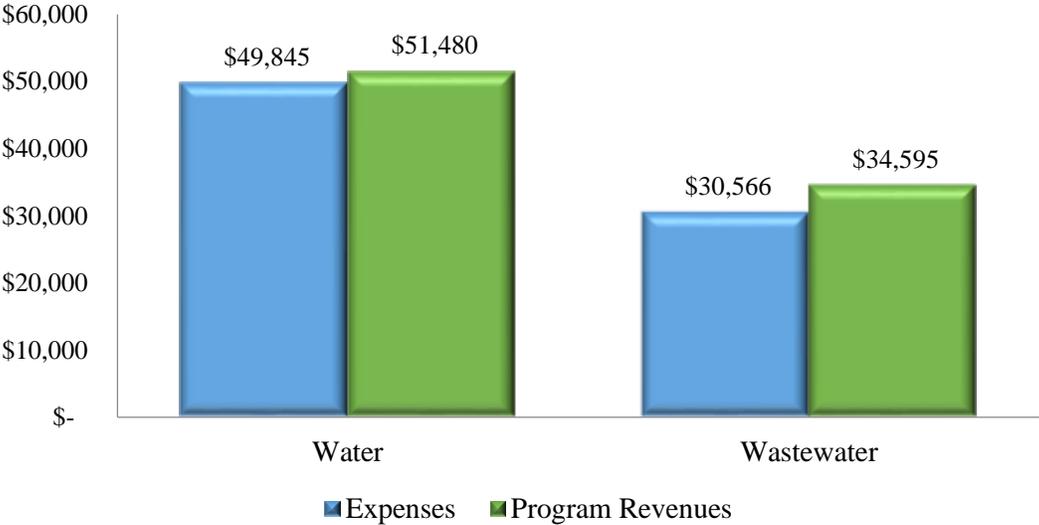
- General government capital grants and contributions increased by \$952,000 primarily due to capital contributions from developers for streets and storm drains \$598,000 related to the Ferrara Court and Contempo capital projects. The City also received reimbursement of \$140,000 from a developer for work on the planning and development of the Safari Highlands Ranch project area.
- Community services capital grants and contributions increased by \$965,000 due to park improvement projects completed during the fiscal year funded by the Housing Related Parks Program funds from the Department of Housing and Community Development. The funds were used for playground equipment in Grape Day Park, painting and improvements to park pools, improvements to the Park Avenue Community Center, painting at the East Valley Community Center, and reroofing and repainting of the Santa Fe Depot in Grape Day Park.

Governmental activities expenses decreased by \$.5 million, or 0.4 percent, in fiscal year 2016. Details of these expenses include:

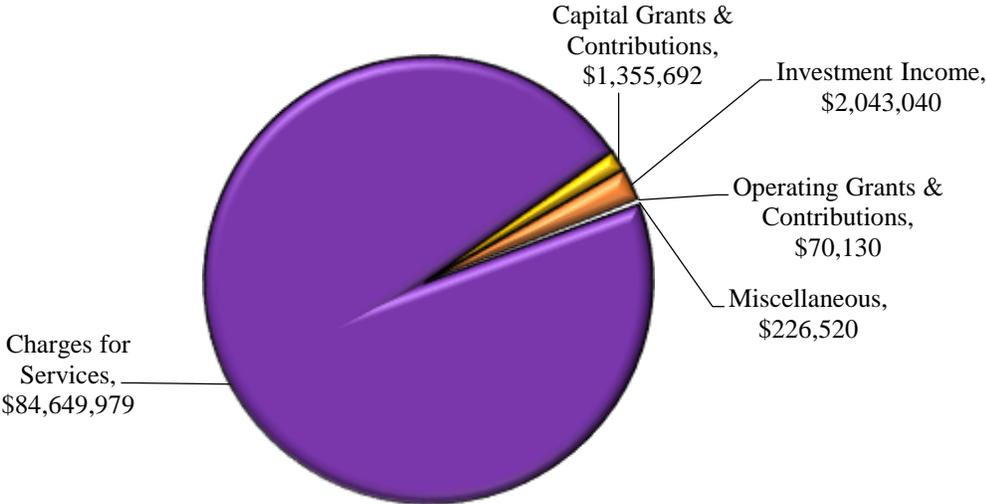
- General government expenses increased by \$2.4 million due to the depreciation expense incurred by the transfer of assets from the Successor Agency to the City as part of the dissolution of redevelopment agencies.
- Public safety expenses increased by \$3.1 million, or 5 percent, compared to the prior year. This increase is 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 decreased by \$4.3 million, or 17.7 percent, primarily due to a delay in the annual street maintenance and paving projects.

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

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



**Revenues by Source – Business-type Activities**



## CITY OF ESCONDIDO Management's Discussion and Analysis

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

Business-type activities increased the City's net position by \$7,909,579. Key elements of this increase are as follows:

- Charges for services decreased by \$3.3 million, or 6.0 percent, in the Water Fund largely due to a decrease in water usage for the fiscal year as the result of drought restrictions mandated by the State and the City. Wastewater Fund charges for services increased by \$1.6 million, or 4.9 percent, due to back billing Sempra Energy for recycled water usage, a back payment from Metropolitan Water District for recycled water incentives, and annual rate increases.
- Total expenses decreased by \$889,000 or 1.1 percent, primarily from a decrease in the volume of purchased water that was required due to less demand by customers from the drought restrictions.
- Operating and Capital Grant and Contribution revenue decreased by \$2.1 million compared to the prior year. In the prior year Proposition 84 grant and Proposition E1 revenues were received for the construction of a new dam downstream of the existing Lake Wohlford Dam. State Revolving Loan Funds were also received in the prior year for various capital projects.

### 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 \$104,793,728, an increase of \$7,709,341 in comparison with the prior year. Of this amount, 0.2 percent or \$179,185 represents non-spendable assets, advances and loans receivable, which are not expected to be converted to cash until future periods.

Approximately 80.8 percent of this total amount or \$84,682,384 is not available for new spending because it is legally restricted by external third parties. In addition, \$18,817,738 or 18 percent of ending fund balance has either been committed by the City Council to be spent for specific purposes or has been assigned by the City Manager to meet specific expenditures in subsequent years.

The remaining fund balance of \$1,114,421 is comprised of unassigned funds in the General Fund. The unassigned fund balance which is unrestricted in use, is anticipated to be designated by City Council also for specific purposes at a future City Council meeting.

**General Fund Financial Highlights.** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, committed fund balance of the General Fund includes \$16,892,319 in Reserves available to fund one-time unanticipated expenditures while total fund balance is \$19,973,977. 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 18.8 percent of total General Fund expenditures, while total fund balance represents 22.2 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,827,093, or 10.1 percent, compared to the prior year. General Fund operating revenues were \$5.9 million greater than the prior fiscal year. This was primarily due to one-time revenue the City received from fire mutual aid, from the State for payment of outstanding mandated cost claims, and an additional \$2 million was received in sales tax due to the end of the Triple Flip.

## **CITY OF ESCONDIDO**

### **Management's Discussion and Analysis**

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Operating expenditures for the General Fund were \$3.4 million greater than the prior year but under budgeted amounts by approximately \$2.0 million. The significant reasons for this increase over the prior year include increases to salaries, PERS expenses, utilities, general liability insurance, and property insurance

#### **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 \$91.3 million and estimated expenditures and transfers out of \$91.3 million.

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the City. General Fund revenue estimates were modified moderately during the year as compared to the originally budgeted estimates. A comparison of the original general fund budgeted revenue of \$91.3 million to the final general fund budgeted revenue of \$93.2 results in a net increase in budgeted revenue of \$1.9 million.

Some of the factors that led to the \$1.9 million increase in revenue estimates included:

- \$1,229,285 in increases to charges for services due to increased development activity in the City, which has resulted in increased revenue from engineering fees. Charges for services also includes Paramedic fees which increased over the projected amounts by \$157,000.
- \$224,000 in increases in transient occupancy tax revenue due to increased occupancy rates experienced by local hotels.
- \$155,000 in increases to fines and forfeitures due to an increase in Code Enforcement citations collected during the fiscal year.
- \$336,338 in increases to intergovernmental revenue due to the increase in SB90 State Mandated Claim revenue issued by the state.

The increases to budgeted revenue during the fiscal year were offset by decreases to franchise tax revenue of \$419,000 due to decrease in the in-lieu franchise fee payment received from SDG&E due to a decrease in natural gas prices as well as a \$330,000 decrease in the amount of RPTTF Residual Payment budgeted to be received during the fiscal year.

Comparison of the fiscal year original general fund budgeted expenditures of \$90.5 million to the final general fund budgeted expenditures of \$91.9 million results in a net increase in budgeted expenditures of \$1.4 million. Differences between the original and the final budgeted expenditures can be briefly summarized as follows:

- \$469,935 in increases allocated to the police department due to grant funds that were received for the purchase of safety equipment.
- \$799,980 in increases allocated to the fire department to cover costs for strike team incidents and grant funded training. Funding for these increases was provided from fire mutual aid and the Urban Area Security Initiative training grant.
- \$228,690 in increases in community development activities due to the development activity that occurred in the City. This also increased the charges for services revenue budget noted above.
- \$576,500 in increases to operating transfers out to cover increased utilities costs and unanticipated maintenance costs in the Building Maintenance Fund, and an increase to Reidy Creek Golf Course operating budget to fund a new greens mower for the golf course.

These increases to budgeted expenditures were offset by \$394,700 in net decreases in general government activities predominantly due to retirement and vacation contingencies that were needed during the fiscal year.

## CITY OF ESCONDIDO Management's Discussion and Analysis

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Actual General Fund revenues were \$266,000 greater than final budgeted amounts and expenditures were \$2.0 million less than final budgeted amounts. Year end actual expenditures were less than the budgeted amounts due to salary and benefit savings from empty positions that were not filled during the fiscal year.

The General Fund ended the fiscal year with a \$1,827,093 net gain and Reserve balance of \$16.9 million.

**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 (\$274,281), and \$22,430,231 respectively. Beginning in fiscal year 2014-2015, both the Water and Wastewater funds have set up an Operating, Debt and Capital Reserve that will be used to ensure that both funds have adequate cash reserves to meet operating, capital and debt service requirements. The monies in this reserve can be used to meet emergency cash flow requirements, fund future capital projects and provide protection from default on annual debt service payments.

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

### **Capital Asset and Debt Administration**

**Capital assets.** As of June 30, 2016, the City's investments in capital assets for its governmental and business-type activities are \$565,032,013, (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, motorized vehicles, park facilities, roads, bridges, water and wastewater systems, and a golf course. The total increase in the City's investment in capital assets for the current fiscal year is 7.7 percent; this represents a 7.8 percent increase for governmental activities and a 7.5 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 \$782,633 due to current year additions of \$4,115,302 and transfers of CIP of \$3,332,669. Current year additions include several street projects; continued work on the East Valley Parkway near Valley Center Road project, which expands a current two-lane road to four-lanes, and continued work on the Citracado Parkway expansion project. The Grape Day Park playground project is also currently in progress.

Current year transfers of construction in progress included the completion of the Bear Valley Parkway street improvements near Boyle Avenue, improvements to the equipment in the council chambers, and new fire equipment and vehicles. The Daley Ranch Bathroom was also completed along with several community improvements at the City parks and the Park Avenue Community Center.

Machinery and equipment increased by a net \$1,845,970 due in large to the purchase of new Self Contained Breathing Apparatuses for the fire department, new public safety radio equipment and CAD server, and a new voting system and lighting upgrades in the council chambers.

Motorized vehicles increased by a net \$1.6 million due to current year additions, transfers, and contributions between funds of \$2,092,612 and deletions of \$527,485. The City has a vehicle replacement schedule that predetermines vehicles that will need replacement in the near future. Some of the significant purchases during the fiscal year were eighteen Ford Police Interceptor vehicles, twelve trucks, an ambulance, a dump truck and a TYMCO air sweeper truck.

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

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Additions to infrastructure totaled \$1,182,763. Of these additions \$585,000 were street improvements, storm drains and a traffic signal from the Bear Valley Parkway project and the remaining storm drain and street improvements were developer contributions.

The transfer of land, land improvements, buildings, and machinery and equipment from the Successor Agency to the City resulted in a net increase of \$30,777,200 to the City’s capital asset inventory.

**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 \$6.4 million due to several capital improvement projects. The major projects under construction are the onsite chlorine generation at the Water Treatment Plant and waterlines in the cemetery area. Other additions to CIP include the Lake Wohlford Dam project and the expansion of the recycled water system to Eastern Escondido.

Buildings increased by a net \$6.8 million due to the completion of the Hale Avenue Resource Recovery operations building.

Additions to the water system and sewer system totaled \$12.6 million. The Hale Avenue Resource Recovery influent pump station project was completed this fiscal year and accounted for \$11.6 million of the additions. City water lines were installed and additional water and sewer lines were contributed to the City by developers as well.

**City of Escondido’s Capital Assets**

(net of depreciation / in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
	Land	\$ 49,357	\$ 45,906	\$ 2,868	\$ 2,868	\$ 52,225
Buildings and systems	112,017	90,042	12,152	5,923	124,169	95,965
Improvements other than buildings	14,448	15,693	712	743	15,160	16,436
Machinery and equipment	10,847	10,409	3,088	2,248	13,935	12,657
Infrastructure	102,983	106,629	205,007	199,890	307,990	306,519
Construction in progress	9,903	9,121	41,651	35,232	51,554	44,353
<b>Total</b>	<b>\$ 299,555</b>	<b>\$ 277,800</b>	<b>\$ 265,478</b>	<b>\$ 246,904</b>	<b>\$ 565,033</b>	<b>\$ 524,704</b>

Additional information on the City’s capital assets can be found in the notes on pages 72-75 of this report.

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

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**Long-term debt.** At the end of the current fiscal year, the City has total bonded debt outstanding of \$166,997,000. 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	
	2016	2015	2016	2015	2016	2015
Certificates of participation	\$ -	\$ -	\$ 26,470	\$ 27,035	\$ 26,470	\$ 27,035
Revenue bonds	-	-	74,807	76,935	74,807	76,935
Lease revenue bonds	4,200	4,415	-	-	4,200	4,415
GO bonds	61,520	61,520	-	-	61,520	61,520
<b>Total</b>	<b>\$ 65,720</b>	<b>\$ 65,935</b>	<b>\$ 101,277</b>	<b>\$ 103,970</b>	<b>\$ 166,997</b>	<b>\$ 169,905</b>

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 77-91 of this report.

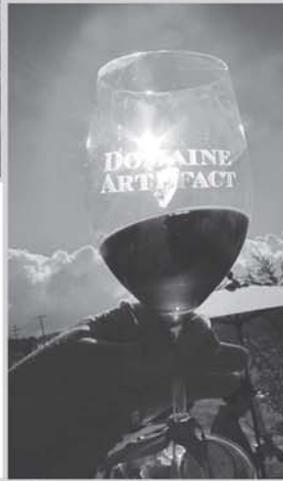
**Economic Factors and Next Year's Budgets and Rates**

The average unemployment rate for the City as of June 2015 was 5.2 percent, which is a slight increase compared to 5.0 percent in the prior year. Sales Tax revenues were \$1.9 million higher than the previous year, or up about 6%. Ending sales tax revenue was also higher than projected for fiscal year 2015/16 resulting in a sales tax growth of 4%. This increase over the prior year is mainly due to an increase in sales tax collected on new auto sales, building materials, and restaurants. These gains were offset by declines in sales tax collected from service stations and food markets.

The fiscal year 2016-17 General Fund operating budget has been balanced without relying on the use of reserves for the sixth year in a row. The fiscal year 2016-17 General Fund revenue estimate is \$91.4 million. This represents an increase of \$3.9 million or 4 percent over the fiscal year 2015-16 amended revenue projection, excluding one-time revenue of \$3.1 million. The proposed 2016-17 General Fund Operating Budget increased by approximately \$2.2 million compared to the fiscal year 2015-16 Operating Budget adopted in June 2015 due to increases in salaries and benefits as well as maintenance costs and increased contributions to internal service funds.

**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, 2016**

	Primary Government			Component Unit
	Governmental	Business-type	Total	California Center for the Arts, Escondido Foundation
	Activities	Activities		
<b>ASSETS</b>				
Cash and investments	\$ 62,636,440	\$ 53,952,114	\$ 116,588,554	\$ 1,566,788
Cash and investments with fiscal agent	3,668	40,526,261	40,529,929	-
Receivables, net of allowances	79,548,959	10,507,601	90,056,560	84,472
Internal balances	83,354	(83,354)	-	-
Due from other governments	4,393,519	584,675	4,978,194	-
Inventory, at cost	414,036		414,036	21,168
Deposits	391,082	6,800	397,882	-
Prepaid expenses	19,310	3,805	23,115	108,898
Prepaid bond insurance		109,485	109,485	-
Land held for resale	2,929,859	104,573	3,034,432	-
Assets held in charitable remainder	-	-	-	91,259
Capital assets:				
Not being depreciated	68,792,561	44,518,632	113,311,193	-
Being depreciated, net	230,762,445	220,958,375	451,720,820	106,382
<b>Total Assets</b>	<b>449,975,233</b>	<b>371,188,967</b>	<b>821,164,200</b>	<b>1,978,967</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	36,127,874	6,771,891	42,899,765	-
Deferred loss on refundings, net	-	2,487,183	2,487,183	-
<b>Total Deferred Outflows of Resources</b>	<b>36,127,874</b>	<b>9,259,074</b>	<b>45,386,948</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	2,717,778	8,287,966	11,005,744	105,411
Retentions payable	7,171	11,933	19,104	-
Accrued interest payable	1,217,877	1,562,895	2,780,772	-
Deposits payable	2,643,337	641,905	3,285,242	-
Accrued expenses	2,765,889	385,948	3,151,837	87,410
Due to other governments	469,988	-	469,988	-
Unearned revenue	476,444	-	476,444	597,528
Aggregate net pension liability	147,002,007	31,359,692	178,361,699	-
Long-term debt:				
Due within one year	5,371,972	4,915,948	10,287,920	-
Due in more than one year	92,924,104	132,333,851	225,257,955	73,406
<b>Total Liabilities</b>	<b>255,596,567</b>	<b>179,500,138</b>	<b>435,096,705</b>	<b>863,755</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	30,853,987	5,987,117	36,841,104	-
Deferred gain on refundings, net	380,415	-	380,415	-
<b>Total Deferred Inflows of Resources</b>	<b>31,234,402</b>	<b>5,987,117</b>	<b>37,221,519</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	223,906,554	172,888,190	396,794,744	106,382
Restricted	96,530,455	-	96,530,455	-
Unrestricted (deficit)	(121,164,871)	22,072,596	(99,092,275)	1,008,830
<b>Total net position</b>	<b>\$ 199,272,138</b>	<b>\$ 194,960,786</b>	<b>\$ 394,232,924</b>	<b>\$ 1,115,212</b>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 8,852,170	\$ 479,655	\$ 880,444	\$ 1,161,491
Public safety	65,521,010	9,292,514	2,501,110	387,241
Community services	12,559,645	3,807,474	3,823,970	1,425,979
Public works	20,066,941	2,280,973	3,398,998	1,813,238
Community development	4,643,576	1,811,997	-	-
Interest and fiscal charges	2,952,792	-	-	-
<b>Total Governmental Activities</b>	<b>114,596,134</b>	<b>17,672,613</b>	<b>10,604,522</b>	<b>4,787,949</b>
<b>Business-type activities:</b>				
Water	49,844,796	51,055,900	-	424,611
Wastewater	30,565,986	33,594,079	70,130	931,081
<b>Total Business-type Activities</b>	<b>80,410,782</b>	<b>84,649,979</b>	<b>70,130</b>	<b>1,355,692</b>
<b>Total Primary Government</b>	<b>\$ 195,006,916</b>	<b>\$ 102,322,592</b>	<b>\$ 10,674,652</b>	<b>\$ 6,143,641</b>
<b>Component Unit:</b>				
California Center for the Arts, Escondido Foundation	\$ 10,346,304	\$ 3,781,940	\$ 5,934,718	\$ -

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2016**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			California Center Center for the Arts, Escondido Foundation
	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (6,330,580)	\$ -	\$ (6,330,580)	\$ -
Public safety	(53,340,145)	-	(53,340,145)	-
Community services	(3,502,222)	-	(3,502,222)	-
Public works	(12,573,732)	-	(12,573,732)	-
Community development	(2,831,579)	-	(2,831,579)	-
Interest and fiscal charges	(2,952,792)	-	(2,952,792)	-
<b>Total Governmental Activities</b>	<b>(81,531,050)</b>	<b>-</b>	<b>(81,531,050)</b>	<b>-</b>
<b>Business-type activities:</b>				
Water	-	1,635,715	1,635,715	-
Wastewater	-	4,029,304	4,029,304	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>5,665,019</b>	<b>5,665,019</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(81,531,050)</b>	<b>5,665,019</b>	<b>(75,866,031)</b>	<b>-</b>
<b>Component Unit:</b>				
California Center for the Arts, Escondido Foundation	-	-	-	(629,646)
<b>General Revenues:</b>				
Sales tax	32,080,999	-	32,080,999	-
Property tax	35,291,410	-	35,291,410	-
Franchise tax	6,110,634	-	6,110,634	-
Transient occupancy tax	1,605,827	-	1,605,827	-
Business license tax	1,722,791	-	1,722,791	-
Transfer station tax	648,136	-	648,136	-
Refuse collection tax	84,670	-	84,670	-
Intergovernmental, unrestricted	59,431	-	59,431	225,747
Investment earnings	4,385,744	2,043,040	6,428,784	-
Gains from sale of property	173,750	-	173,750	12,085
Miscellaneous	564,129	226,520	790,649	86,913
<b>Total general revenues</b>	<b>82,727,521</b>	<b>2,269,560</b>	<b>84,997,081</b>	<b>324,745</b>
<b>Transfers</b>	<b>25,000</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>
<b>Total general revenues and transfers</b>	<b>82,752,521</b>	<b>2,244,560</b>	<b>84,997,081</b>	<b>324,745</b>
<b>Special Item on dissolution of the former redevelopment agency (Note 6C)</b>	<b>30,722,560</b>	<b>-</b>	<b>30,722,560</b>	<b>-</b>
<b>Changes in net position</b>	<b>31,944,031</b>	<b>7,909,579</b>	<b>39,853,610</b>	<b>(304,901)</b>
<b>Net position:</b>				
Beginning of year, as restated (Note 16)	167,328,107	187,051,207	354,379,314	1,420,113
End of year	<u>\$ 199,272,138</u>	<u>\$ 194,960,786</u>	<u>\$ 394,232,924</u>	<u>\$ 1,115,212</u>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	Major Funds			Total Governmental Funds
	General	Successor Agency Housing	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and investments	\$ 11,616,519	\$ 2,675,542	\$ 27,000,837	\$ 41,292,898
Cash and investments with fiscal agent	-	-	3,668	3,668
Receivables (net):				
Accounts	2,540,362	3,406	98,956	2,642,724
Interest	61,886	7,130,280	4,134,232	11,326,398
Taxes	11,469,035	-	30,679	11,499,714
Loans	19,935	36,464,452	17,349,499	53,833,886
Loans to Successor Agency	-	1,333,226	1,013,162	2,346,388
Due from other governments	250,544	-	1,796,587	2,047,131
Due from other funds	130,191	-	-	130,191
Inventory, at cost	-	-	12,753	12,753
Prepaid expenditures	-	-	19,310	19,310
Deposits	-	-	78,482	78,482
Land held for resale	-	2,127,717	802,142	2,929,859
Advances to other funds	159,250	-	490,000	649,250
<b>Total Assets</b>	<b>\$ 26,247,722</b>	<b>\$ 49,734,623</b>	<b>\$ 52,830,307</b>	<b>\$ 128,812,652</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,048,360	\$ 2,896	\$ 957,989	\$ 2,009,245
Deposits payable	567,132	-	2,076,205	2,643,337
Retentions payable	-	-	7,171	7,171
Accrued expenditures	2,535,679	13,589	100,270	2,649,538
Due to other funds	-	-	130,191	130,191
Due to other governments	-	-	469,988	469,988
Unearned revenue	-	-	476,444	476,444
Advances from other funds	290,000	-	359,250	649,250
<b>Total Liabilities</b>	<b>4,441,171</b>	<b>16,485</b>	<b>4,577,508</b>	<b>9,035,164</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	1,832,574	7,122,023	6,029,163	14,983,760
<b>Total Deferred Inflows of Resources</b>	<b>1,832,574</b>	<b>7,122,023</b>	<b>6,029,163</b>	<b>14,983,760</b>
<b>Fund Balances:</b>				
Nonspendable	179,185	-	-	179,185
Restricted	-	42,596,115	42,086,269	84,682,384
Committed	16,892,319	-	984,157	17,876,476
Assigned	941,262	-	-	941,262
Unassigned (deficit)	1,961,211	-	(846,790)	1,114,421
<b>Total Fund Balances</b>	<b>19,973,977</b>	<b>42,596,115</b>	<b>42,223,636</b>	<b>104,793,728</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 26,247,722</b>	<b>\$ 49,734,623</b>	<b>\$ 52,830,307</b>	<b>\$ 128,812,652</b>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

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**Fund balances for governmental funds** \$ 104,793,728

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Amount reported in government-wide statement of net position:

Capital assets, not being depreciated	68,792,561	
Capital assets, being depreciated, net	230,762,445	
Less: amount reported in internal services fund:	(9,128,093)	
		290,426,913

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	14,983,760
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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.	5,280,902
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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	(6,409,134)	
Loans	(88,374)	
Net Pension Liability	(133,720,718)	
Bonds	(65,720,000)	
Bond premium	(8,684,710)	
Bond discount	8,063	
Deferred loss on refunding	(401,660)	
Deferred gain on refunding	21,245	
		(214,995,288)

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

Interest payable	(1,217,877)
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<b>Net position of governmental activities</b>	<b>\$ 199,272,138</b>
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**City of Escondido**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Major Funds			Total Governmental Funds
	General Fund	Successor Agency Housing	Nonmajor Governmental Funds	
<b>Revenues:</b>				
Sales tax	\$ 37,561,733	\$ -	\$ -	\$ 37,561,733
Other taxes	23,000,515	-	3,657,871	26,658,386
Licenses and permits	934,455	-	-	934,455
Fines and forfeits	1,344,221	-	-	1,344,221
Intergovernmental	15,060,771	-	9,588,050	24,648,821
Charges for services	8,946,401	-	4,562,807	13,509,208
Special assessments	-	-	5,567,955	5,567,955
Lease income	3,313,393	188,628	-	3,502,021
Investment income	249,692	427,537	568,460	1,245,689
Miscellaneous	308,104	4,370	1,262,079	1,574,553
<b>Total Revenues</b>	<b>90,719,285</b>	<b>620,535</b>	<b>25,207,222</b>	<b>116,547,042</b>
<b>Expenditures:</b>				
Current:				
General government	6,246,042	-	201,330	6,447,372
Public safety	62,532,563	-	1,733,940	64,266,503
Public works	11,089,347	-	3,352,859	14,442,206
Community services	6,525,329	-	5,555,649	12,080,978
Community development	3,534,885	694,950	755,171	4,985,006
Capital outlay	15,098	-	3,904,105	3,919,203
Debt service:				
Principal retirements	23,175	-	220,185	243,360
Interest and fiscal charges	2,749	-	2,349,075	2,351,824
<b>Total Expenditures</b>	<b>89,969,188</b>	<b>694,950</b>	<b>18,072,314</b>	<b>108,736,452</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>750,097</b>	<b>(74,415)</b>	<b>7,134,908</b>	<b>7,810,590</b>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	118,901	54,850	-	173,751
Transfers in	2,100,545	25,000	842,777	2,968,322
Transfers (out)	(1,142,450)	-	(2,100,872)	(3,243,322)
<b>Total Other Financing Sources (Uses)</b>	<b>1,076,996</b>	<b>79,850</b>	<b>(1,258,095)</b>	<b>(101,249)</b>
<b>Net Change in Fund Balance</b>	<b>1,827,093</b>	<b>5,435</b>	<b>5,876,813</b>	<b>7,709,341</b>
<b>Fund Balances:</b>				
Beginning of Year	18,146,884	42,590,680	36,346,823	97,084,387
End of Year	\$ 19,973,977	\$ 42,596,115	\$ 42,223,636	\$ 104,793,728

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2016**

**Net change in fund balances - total governmental funds:** \$ 7,709,341

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	4,190,342	
Contributed capital assets	31,320,323	
Depreciation	(13,234,203)	
Capital assets contributed to business-type activities	<u>(247,946)</u>	
		22,028,516

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,584,681)

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. (297,494)

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	199,147	
Change in pension liability	5,202,772	
Principal retirements	243,360	
Accrued interest	<u>(556,930)</u>	
		<u>5,088,349</u>

**Change in net position of governmental activities** **\$ 31,944,031**

**City of Escondido**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

ASSETS	Major Funds		Total	Governmental
	Water	Wastewater		Internal
				Service Funds
<b>Current Assets:</b>				
Cash and investments	\$ 13,461,674	\$ 40,490,440	\$ 53,952,114	\$ 21,343,542
Receivables (Net):				
Accounts	8,735,003	915,814	9,650,817	166,764
Interest	83,989	164,228	248,217	79,473
Loans	4,040	54,155	58,195	-
Due from other governments	193,204	391,471	584,675	-
Inventory	-	-	-	401,283
Prepaid items	-	3,805	3,805	-
Deposits	6,800	-	6,800	312,600
<b>Total Current Assets</b>	<b>22,484,710</b>	<b>42,019,913</b>	<b>64,504,623</b>	<b>22,303,662</b>
<b>Noncurrent Assets:</b>				
Restricted cash and investments	26,098,615	14,427,646	40,526,261	-
Loans receivables	-	550,372	550,372	-
Land held for resale	104,573	-	104,573	-
Prepaid bond insurance	109,485	-	109,485	-
Capital assets:				
Not being depreciated	28,231,112	16,287,520	44,518,632	-
Being depreciated, net	84,218,413	136,739,962	220,958,375	9,128,093
<b>Total Noncurrent Assets</b>	<b>138,762,198</b>	<b>168,005,500</b>	<b>306,767,698</b>	<b>9,128,093</b>
<b>Total Assets</b>	<b>161,246,908</b>	<b>210,025,413</b>	<b>371,272,321</b>	<b>31,431,755</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	3,185,083	3,586,808	6,771,891	1,615,039
Deferred loss on refundings, net	951,063	1,536,120	2,487,183	-
<b>Total Deferred Outflows of Resources</b>	<b>4,136,146</b>	<b>5,122,928</b>	<b>9,259,074</b>	<b>1,615,039</b>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2016**

	Major Funds		Total	Governmental Activities
	Water	Wastewater		Internal Service Funds
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	6,380,382	1,907,584	8,287,966	708,534
Retention payable	-	11,933	11,933	-
Accrued expenses	190,676	195,272	385,948	116,351
Accrued interest	875,602	687,293	1,562,895	-
Long-term debt, due within one year	1,376,322	3,539,627	4,915,949	3,422,700
<b>Total Current Liabilities</b>	<b>8,822,982</b>	<b>6,341,709</b>	<b>15,164,691</b>	<b>4,247,585</b>
<b>Noncurrent Liabilities:</b>				
Deposits payable	497,834	144,071	641,905	-
Aggregate net pension liabilities	14,505,683	16,854,009	31,359,692	8,076,116
Long-term debt, due in more than one year	69,514,712	62,819,138	132,333,850	13,979,220
<b>Total Noncurrent Liabilities</b>	<b>84,518,229</b>	<b>79,817,218</b>	<b>164,335,447</b>	<b>22,055,336</b>
<b>Total Liabilities</b>	<b>93,341,211</b>	<b>86,158,927</b>	<b>179,500,138</b>	<b>26,302,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	2,767,571	3,219,546	5,987,117	1,546,325
<b>Total Deferred Inflows of Resources</b>	<b>2,767,571</b>	<b>3,219,546</b>	<b>5,987,117</b>	<b>1,546,325</b>
<b>NET POSITION</b>				
Net investment in capital assets	69,548,553	103,339,637	172,888,190	7,675,154
Unrestricted (deficit)	(274,281)	22,430,231	22,155,950	(2,477,606)
<b>Total Net Position</b>	<b>\$ 69,274,272</b>	<b>\$ 125,769,868</b>	<b>195,044,140</b>	<b>\$ 5,197,548</b>
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			(83,354)	
Net position of business-type activities			<u>\$ 194,960,786</u>	

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities			Governmental Activities
	Water	Wastewater	Total	Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 49,105,084	\$ 33,594,078	\$ 82,699,162	\$ 29,747,028
<b>Total Operating Revenues</b>	<u>49,105,084</u>	<u>33,594,078</u>	<u>82,699,162</u>	<u>29,747,028</u>
<b>Operating Expenses:</b>				
Personnel services	8,210,368	9,124,397	17,334,765	4,385,703
Purchased water	21,493,055	-	21,493,055	-
Administrative expenses	5,715,530	2,316,437	8,031,967	1,988,310
Benefit claims	-	-	-	3,421,018
Supplies	1,850,963	2,155,207	4,006,170	266,539
Repairs and maintenance	1,286,172	2,379,936	3,666,108	1,047,729
Depreciation	3,767,869	5,181,876	8,949,745	2,970,356
Utilities	2,200,615	2,733,256	4,933,871	1,277,251
Fuel	-	-	-	847,633
Professional services	989,746	2,920,304	3,910,050	4,403,984
Insurance premiums	651,215	452,300	1,103,515	10,448,317
Rent	338,193	344,019	682,212	1,961
Other	464,394	518,334	982,728	541,314
<b>Total Operating Expenses</b>	<u>46,968,120</u>	<u>28,126,066</u>	<u>75,094,186</u>	<u>31,600,115</u>
<b>Operating Income (Loss)</b>	<u>2,136,964</u>	<u>5,468,012</u>	<u>7,604,976</u>	<u>(1,853,087)</u>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	264,337	710,995	975,332	295,076
Rents and concessions	963,147	-	963,147	-
Intergovernmental	1,436,288	101,264	1,537,552	-
Interest and fiscal charges	(2,726,003)	(2,349,692)	(5,075,695)	(44,036)
Miscellaneous	186,241	144,842	331,083	377,697
<b>Total Nonoperating Revenues (Expenses)</b>	<u>124,010</u>	<u>(1,392,591)</u>	<u>(1,268,581)</u>	<u>628,737</u>
<b>Income Before Transfers and Capital Contributions</b>	<u>2,260,974</u>	<u>4,075,421</u>	<u>6,336,395</u>	<u>(1,224,350)</u>
Transfers in	-	-	-	300,000
Transfers (out)	-	(25,000)	(25,000)	-
Capital Contributions:				
Connection fees	583,790	463,261	1,047,051	-
Developer contributions	355,348	436,686	792,034	385,955
<b>Total Transfers and Capital Contributions</b>	<u>939,138</u>	<u>874,947</u>	<u>1,814,085</u>	<u>685,955</u>
<b>Changes in Net Position</b>	3,200,112	4,950,368	8,150,480	(538,395)
<b>Net Position at Beginning of Year</b>	<u>66,074,160</u>	<u>120,819,500</u>	<u>186,893,660</u>	<u>5,735,943</u>
<b>Net Position at End of Year</b>	<u>\$ 69,274,272</u>	<u>\$ 125,769,868</u>	<u>\$ 195,044,140</u>	<u>\$ 5,197,548</u>
Change in Net Position			\$ 8,150,480	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			<u>(240,901)</u>	
Change in net position of business-type activities			<u>\$ 7,909,579</u>	

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 48,012,554	\$ 33,017,871	\$ 81,030,425	\$ 29,636,769
Cash paid to employees for services	(8,811,985)	(9,843,696)	(18,655,681)	(6,706,087)
Cash paid to suppliers for goods or services	(34,086,520)	(13,746,871)	(47,833,391)	-
Cash from rents and concessions	963,147	-	963,147	(20,690,089)
Cash from other sources	186,241	195,850	382,091	242,497
<b>Net Cash Provided by Operating Activities</b>	<b>6,263,437</b>	<b>9,623,154</b>	<b>15,886,591</b>	<b>2,483,090</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Cash received from other funds	(25,000)	(25,000)	(50,000)	300,000
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(50,000)</b>	<b>300,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase and construction of capital assets	(14,770,859)	(11,959,550)	(26,730,409)	(2,320,273)
Construction in progress reimbursement	2,244,613	439,564	2,684,177	-
Sale of capital assets	-	-	-	144,851
Payments on connection rights	(6,460)	(43,744)	(50,204)	-
Cash received for connection fees	583,790	463,261	1,047,051	-
Principal payments on certificates of participation	(1,060,000)	(1,660,000)	(2,720,000)	-
Interest payments on certificates of participation	(2,627,604)	(1,925,227)	(4,552,831)	-
Capital lease payment	-	-	-	(190,375)
Principal payments on loans	(225,154)	(1,926,147)	(2,151,301)	(84,314)
Interest payments on loans	(85,398)	(390,512)	(475,910)	(24,872)
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>(15,947,072)</b>	<b>(17,002,355)</b>	<b>(32,949,427)</b>	<b>(2,474,983)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment income received	263,970	682,667	946,637	280,540
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>263,970</b>	<b>682,667</b>	<b>946,637</b>	<b>280,540</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9,444,665)</b>	<b>(6,721,534)</b>	<b>(16,166,199)</b>	<b>588,647</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	49,004,954	61,639,620	110,644,574	20,754,895
End of year	<u>\$ 39,560,289</u>	<u>\$ 54,918,086</u>	<u>\$ 94,478,375</u>	<u>\$ 21,343,542</u>
<b>Reconciliation of Cash Equivalents to the Statement of Net Position:</b>				
Cash and investments	\$ 13,461,674	\$ 40,490,440	\$ 53,952,114	\$ 21,343,542
Restricted cash and investments	26,098,615	14,427,646	40,526,261	-
<b>Total cash and cash equivalents</b>	<u>\$ 39,560,289</u>	<u>\$ 54,918,086</u>	<u>\$ 94,478,375</u>	<u>\$ 21,343,542</u>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 2,136,964	\$ 5,468,012	\$ 7,604,976	\$ (1,853,087)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,767,869	5,181,876	8,949,745	2,970,356
Pension expense	(706,789)	(795,934)	(1,502,723)	(358,388)
Cash from rent and concessions	963,147	-	963,147	-
Cash from other sources	186,241	144,842	331,083	242,497
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	(1,132,014)	(576,207)	(1,708,221)	(110,258)
Inventories	-	259	259	18,732
Loans receivable	1,534	51,008	52,542	-
Accounts payable	903,363	361,887	1,265,250	(144,643)
Retentions payable	-	(289,224)	(289,224)	-
Accrued expenses	41,652	25,980	67,632	12,984
Compensated absences	63,520	50,655	114,175	10,912
Customer deposits	37,950	-	37,950	-
Estimated claims payable	-	-	-	1,693,985
Total adjustments	4,126,473	4,155,142	8,281,615	4,336,177
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 6,263,437</b>	<b>\$ 9,623,154</b>	<b>\$ 15,886,591</b>	<b>\$ 2,483,090</b>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Contributed property, plant and equipment	\$ 355,348	\$ 436,686	\$ 792,034	\$ 385,955
Bond amortization	517	120,636	121,153	-
<b>Total noncash investing, capital and financing activities</b>	<b>\$ 355,865</b>	<b>\$ 557,322</b>	<b>\$ 913,187</b>	<b>\$ 385,955</b>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	Agency Funds	Private Purpose Trust Fund Successor Agency of the Former CDC
<b>ASSETS</b>		
Cash and investments	\$ 8,325,116	\$ 9,592,353
Cash and investments with fiscal agent	686,043	-
Receivables:		
Accounts	-	18,687
Interest	4,205	12,005
Taxes	2,518	-
Loans	-	1,676,919
Pepaid bond insurance	-	79,357
Due from other governments	-	469,988
Capital assets:		
Not being depreciated	-	2,700,000
Being depreciated, net	-	1,977,355
<b>Total Assets</b>	<b>\$ 9,017,882</b>	<b>16,526,664</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding of debt, net		101,812
<b>Total Deferred Outflows of Resources</b>		<b>101,812</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 120,292	796
Deposits payable	6,805,162	-
Due to bondholders	2,092,428	-
Interest payable	-	936,057
Long-term liabilities:		
Due within one year	-	8,450,000
Due in more than one year	-	16,657,045
<b>Total Liabilities</b>	<b>\$ 9,017,882</b>	<b>26,043,898</b>
<b>NET POSITION</b>		
Held in trust for other purposes		(9,415,422)
<b>Total Net Position</b>		<b>\$ (9,415,422)</b>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	Private Purpose Trust Fund Successor Agency of the Former CDC
<b>ADDITIONS:</b>	
Taxes	\$ 10,483,055
Interest and change in fair value of investments	52,368
Contributions from other governments	137,372
<b>Total Additions</b>	10,672,795
<b>DEDUCTIONS:</b>	
Administrative expenses	313,047
Interest expense	1,071,789
Depreciation expense	58,158
<b>Total Deduction</b>	1,442,994
<b>SPECIAL ITEM:</b>	
Dissolution of the former Redevelopment Agency (Note 6C)	(30,722,560)
<b>Total Special Item</b>	(30,722,560)
<b>Changes in Net Position</b>	(21,492,759)
<b>NET POSITION:</b>	
Beginning of year	12,077,337
End of year	\$ (9,415,422)

See Accompanying Notes to Basic Financial Statements.

**City of Escondido**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The City of Escondido (City) was incorporated in 1888 and operates under a Council/Manager form of government. The Council is composed of five members. As required by 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 Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

**Discretely Presented Component Units**

***California Center for the Arts, Escondido Foundation***

The California Center for the Arts, Escondido Foundation (Foundation) was established in 1988 as a nonprofit public benefit corporation to provide a variety of visual and performing arts events, to encourage other cultural activities, and to provide a venue for local events and presentations. The Foundation has a 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. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

**Government - Wide Financial Statements**

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Government - Wide Financial Statements (Continued)**

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

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

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

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

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

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Governmental Fund Financial Statements (Continued)**

Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

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.

**Proprietary Fund Financial Statements**

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

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City’s internal service funds include seven individual funds which provide services directly to other City funds. These areas of service include Building Maintenance, Vehicle and Equipment Maintenance, Central Services, Office Automation, Workers’ Compensation, General Liability Self-Insurance, and Insurance.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Proprietary Fund Financial Statements (Continued)**

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

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

The City reports the following major proprietary funds:

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

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

**Fiduciary Fund Financial Statements**

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

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

The City's Agency funds (Hidden Trails Community Facilities District, Eureka Ranch Community Facilities District, Auto Parkway Assessment District, Rancho San Pasqual, and Deposit Trust) are used to account for money and property held by the City as trustee or custodian. These funds include refundable deposits and also account for the collection of special assessments levied on various assessment districts for the payment of debt service on no commitment debt.

These funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The City's private purpose trust fund is a fiduciary fund type used by the City to account for assets, liabilities and activities of the Successor Agency to the former Commission and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former Commission are paid in full and assets have been liquidated.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Fiduciary Fund Financial Statements**

**Successor Agency Trust for Assets of the Former Redevelopment Agency**

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

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

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

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

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

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

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Cash, Cash Equivalents and Investments**

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

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

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

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position or Balance Sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

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

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

**D. Cash and Investments with Fiscal Agents**

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**E. Interfund Transactions**

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

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

**F. Due From Other Governments**

The amounts recorded as a receivable due from other governments include amounts collected or provided by Federal, State and County governments and not remitted to the City as of June 30, 2016.

**G. Property Taxes**

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

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

**H. Inventories**

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

**I. Land Held for Resale**

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**J. Capital Assets**

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

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

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

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, water purification and distribution system, sewer collection and treatment system, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

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

**K. Compensated Absences – Employee Leave Benefits**

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. Compensated Absences – Employee Leave Benefits (Continued)**

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

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

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

**L. Long-Term Debt**

*Government-Wide Financial Statements and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

**M. Claims and Judgments**

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. Unearned Revenues**

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

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

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

**CalPERS:**

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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

**P. Net Position**

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

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

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**P. Net Position (Continued)**

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

**Q. Fund Balance**

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

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

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

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

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

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

Included in the General Fund’s committed fund balance, the City Council has approved an emergency reserve stabilization arrangement to be used for one-time unanticipated expenditure requirements and local disasters. City Council action is required to add or spend the funds. At June 30, 2016, the balance totaled \$16,892,319.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**R. Spending Policy**

*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

**S. Implementation of New GASB Pronouncements**

During the fiscal year ended June 30, 2016, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

**GASB Statement No. 72** – In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have any new measurement impact on the City's investment portfolio, except for additional disclosures relating to the measurement input as discussed in Note 3 of the City's financial statements for the year ended June 30, 2016.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City for the year ended June 30, 2016.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Implementation of New GASB Pronouncements (Continued)**

**GASB Statement No. 76** – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City’s fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City.

**GASB Statement No. 79** – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for the City’s fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City for the year ended June 30, 2016.

**T. Future GASB Pronouncements**

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

**GASB Statement No. 74** – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the City’s fiscal year ending June 30, 2017.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**GASB Statement No. 77** – In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City’s fiscal year ending June 30, 2017.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**T. Future GASB Pronouncements (Continued)**

**GASB Statement No. 78** – In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Application of this statement is effective for the City’s fiscal year ending June 30, 2017.

**GASB Statement No. 80** – In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Application of this statement is effective for the City’s fiscal year ending June 30, 2017.

**GASB Statement No. 81** – In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**GASB Statement No. 82** – In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Stewardship, Compliance and Accountability**

**A. Excess of Expenditures Over Appropriations**

There was no excess of expenditures over appropriations for the year ended June 30, 2016.

**B. Deficit Fund Equity**

The following fund reported a deficit fund balance/net position as of June 30, 2016:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
Vehical Parking District	Special Revenue Fund	\$ (625,950)
Building Maintenance	Internal Service Fund	(2,109,649)
Office Automation	Internal Service Fund	(1,673,697)
Workers' Compensation	Internal Service Fund	(4,871,483)

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

**Note 3 – Cash and Investments**

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 62,636,440	\$ 53,952,114	\$ 1,566,788	\$ 17,917,469	\$ 136,072,811
Cash and investments with fiscal agent	3,668	40,526,261	-	686,043	41,215,972
<b>Total</b>	<u>\$ 62,640,108</u>	<u>\$ 94,478,375</u>	<u>\$ 1,566,788</u>	<u>\$ 18,603,512</u>	<u>\$ 177,288,783</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

At June 30, 2016, cash and investments, including cash and investments with fiscal agent, are reported at fair value. The following table presents the fair value measurements of the investments recognized in the accompanying statement of net position and balance sheet measured at fair value on a recurring basis and the levels within GASB 72 fair value hierarchy in which fair value measurement fall at June 30, 2016:

	Fair Value	Measurement Input			
		Level 1	Level 2	Level 3	Exempt
Cash on hand	\$ 10,560	\$ -	\$ -	\$ -	\$ 10,560
Demand deposits	4,018,919	-	-	-	4,018,919
Investments:					
Federal Agency Securities	85,109,852	-	85,109,852	-	-
Money Market Funds	225,131	-	-	-	225,131
Negotiable Certificates of Deposit	7,835,904	-	7,835,904	-	-
State Investment Pool (LAIF)	38,872,445	-	38,872,445	-	-
Subtotal	132,043,332	-	131,818,201	-	225,131
Held by fiscal agent:					
Money Market Funds	6,222,612	-	6,222,612	-	-
Negotiable Certificates of Deposit	588,000	-	588,000	-	-
State Investment Pool (LAIF)	34,405,360	-	-	-	34,405,360
Subtotal	41,215,972	-	6,810,612	-	34,405,360
<b>Total</b>	<b>\$ 177,288,783</b>	<b>\$ -</b>	<b>\$ 138,628,813</b>	<b>\$ -</b>	<b>\$ 38,659,970</b>

**A. Demand Deposits**

The carrying amount of the City's cash deposits were \$4,018,919 at June 30, 2016. Bank balances before reconciling items were \$6,007,926 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

**B. Investments**

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

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

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

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

**B. Investments (Continued)**

**Investments Authorized by Debt Agreements**

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

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

**C. Investments in Local Agency Investment Fund**

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2015 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

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

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

As of June 30, 2016, the City had \$38,872,445 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2016, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The fair value of the City's position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2016.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

**D. Risk Disclosures**

**Disclosures Relating to Interest Rate Risk**

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

Investment Type	Fair Value	Remaining Maturity in Months		
		18 Months or Less	18 to 42 Months	42 to 60 Months
<b>Investments:</b>				
Federal Agency Securities	\$ 85,109,852	\$ 32,191,014	\$ 35,605,567	\$ 17,313,271
Money Market Funds	225,131	225,131	-	-
Negotiable Certificates of Deposit	7,835,904	2,227,827	4,830,346	777,731
State Investment Pool (LAIF)	38,872,445	38,872,445	-	-
Subtotal	132,043,332	73,516,417	40,435,913	18,091,002
<b>Held by fiscal agent:</b>				
Money Market Funds	6,222,612	6,222,612	-	-
Negotiable Certificates of Deposit	588,000	588,000	-	-
State Investment Pool (LAIF)	34,405,360	34,405,360	-	-
Subtotal	41,215,972	41,215,972	-	-
<b>Total</b>	<b>\$ 173,259,304</b>	<b>\$ 114,732,389</b>	<b>\$ 40,435,913</b>	<b>\$ 18,091,002</b>

**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 Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

**D. Risk Disclosures**

**Disclosures Relating to Credit Risk (Continued)**

Investment Type	Fair Value	Minimum Legal Rating	Exempt from Disclosures	Rating as of Year End	
				AA+	Not Rated
<b>Investments:</b>					
Federal Agency Securities	\$ 85,109,852	N/A	\$ -	\$ 85,109,852	\$ -
Money Market Funds	225,131	N/A	225,131	-	-
Negotiable Certificates of Deposit	7,835,904	N/A	-	-	7,835,904
State Investment Pool (LAIF)	38,872,445	N/A	-	-	38,872,445
Subtotal	132,043,332		225,131	85,109,852	46,708,349
<b>Held by fiscal agent:</b>					
Money Market Funds	6,222,612	N/A	6,810,612	-	-
Negotiable Certificates of Deposit	588,000	N/A	-	-	588,000
State Investment Pool (LAIF)	34,405,360	N/A	-	-	34,405,360
Subtotal	41,215,972		6,810,612	-	34,993,360
<b>Total</b>	<b>\$ 173,259,304</b>		<b>\$ 7,035,743</b>	<b>\$ 85,109,852</b>	<b>\$ 81,701,709</b>

**Disclosures Relating to Concentration of Credit Risk**

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal Agency Securities	\$ 23,727,589
Federal Home Loan Bank	Federal Agency Securities	23,339,419
Federal Home Loan Mortgage Corp.	Federal Agency Securities	18,259,718
Federal Farm Credit Bank	Federal Agency Securities	19,783,126

**Disclosures Relating to Custodial Credit Risk**

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

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 4 – Allowance for Uncollectible Receivables**

All receivables are shown net of an allowance for uncollectible which at June 30, 2016 is as follows:

Fund	Allowance Amount
General Fund	\$ 2,115,145
Water Enterprise Fund	146,695

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

**Note 5 – Loans Receivable**

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

At June 30, 2016, the loans receivable was reported in the accompanying basic financial statements as follows:

Governmental Funds	\$ 56,180,274
Proprietary Funds	608,567
Fiduciary Funds	1,676,919
<b>Total</b>	<b>\$ 58,465,760</b>

The loans at June 30, 2016, consisted of the following:

City of Escondido:	
HOME grant fund loans	\$ 16,907,641
National Golf Operations	200,000
Successor Agency loan	1,013,162
CDBG notes receivable	241,858
Notes receivable	628,502
Successor Agency Housing Special Revenue Funds:	
Loans given to developers and non-profits	29,667,479
Mobile home loan program	2,808,588
First-time homebuyer program	3,613,385
Successor Agency loan	1,333,226
HOME loans	375,000
Successor Agency to the Former CDC:	
Notes receivable, Palomar College	1,387,500
First-time homebuyer program	203,390
Mobile home loan program	86,029
<b>Total</b>	<b>\$ 58,465,760</b>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Capital Assets**

**A. Governmental Activities**

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Transfers of CIP	Contributions Between Funds (Note 6C)	Additions	Deletions	Balance June 30, 2016
<b>Capital assets, not being depreciated:</b>						
Art and historical treasures	\$ 9,532,194	\$ -	\$ -	\$ -	\$ -	\$ 9,532,194
Land	45,906,124	76,716	3,374,290	-	-	49,357,130
Construction in progress	9,120,604	(3,332,669)	-	4,115,302	-	9,903,237
<b>Total capital assets, not being depreciated</b>	<b>64,558,922</b>	<b>(3,255,953)</b>	<b>3,374,290</b>	<b>4,115,302</b>	<b>-</b>	<b>68,792,561</b>
<b>Capital assets, being depreciated:</b>						
Land improvements	36,955,652	327,082	139,295	-	-	37,422,029
Buildings	136,917,565	771,444	82,080,470	-	-	219,769,479
Machinery and equipment	25,685,055	1,324,479	299,228	655,700	(433,437)	27,531,025
Motorized vehicles	23,513,785	229,913	37,155	1,825,544	(527,485)	25,078,912
Infrastructure	302,835,410	585,000	-	597,763	-	304,018,173
Golf Course	4,326,835	-	-	-	-	4,326,835
<b>Total capital assets, being depreciated</b>	<b>530,234,302</b>	<b>3,237,918</b>	<b>82,556,148</b>	<b>3,079,007</b>	<b>(960,922)</b>	<b>618,146,453</b>
<b>Less accumulated depreciation</b>						
Land improvements	(33,295,379)	-	(139,295)	(1,428,494)	-	(34,863,168)
Buildings	(46,875,780)	-	(54,732,200)	(6,143,998)	-	(107,751,978)
Machinery and equipment	(22,447,194)	-	(266,273)	(1,177,414)	433,437	(23,457,444)
Motorized vehicles	(16,342,676)	-	-	(2,481,282)	517,833	(18,306,125)
Infrastructure	(196,205,805)	-	-	(4,829,099)	-	(201,034,904)
Golf Course	(1,826,117)	-	-	(144,272)	-	(1,970,389)
<b>Total accumulated depreciation</b>	<b>(316,992,951)</b>	<b>-</b>	<b>(55,137,768)</b>	<b>(16,204,559)</b>	<b>951,270</b>	<b>(387,384,008)</b>
<b>Total capital assets, being depreciated, net</b>	<b>213,241,351</b>	<b>3,237,918</b>	<b>27,418,380</b>	<b>(13,125,552)</b>	<b>(9,652)</b>	<b>230,762,445</b>
<b>Total Governmental Activities capital assets, net</b>	<b>\$ 277,800,273</b>	<b>\$ (18,035)</b>	<b>\$ 30,792,670</b>	<b>\$ (9,010,250)</b>	<b>\$ (9,652)</b>	<b>\$ 299,555,006</b>

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

Depreciation expense was charged to the following functions:

General government	\$ 3,436,340
Public safety	2,694,121
Public works	6,166,015
Community services	874,468
Community development	63,260
Internal service funds	2,970,355
<b>Total</b>	<b>\$ 16,204,559</b>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Capital Assets (Continued)**

**B. Business-type Activities**

Summary of changes in capital assets for the business-type activities for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance June 30, 2016
<b>Capital assets, not being depreciated:</b>						
Land	\$ 2,868,024	\$ -	\$ -	\$ -	\$ -	\$ 2,868,024
Construction in progress	35,232,389	(18,568,982)	-	24,987,201	-	41,650,608
<b>Total capital assets, not being depreciated</b>	<b>38,100,413</b>	<b>(18,568,982)</b>	<b>-</b>	<b>24,987,201</b>	<b>-</b>	<b>44,518,632</b>
<b>Capital assets, being depreciated:</b>						
Land improvements	963,287	-	-	-	-	963,287
Buildings	24,481,218	6,804,036	-	-	-	31,285,254
Machinery and equipment	7,764,198	-	(22,755)	1,761,170	(34,029)	9,468,584
Motorized vehicles	-	-	(37,155)	37,155	-	-
Water system	123,248,107	139,142	-	355,348	-	123,742,597
Electrical system	3,609,179	-	-	-	-	3,609,179
Sewer system	159,154,577	11,625,804	-	436,684	-	171,217,065
Recycled water system	24,163,391	-	-	-	-	24,163,391
<b>Total capital assets, being depreciated</b>	<b>343,383,957</b>	<b>18,568,982</b>	<b>(59,910)</b>	<b>2,590,357</b>	<b>(34,029)</b>	<b>364,449,357</b>
<b>Less accumulated depreciation</b>						
Land improvements	(219,798)	-	-	(31,594)	-	(251,392)
Buildings	(18,557,658)	-	-	(575,730)	-	(19,133,388)
Machinery and equipment	(5,516,080)	-	5,270	(905,345)	35,028	(6,381,127)
Water system	(40,602,930)	-	-	(2,985,628)	-	(43,588,558)
Electrical system	(3,137,372)	-	-	(49,270)	-	(3,186,642)
Sewer system	(59,754,506)	-	-	(3,795,295)	-	(63,549,801)
Recycled water system	(6,792,191)	-	-	(606,883)	-	(7,399,074)
<b>Total accumulated depreciation</b>	<b>(134,580,535)</b>	<b>-</b>	<b>5,270</b>	<b>(8,949,745)</b>	<b>35,028</b>	<b>(143,489,982)</b>
<b>Total capital assets, being depreciated, net</b>	<b>208,803,422</b>	<b>18,568,982</b>	<b>(54,640)</b>	<b>(6,359,388)</b>	<b>999</b>	<b>220,959,375</b>
<b>Total Business-type Activities capital assets, net</b>	<b>\$ 246,903,835</b>	<b>\$ -</b>	<b>\$ (54,640)</b>	<b>\$ 18,627,813</b>	<b>\$ 999</b>	<b>\$ 265,478,007</b>

Business-type construction in progress consists primarily of construction of a recycled water distribution system, on-site chlorine generation at the Water Treatment Plant and water and sewer line installation projects. Motorized vehicles and certain machinery and equipment purchased by enterprise funds are contributed to the internal service fleet fund to maintain.

Depreciation expense was charged to the following functions:

Water	\$ 3,767,869
Wastewater	<u>5,181,876</u>
<b>Total</b>	<u><u>\$ 8,949,745</u></u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Capital Assets (Continued)**

**C. Fiduciary Funds**

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. In June 2015 the California State Department of Finance submitted a determination letter regarding the Escondido Successor Agency’s Real Property Management Plan. The State approved the use or disposition of all properties listed in the plan and noted that four parcels were owned by the City and not the Agency. As a result, the capital assets of the Successor Agency were transferred to the City during the fiscal year. The remaining property will remain with the Successor Agency until compensation plans are in place with each of the tax sharing entities.

Summary of changes in capital assets for the fiduciary funds for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Contributions Between Funds	Additions	Deletions	Balance June 30, 2016
<b>Capital assets, not being depreciated:</b>					
Land	\$ 6,074,290	\$ (3,374,290)	\$ -	\$ -	\$ 2,700,000
<b>Total capital assets, not being depreciated</b>	<u>6,074,290</u>	<u>(3,374,290)</u>	<u>-</u>	<u>-</u>	<u>2,700,000</u>
<b>Capital assets, being depreciated:</b>					
Land improvements	139,295	(139,295)	-	-	-
Buildings	84,382,538	(82,080,470)	-	-	2,302,068
Machinery and equipment	276,473	(276,473)	-	-	-
<b>Total capital assets, being depreciated</b>	<u>84,798,306</u>	<u>(82,496,238)</u>	<u>-</u>	<u>-</u>	<u>2,302,068</u>
<b>Less accumulated depreciation</b>					
Land improvements	(139,295)	139,295	-	-	-
Buildings	(54,998,755)	54,732,200	(58,158)	-	(324,713)
Machinery and equipment	(276,473)	276,473	-	-	-
<b>Total accumulated depreciation</b>	<u>(55,414,523)</u>	<u>55,147,968</u>	<u>(58,158)</u>	<u>-</u>	<u>(324,713)</u>
<b>Total capital assets, being depreciated, net</b>	<u>29,383,783</u>	<u>(27,348,270)</u>	<u>(58,158)</u>	<u>-</u>	<u>1,977,355</u>
<b>Total Fiduciary Funds capital assets, net</b>	<u>\$ 35,458,073</u>	<u>\$ (30,722,560)</u>	<u>\$ (58,158)</u>	<u>\$ -</u>	<u>\$ 4,677,355</u>

Depreciation expense in the amount of \$58,158 was charged the Successor Agency to the Former CDC.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Capital Assets (Continued)**

**D. Component Unit**

Summary of changes in capital assets for the component unit for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Capital assets, being depreciated:</b>				
Leasehold improvements	\$ 1,989	\$ 40,649	\$ -	\$ 42,638
Machinery and equipment	735,240	41,175	(20,633)	755,782
<b>Total capital assets, being depreciated</b>	<u>737,229</u>	<u>81,824</u>	<u>(20,633)</u>	<u>798,420</u>
<b>Less accumulated depreciation</b>				
Leasehold improvements	(1,989)	(1,016)	-	(3,005)
Machinery and equipment	(685,417)	(24,249)	20,633	(689,033)
<b>Total accumulated depreciation</b>	<u>(687,406)</u>	<u>(25,265)</u>	<u>20,633</u>	<u>(692,038)</u>
<b>Total capital assets, being depreciated, net</b>	<u>49,823</u>	<u>56,559</u>	<u>-</u>	<u>106,382</u>
<b>Total Component Unit capital assets, net</b>	<u>\$ 49,823</u>	<u>\$ 56,559</u>	<u>\$ -</u>	<u>\$ 106,382</u>

Depreciation expense for the year ended June 30, 2016 was \$25,265.

**Note 7 – Interfund Transactions**

**A. Due To and From Other Funds**

At June 30, 2016, due from and to other funds balances are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amounts</u>
General Fund	Community Development Block Grant Fund - Nonmajor Governmental Funds	\$ 130,191

The \$130,191 is for short-term borrowings from the Community Development Block Grant Nonmajor Governmental Fund to the General Fund due to negative cash balances at the end of this fiscal year.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Interfund Transactions (Continued)**

**B. Advances To and From Other Funds**

At June 30, 2016, advances to and from other funds balances are as follows:

<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amounts</u>
General Fund	Escondido Vehicle Parking District Special Revenue Fund - Nonmajor Governmental Funds	\$ 159,250 (1)
Public Facilities Capital Projects Fund	General Fund	290,000 (2)
Parks and Recreation Special Revenue Fund - Nonmajor Governmental Funds	Street Improvement Capital Projects Funds - Nonmajor Governmental Funds	200,000 (3)

The advances were primarily used for the following:

- (1) The Escondido Vehicle Parking District entered into agreements with the General Fund for the purchase of the downtown parking lots. The outstanding balance was \$159,250 at June 30, 2016.
- (2) 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, 2016, the amount of \$290,000 remained outstanding.
- (3) The Parks and Recreation Special Revenue fund entered into an agreement with the Street Improvement Capital Projects fund in the amount of \$200,000.

**C. Transfers In and Out**

For the year ended June 30, 2016, transfers in and out are as follows:

<u>Transfer Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Successor Agency Housing</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 25,000	\$ 817,450	\$ 300,000	\$ 1,142,450
Nonmajor Governmental Enterprise:	2,075,545	-	25,327	-	2,100,872
Wastewater	25,000	-	-	-	25,000
<b>Total</b>	<u>\$ 2,100,545</u>	<u>\$ 25,000</u>	<u>\$ 842,777</u>	<u>\$ 300,000</u>	<u>\$ 3,268,322</u>

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt**

**A. Governmental Activities**

Summary of changes in long-term liabilities for Governmental Activities as of June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Compensated absences	\$ 6,796,646	\$ 16,558	\$ (204,789)	\$ 6,608,415	\$ 660,842	\$ 5,947,573
Claims payable	14,055,715	4,628,095	(2,934,110)	15,749,700	3,149,940	12,599,760
Loans payable	779,130	-	(112,673)	666,457	116,011	550,446
2015 Refunding General Obligation Bonds	61,520,000	-	-	61,520,000	1,060,000	60,460,000
Unamortized bond premium	9,115,359	-	(430,648)	8,684,711	-	8,684,711
2013A Lease Revenue Bonds	4,415,000	-	(215,000)	4,200,000	220,000	3,980,000
Unamortized bond discount	(8,610)	-	547	(8,063)	-	(8,063)
Capital leases - Stuphen Fire Truck	1,046,067	-	(171,211)	874,856	165,179	709,677
<b>Total</b>	<u>\$ 97,719,307</u>	<u>\$ 4,644,653</u>	<u>\$ (4,067,884)</u>	<u>\$ 98,296,076</u>	<u>\$ 5,371,972</u>	<u>\$ 92,924,104</u>

**Compensated Absences - Employee Leave Benefits Payable**

The City's policies relating to employee leave benefits are described in Note 1. The balance at June 30, 2016, is \$6,608,415. 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, 2016, is \$15,749,700. 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, 2016, is \$566,208.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 85,392	\$ 21,532	\$ 106,924
2018	88,797	18,127	106,924
2019	92,339	14,585	106,924
2020	95,995	10,929	106,924
2021	99,851	7,072	106,923
2022	103,834	3,089	106,923
Total	<u>\$ 566,208</u>	<u>\$ 75,334</u>	<u>\$ 641,542</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Loans Payable (Continued)**

In 2011, the City was granted five loans from the San Diego Gas and Electric Company to fund various energy conservation projects including the City Hall, CFA 921, EVCC, Joslyn, and Washington Pool. The term of the loan is 8 years of monthly installment payments with no interest. The outstanding balances at June 30, 2016, are \$88,374.

The annual debt service requirements are as follows:

Year Ended June 30,	Principals					Total
	City Hall	CFA 921	EVCC	Joslyn	Washington Pool	
2017	\$ 2,262	\$ 4,225	\$ 5,185	\$ 7,931	\$ 11,019	\$ 30,622
2018	2,262	4,225	5,185	7,931	10,099	29,702
2019	2,262	4,225	5,185	5,948	-	17,620
2020	2,262	4,225	5,185	-	-	11,672
2021	2,262	1,758	5,185	-	-	9,205
2022	566	-	862	-	-	1,428
Total	\$ 11,876	\$ 18,658	\$ 26,787	\$ 21,810	\$ 21,118	\$ 100,249

**2015 Refunding General Obligation Bonds**

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

On May 12, 2015, the City issued \$61,520,000 of General Obligation Refunding Bonds Series 2015. Proceeds from the Bonds were used to refund the General Obligation Bonds, election 2004, Series A, fund a debt service reserve fund and pay the costs of issuance. The Bonds bear interest ranging from 3.00% to 5.00% per annum payable on March 1 and September 1 of each year commencing March 1, 2015. The Bonds mature starting September 1, 2016 and end on September 1, 2036. At June 30, 2016, the outstanding balance of the Bonds was \$61,520,000 and unamortized bond premium was \$8,684,711.

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**2015 Refunding General Obligation Bonds (Continued)**

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 1,060,000	\$ 3,002,400	\$ 4,062,400
2018	1,780,000	2,950,900	4,730,900
2019	1,870,000	2,877,900	4,747,900
2020	1,965,000	2,791,375	4,756,375
2021	2,065,000	2,690,625	4,755,625
2022-2026	12,020,000	11,755,000	23,775,000
2027-2031	15,675,000	8,314,625	23,989,625
2032-2036	20,350,000	3,831,750	24,181,750
2037	4,735,000	118,375	4,853,375
	<u>\$ 61,520,000</u>	<u>\$ 38,332,950</u>	<u>\$ 99,852,950</u>

**2013A Lease Revenue Bonds**

In March 2013, the City of Escondido issued \$4,830,000 in Lease Revenue Bonds to currently refund the outstanding Escondido Joint Powers Financing Authority 2001 Lease Revenue Bonds and to pay the costs incurred in connection with the issuance of the Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A. The principal is due annually on October 1 in amounts ranging from \$205,000 to 355,000, commencing 2013 and ending 2030. Interest is payable semi-annually on April 1 and October 1 of each year commencing October 1, 2013, at rates ranging from 2.00% to 4.00%. At June 30, 2016, the outstanding balance of these bonds was \$4,200,000 and unamortized bond discount was \$8,063.

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 220,000	\$ 139,569	\$ 359,569
2018	230,000	132,819	362,819
2019	235,000	125,844	360,844
2020	245,000	118,644	363,644
2021	250,000	111,219	361,219
2022-2026	1,380,000	432,484	1,812,484
2027-2031	1,640,000	164,744	1,804,744
Total	<u>\$ 4,200,000</u>	<u>\$ 1,225,323</u>	<u>\$ 5,425,323</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

Capital Leases

In September 2014, the City entered into a lease agreement with Leasing 2, Inc. to acquire a Sutphen aerial ladder fire truck. Per the lease agreement, the annual payments of \$190,375 are due in August of each year with the final payment due in August 2020. The outstanding balance at June 30, 2016, was \$874,856.

The future minimum lease and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,179	\$ 25,196	\$ 190,375
2018	169,936	20,439	190,375
2019	174,830	15,545	190,375
2020	179,865	10,510	190,375
2021	185,046	5,329	190,375
Total	<u>\$ 874,856</u>	<u>\$ 77,019</u>	<u>\$ 951,875</u>

Assets acquired through the capital leases are as follows:

Sutphen Aerial Ladder Fire Truck, net book value at July 1, 2016	\$ 902,586
Current year depreciation expense	(21,490)
Sutphen Aerial Ladder Fire Truck, net book value at June 30, 2016	<u>\$ 881,096</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities**

Summary of changes in long-term liabilities for Business-type Activities as of June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Connection rights payable	\$ 13,323,491	\$ -	\$ (50,204)	\$ 13,273,287	\$ -	\$ 13,273,287
Compensated absences	1,106,797	114,175	-	1,220,972	122,097	1,098,875
2007 Water Revenue COP	27,035,000	-	(565,000)	26,470,000	595,000	25,875,000
Unamortized bond premium	183,624	-	(8,253)	175,371	-	175,371
2012 Water Revenue Bonds	30,255,000	-	(495,000)	29,760,000	500,000	29,260,000
Unamortized bond premium	1,481,604	-	(55,192)	1,426,412	-	1,426,412
2015A Wastewater Refunding Revenue Bonds	14,645,000	-	(1,070,000)	13,575,000	960,000	12,615,000
Unamortized bond premium	2,385,162	-	(213,597)	2,171,565	-	2,171,565
2015B Wastewater Refunding Revenue Bonds	5,060,000	-	(440,000)	4,620,000	425,000	4,195,000
Unamortized bond discount	(54,343)	-	4,867	(49,476)	-	(49,476)
2012 Wastewater Revenue Bonds	26,975,000	-	(150,000)	26,825,000	155,000	26,670,000
Unamortized bond premium	1,691,202	-	(63,000)	1,628,202	-	1,628,202
Loans payable	18,304,767	-	(2,151,301)	16,153,466	2,158,851	13,994,615
<b>Total</b>	<b>\$ 142,392,304</b>	<b>\$ 114,175</b>	<b>\$ (5,256,680)</b>	<b>\$ 137,249,799</b>	<b>\$ 4,915,948</b>	<b>\$ 132,333,851</b>

**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 outstanding balance at June 30, 2016 is \$13,273,287.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

*Compensated Absences – Employee Leave Benefits Payable*

The City's policies relating to employee leave benefits are described in Note 1 of the Notes to Basic Financial Statements. This liability will be paid in future years from future resources. The balance at June 30, 2016, is \$1,220,972.

*2007 Water Revenue Certificates of Participation*

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

The \$5,775,000 term certificates pay interest at 5.0% and the \$13,325,000 term certificates pay interest at 4.75%. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2008. The certificates maturing on or after September 1, 2018, are subject to optional prepayment prior to their respective maturities, as a whole or in part on any date in the order of maturity as directed by the City in a Written Request provided to the Trustee at least 45 days prior to the prepayment date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 2007, from amounts prepaid by the City pursuant to the Installment Purchase Agreement at a Prepayment Price equal to 100% of the principal amount of such Certificates to be prepaid. Additionally, the term certificates maturing on September 1, 2030 and 2037 are subject to mandatory prepayment in part (by lot) on each September 1 on and after September 1, 2026 and 2031, respectively, in integral multiple of \$5,000 at a prepayment price as described in the Certificate covenants. The outstanding balance at June 30, 2016 was \$26,470,000 and unamortized bond premium was \$175,371 at June 30, 2016.

The annual debt service requirements are as follows:

<b>Year Ended</b>				
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$ 595,000	\$ 1,214,350	\$	1,809,350
2018	620,000	1,190,050		1,810,050
2019	640,000	1,164,850		1,804,850
2020	670,000	1,138,650		1,808,650
2021	695,000	1,111,350		1,806,350
2022-2026	4,150,000	5,081,337		9,231,337
2027-2031	5,775,000	3,915,813		9,690,813
2032-2036	7,040,000	2,667,125		9,707,125
2037-2038	6,285,000	301,981		6,586,981
Total	<u>\$ 26,470,000</u>	<u>\$ 17,785,506</u>	<u>\$</u>	<u>37,668,525</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**2012 Water Revenue Bonds**

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

Additionally, the term certificates, maturing on September 1, 2031, 2033, and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2030, 2032, and 2038 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 120% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2016, was \$29,760,000 and the unamortized bond premium was \$1,426,412. A reserve fund is not established.

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 500,000	\$ 1,390,556	\$ 1,890,556
2018	520,000	1,370,156	1,890,156
2019	545,000	1,348,856	1,893,856
2020	565,000	1,326,656	1,891,656
2021	585,000	1,303,656	1,888,656
2022-2026	3,150,000	6,144,866	9,294,866
2027-2031	3,920,000	5,433,838	9,353,838
2032-2036	5,670,000	4,022,250	9,692,250
2037-2041	10,465,000	2,808,375	13,273,375
2042	3,840,000	96,000	3,936,000
<b>Total</b>	<b>\$ 29,760,000</b>	<b>\$ 25,245,209</b>	<b>\$ 37,795,834</b>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**2015A Wastewater Refunding Revenue Bonds**

On April 29, 2015, the City issued \$14,645,000 of Refunding Revenue Bonds (Wastewater System), Series 2015A. Proceeds from the issuance were used to refund the 2004A COP Bonds and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 2.00% to 5.00% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2026 and are limited obligations of the City payable solely from net revenues of the City's Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2016, the outstanding balance of the Bonds was \$13,575,000 and unamortized bond premium was \$2,171,565.

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.

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 960,000	\$ 649,950	\$ 1,609,950
2018	995,000	605,875	1,600,875
2019	1,045,000	554,875	1,599,875
2020	1,100,000	501,250	1,601,250
2021	1,160,000	444,750	1,604,750
2022-2026	6,750,000	1,269,250	8,019,250
2027	1,565,000	39,125	1,604,125
<b>Total</b>	<b>\$ 13,575,000</b>	<b>\$ 4,065,075</b>	<b>\$ 16,035,950</b>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**2015B Wastewater Refunding Revenue Bonds**

On April 29, 2015, the City issued \$5,060,000 of Refunding Revenue Bonds (Wastewater System), Series 2015B. Proceeds from the issuance were used to refund the 2004B Certificates of Participation and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 0.40% to 3.25% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2025. The 2015 Bonds are limited obligations of the City payable solely from net revenues of the City’s Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2016, the outstanding balance of the Bonds was \$4,620,000 and unamortized bond discount was \$49,476.

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

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 425,000	\$ 103,323	\$ 528,323
2018	430,000	99,575	529,575
2019	435,000	93,514	528,514
2020	440,000	85,525	525,525
2021	450,000	76,063	526,063
2022-2026	2,440,000	190,063	2,630,063
Total	<u>\$ 4,620,000</u>	<u>\$ 648,063</u>	<u>\$ 5,268,063</u>

**2012 Wastewater Revenue Bonds**

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**2012 Wastewater Revenue Bonds (Continued)**

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, 2016, was \$26,825,000 and unamortized bond premium is \$1,628,202. A reserve fund is not established.

The annual debt service requirements are as follows:

<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
2017	\$ 155,000	\$ 1,285,806	\$ 1,440,806
2018	160,000	1,280,281	1,440,281
2019	165,000	1,273,781	1,438,781
2020	175,000	1,266,981	1,441,981
2021	185,000	1,259,781	1,444,781
2022-2026	1,020,000	6,186,056	7,206,056
2027-2031	4,990,000	5,575,716	10,565,716
2032-2036	6,145,000	3,950,044	10,095,044
2037-2041	3,575,000	1,830,531	5,405,531
2042	10,255,000	56,375	10,311,375
Total	<u>\$ 26,825,000</u>	<u>\$ 23,965,352</u>	<u>\$ 35,073,446</u>

**Loans Payable**

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

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

The first phase of the Tertiary Treatment Facility project was completed on May 25, 2001. During fiscal year 2002-03, the City increased the outstanding loan balance on the second phase of the projects by \$4,912,366. The project was completed on April 1, 2003. The principal and interest on the first phase loan is due annually on May 25 in the amount of \$488,990 commencing 2002 and ending 2021. The principal and interest on the second phase loan is due annually on April 1 in the amount of \$1,728,852 commencing 2004 and ending 2023. The outstanding balance at June 30, 2016, is \$12,122,415.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**Loans Payable (Continued)**

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principals</b>			
	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>	<b>Total</b>
2017	\$ 407,490	\$ 823,099	\$ 617,606	\$ 1,848,195
2018	407,490	823,099	617,606	1,848,195
2019	407,490	823,099	617,606	1,848,195
2020	407,490	823,099	617,606	1,848,195
2021	407,524	619,860	617,606	1,644,990
2022-2023	-	-	3,084,645	3,084,645
	<u>\$ 2,037,484</u>	<u>\$ 3,912,256</u>	<u>\$ 6,172,675</u>	<u>\$ 12,122,415</u>

In 2002, the City of Escondido entered into an agreement with the Department of Water Resources for a loan program. The funds were provided in part from the Federal Capitalization Grant for Drinking Water State Revolving Funds program. The proceeds were used to construct the Gravity Float Line Capital Project. Repayment began on January 1, 2005, with semi-annual payments of \$65,459 with varying interest rates from 1.94% to 3.16%. The repayment ends on July 1, 2024. The outstanding balance at June 30, 2016, is \$943,438.

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 107,882	\$ 23,037	\$ 130,919
2018	110,610	20,309	130,919
2019	113,408	17,511	130,919
2020	116,276	14,643	130,919
2021	119,216	11,703	130,919
2022-2024	376,046	16,711	392,757
Total	<u>\$ 943,438</u>	<u>\$ 103,914</u>	<u>\$ 1,047,352</u>

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, 2016, is \$791,355.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**Loans Payable (Continued)**

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 79,823	\$ 18,993	\$ 98,816
2018	81,739	17,077	98,816
2019	83,701	15,115	98,816
2020	85,709	13,107	98,816
2021	87,767	11,049	98,816
2022-2025	372,616	22,625	395,241
Total	<u>\$ 791,355</u>	<u>\$ 97,966</u>	<u>\$ 889,321</u>

In October 2009, the City of Escondido entered into an agreement with the State Department of Public Health for funding of construction of the Alexander Area Phase II Water Line. The agreement provided for the loan funding, up to a maximum loan amount of \$6,500,000, under the provisions of the California Safe Drinking Water State Revolving Fund Loan Program and the American Recovery and Reinvestment Act of 2009. A total of \$5,626,469 in project costs were incurred and submitted to the State for reimbursement. As per the terms of the agreement, fifty percent of each disbursement was forgiven by the State and not added to the principal amount of the loan. Upon project completion in October, 2012, final loan principal to be repaid amounted to \$2,813,324. Repayment began March 1, 2012, with semi-annual payments of Principal and Interest of \$89,816, including interest at the rate of 2.5017%. The repayment period ends on September 1, 2031. The outstanding balance at June 30, 2016, is \$2,296,258.

The annual debt service requirements are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 122,952	\$ 56,681	\$ 179,633
2018	126,047	53,586	179,633
2019	129,220	50,416	179,636
2020	132,473	47,160	179,633
2021	135,808	43,825	179,633
2022-2026	732,075	166,092	898,167
2027-2031	828,976	69,190	898,166
2032	88,707	1,110	89,817
	<u>\$ 2,296,258</u>	<u>\$ 488,060</u>	<u>\$ 2,784,318</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**Loans Payable (Continued)**

***Pledged Revenue***

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Charges for services	\$ 19,870,609	\$ 9,805,347	49.35%
Loan repayment revenue	360,019	360,019	100.00%

***Rate Covenants***

Under various debt issues, the City has agreed to set charges for water and wastewater services each year at rates sufficient to produce net revenues (after paying operating and maintenance expenses, excluding depreciation and interest) of at least 1.20 and 1.15 times the debt service on the bonds for that year for the Water and Wastewater Fund, respectively. For the year ended June 30, 2016, the City met this requirement, as follows:

	<u>Water</u>	<u>Wastewater</u>
Gross revenues, excluding intergovernmental revenue and developer contributions	\$ 51,102,599	\$ 34,912,451
Operating and maintenance expenses, excluding depreciation, interest and transfers	<u>43,200,251</u>	<u>22,944,190</u>
<b>Net revenues</b>	<u>7,902,348</u>	<u>11,968,261</u>
<b>Amount required:</b>		
Debt service payments	4,023,640	5,781,707
Coverage required	<u>1.20</u>	<u>1.15</u>
<b>Amount required</b>	<u>4,828,368</u>	<u>6,648,963</u>
<b>Excess of net revenues</b>	<u>\$ 3,073,980</u>	<u>\$ 5,319,298</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**C. Fiduciary Funds**

Summary of changes in long-term liabilities for Fiduciary Funds as of June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Advances from the City of Escondido	\$ 3,726,184	\$ 41,292	\$ (1,421,088)	\$ 2,346,388	\$ -	\$ 2,346,388
2007 A & B Lease Revenue Bonds	26,285,000	-	(6,085,000)	20,200,000	6,400,000	13,800,000
Unamortized bond premium	714,920	-	(204,263)	510,657	-	510,657
Loans payable - Other Governments	2,050,000	-	-	2,050,000	2,050,000	-
<b>Total</b>	<u>\$ 32,776,104</u>	<u>\$ 41,292</u>	<u>\$ (7,710,351)</u>	<u>\$ 25,107,045</u>	<u>\$ 8,450,000</u>	<u>\$ 16,657,045</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, 2016, the outstanding balance of the advances from other funds totaled \$2,346,388.

**2007 A&B Lease Revenue Bonds**

In January 2007, the Escondido Joint Powers Financing Authority issued \$40,025,000 2007A Lease Revenue Refunding Bonds and \$16,525,000 2007B Taxable Lease Revenue Refunding Bonds to refund the 1995 Certificates of Participation (COP) Lease Revenue Bonds.

The 2007A Lease Revenue Refunding Bonds bear interest rates between 3.6% to 4.02% payable semiannually on March 1 and September 1 of each year. The 2007A Lease Revenue Refunding Bonds mature between September 1, 2009 and September 1, 2018, in amounts ranging from \$850,000 to \$5,025,000. The 2007B Taxable Lease Revenue Refunding Bonds mature on September 1, 2018 at 5.53% rate.

The 2007B bonds are subject to mandatory redemption from a sinking fund account in amounts ranging from \$930,000 to \$2,045,000 commencing September 1, 2009.

Both 2007A and 2007B bonds are subject to mandatory redemption as a whole or in part on any date without premium, from unused insurance or condemnation proceed as described in the bond covenants. The reserve for 2007A and 2007B bonds was in form of surety bond and fully funded. The outstanding balance at June 30, 2016, was \$20,200,000 and unamortized bond premium was \$510,657.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**C. Fiduciary Funds**

**2007 A&B Lease Revenue Bonds (Continued)**

The annual debt service requirements are as follows:

Year Ended June 30,	2007A		2007B		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 4,545,000	\$ 603,875	\$ 1,855,000	\$ 272,214	\$ 6,400,000	\$ 876,089	\$ 7,276,089
2018	4,780,000	370,750	1,950,000	167,006	6,730,000	537,756	7,267,756
2019	5,025,000	125,625	2,045,000	56,544	7,070,000	182,169	7,252,169
Total	\$ 14,350,000	\$ 1,100,250	\$ 5,850,000	\$ 495,764	\$ 20,200,000	\$ 1,596,014	\$ 21,796,014

**Loans Payable – Other Governments**

The annual debt service requirements are as follows:

Year Ended June 30,	Principals		
	Las Ventanas	So Cal Housing	Total
2017	\$ 1,250,000	\$ 800,000	\$ 2,050,000
Total	\$ 1,250,000	\$ 800,000	\$ 2,050,000

**D. Component Unit**

Summary of changes in long-term liabilities for Component Unit as of June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Compensated absences	\$ 67,879	\$ 30,808	\$ (25,281)	\$ 73,406	\$ 73,406	\$ -
<b>Total</b>	\$ 67,879	\$ 30,808	\$ (25,281)	\$ 73,406	\$ 73,406	\$ -

**Compensated Absences – Employee Leave Benefits Payable**

The Foundation policies relating to employee leave benefits are described in Note 1 of the Notes to Basic Financial Statements. This liability will be paid in future years from future resources. The balance at June 30, 2016, is \$73,406.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Debt without City’s Commitment**

**A. Mortgage Revenue Bonds**

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

	Original Issue Amount	Balances at June 30, 2016	Due Date
Via Robles	\$ 9,500,000	\$ 6,900,000	November 15, 2036
Heritage Park	7,450,000	4,250,000	July 15, 2033
<b>Total Mortgage Revenue Bonds</b>	<b>\$ 16,950,000</b>	<b>\$ 11,150,000</b>	

**B. Special Assessment Debt**

In January 1998, the City issued \$4,435,000 in Limited Obligation Improvement Refunding Bonds for the Auto Parkway project. Interest payments commenced March 2, 1999 and are paid semiannually thereafter on September 2 and March 2 of each year. Principal payments are paid annually in amounts ranging from \$10,000 to \$190,000, commencing 1999 and ending 2008. In addition, \$2,505,000 of Term Bonds are due September 2, 2018. These bonds were issued to refund the Limited Obligation Bonds issued in July 1988 for Assessment District No. 86-1-R. On June 30, 2016, the 86-1-R Limited Obligation Improvement Refunding Bonds outstanding were \$900,000.

In August 1998, the City issued \$5,105,000 in Limited Obligation Refunding Bonds for Assessment District No. 98-1 (Rancho San Pasqual). Interest payments commenced March 2, 1999 and are paid semiannually thereafter on March 2 and September 2. Principal payments are paid annually in amounts ranging from \$80,000 to \$165,000 commencing September 2, 1999 and ending September 2, 2013. In addition, \$3,040,000 of Term Bonds are due September 2, 2026. These bonds were issued to refund the Limited Obligation Improvements Bonds issued in September 1995 for Rancho San Pasqual Assessment District No. 95-1. On June 30, 2016, the 98-1 Limited Obligation Refunding Bonds outstanding were \$2,700,000.

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, 2016, 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.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Debt without City’s Commitment (continued)**

**B. Special Assessment Debt (continued)**

On June 30, 2016, the outstanding principal of Community Facilities District No. 2000-01 (Hidden Trails) Special Tax Refunding bonds, Series 2013 was \$2,160,000.

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.

**Note 10 – Self-Insurance**

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

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

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

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

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

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Self-Insurance (Continued)**

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, 2016, the City has recorded general self-insurance and workers' compensation liabilities of \$3,689,700 and \$12,060,000 respectively, for a total of \$15,749,700. 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.

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

Fiscal Year	Beginning Balance	Claims Incurred and Charges in Estimates	Less Claim Payments	Ending Balance
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
2015-16	14,055,715	4,628,095	(2,934,110)	15,749,700

**Note 11 – Restricted Net Position**

At June 30, 2016, restricted net position consisted of the followings:

	Governmental Activities	Business-type Activities	Total
Community services:			
Expendable	\$ 2,221,763	\$ -	\$ 2,221,763
Nonexpendable	252,522	-	252,522
Debt service	2,215,008	-	2,215,008
Capital projects	976,199	-	976,199
General government	2,084,082	-	2,084,082
Low and moderate income housing	71,458,970	-	71,458,970
Public safety	3,005,036	-	3,005,036
Public works	14,316,875	-	14,316,875
Total restricted net position	<u>\$ 96,530,455</u>	<u>\$ -</u>	<u>\$ 96,530,455</u>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 12 – Fund Balance**

**A. Fund Balance Classification**

At June 30, 2016, fund balances are classified as follows:

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
<b>Nonspendable</b>				
Advances to other funds	\$ 159,250	\$ -	\$ -	\$ 159,250
Noncurrent loans receivable	19,935	-	-	19,935
<b>Total nonspendable</b>	<b>179,185</b>	<b>-</b>	<b>-</b>	<b>179,185</b>
<b>Restricted for</b>				
Housing & community development	-	42,596,115	17,703,765	60,299,880
Community Development Block Grant	-	-	9,330	9,330
Debt service	-	-	3,432,885	3,432,885
Capital projects	-	-	9,043,766	9,043,766
Street maintenance	-	-	7,400,537	7,400,537
Landscape and assessment districts	-	-	1,281,073	1,281,073
Law enforcement	-	-	226,538	226,538
Daley Ranch	-	-	752,522	752,522
Park development	-	-	1,919,861	1,919,861
Public Art	-	-	315,992	315,992
<b>Total restricted</b>	<b>-</b>	<b>42,596,115</b>	<b>42,086,269</b>	<b>84,682,384</b>
<b>Committed to</b>				
Reserves	16,892,319	-	-	16,892,319
Capital projects	-	-	535,948	535,948
Parks & Recreation	-	-	386,476	386,476
Daley Ranch restoration	-	-	30,254	30,254
Ryan Trust	-	-	28,716	28,716
Hegyí Trust	-	-	2,763	2,763
<b>Total committed</b>	<b>16,892,319</b>	<b>-</b>	<b>984,157</b>	<b>17,876,476</b>
<b>Assigned to</b>				
Carryovers	122,340	-	-	122,340
Underground waivers	503,695	-	-	503,695
Library Trust	315,227	-	-	315,227
<b>Total assigned</b>	<b>941,262</b>	<b>-</b>	<b>-</b>	<b>941,262</b>
<b>Unassigned (deficit)</b>	<b>1,961,211</b>	<b>-</b>	<b>(846,790)</b>	<b>1,114,421</b>
<b>Total Fund Balances</b>	<b>\$ 19,973,977</b>	<b>\$ 42,596,115</b>	<b>\$ 42,223,636</b>	<b>\$ 104,793,728</b>

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 12 – Fund Balance (continued)**

**B. General Fund Reserve**

The General Fund Reserves portion of fund balance is committed by City Council to maintain adequate levels of fund balance to mitigate current and future risks and to 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 Council action by Resolution is required to adjust the Reserve level.

**Note 13 – City Employees Retirement Plan**

**A. CalPERS**

*Plan Description*

The City of Escondido contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

*Benefits Provided*

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

The plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

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

\* Plan is closed to new entrants

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – City Employees Retirement Plan (Continued)**

**A. CalPERS (Continued)**

*Benefits Provided (Continued)*

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

\* Plan is closed to new entrants

*Employees Covered by Benefit Terms*

At June 30, 2015, the following employees were covered by the benefit terms of the plan:

<b>Description</b>	<b>Number of members</b>	
	<b>Miscellaneous</b>	<b>Safety</b>
Active members	579	251
Transferred members	261	67
Terminated members	317	37
Retired members and beneficiaries	606	284
Total Members	<u>1,763</u>	<u>639</u>

*Contribution Description*

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

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – City Employees Retirement Plan (Continued)**

**A. CalPERS (Continued)**

**Net Pension Liability**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
<b>Actuarial Cost Method</b>	Entry Age Normal	Entry Age Normal
<b>Actuarial Assumptions</b>		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation	7.65% 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, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

***Change of Assumption***

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50 percent (net of administrative expenses in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – City Employees Retirement Plan (Continued)**

**A. CalPERS (Continued)**

**Net Pension Liability (Continued)**

*Discount Rate*

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

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

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

<u>Assets Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.00%	2.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	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 Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – City Employees Retirement Plan (Continued)**

**A. CalPERS (Continued)**

**Changes in Net Pension Liability**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
<b>Miscellaneous Plan</b>			
Balance at: 6/30/2014 (Valuation Date) (1)	\$ 351,898,948	\$ 255,080,528	\$ 96,818,420
Changes Recognized for the Measurement Period:			
Service Cost	6,086,726	-	6,086,726
Interest on the Total Pension Liability	25,822,523	-	25,822,523
Changes of Assumptions	(6,078,768)	-	(6,078,768)
Difference between Expected and Actual Experience	(3,440,683)	-	(3,440,683)
Plan to Plan Resource Movement	-	(741)	741
Contribution from the Employer	-	8,956,819	(8,956,819)
Contributions from Employees	-	2,702,365	(2,702,365)
Net Investment Income (2)	-	5,794,332	(5,794,332)
Benefit Payments including Refunds of Employee Contributions	(15,747,072)	(15,747,072)	-
Administrative Expense	-	(288,739)	288,739
Net Changes During 2014-15	6,642,726	1,416,964	5,225,762
Balance at: 6/30/2015 (Measurement Date) (1)	\$ 358,541,674	\$ 256,497,492	\$ 102,044,182
<b>Safety Plan</b>			
Balance at: 6/30/2014 (Valuation Date) (1)	\$ 312,943,483	\$ 246,667,408	\$ 66,276,075
Changes Recognized for the Measurement Period:			
Service Cost	6,321,850	-	6,321,850
Interest on the Total Pension Liability	23,398,715	-	23,398,715
Changes of Assumptions	(5,933,256)	-	(5,933,256)
Difference between Expected and Actual Experience	2,817,273	-	2,817,273
Contribution from the Employer	-	9,066,062	(9,066,062)
Contributions from Employees	-	2,322,205	(2,322,205)
Net Investment Income (2)	-	5,455,063	(5,455,063)
Benefit Payments including Refunds of Employee Contributions	(14,245,717)	(14,245,717)	-
Administrative Expense	-	(280,190)	280,190
Net Changes During 2014-15	12,358,865	2,317,423	10,041,442
Balance at: 6/30/2015 (Measurement Date) (1)	\$ 325,302,348	\$ 248,984,831	\$ 76,317,517

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

(2) Net of administrative expenses.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – City Employees Retirement Plan (Continued)**

**A. CalPERS (Continued)**

**Changes in Net Pension Liability (Continued)**

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<b>Discount Rate - 1%</b> <b>(6.65%)</b>	<b>Current Discount</b> <b>Rate (7.65%)</b>	<b>Discount Rate +1%</b> <b>(8.65%)</b>
Miscellaneous Plan	\$ 148,070,773	\$ 102,044,153	\$ 63,746,940
Safety Plan	121,700,397	76,317,517	39,183,101
Total Plans	\$ 269,771,170	\$ 178,361,670	\$ 102,930,041

***Pension Plan Fiduciary Net Position***

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

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

For the measurement period ending June 30, 2015, the City incurred a pension expense of \$8,956,957 and \$9,066,062 for Miscellaneous and Safety plans, respectively.

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

	<b>Miscellaneous Plan</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after measurement date	\$ 10,105,058	\$ -
Changes of Assumptions	-	(4,117,875)
Differences between Expected and Actual Experiences	-	(2,330,785)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	10,810,119	(13,072,030)
	\$ 20,915,177	\$ (19,520,690)

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – City Employees Retirement Plan (Continued)**

**A. CalPERS (Continued)**

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

	<b>Safety Plan</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution made after measurement date	\$ 9,136,624	\$ -
Changes of Assumptions	-	(4,670,861)
Differences between Expected and Actual Experiences	2,217,853	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	10,630,082	(12,649,553)
	\$ 21,984,559	\$ (17,320,414)

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and safety plan for the 2014-15 measurement period is 3.1 and 4.7 years, which was obtained by dividing the total service years of 5,294 and 2,923 (the sum of remaining service lifetimes of the active employees) by 1,701 and 628 (the total number of participants: active, inactive, and retired), respectively.

The \$10,105,058 and \$9,136,624 reported as deferred outflows of resources related to pension resulting from the City’s contributions subsequent to the measurement date during the year ended June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
Measurement Period Ended June 30:	Miscellaneous Plan	Safety Plan
2016	\$ (4,725,604)	\$ (2,221,972)
2017	(4,725,604)	(2,221,972)
2018	(1,961,892)	(2,221,971)
2019	2,702,529	2,193,436
2020	-	-
Thereafter	-	-
Total	\$ (8,710,571)	\$ (4,472,479)

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 13 – City Employees Retirement Plan (Continued)**

**B. Defined Contribution Plan**

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

For the year ended June 30, 2016, the City's total covered payroll was \$2,165,632. The City made employer contributions of \$0, and employees contributed \$162,424 (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.

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

On February 8, 2006, the City entered into a developer agreement with Palomar Pomerado Health (Hospital). The Hospital made a onetime payment to the City in the amount of \$13 million (deposit) for the City to construct certain Citracado Parkway improvements (project). The deposit is to be jointly controlled by the City and the Hospital. The City is entitled to draw from the deposit so long as the funds are used exclusively on the project. At June 30, 2016, the balance is \$9,843,430.

**Note 15 – Contingencies and Commitments**

**A. Litigation**

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

**B. 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.

**City of Escondido**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 15 – Contingencies and Commitments (Continued)**

**C. Grants**

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

**D. San Luis Rey Settlement Agreement**

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

**E. Construction Commitments**

The City has several outstanding or planned construction projects as of June 30, 2016. These projects are evidenced by contractual commitments with contractors. As of June 30, 2016, the City's outstanding commitments are as follows:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2016</u>	<u>Remaining Commitments</u>
Cemetery Area Water Pipeline	\$ 8,069,275	\$ 4,763,258	\$ 3,306,017
HARRF Phase II Primary Treatment Building	12,270,431	1,302,814	10,967,617
Southwest Sewer Realignment Project	8,511,050	226,718	8,284,332
Street Rehab and Maintenance Project	3,166,772	-	3,166,772
Vista Verde Reservoir Replacement Project	10,067,884	36,605	10,031,279
Water Treatment Plant Onsite Chlorine Generation	12,813,292	9,231,332	3,581,960

**Note 16 – Prior Period Adjustments**

**A. Component Unit**

On July 1, 2015, the California Center for Arts, Escondido Foundation has adjusted \$1,531 to its beginning balance from \$1,418,582 to \$1,420,113. Beginning net assets have been decreased in the amount of \$5,719 in order to adjust a prior year understatement of accrued liabilities and increased by \$7,250 to correct a prior year transfer from the Charitable Trust.

# Required Supplementary Information

**CITY OF ESCONDIDO**  
**Notes to Required Supplementary Information**  
**June 30, 2016**

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**Budgetary Information**

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

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

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

**City of Escondido**  
**Required Supplementary Information**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
<b>Revenues:</b>				
<b>Sales Tax:</b>				
Sales tax	\$ 30,719,015	\$ 30,776,015	\$ 30,790,225	\$ 14,210
In-lieu sales tax	6,855,000	6,855,000	6,771,508	(83,492)
<b>Total Sales Tax</b>	<b>37,574,015</b>	<b>37,631,015</b>	<b>37,561,733</b>	<b>(69,282)</b>
<b>Other Taxes:</b>				
Property taxes	11,594,000	11,518,000	11,504,726	(13,274)
Property transfer tax	551,000	551,000	555,101	4,101
Franchise tax	7,376,000	6,957,000	6,769,770	(187,230)
Transient occupancy tax	1,411,000	1,635,000	1,605,827	(29,173)
Business license	1,754,000	1,754,000	1,722,791	(31,209)
Miscellaneous other taxes	1,136,000	806,000	842,300	36,300
<b>Total Other Taxes</b>	<b>23,822,000</b>	<b>23,221,000</b>	<b>23,000,515</b>	<b>(220,485)</b>
<b>Licenses and Permits:</b>				
Tow licenses	348,000	348,000	348,125	125
Building permits	155,000	223,000	272,516	49,516
Other licenses and permits	258,000	275,435	313,814	38,379
<b>Total Licenses and Permits</b>	<b>761,000</b>	<b>846,435</b>	<b>934,455</b>	<b>88,020</b>
<b>Fines and Forfeits:</b>				
Vehicle code fines	493,000	493,000	429,736	(63,264)
Parking ticket fines	200,000	200,000	304,959	104,959
Library fines	83,000	83,000	61,989	(21,011)
Booking fees	56,000	56,000	56,537	537
Red light photo citations			13,113	13,113
Other fines	336,000	491,000	477,887	(13,113)
<b>Total Fines and Forfeits</b>	<b>1,168,000</b>	<b>1,323,000</b>	<b>1,344,221</b>	<b>21,221</b>

**City of Escondido**  
**Required Supplementary Information**  
**General Fund**  
**Budgetary Comparison Schedule (Continued)**  
**For the Year Ended June 30, 2016**

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
<b>Intergovernmental:</b>				
State motor vehicle in lieu	-	-	59,431	59,431
Property tax in-lieu	11,658,000	11,748,000	11,748,187	187
Grants	575,000	635,838	574,124	(61,714)
Rincon fire operation fees	2,146,000	1,945,000	1,945,544	544
Miscellaneous agencies	245,000	631,500	733,485	101,985
<b>Total Intergovernmental</b>	<b>14,624,000</b>	<b>14,960,338</b>	<b>15,060,771</b>	<b>100,433</b>
<b>Charges for Services:</b>				
Zoning and subdivision fees	118,000	118,000	105,257	(12,743)
Annexation fees	8,000	8,000	4,725	(3,275)
Sale of maps and publications	1,000	1,000	180	(820)
Plan check fees	267,000	440,000	403,898	(36,102)
Environmental impact report	33,000	33,000	39,840	6,840
Engineering and inspection fees	1,049,000	1,770,285	1,745,343	(24,942)
Special police services	622,000	346,000	353,001	7,001
Fire and paramedic services	4,294,000	5,065,000	5,500,468	435,468
Processing fees	9,000	9,000	7,600	(1,400)
Recycling revenue	817,000	657,000	425,703	(231,297)
Senior services	20,000	20,000	18,110	(1,890)
Audio visual rentals	35,000	35,000	47,115	12,115
Other	241,000	241,000	295,161	54,161
<b>Total Charges for Services</b>	<b>7,514,000</b>	<b>8,743,285</b>	<b>8,946,401</b>	<b>203,116</b>
<b>Investment income</b>	<b>209,735</b>	<b>209,735</b>	<b>249,692</b>	<b>39,957</b>
<b>Lease income</b>	<b>3,227,000</b>	<b>3,285,000</b>	<b>3,313,393</b>	<b>28,393</b>
<b>Miscellaneous:</b>				
Contributions	20,000	20,000	2,907	(17,093)
Mobile home fees	51,000	51,000	63,492	12,492
Library trust donations	-	-	57,041	57,041
Other	254,160	162,485	184,664	22,179
<b>Total Miscellaneous</b>	<b>325,160</b>	<b>233,485</b>	<b>308,104</b>	<b>74,619</b>
<b>Total Revenues</b>	<b>89,224,910</b>	<b>90,453,293</b>	<b>90,719,285</b>	<b>265,992</b>

**City of Escondido**  
**Required Supplementary Information**  
**General Fund**  
**Budgetary Comparison Schedule (Continued)**  
**For the Year Ended June 30, 2016**

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
<b>Expenditures:</b>				
<b>General Government:</b>				
City council	419,180	429,380	429,348	(32)
City manager	1,208,990	1,477,010	1,394,969	(82,041)
City attorney	107,750	248,935	248,929	(6)
City clerk	539,000	547,210	524,582	(22,628)
City treasurer	304,795	311,825	309,186	(2,639)
Finance	1,284,110	1,312,275	1,251,642	(60,633)
Human resources	612,735	620,310	511,939	(108,371)
Information systems	1,213,805	1,222,985	1,158,067	(64,918)
Other	1,291,660	417,395	417,380	(15)
<b>Total General Government</b>	<b>6,982,025</b>	<b>6,587,325</b>	<b>6,246,042</b>	<b>(341,283)</b>
<b>Public Safety:</b>				
Police	39,312,010	39,781,945	39,467,843	(314,102)
Fire	22,306,515	23,106,495	23,064,720	(41,775)
<b>Total Public Safety</b>	<b>61,618,525</b>	<b>62,888,440</b>	<b>62,532,563</b>	<b>(355,877)</b>
<b>Public Works:</b>				
Highways and streets	11,413,165	11,595,925	11,089,347	(506,578)
<b>Community Services:</b>				
Library	3,679,355	3,765,200	3,527,664	(237,536)
Community services	3,113,365	3,124,453	2,968,665	(155,788)
Community relations	91,170	72,220	29,000	(43,220)
<b>Total Community Services</b>	<b>6,883,890</b>	<b>6,961,873</b>	<b>6,525,329</b>	<b>(436,544)</b>
<b>Community Development:</b>				
Planning	1,546,500	1,697,610	1,594,140	(103,470)
Building	854,145	916,230	875,413	(40,817)
Code enforcement	1,221,730	1,237,225	1,065,332	(171,893)
<b>Total Community Development</b>	<b>3,622,375</b>	<b>3,851,065</b>	<b>3,534,885</b>	<b>(316,180)</b>

**City of Escondido**  
**Required Supplementary Information**  
**General Fund**  
**Budgetary Comparison Schedule (Continued)**  
**For the Year Ended June 30, 2016**

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
<b>Capital outlay</b>	-	-	15,098	15,098
<b>Debt Service:</b>				
Principal retirements	23,175	23,175	23,175	-
Interest and fiscal charges	2,425	2,425	2,749	324
<b>Total Debt Service</b>	25,600	25,600	25,924	324
<b>Total Expenditures</b>	90,545,580	91,910,228	89,969,188	(1,941,040)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,320,670)	(1,456,935)	750,097	2,207,032
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	-	118,901	118,901	-
Transfers in	2,100,545	2,100,545	2,100,545	-
Transfers out	(701,950)	(1,278,450)	(1,142,450)	(136,000)
<b>Total Other Financial Sources (Uses)</b>	1,398,595	940,996	1,076,996	(136,000)
<b>Net Change in Fund Balance</b>	77,925	(515,939)	1,827,093	2,071,032
<b>Fund Balances:</b>				
Beginning of Year	18,146,884	18,146,884	18,146,884	-
End of Year	\$ 18,224,809	\$ 17,630,945	\$ 19,973,977	\$ 2,071,032

**City of Escondido**  
**Required Supplementary Information**  
**Successor Agency Housing Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
<b>Revenues:</b>				
Lease income	\$ 199,700	\$ 199,700	\$ 188,628	\$ (11,072)
Investment income	6,200	6,200	427,537	421,337
Intergovernmental	1,902,000	1,902,000	-	(1,902,000)
Miscellaneous	-	-	4,370	4,370
<b>Total Revenues</b>	<b>2,107,900</b>	<b>2,107,900</b>	<b>620,535</b>	<b>(1,487,365)</b>
<b>Expenditures:</b>				
Community development	634,675	826,460	694,950	(131,510)
Contributions to other governments	-	-	-	-
<b>Total Expenditures</b>	<b>634,675</b>	<b>826,460</b>	<b>694,950</b>	<b>(131,510)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,473,225</b>	<b>1,281,440</b>	<b>(74,415)</b>	<b>(1,355,855)</b>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	-	-	54,850	54,850
Transfers in	25,000	25,000	25,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>25,000</b>	<b>79,850</b>	<b>54,850</b>
<b>Net Change in Fund Balance</b>	<b>1,498,225</b>	<b>1,306,440</b>	<b>5,435</b>	<b>(1,301,005)</b>
<b>Fund Balance:</b>				
Beginning of Year	42,590,680	42,590,680	42,590,680	-
End of Year	<b>\$ 44,088,905</b>	<b>\$ 43,897,120</b>	<b>\$ 42,596,115</b>	<b>\$ (1,301,005)</b>

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

MEASUREMENT PERIOD	2014-15	2013-14 <sup>(1)</sup>
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 6,086,726	\$ 6,187,698
Interest	25,822,523	24,823,748
Changes of Benefits Terms	-	-
Changes in Assumptions	(6,078,768)	-
Difference Between Expected and Actual Experience	(3,440,683)	-
Benefit Payments, Including Refunds of employee Contributions	(15,747,072)	(14,003,896)
<b>Net Change in Total Pension Liability</b>	<b>\$ 6,642,726</b>	<b>\$ 17,007,550</b>
Total Pension Liability - Beginning	351,898,948	334,891,398
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 358,541,674</b>	<b>\$ 351,898,948</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contribution - Employer	\$ 8,956,819	\$ 8,191,219
Contribution - Employee	2,702,365	2,751,097
Net Investment Income <sup>(2)</sup>	5,794,332	38,132,668
Benefit Payments, Including Refunds of Employee Contributions	(15,747,072)	(14,003,896)
Plan to Plan Resource Movement	(741)	-
Administrative Expense	(288,739)	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 1,416,964</b>	<b>\$ 35,071,088</b>
Plan Fiduciary Net Position - Beginning	255,080,528	220,009,440
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 256,497,492</b>	<b>\$ 255,080,528</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 102,044,182</b>	<b>\$ 96,818,420</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>71.54%</b>	<b>72.49%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 34,030,669</b>	<b>\$ 32,920,288</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	<b>299.86%</b>	<b>294.10%</b>

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

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

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. 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: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent

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

MEASUREMENT PERIOD	2014-15	2013-14 <sup>(1)</sup>
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 6,321,850	\$ 5,878,133
Interest	23,398,715	22,099,344
Changes of Benefits Terms	-	-
Changes in Assumptions	(5,933,256)	-
Difference Between expected and Actual Experience	2,817,273	-
Benefit Payments, Including Refunds of employee Contributions	(14,245,717)	(13,505,688)
<b>Net Change in Total Pension Liability</b>	<b>\$ 12,358,865</b>	<b>\$ 14,471,789</b>
<b>Total Pension Liability - Beginning</b>	<b>312,943,483</b>	<b>298,471,694</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 325,302,348</b>	<b>\$ 312,943,483</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contribution - Employer	\$ 9,066,062	\$ 7,687,967
Contribution - Employee	2,322,205	2,079,491
Net Investment Income	5,455,063	36,944,486
Benefit Payments, Including Refunds of Employee Contributions	(14,245,717)	(13,505,688)
Plan to Plan Resource Movement	-	-
Administrative Expense	(280,190)	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 2,317,423</b>	<b>\$ 33,206,256</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>246,667,408</b>	<b>213,461,153</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 248,984,831</b>	<b>\$ 246,667,409</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 76,317,517</b>	<b>\$ 66,276,074</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>76.54%</b>	<b>78.82%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 23,096,046</b>	<b>\$ 20,583,139</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	<b>330.44%</b>	<b>321.99%</b>

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

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

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. 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: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent

**CITY OF ESCONDIDO**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Plan**  
**Schedule of Plan Contributions**  
**As of June 30, for the Last Ten Fiscal Years**

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u> <sup>(1)</sup>
Actuarially Determined Contribution	\$ 10,105,058	\$ 8,956,958	\$ 8,191,219
Contribution in Relation to the Actuarially Determined Contribution	(10,105,058)	(8,956,958)	(8,191,219)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll <sup>(2) (3)</sup>	\$ 34,925,134	\$ 34,030,669	\$ 32,920,288
Contributions as a Percentage of Covered-Employee Payroll <sup>(2)</sup>	28.93%	26.32%	24.88%

<sup>(1)</sup> Historical information is required only for measurement for which GASB 68 is applicable.

<sup>(2)</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer

<sup>(3)</sup> Payroll from 2014-15 of \$34,030,669 was assumed to increase by the 3.00 percent payroll growth assumption

**Note to Schedule:**

**Valuation Date:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 was from the June 30, 2013 funding valuation report.

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	Varies by entry age and service
Payroll Growth	3.00%
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
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.



# 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.

### **HOME FUND**

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

### **MISCELLANEOUS FUND**

This fund was established to account for transactions related to:

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

### **VEHICLE PARKING DISTRICT FUND**

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

## **DEBT SERVICE FUNDS**

### **GOLF COURSE DEBT SERVICE FUND**

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

### **GENERAL OBLIGATION DEBT SERVICE FUND**

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

## **CAPITAL PROJECT FUNDS**

### **STREET IMPROVEMENT FUND**

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

### **STORM DRAIN FUND**

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

### **PUBLIC SAFETY FACILITIES**

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

### **GENERAL CAPITAL PROJECT FUND**

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

## **CAPITAL PROJECT FUNDS**

(Continued)

### **COUNTY TRANSPORTATION STREET 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, 2016**

	Special Revenue			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
<b>ASSETS</b>				
Cash and investments	\$ 5,409,146	\$ 2,785,461	\$ -	\$ 1,327,038
Cash and investments with fiscal agent	-	-	-	-
Receivable:				
Accounts	-	95,083	-	-
Interest	16,709	10,473	-	4,782
Taxes	-	-	-	2,286
Loans	-	200,000	241,858	-
Loans to Successor Agency	1,013,162	-	-	-
Due from other governments	-	11,536	157,868	-
Inventory	-	12,753	-	-
Prepaid items	-	19,310	-	-
Deposits	-	78,482	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 6,439,017</b>	<b>\$ 3,213,098</b>	<b>\$ 399,726</b>	<b>\$ 1,334,106</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,014	\$ 93,321	\$ 10,983	\$ 53,033
Deposits payable	-	42,854	-	-
Retention payable	-	7,171	-	-
Accrued expenditures	-	87,335	7,364	-
Due to other funds	-	-	130,191	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	200,000	-	-
<b>Total liabilities</b>	<b>1,014</b>	<b>430,681</b>	<b>148,538</b>	<b>53,033</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	849,520	2,802	241,858	-
<b>Total deferred inflows of resources</b>	<b>849,520</b>	<b>2,802</b>	<b>241,858</b>	<b>-</b>
<b>Fund balances:</b>				
Restricted	5,588,483	2,419,861	9,330	1,281,073
Committed	-	416,730	-	-
Unassigned (deficit)	-	(56,976)	-	-
<b>Total fund balances</b>	<b>5,588,483</b>	<b>2,779,615</b>	<b>9,330</b>	<b>1,281,073</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,439,017</b>	<b>\$ 3,213,098</b>	<b>\$ 399,726</b>	<b>\$ 1,334,106</b>

**City of Escondido**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue			
	Law Enforcement	HOME	Miscellaneous	Vehicle Parking District
<b>ASSETS</b>				
Cash and investments	\$ 576,927	\$ 789,276	\$ 204,766	\$ 3,824
Cash and investments with fiscal agent	-	-	-	-
Receivable:				
Accounts	176	3,697	-	-
Interest	4,394	4,040,230	1,400	86
Taxes	-	-	-	-
Loans	-	16,907,641	-	-
Loans to Successor Agency	-	-	-	-
Due from other governments	1,056,377	-	165,963	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 1,637,874</b>	<b>\$ 21,740,844</b>	<b>\$ 372,129</b>	<b>\$ 3,910</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 562,016	\$ -	\$ 22,557	\$ 622
Deposits payable	-	-	-	-
Retention payable	-	-	-	-
Accrued expenditures	5,157	11	2	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	469,988
Unearned revenues	476,444	-	-	-
Advances from other funds	-	-	-	159,250
<b>Total liabilities</b>	<b>1,043,617</b>	<b>11</b>	<b>22,559</b>	<b>629,860</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	367,719	4,037,068	165,963	-
<b>Total deferred inflows of resources</b>	<b>367,719</b>	<b>4,037,068</b>	<b>165,963</b>	<b>-</b>
<b>Fund balances:</b>				
Restricted	226,538	17,703,765	315,992	-
Committed	-	-	31,479	-
Unassigned (deficit)	-	-	(163,864)	(625,950)
<b>Total fund balances</b>	<b>226,538</b>	<b>17,703,765</b>	<b>183,607</b>	<b>(625,950)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,637,874</b>	<b>\$ 21,740,844</b>	<b>\$ 372,129</b>	<b>\$ 3,910</b>

**City of Escondido**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Debt Service		Capital Projects	
	General Obligation	Golf Course	Street Improvement	Storm Drain
<b>ASSETS</b>				
Cash and investments	\$ 3,379,105	\$ 11,656	\$ 3,618,931	\$ 362,848
Cash and investments with fiscal agent	-	3,668	-	-
Receivable:				
Accounts	-	-	-	-
Interest	10,063	-	14,007	1,255
Taxes	28,393	-	-	-
Loans	-	-	-	-
Loans to Successor Agency	-	-	-	-
Due from other governments	-	-	376,067	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	200,000	-
<b>Total assets</b>	<b>\$ 3,417,561</b>	<b>\$ 15,324</b>	<b>\$ 4,209,005</b>	<b>\$ 364,103</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 40,199	\$ -
Deposits payable	-	-	2,006,038	9,573
Retention payable	-	-	-	-
Accrued expenditures	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,046,237</b>	<b>9,573</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	-	350,714	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>350,714</b>	<b>-</b>
<b>Fund balances:</b>				
Restricted	3,417,561	15,324	1,812,054	354,530
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>3,417,561</b>	<b>15,324</b>	<b>1,812,054</b>	<b>354,530</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,417,561</b>	<b>\$ 15,324</b>	<b>\$ 4,209,005</b>	<b>\$ 364,103</b>

**City of Escondido**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Capital Projects			
	Public Safety Facilities	General Capital Projects	County Transportation Street Projects	Public Facilities
<b>ASSETS</b>				
Cash and investments	\$ 108	\$ 1,124,076	\$ 2,316,969	\$ 4,839,166
Cash and investments with fiscal agent	-	-	-	
Receivable:				
Accounts	-	-	-	
Interest	-	4,668	4,737	20,446
Taxes	-	-	-	-
Loans	-	-	-	-
Loans to Successor Agency	-	-	-	-
Due from other governments	-	-	28,776	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Land held for resale	-	-	802,142	-
Advances to other funds	-	-	-	290,000
<b>Total assets</b>	<b>\$ 108</b>	<b>\$ 1,128,744</b>	<b>\$ 3,152,624</b>	<b>\$ 5,149,612</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 134,840	\$ 25,496	\$ 13,908
Deposits payable	-	17,740	-	-
Retention payable	-	-	-	-
Accrued expenditures	-	73	-	328
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>152,653</b>	<b>25,496</b>	<b>14,236</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	-	13,519	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>13,519</b>	<b>-</b>
<b>Fund balances:</b>				
Restricted	108	440,143	3,113,609	5,135,376
Committed	-	535,948	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>108</b>	<b>976,091</b>	<b>3,113,609</b>	<b>5,135,376</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 108</b>	<b>\$ 1,128,744</b>	<b>\$ 3,152,624</b>	<b>\$ 5,149,612</b>

**City of Escondido**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Permanent	
	Daley Ranch	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 251,540	\$ 27,000,837
Cash and investments with fiscal agent	-	3,668
Receivable:		
Accounts	-	98,956
Interest	982	4,134,232
Taxes	-	30,679
Loans	-	17,349,499
Loans to Successor Agency	-	1,013,162
Due from other governments	-	1,796,587
Inventory	-	12,753
Prepaid items	-	19,310
Deposits	-	78,482
Land held for resale	-	802,142
Advances to other funds	-	490,000
<b>Total assets</b>	<b>\$ 252,522</b>	<b>\$ 52,830,307</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 957,989
Deposits payable	-	2,076,205
Retention payable	-	7,171
Accrued expenditures	-	100,270
Due to other funds	-	130,191
Due to other governments	-	469,988
Unearned revenues	-	476,444
Advances from other funds	-	359,250
<b>Total liabilities</b>	-	4,577,508
<b>Deferred inflows of resources:</b>		
Unavailable revenue	-	6,029,163
<b>Total deferred inflows of resources</b>	-	6,029,163
<b>Fund balances:</b>		
Restricted	252,522	42,086,269
Committed	-	984,157
Unassigned (deficit)	-	(846,790)
<b>Total fund balances</b>	252,522	42,223,636
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 252,522</b>	<b>\$ 52,830,307</b>

**City of Escondido**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
<b>REVENUES:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,222,040	811,641	1,267,167	-
Charges for services	457,851	2,907,725	-	-
Special assessments	-	-	-	791,270
Investment income	115,149	37,587	-	12,964
Miscellaneous	-	638,107	-	5,895
<b>Total revenues</b>	<b>3,795,040</b>	<b>4,395,060</b>	<b>1,267,167</b>	<b>810,129</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,567,226	-	3,823	581,606
Community services	-	4,159,466	653,763	-
Community development	-	-	170,523	-
Capital outlay	100	254,853	29,108	-
Debt services:				
Principal retirements	-	5,185	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>1,567,326</b>	<b>4,419,504</b>	<b>857,217</b>	<b>581,606</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,227,714</b>	<b>(24,444)</b>	<b>409,950</b>	<b>228,523</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	254,100	-	-
Transfers out	(2,055,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,055,000)</b>	<b>254,100</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>172,714</b>	<b>229,656</b>	<b>409,950</b>	<b>228,523</b>
<b>FUND BALANCES:</b>				
Beginning of year	5,415,769	2,549,959	(400,620)	1,052,550
End of year	\$ 5,588,483	\$ 2,779,615	\$ 9,330	\$ 1,281,073

**City of Escondido**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue			
	Law Enforcement	HOME	Miscellaneous	Vehicle Parking District
<b>REVENUES:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,228,715	909,964	986,298	-
Charges for services	-	-	67,616	-
Special assessments	-	-	-	-
Investment income	12,534	157,216	4,514	109
Miscellaneous	-	-	242	-
<b>Total revenues</b>	<u>2,241,249</u>	<u>1,067,180</u>	<u>1,058,670</u>	<u>109</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public safety	1,618,912	-	-	-
Public works	-	-	-	88,183
Community services	-	-	450,684	-
Community development	-	135,863	107,003	-
Capital outlay	696,244	-	690,705	-
Debt services:				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>2,315,156</u>	<u>135,863</u>	<u>1,248,392</u>	<u>88,183</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(73,907)</u>	<u>931,317</u>	<u>(189,722)</u>	<u>(88,074)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	90,400
Transfers out	-	-	(20,545)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(20,545)</u>	<u>90,400</u>
<b>NET CHANGE IN FUND BALANCES</b>	(73,907)	931,317	(210,267)	2,326
<b>FUND BALANCES:</b>				
Beginning of year	300,445	16,772,448	393,874	(628,276)
End of year	<u>\$ 226,538</u>	<u>\$ 17,703,765</u>	<u>\$ 183,607</u>	<u>\$ (625,950)</u>

**City of Escondido**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Debt Service		Capital Projects	
	General Obligation	Golf Course	Street Improvement	Storm Drain
<b>REVENUES:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	155,341	-
Charges for services	-	-	259,804	104,480
Special assessments	4,776,685	-	-	-
Investment income	52,632	210	53,687	3,715
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>4,829,317</u>	<u>210</u>	<u>468,832</u>	<u>108,195</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	612,438	8,830
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	222,214	-
Debt services:				
Principal retirements	-	215,000	-	-
Interest and fiscal charges	2,202,148	146,927	-	-
<b>Total expenditures</b>	<u>2,202,148</u>	<u>361,927</u>	<u>834,652</u>	<u>8,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,627,169</u>	<u>(361,717)</u>	<u>(365,820)</u>	<u>99,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,327	363,450	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>25,327</u>	<u>363,450</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,652,496	1,733	(365,820)	99,365
<b>FUND BALANCES:</b>				
Beginning of year	765,065	13,591	2,177,874	255,165
End of year	<u>\$ 3,417,561</u>	<u>\$ 15,324</u>	<u>\$ 1,812,054</u>	<u>\$ 354,530</u>

**City of Escondido**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Capital Projects			
	Public Safety Facilities	General Capital Projects	County Transportation Street Projects	Public Facilities
<b>REVENUES:</b>				
Other taxes	\$ -	\$ -	\$ 3,657,871	\$ -
Intergovernmental	-	-	6,884	-
Charges for services	-	75,495	-	689,836
Special assessments	-	-	-	-
Investment income	28	13,552	27,873	73,774
Miscellaneous	-	609,037	-	-
<b>Total revenues</b>	<u>28</u>	<u>698,084</u>	<u>3,692,628</u>	<u>763,610</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	177,846	-	23,484
Public safety	-	49,852	-	65,176
Public works	-	1,189	489,393	171
Community services	-	99,477	-	192,259
Community development	-	341,782	-	-
Capital outlay	-	424,922	1,069,141	516,818
Debt services:				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>1,095,068</u>	<u>1,558,534</u>	<u>797,908</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>28</u>	<u>(396,984)</u>	<u>2,134,094</u>	<u>(34,298)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	109,500	-	-
Transfers out	(25,327)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(25,327)</u>	<u>109,500</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(25,299)	(287,484)	2,134,094	(34,298)
<b>FUND BALANCES:</b>				
Beginning of year	25,407	1,263,575	979,515	5,169,674
End of year	<u>\$ 108</u>	<u>\$ 976,091</u>	<u>\$ 3,113,609</u>	<u>\$ 5,135,376</u>

**City of Escondido**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>Permanent</u>	<u>Total</u>
	<u>Daley</u>	<u>Nonmajor</u>
	<u>Ranch</u>	<u>Governmental</u>
		<u>Funds</u>
<b>REVENUES:</b>		
Other taxes	\$ -	\$ 3,657,871
Intergovernmental	-	9,588,050
Charges for services	-	4,562,807
Special assessments	-	5,567,955
Investment income	2,916	568,460
Miscellaneous	8,798	1,262,079
<b>Total revenues</b>	<u>11,714</u>	<u>25,207,222</u>
<b>EXPENDITURES:</b>		
Current:		
General government	-	201,330
Public safety	-	1,733,940
Public works	-	3,352,859
Community services	-	5,555,649
Community development	-	755,171
Capital outlay	-	3,904,105
Debt services:		
Principal retirements	-	220,185
Interest and fiscal charges	-	2,349,075
<b>Total expenditures</b>	<u>-</u>	<u>18,072,314</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>		
<b>OVER EXPENDITURES</b>	<u>11,714</u>	<u>7,134,908</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	842,777
Transfers out	-	(2,100,872)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(1,258,095)</u>
<b>NET CHANGE IN FUND BALANCES</b>	11,714	5,876,813
<b>FUND BALANCES:</b>		
Beginning of year	240,808	36,346,823
End of year	<u>\$ 252,522</u>	<u>\$ 42,223,636</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Street Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Intergovernmental	\$ 3,112,000	\$ 3,222,040	\$ 110,040
Charges for services	541,600	457,851	(83,749)
Investment income	38,165	115,149	76,984
<b>Total revenues</b>	<u>3,691,765</u>	<u>3,795,040</u>	<u>103,275</u>
<b>EXPENDITURES:</b>			
Current:			
Public works	3,393,348	1,567,226	(1,826,122)
Community development	628,514	-	(628,514)
Capital outlay	3,355,422	100	(3,355,322)
<b>Total expenditures</b>	<u>7,377,284</u>	<u>1,567,326</u>	<u>(5,809,958)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,685,519)</u>	<u>2,227,714</u>	<u>(5,706,683)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(2,055,000)	(2,055,000)	-
<b>Total other financing sources (uses)</b>	<u>(2,055,000)</u>	<u>(2,055,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(5,740,519)	172,714	(5,706,683)
<b>FUND BALANCES:</b>			
Beginning of year	5,415,769	5,415,769	-
End of year	<u>\$ (324,750)</u>	<u>\$ 5,588,483</u>	<u>\$ (5,706,683)</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Community Services Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Intergovernmental	\$ 848,140	\$ 811,641	\$ (36,499)
Charges for services	3,070,325	2,907,725	(162,600)
Investment income	10,400	37,587	27,187
Miscellaneous	631,545	638,107	6,562
<b>Total revenues</b>	<u>4,560,410</u>	<u>4,395,060</u>	<u>(165,350)</u>
<b>EXPENDITURES:</b>			
Current:			
Community services	4,526,565	4,159,466	(367,099)
Capital outlay	2,084,080	254,853	(1,829,227)
Debt services:			
Principal retirements	5,185	5,185	-
<b>Total expenditures</b>	<u>6,615,830</u>	<u>4,419,504</u>	<u>(2,196,326)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,055,420)</u>	<u>(24,444)</u>	<u>(2,361,676)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	420,100	254,100	(166,000)
<b>Total other financing sources (uses)</b>	<u>420,100</u>	<u>254,100</u>	<u>(166,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,635,320)	229,656	(2,527,676)
<b>FUND BALANCES:</b>			
Beginning of year	2,549,959	2,549,959	-
End of year	<u>\$ 914,639</u>	<u>\$ 2,779,615</u>	<u>\$ (2,527,676)</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Intergovernmental	\$ 1,523,250	\$ 1,267,167	\$ (256,083)
<b>Total revenues</b>	<u>1,523,250</u>	<u>1,267,167</u>	<u>(256,083)</u>
<b>EXPENDITURES:</b>			
Current:			
Public works	-	3,823	(3,823)
Community services	910,709	653,763	256,946
Community development	170,523	170,523	-
Capital outlay	29,108	29,108	-
<b>Total expenditures</b>	<u>1,110,340</u>	<u>857,217</u>	<u>253,123</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>412,910</u>	<u>409,950</u>	<u>(2,960)</u>
<b>NET CHANGE IN FUND BALANCES</b>	412,910	409,950	(2,960)
<b>FUND BALANCES:</b>			
Beginning of year	(400,620)	(400,620)	-
End of year	<u>\$ 12,290</u>	<u>\$ 9,330</u>	<u>\$ (2,960)</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Landscape and Assessment District Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Special assessments	\$ 787,435	\$ 791,270	\$ 3,835
Investment income	4,800	12,964	8,164
Miscellaneous	5,895	5,895	-
<b>Total revenues</b>	<u>798,130</u>	<u>810,129</u>	<u>11,999</u>
<b>EXPENDITURES:</b>			
Current:			
Public works	935,235	581,606	(353,629)
<b>Total expenditures</b>	<u>935,235</u>	<u>581,606</u>	<u>(353,629)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(137,105)</u>	<u>228,523</u>	<u>(341,630)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(137,105)	228,523	(341,630)
<b>FUND BALANCES:</b>			
Beginning of year	1,052,550	1,052,550	-
End of year	<u>\$ 915,445</u>	<u>\$ 1,281,073</u>	<u>\$ (341,630)</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**HOME Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Intergovernmental	\$ 428,180	\$ 909,964	\$ 481,784
Investment income	12,700	157,216	144,516
<b>Total revenues</b>	<u>440,880</u>	<u>1,067,180</u>	<u>626,300</u>
<b>EXPENDITURES:</b>			
Current:			
Community development	163,610	135,863	(27,747)
<b>Total expenditures</b>	<u>163,610</u>	<u>135,863</u>	<u>(27,747)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>277,270</u>	<u>931,317</u>	<u>598,553</u>
<b>NET CHANGE IN FUND BALANCES</b>	277,270	931,317	598,553
<b>FUND BALANCES:</b>			
Beginning of year	16,772,448	16,772,448	-
End of year	<u>\$ 17,049,718</u>	<u>\$ 17,703,765</u>	<u>\$ 598,553</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Miscellaneous Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Intergovernmental	\$ 716,950	\$ 986,298	\$ 269,348
Charges for services	87,400	67,616	(19,784)
Investment income	3,040	4,514	1,474
Miscellaneous	-	242	242
<b>Total revenues</b>	<u>807,390</u>	<u>1,058,670</u>	<u>251,280</u>
<b>EXPENDITURES:</b>			
Current:			
Community services	1,006,696	450,684	(556,012)
Community development	547,736	107,003	(440,733)
Capital outlay	690,705	690,705	-
<b>Total expenditures</b>	<u>2,245,137</u>	<u>1,248,392</u>	<u>(996,745)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,437,747)</u>	<u>(189,722)</u>	<u>(745,465)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(20,545)	(20,545)	-
<b>Total other financing sources (uses)</b>	<u>(20,545)</u>	<u>(20,545)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,458,292)	(210,267)	(745,465)
<b>FUND BALANCES:</b>			
Beginning of year	393,874	393,874	-
End of year	<u>\$ (1,064,418)</u>	<u>\$ 183,607</u>	<u>\$ (745,465)</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Vehicle Parking District Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Investment income	\$ 200	\$ 109	\$ (91)
<b>Total revenues</b>	<b>200</b>	<b>109</b>	<b>(91)</b>
<b>EXPENDITURES:</b>			
Current:			
Public works	90,600	88,183	(2,417)
<b>Total expenditures</b>	<b>90,600</b>	<b>88,183</b>	<b>(2,417)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(90,400)</b>	<b>(88,074)</b>	<b>(2,508)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	90,400	90,400	-
<b>Total other financing sources (uses)</b>	<b>90,400</b>	<b>90,400</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>2,326</b>	<b>(2,508)</b>
<b>FUND BALANCES:</b>			
Beginning of year	(628,276)	(628,276)	-
End of year	\$ (628,276)	\$ (625,950)	\$ (2,508)

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**General Obligation Debt Service Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Special assessments	\$ 5,178,770	\$ 4,776,685	\$ (402,085)
Investment income	25,200	52,632	27,432
<b>Total revenues</b>	<u>5,203,970</u>	<u>4,829,317</u>	<u>(374,653)</u>
<b>EXPENDITURES:</b>			
Debt services:			
Principal retirements	1,875,000	-	(1,875,000)
Interest and fiscal charges	3,328,970	2,202,148	(1,126,822)
<b>Total expenditures</b>	<u>5,203,970</u>	<u>2,202,148</u>	<u>(3,001,822)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>2,627,169</u>	<u>(3,376,475)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	25,327	25,327
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>25,327</u>	<u>25,327</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	2,652,496	(3,351,148)
<b>FUND BALANCES:</b>			
Beginning of year	765,065	765,065	-
End of year	<u>\$ 765,065</u>	<u>\$ 3,417,561</u>	<u>\$ (3,351,148)</u>

**City of Escondido**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Golf Course Debt Service Fund**  
**For the Year Ended June 30, 2016**

	Final Budget Amounts	Actual	Variance Over (Under)
<b>REVENUES:</b>			
Investment income	\$ 200	\$ 210	\$ 10
<b>Total revenues</b>	<u>200</u>	<u>210</u>	<u>10</u>
<b>EXPENDITURES:</b>			
Debt services:			
Principal retirements	215,000	215,000	-
Interest and fiscal charges	151,150	146,927	(4,223)
<b>Total expenditures</b>	<u>366,150</u>	<u>361,927</u>	<u>(4,223)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(365,950)</u>	<u>(361,717)</u>	<u>(4,213)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	525,950	363,450	(162,500)
<b>Total other financing sources (uses)</b>	<u>525,950</u>	<u>363,450</u>	<u>(162,500)</u>
<b>NET CHANGE IN FUND BALANCES</b>	160,000	1,733	(166,713)
<b>FUND BALANCES:</b>			
Beginning of year	13,591	13,591	-
End of year	<u>\$ 173,591</u>	<u>\$ 15,324</u>	<u>\$ (166,713)</u>

## **INTERNAL SERVICE FUNDS**

### **BUILDING MAINTENANCE FUND**

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

### **VEHICLE AND EQUIPMENT MAINTENANCE FUND**

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

### **CENTRAL SERVICES FUND**

This fund was created to account for transactions related to:

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

### **OFFICE AUTOMATION FUND**

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

### **WORKERS' COMPENSATION FUND**

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

### **GENERAL LIABILITY SELF-INSURANCE FUND**

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

## **INTERNAL SERVICE FUNDS**

(Continued)

### **INSURANCE FUND**

This fund was created to account for transactions related to:

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

**City of Escondido**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2016**

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 237,642	\$ 6,971,492	\$ 780,171	\$ 282,341
Receivables (Net):				
Accounts	-	14,137	-	-
Interest	518	26,536	2,891	1,238
Inventory	80,765	48,218	272,300	-
Deposits	-	-	-	-
<b>Total Current Assets</b>	<u>318,925</u>	<u>7,060,383</u>	<u>1,055,362</u>	<u>283,579</u>
<b>Noncurrent Assets:</b>				
Capital assets:				
Not being depreciated	-	-	-	-
Being depreciated, net	1,334,680	7,594,434	65,779	133,200
<b>Total Noncurrent Assets</b>	<u>1,334,680</u>	<u>7,594,434</u>	<u>65,779</u>	<u>133,200</u>
<b>Total Assets</b>	<u>1,653,605</u>	<u>14,654,817</u>	<u>1,121,141</u>	<u>416,779</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	589,700	392,232	142,474	373,823
<b>Total Deferred Outflows of Resources</b>	<u>589,700</u>	<u>392,232</u>	<u>142,474</u>	<u>373,823</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	104,961	121,998	61,557	13,366
Accrued expenses	39,486	26,021	6,773	21,374
Long-term debt, due within one year	100,110	170,678	1,173	-
<b>Total Current Liabilities</b>	<u>244,557</u>	<u>318,697</u>	<u>69,503</u>	<u>34,740</u>
<b>Noncurrent Liabilities:</b>				
Aggregate net pension liabilities	2,942,497	1,981,014	549,234	2,038,151
Long-term debt, due in more than one year	602,547	759,172	10,557	-
<b>Total Noncurrent Liabilities</b>	<u>3,545,044</u>	<u>2,740,186</u>	<u>559,791</u>	<u>2,038,151</u>
<b>Total Liabilities</b>	<u>3,789,601</u>	<u>3,058,883</u>	<u>629,294</u>	<u>2,072,891</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	563,353	379,438	104,034	391,408
<b>Total Deferred Inflows of Resources</b>	<u>563,353</u>	<u>379,438</u>	<u>104,034</u>	<u>391,408</u>
<b>NET POSITION</b>				
Net investment in capital assets	756,597	6,719,578	65,779	133,200
Unrestricted (deficit)	(2,866,246)	4,889,150	464,508	(1,806,897)
<b>Total Net Position</b>	<u>\$ (2,109,649)</u>	<u>\$ 11,608,728</u>	<u>\$ 530,287</u>	<u>\$ (1,673,697)</u>

**City of Escondido**  
**Combining Statement of Net Position (Continued)**  
**Internal Service Funds**  
**June 30, 2016**

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 7,261,896	\$ 4,509,290	\$ 1,300,710	\$ 21,343,542
Receivables (Net):				
Accounts	-	-	152,627	166,764
Interest	28,165	16,609	3,516	79,473
Inventory	-	-	-	401,283
Deposits	250,000	-	62,600	312,600
<b>Total Current Assets</b>	<b>7,540,061</b>	<b>4,525,899</b>	<b>1,519,453</b>	<b>22,303,662</b>
<b>Noncurrent Assets:</b>				
Capital assets:				
Not being depreciated	-	-	-	-
Being depreciated, net	-	-	-	9,128,093
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,128,093</b>
<b>Total Assets</b>	<b>7,540,061</b>	<b>4,525,899</b>	<b>1,519,453</b>	<b>31,431,755</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	37,762	-	79,048	1,615,039
<b>Total Deferred Outflows of Resources</b>	<b>37,762</b>	<b>-</b>	<b>79,048</b>	<b>1,615,039</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	145,727	179,629	81,296	708,534
Accrued expenses	2,112	-	20,585	116,351
Long-term debt, due within one year	2,412,124	737,940	675	3,422,700
<b>Total Current Liabilities</b>	<b>2,559,963</b>	<b>917,569</b>	<b>102,556</b>	<b>4,247,585</b>
<b>Noncurrent Liabilities:</b>				
Aggregate net pension liabilities	201,553	-	363,667	8,076,116
Long-term debt, due in more than one year	9,649,111	2,951,760	6,073	13,979,220
<b>Total Noncurrent Liabilities</b>	<b>9,850,664</b>	<b>2,951,760</b>	<b>369,740</b>	<b>22,055,336</b>
<b>Total Liabilities</b>	<b>12,410,627</b>	<b>3,869,329</b>	<b>472,296</b>	<b>26,302,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	38,679	-	69,413	1,546,325
<b>Total Deferred Inflows of Resources</b>	<b>38,679</b>	<b>-</b>	<b>69,413</b>	<b>1,546,325</b>
<b>NET POSITION</b>				
Net investment in capital assets	-	-	-	7,675,154
Unrestricted (deficit)	(4,871,483)	656,570	1,056,792	(2,477,606)
<b>Total Net Position</b>	<b>\$ (4,871,483)</b>	<b>\$ 656,570</b>	<b>\$ 1,056,792</b>	<b>\$ 5,197,548</b>

**City of Escondido**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
<b>Operating Revenues:</b>				
Charges for services	\$ 4,324,656	\$ 5,254,805	\$ 1,370,042	\$ 1,577,160
<b>Total Operating Revenues</b>	<u>4,324,656</u>	<u>5,254,805</u>	<u>1,370,042</u>	<u>1,577,160</u>
<b>Operating Expenses:</b>				
Personnel services	1,813,894	1,015,310	358,778	915,443
Administrative expenses	-	11,540	25,535	-
Benefit claims	-	-	-	-
Supplies	109,054	51,583	87,418	14,793
Repairs and maintenance	71,024	886,072	84,818	2,873
Depreciation	160,875	2,745,613	15,988	47,880
Utilities	852,416	4,857	402,478	12,090
Fuel	-	847,633	-	-
Professional services	1,431,050	53,596	244,563	48,595
Insurance premiums	62,395	47,540	15,780	15,040
Rent	1,961	-	-	-
Other	-	64,035	106,558	321,612
<b>Total Operating Expenses</b>	<u>4,502,669</u>	<u>5,727,779</u>	<u>1,341,916</u>	<u>1,378,326</u>
<b>Operating Income (Loss)</b>	<u>(178,013)</u>	<u>(472,974)</u>	<u>28,126</u>	<u>198,834</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	1,625	101,060	8,580	3,924
Interest and fiscal charges	(24,872)	(19,164)	-	-
Miscellaneous	516	246,867	7,899	20,057
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(22,731)</u>	<u>328,763</u>	<u>16,479</u>	<u>23,981</u>
<b>Income Before Transfers and Capital Contributions</b>	<u>(200,744)</u>	<u>(144,211)</u>	<u>44,605</u>	<u>222,815</u>
Transfers in	300,000	-	-	-
Capital Contributions:				
Developer contributions	15,470	370,485	-	-
<b>Total Transfers and Capital Contributions</b>	<u>315,470</u>	<u>370,485</u>	<u>-</u>	<u>-</u>
<b>Changes in Net Position</b>	<u>114,726</u>	<u>226,274</u>	<u>44,605</u>	<u>222,815</u>
<b>Net Position at Beginning of Year</b>	<u>(2,224,375)</u>	<u>11,382,454</u>	<u>485,682</u>	<u>(1,896,512)</u>
<b>Net Position at End of Year</b>	<u>\$ (2,109,649)</u>	<u>\$ 11,608,728</u>	<u>\$ 530,287</u>	<u>\$ (1,673,697)</u>

**City of Escondido**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 3,036,286	\$ 3,205,966	\$ 10,978,113	\$ 29,747,028
<b>Total Operating Revenues</b>	<u>3,036,286</u>	<u>3,205,966</u>	<u>10,978,113</u>	<u>29,747,028</u>
<b>Operating Expenses:</b>				
Personnel services	96,364	-	185,914	4,385,703
Administrative expenses	308,700	1,425,850	216,685	1,988,310
Benefit claims	2,756,401	-	664,617	3,421,018
Supplies	2,081	-	1,610	266,539
Repairs and maintenance	-	-	2,942	1,047,729
Depreciation	-	-	-	2,970,356
Utilities	1,740	-	3,670	1,277,251
Fuel	-	-	-	847,633
Professional services	1,802,752	687,619	135,809	4,403,984
Insurance premiums	626,535	204,596	9,476,431	10,448,317
Rent	-	-	-	1,961
Other	5,161	9,418	34,530	541,314
<b>Total Operating Expenses</b>	<u>5,599,734</u>	<u>2,327,483</u>	<u>10,722,208</u>	<u>31,600,115</u>
<b>Operating Income (Loss)</b>	<u>(2,563,448)</u>	<u>878,483</u>	<u>255,905</u>	<u>(1,853,087)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	106,845	64,426	8,616	295,076
Interest and fiscal charges	-	-	-	(44,036)
Miscellaneous	2,091	61,238	39,029	377,697
<b>Total Nonoperating Revenues (Expenses)</b>	<u>108,936</u>	<u>125,664</u>	<u>47,645</u>	<u>628,737</u>
<b>Income Before Transfers and Capital Contributions</b>	<u>(2,454,512)</u>	<u>1,004,147</u>	<u>303,550</u>	<u>(1,224,350)</u>
Transfers in	-	-	-	300,000
Capital Contributions:				
Developer contributions	-	-	-	385,955
<b>Total Transfers and Capital Contributions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,955</u>
<b>Changes in Net Position</b>	<u>(2,454,512)</u>	<u>1,004,147</u>	<u>303,550</u>	<u>(538,395)</u>
<b>Net Position at Beginning of Year</b>	<u>(2,416,971)</u>	<u>(347,577)</u>	<u>753,242</u>	<u>5,735,943</u>
<b>Net Position at End of Year</b>	<u>\$ (4,871,483)</u>	<u>\$ 656,570</u>	<u>\$ 1,056,792</u>	<u>\$ 5,197,548</u>

**City of Escondido**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 4,324,655	\$ 5,255,570	\$ 1,370,042	\$ 1,577,160
Cash paid to employees for services	(1,929,463)	(1,107,551)	(414,062)	(994,350)
Cash from rents and concessions	(2,618,791)	(2,223,265)	(1,004,903)	(403,091)
Cash from other sources	516	119,566	-	20,057
<b>Net Cash Provided by Operating Activities</b>	<b>(223,083)</b>	<b>2,044,320</b>	<b>(48,923)</b>	<b>199,776</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Cash received from other funds	300,000	-	-	-
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase and construction of capital assets	(233,041)	(1,968,723)	(57,760)	(60,749)
Sale of capital assets	-	136,952	7,899	-
Capital lease payment	-	(190,375)	-	-
Principal payments on loans	(84,314)	-	-	-
Interest payments on loans	(24,872)	-	-	-
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>(342,227)</b>	<b>(2,022,146)</b>	<b>(49,861)</b>	<b>(60,749)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment income received	2,836	97,632	8,388	3,049
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>2,836</b>	<b>97,632</b>	<b>8,388</b>	<b>3,049</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(262,474)</b>	<b>119,806</b>	<b>(90,396)</b>	<b>142,076</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	500,116	6,851,686	870,567	140,265
End of year	<b>\$ 237,642</b>	<b>\$ 6,971,492</b>	<b>\$ 780,171</b>	<b>\$ 282,341</b>

**City of Escondido**  
**Combining Statement of Cash Flows (Continued)**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 3,036,286	\$ 3,205,966	\$ 10,867,090	\$ 29,636,769
Cash paid to employees for services	(412,600)	(1,425,850)	(422,211)	(6,706,087)
Cash from rents and concessions	(2,954,202)	(1,175,082)	(10,310,755)	(20,690,089)
Cash from other sources	2,091	61,238	39,029	242,497
<b>Net Cash Provided by Operating Activities</b>	<b>(328,425)</b>	<b>666,272</b>	<b>173,153</b>	<b>2,483,090</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Cash received from other funds	-	-	-	300,000
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase and construction of capital assets	-	-	-	(2,320,273)
Sale of capital assets	-	-	-	144,851
Capital lease payment	-	-	-	(190,375)
Principal payments on loans	-	-	-	(84,314)
Interest payments on loans	-	-	-	(24,872)
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,474,983)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment income received	101,501	59,404	7,730	280,540
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>101,501</b>	<b>59,404</b>	<b>7,730</b>	<b>280,540</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(226,924)</b>	<b>725,676</b>	<b>180,883</b>	<b>588,647</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	7,488,820	3,783,614	1,119,827	20,754,895
End of year	<u>\$ 7,261,896</u>	<u>\$ 4,509,290</u>	<u>\$ 1,300,710</u>	<u>\$ 21,343,542</u>

**City of Escondido**  
**Combining Statement of Cash Flows (Continued)**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (178,013)	\$ (472,974)	\$ 28,126	\$ 198,834
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	160,875	2,745,613	15,988	47,880
Pension expense	(130,858)	(87,040)	(31,616)	(82,953)
Cash from other sources	516	119,566	-	20,057
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	-	765	-	-
Inventories	(18,520)	20,061	17,191	-
Accounts payable	(72,371)	(288,009)	(80,479)	11,912
Accrued expenses	7,375	2,924	2,328	4,046
Compensated absences	7,913	3,414	(461)	-
Estimated claims payable	-	-	-	-
Total adjustments	(45,070)	2,517,294	(77,049)	942
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (223,083)</b>	<b>\$ 2,044,320</b>	<b>\$ (48,923)</b>	<b>\$ 199,776</b>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Contributed property, plant and equipment	\$ 15,470	\$ 370,485	\$ -	\$ -
<b>Total noncash investing, capital and financing activities</b>	<b>\$ 15,470</b>	<b>\$ 370,485</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Escondido**  
**Combining Statement of Cash Flows (Continued)**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (2,563,448)	\$ 878,483	\$ 255,905	\$ (1,853,087)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	-	2,970,356
Pension expense	(8,380)	-	(17,541)	(358,388)
Cash from other sources	2,091	61,238	39,029	242,497
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	-	-	(111,023)	(110,258)
Inventories	-	-	-	18,732
Accounts payable	124,468	148,566	11,270	(144,643)
Accrued expenses	507	-	(4,196)	12,984
Compensated absences	337	-	(291)	10,912
Estimated claims payable	2,116,000	(422,015)	-	1,693,985
Total adjustments	2,235,023	(212,211)	(82,752)	4,336,177
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (328,425)</b>	<b>\$ 666,272</b>	<b>\$ 173,153</b>	<b>\$ 2,483,090</b>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Contributed property, plant and equipment	\$ -	\$ -	\$ -	\$ 385,955
<b>Total noncash investing, capital and financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 385,955</b>

## **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, 2016**

	Hidden Trails Community Facilities District	Eureka Ranch Community Facilities District	Auto Parkway Assessment District	Rancho San Pasqual
<b>ASSETS</b>				
Cash and investments	\$ 181,809	\$ 650,470	\$ 313,555	\$ 254,369
Cash and investments with fiscal agent	1	5,055	337,897	343,090
Receivables:				
Taxes	377	1,564	-	577
Interest	551	1,603	818	692
<b>Total assets</b>	<b>\$ 182,738</b>	<b>\$ 658,692</b>	<b>\$ 652,270</b>	<b>\$ 598,728</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to bondholders	182,738	658,692	652,270	598,728
<b>Total liabilities</b>	<b>\$ 182,738</b>	<b>\$ 658,692</b>	<b>\$ 652,270</b>	<b>\$ 598,728</b>

**City of Escondido**  
**Combining Statement of Assets and Liabilities (Continued)**  
**Agency Funds**  
**June 30, 2016**

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	Deposit Trust	Total
<b>ASSETS</b>		
Cash and investments	\$ 6,924,913	\$ 8,325,116
Cash and investments with fiscal agent	-	686,043
Receivables:		
Taxes	-	2,518
Interest	541	4,205
<b>Total assets</b>	<b>\$ 6,925,454</b>	<b>\$ 9,017,882</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 120,292	\$ 120,292
Deposits payable	6,805,162	6,805,162
Due to bondholders	-	2,092,428
<b>Total liabilities</b>	<b>\$ 6,925,454</b>	<b>\$ 9,017,882</b>

**City of Escondido**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2016**

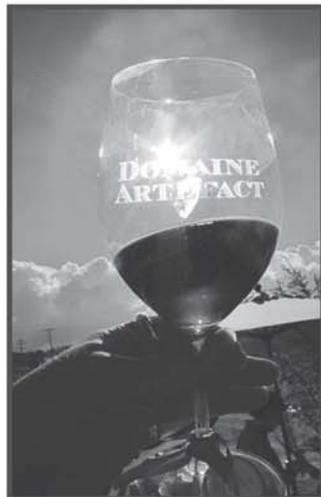
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b><u>Hidden Trails Community Facilities District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 189,365	\$ 194,566	\$ (202,122)	\$ 181,809
Cash and investments with fiscal agent	-	3	(2)	1
Receivables:				
Taxes	-	377	-	377
Interest	462	551	(462)	551
<b>Total assets</b>	<b>\$ 189,827</b>	<b>\$ 195,497</b>	<b>\$ (202,586)</b>	<b>\$ 182,738</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 198,128	\$ (198,128)	\$ -
Due to bondholders	189,827	295,496	(302,585)	182,738
<b>Total liabilities</b>	<b>\$ 189,827</b>	<b>\$ 493,624</b>	<b>\$ (500,713)</b>	<b>\$ 182,738</b>
<b><u>Eureka Ranch Community Facilities District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 25,747	\$ 1,090,667	\$ (465,944)	\$ 650,470
Cash and investments with fiscal agent	5,020	35	-	5,055
Receivables:				
Taxes	3,504	1,564	(3,504)	1,564
Interest	1,262	1,603	(1,262)	1,603
<b>Total assets</b>	<b>\$ 35,533</b>	<b>\$ 1,093,869</b>	<b>\$ (470,710)</b>	<b>\$ 658,692</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 29	\$ 457,024	\$ (457,053)	\$ -
Due to bondholders	35,504	1,388,868	(765,680)	658,692
<b>Total liabilities</b>	<b>\$ 35,533</b>	<b>\$ 1,845,892</b>	<b>\$ (1,222,733)</b>	<b>\$ 658,692</b>

**City of Escondido**  
**Combining Statement of Assets and Liabilities (Continued)**  
**Agency Funds**  
**June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b><u>Auto Parkway Assessment District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 303,303	\$ 345,478	\$ (335,226)	\$ 313,555
Cash and investments with fiscal agent	336,803	1,106	(12)	337,897
Receivables:				
Interest	798	818	(798)	818
<b>Total assets</b>	<b>\$ 640,904</b>	<b>\$ 347,402</b>	<b>\$ (336,036)</b>	<b>\$ 652,270</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 332,526	\$ (332,526)	\$ -
Due to bondholders	640,904	632,402	(621,036)	652,270
<b>Total liabilities</b>	<b>\$ 640,904</b>	<b>\$ 964,928</b>	<b>\$ (953,562)</b>	<b>\$ 652,270</b>
<b><u>Rancho San Pasqual</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 257,063	\$ 346,434	\$ (349,128)	\$ 254,369
Cash and investments with fiscal agent	342,986	1,116	(1,012)	343,090
Receivables:				
Taxes	285	578	(286)	577
Interest	726	692	(726)	692
<b>Total assets</b>	<b>\$ 601,060</b>	<b>\$ 348,820</b>	<b>\$ (351,152)</b>	<b>\$ 598,728</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,700	\$ -	\$ (2,700)	\$ -
Due to bondholders	598,360	523,819	(523,451)	598,728
<b>Total liabilities</b>	<b>\$ 601,060</b>	<b>\$ 523,819</b>	<b>\$ (526,151)</b>	<b>\$ 598,728</b>

**City of Escondido**  
**Combining Statement of Assets and Liabilities (Continued)**  
**Agency Funds**  
**June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b><u>Deposit Trust</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 7,115,404	\$ 2,337,526	\$ (2,528,017)	\$ 6,924,913
Receivables:				
Interest	433	541	(433)	541
<b>Total assets</b>	<b>\$ 7,115,837</b>	<b>\$ 2,338,067</b>	<b>\$ (2,528,450)</b>	<b>\$ 6,925,454</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 157,964	\$ 2,216,500	\$ (2,254,172)	\$ 120,292
Deposits payable	6,957,873	2,678,813	(2,831,524)	6,805,162
<b>Total liabilities</b>	<b>\$ 7,115,837</b>	<b>\$ 4,895,313</b>	<b>\$ (5,085,696)</b>	<b>\$ 6,925,454</b>
 <b><u>Total Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 7,890,882	\$ 4,314,671	\$ (3,880,437)	\$ 8,325,116
Cash and investments with fiscal agent	684,809	2,260	(1,026)	686,043
Receivables:				
Taxes	3,789	2,519	(3,790)	2,518
Interest	3,681	4,205	(3,681)	4,205
<b>Total assets</b>	<b>\$ 8,583,161</b>	<b>\$ 4,323,655</b>	<b>\$ (3,888,934)</b>	<b>\$ 9,017,882</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 160,693	\$ 3,204,178	\$ (3,244,579)	\$ 120,292
Deposits payable	6,957,873	2,678,813	(2,831,524)	6,805,162
Due to bondholders	1,464,595	2,840,585	(2,212,752)	2,092,428
<b>Total liabilities</b>	<b>\$ 8,583,161</b>	<b>\$ 8,723,576</b>	<b>\$ (8,288,855)</b>	<b>\$ 9,017,882</b>



## **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)**

	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>					
Net investment in capital assets	\$ 175,696,600	\$ 197,917,746	\$ 198,895,947	\$ 205,646,459	\$ 222,661,354
Restricted	77,955,931	83,690,162	89,093,908	114,214,410	86,393,247
Unrestricted	80,216,675	65,128,364	65,461,162	36,921,478	40,341,057
<b>Total Governmental Activities Net Position</b>	<b>\$ 333,869,206</b>	<b>\$ 346,736,272</b>	<b>\$ 353,451,017</b>	<b>\$ 356,782,347</b>	<b>\$ 349,395,658</b>
<b>Business-type Activities:</b>					
Net investment in capital assets	\$ 118,573,025	\$ 123,532,924	\$ 126,868,016	\$ 130,301,709	\$ 137,189,496
Restricted	-	-	-	-	-
Unrestricted	26,761,762	30,304,352	37,096,093	46,473,299	53,436,660
<b>Total Business-type Activities Net Position</b>	<b>\$ 145,334,787</b>	<b>\$ 153,837,276</b>	<b>\$ 163,964,109</b>	<b>\$ 176,775,008</b>	<b>\$ 190,626,156</b>
<b>Primary Government:</b>					
Net investment in capital assets	\$ 294,269,625	\$ 321,450,670	\$ 325,763,963	\$ 335,948,168	\$ 359,850,850
Restricted	77,955,931	83,690,162	89,093,908	114,214,410	86,393,247
Unrestricted	106,978,437	95,432,716	102,557,255	83,394,777	93,777,717
<b>Total Primary Government Activities Net Position</b>	<b>\$ 479,203,993</b>	<b>\$ 500,573,548</b>	<b>\$ 517,415,126</b>	<b>\$ 533,557,355</b>	<b>\$ 540,021,814</b>

Source:

City of Escondido Finance Department.

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

	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>					
Net investment in capital assets	\$ 225,296,741	\$ 211,228,317	\$ 207,003,751	\$ 201,314,048	\$ 223,906,554
Restricted	98,970,485	90,152,311	92,356,580	90,509,538	96,530,455
Unrestricted	53,862,572	27,922,604	24,555,904	(124,495,479)	(121,164,871)
<b>Total Governmental Activities Net Position</b>	<b>\$ 378,129,798</b>	<b>\$ 329,303,232</b>	<b>\$ 323,916,235</b>	<b>\$ 167,328,107</b>	<b>\$ 199,272,138</b>
<b>Business-type Activities:</b>					
Net investment in capital assets	\$ 138,580,703	\$ 141,057,087	\$ 151,539,613	\$ 158,231,376	\$ 172,888,190
Restricted	-	-	-	-	-
Unrestricted	56,358,559	61,147,031	57,540,105	28,819,831	22,072,596
<b>Total Business-type Activities Net Position</b>	<b>\$ 194,939,262</b>	<b>\$ 202,204,118</b>	<b>\$ 209,079,718</b>	<b>\$ 187,051,207</b>	<b>\$ 194,960,786</b>
<b>Primary Government:</b>					
Net investment in capital assets	\$ 363,877,444	\$ 352,285,404	\$ 358,543,364	\$ 359,545,424	\$ 396,794,744
Restricted	98,970,485	90,152,311	92,356,580	90,509,538	96,530,455
Unrestricted	110,221,131	89,069,635	82,096,009	(95,675,648)	(99,092,275)
<b>Total Primary Government Activities Net Position</b>	<b>\$ 573,069,060</b>	<b>\$ 531,507,350</b>	<b>\$ 532,995,953</b>	<b>\$ 354,379,314</b>	<b>\$ 394,232,924</b>

Source:

City of Escondido Finance Department.

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

	2007	2008	2009	2010	2011
<u>Expenses</u>					
Governmental Activities:					
General government	\$ 8,373,054	\$ 9,646,524	\$ 8,183,784	\$ 8,058,408	\$ 8,162,775
Public safety	53,981,546	57,284,755	53,639,237	58,486,106	56,170,547
Community services	15,004,608	29,728,378	20,460,103	20,321,281	13,935,737
Public works	24,159,197	18,340,037	23,475,660	25,927,953	30,251,264
Community development	12,635,417	13,974,447	12,777,932	7,814,707	9,908,625
Contributions to other governments	-	-	-	-	-
Interest and fiscal charges	10,447,184	14,338,384	8,050,461	7,649,971	7,459,498
Total Governmental Activities Expenses	124,601,006	143,312,525	126,587,177	128,258,426	125,888,446
Business-type Activities:					
Water	37,583,686	37,989,541	38,810,712	40,277,313	37,364,315
Wastewater	24,660,271	26,995,420	24,743,922	24,154,671	23,833,875
Total Business-type Activities Expenses	62,243,957	64,984,961	63,554,634	64,431,984	61,198,190
Total Primary Government Expenses	\$ 186,844,963	\$ 208,297,486	\$ 190,141,811	\$ 192,690,410	\$ 187,086,636
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	\$ 277,178	\$ 290,007	\$ 455,029	\$ 159,353	\$ 351,155
Public safety	9,702,964	9,241,808	9,980,199	9,207,628	8,273,579
Community services	4,222,222	6,864,643	6,798,670	5,625,758	3,871,455
Public works	1,556,038	1,411,020	1,253,367	1,076,721	994,907
Community development	2,148,321	1,507,452	1,128,602	1,372,001	1,154,371
Operating grants and contributions	29,978,774	15,513,780	9,728,353	14,568,341	12,988,723
Capital grants and contributions	19,574,286	9,042,570	11,779,461	14,818,607	10,550,030
Total Governmental Activities Program Revenues	67,459,783	43,871,280	41,123,681	46,828,409	38,184,220
Business-type Activities:					
Charges for services:					
Water	39,087,592	38,944,163	39,161,082	40,155,208	37,293,900
Wastewater	22,643,416	23,699,984	25,741,913	29,208,703	28,176,381
Operating grants and contributions	-	2,657,685	301,875	-	-
Capital grants and contributions	11,036,390	3,554,975	4,725,698	5,851,309	8,922,144
Total Business-type Activities Program Revenues	72,767,398	68,856,807	69,930,568	75,215,220	74,392,425
Total Primary Government Program Revenues	\$ 140,227,181	\$ 112,728,087	\$ 111,054,249	\$ 122,043,629	\$ 112,576,645

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

	2012	2013	2014	2015	2016
<u>Expenses</u>					
Governmental Activities:					
General government	\$ 7,923,896	\$ 6,931,282	\$ 6,817,120	\$ 6,412,164	\$ 8,852,170
Public safety	60,467,057	58,937,215	64,735,010	62,464,110	65,521,010
Community services	14,428,323	13,492,016	13,824,749	12,485,541	12,559,645
Public works	23,508,515	28,719,020	22,830,644	24,390,896	20,066,941
Community development	6,765,185	6,095,723	4,442,510	4,652,366	4,643,576
Contributions to other governments	-	4,319,291	-	-	-
Interest and fiscal charges	5,946,168	4,038,630	3,709,135	4,655,972	2,952,792
Total Governmental Activities Expenses	119,039,144	122,533,177	116,359,168	115,061,049	114,596,134
Business-type Activities:					
Water	43,537,887	48,899,219	51,937,493	51,558,727	49,844,796
Wastewater	23,995,887	25,847,825	28,748,596	29,740,987	30,565,986
Total Business-type Activities Expenses	67,533,774	74,747,044	80,686,089	81,299,714	80,410,782
Total Primary Government Expenses	\$ 186,572,918	\$ 197,280,221	\$ 197,045,257	\$ 196,360,763	\$ 195,006,916
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	\$ 735,395	\$ 481,812	\$ 1,049,402	\$ 261,135	\$ 479,655
Public safety	8,429,675	8,322,729	8,217,629	9,450,880	9,292,514
Community services	4,158,173	4,118,332	4,104,210	4,042,601	3,807,474
Public works	1,160,643	1,261,705	1,554,453	1,292,959	2,280,973
Community development	820,337	914,370	1,351,882	1,615,495	1,811,997
Operating grants and contributions	13,503,657	12,507,289	13,031,177	9,216,428	10,604,522
Capital grants and contributions	5,608,064	8,528,675	3,331,901	2,855,849	4,787,949
Total Governmental Activities Program Revenues	34,415,944	36,134,912	32,640,654	28,735,347	33,065,084
Business-type Activities:					
Charges for services:					
Water	42,398,099	48,857,327	54,411,250	54,323,287	51,055,900
Wastewater	26,430,851	28,482,081	29,413,549	32,014,382	33,594,079
Operating grants and contributions	-	6,559	243,302	533,816	70,130
Capital grants and contributions	2,155,659	3,858,657	1,879,809	2,972,993	1,355,692
Total Business-type Activities Program Revenues	70,984,609	81,204,624	85,947,910	89,844,478	86,075,801
Total Primary Government Program Revenues	\$ 105,400,553	\$ 117,339,536	\$ 118,588,564	\$ 118,579,825	\$ 119,140,885

(Continued)

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

	2007	2008	2009	2010	2011
<u>Net (Expense)/Revenue</u>					
Governmental activities	\$ (57,141,223)	\$ (99,441,245)	\$ (85,463,496)	\$ (81,430,017)	\$ (87,704,226)
Business-type activities	10,523,441	3,871,846	6,375,934	10,783,236	13,194,235
Total Primary Government Net Expense	<u>\$ (46,617,782)</u>	<u>\$ (95,569,399)</u>	<u>\$ (79,087,562)</u>	<u>\$ (70,646,781)</u>	<u>\$ (74,509,991)</u>
<u>General Revenues and Other</u> <u>Changes in Net Position</u>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 28,419,440	\$ 24,471,382	\$ 18,841,244	\$ 17,826,617	\$ 20,819,517
Property taxes	39,320,532	43,123,943	37,745,185	27,884,137	28,168,365
Franchise tax	4,625,383	4,088,986	4,540,227	4,344,355	4,461,129
Payments in lieu of taxes	21,162,788	20,550,985	18,907,389	17,989,533	17,652,114
Other taxes	5,419,437	4,801,752	4,264,906	4,014,349	4,048,337
Use of money and property	7,341,621	14,217,786	6,977,368	4,654,030	4,810,578
Sale of capital assets	-	-	-	-	171,386
Miscellaneous	526,770	971,977	872,722	2,130,400	476,135
Transfers	1,455	81,500	29,200	41,330	1,248,845
Extraordinary item: Gain/(loss)	-	-	-	-	-
Total Governmental Activities	<u>106,817,426</u>	<u>112,308,311</u>	<u>92,178,241</u>	<u>78,884,751</u>	<u>81,856,406</u>
Business-type activities:					
Use of money and property	2,708,150	3,497,943	2,791,475	1,794,117	1,608,420
Miscellaneous	200,160	1,214,200	988,624	274,876	297,338
Transfers	(1,455)	(81,500)	(29,200)	(41,330)	(1,248,845)
Extraordinary item: Loss on chemical tank spill	-	-	-	-	-
Total Business-type Activities	<u>2,906,855</u>	<u>4,630,643</u>	<u>3,750,899</u>	<u>2,027,663</u>	<u>656,913</u>
Total Primary Government	<u>\$ 109,724,281</u>	<u>\$ 116,938,954</u>	<u>\$ 95,929,140</u>	<u>\$ 80,912,414</u>	<u>\$ 82,513,319</u>
<u>Change in Net Position</u>					
Governmental activities	\$ 49,676,203	\$ 12,867,066	\$ 6,714,745	\$ (2,545,266)	\$ (5,847,820)
Business-type activities	13,430,296	8,502,489	10,126,833	12,810,899	13,851,148
Total primary government	<u>\$ 63,106,499</u>	<u>\$ 21,369,555</u>	<u>\$ 16,841,578</u>	<u>\$ 10,265,633</u>	<u>\$ 8,003,328</u>

Source:

City of Escondido Finance Department.

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

	2012	2013	2014	2015	2016
<u>Net (Expense)/Revenue</u>					
Governmental activities	\$ (84,623,200)	\$ (86,398,265)	\$ (83,718,514)	\$ (86,325,702)	\$ (81,531,050)
Business-type activities	3,450,835	6,457,580	5,261,821	8,544,764	5,665,019
<b>Total Primary Government</b>					
Net Expense	<u>\$ (81,172,365)</u>	<u>\$ (79,940,685)</u>	<u>\$ (78,456,693)</u>	<u>\$ (77,780,938)</u>	<u>\$ (75,866,031)</u>
<u>General Revenues and Other</u>					
<u>Changes in Net Position</u>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 25,532,055	\$ 24,202,373	\$ 27,366,084	\$ 29,447,205	\$ 32,080,999
Property taxes	24,060,363	16,738,501	16,805,289	16,953,228	17,039,019
Franchise tax	4,563,576	4,516,247	4,694,252	5,147,696	5,159,182
Payments in lieu of taxes	19,548,954	19,041,332	20,075,228	20,531,727	18,648,743
Other taxes	2,899,789	3,971,585	4,218,914	4,411,676	4,616,524
Use of money and property	5,885,611	3,290,477	4,153,899	4,309,471	4,445,175
Sale of capital assets	399,819	-	-	138,304	173,750
Miscellaneous	748,181	1,070,052	892,851	362,066	564,129
Transfers	25,000	25,000	125,000	(54,620)	25,000
Extraordinary item:					
Gain/(loss)	29,693,992	(34,948,363)	-	-	30,722,560
<b>Total Governmental Activities</b>	<u>113,357,340</u>	<u>37,907,204</u>	<u>78,331,517</u>	<u>81,246,753</u>	<u>113,475,081</u>
Business-type activities:					
Use of money and property	1,750,475	1,522,495	1,577,693	1,699,516	2,043,040
Miscellaneous	250,862	447,638	161,086	176,720	226,520
Transfers	(25,000)	(25,000)	(125,000)	54,620	(25,000)
Extraordinary item:					
Loss on chemical tank spill	(1,114,066)	-	-	-	-
<b>Total Business-type Activities</b>	<u>862,271</u>	<u>1,945,133</u>	<u>1,613,779</u>	<u>1,930,856</u>	<u>2,244,560</u>
<b>Total Primary Government</b>	<u>\$ 114,219,611</u>	<u>\$ 39,852,337</u>	<u>\$ 79,945,296</u>	<u>\$ 83,177,609</u>	<u>\$ 115,719,641</u>
<u>Change in Net Position</u>					
Governmental activities	\$ 28,734,140	\$ (48,491,061)	\$ (5,386,997)	\$ (5,078,949)	\$ 31,944,031
Business-type activities	4,313,106	8,402,713	6,875,600	10,475,620	7,909,579
<b>Total primary government</b>	<u>\$ 33,047,246</u>	<u>\$ (40,088,348)</u>	<u>\$ 1,488,603</u>	<u>\$ 5,396,671</u>	<u>\$ 39,853,610</u>

Source:

City of Escondido Finance Department.

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

	2007	2008	2009	2010	2011
<b>General Fund</b>					
Reserved	\$ 11,981,270	\$ 10,149,296	\$ 10,763,636	\$ 10,331,307	\$ -
Unreserved, designated	39,074,546	36,201,191	30,001,183	21,694,390	-
Unreserved, undesignated	18,267	31,478	360,555	-	-
Nonspendable	-	-	-	-	5,456,377
Committed to	-	-	-	-	28,354,588
Assigned to	-	-	-	-	713,361
Unassigned	-	-	-	-	399,790
<b>Total General Fund</b>	<b>\$ 51,074,083</b>	<b>\$ 46,381,965</b>	<b>\$ 41,125,374</b>	<b>\$ 32,025,697</b>	<b>\$34,924,116</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ 70,384,963	\$ 79,272,342	\$ 90,244,472	\$ 91,342,926	\$ -
Reserved for current projects, reported in:					
Special revenue funds	3,343,847	4,409,890	4,506,647	3,005,679	-
Capital projects funds	111,342,705	83,750,017	38,533,362	9,407,468	-
Unreserved, reported in:					
Special revenue funds	3,886,179	903,378	1,656,500	4,762,099	-
Capital projects funds	4,519,393	4,822,008	6,609,031	8,691,702	-
Undesignated, reported in:					
Special revenue funds	638,880	17,198	612,564	1,097,044	-
Capital projects funds	(653,000)	-	-	-	-
Nonspendable	-	-	-	-	61,204,587
Restricted for	-	-	-	-	21,732,085
Committed to	-	-	-	-	8,418,117
Assigned to	-	-	-	-	774,990
Unassigned	-	-	-	-	(14,547,286)
<b>Total All Other Governmental Funds</b>	<b>\$ 193,462,967</b>	<b>\$ 173,174,833</b>	<b>\$ 142,162,576</b>	<b>\$ 118,306,918</b>	<b>\$77,582,493</b>

Note:

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

Source:

City of Escondido Finance Department.

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

	2012	2013	2014	2015	2016
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
Nonspendable	5,180,347	2,503,401	217,690	183,403	179,185
Committed to	31,938,244	17,210,596	17,319,659	17,281,659	16,892,319
Assigned to	852,481	980,678	897,465	681,822	941,262
Unassigned	753,121	247,130	1,753,519	-	1,961,211
<b>Total General Fund</b>	<b>\$ 38,724,193</b>	<b>\$ 20,941,805</b>	<b>\$ 20,188,333</b>	<b>\$ 18,146,884</b>	<b>\$ 19,973,977</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for current projects, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	57,982,791	60,199,844	-	-	-
Restricted for	30,695,122	20,785,893	81,559,045	78,261,012	84,682,384
Committed to	5,208,585	2,466,775	2,008,525	1,860,686	984,157
Assigned to	447,148	159,405	139,653	488	-
Unassigned	(1,021,715)	(1,248,533)	(1,149,954)	(1,184,683)	(846,790)
<b>Total All Other Governmental Funds</b>	<b>\$ 93,311,931</b>	<b>\$ 82,363,384</b>	<b>\$ 82,557,269</b>	<b>\$ 78,937,503</b>	<b>\$ 84,819,751</b>

Note:

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

Source:

City of Escondido Finance Department.

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

	2007	2008	2009	2010	2011
<b>Revenues</b>					
Taxes	\$ 81,151,830	\$ 80,426,993	\$ 74,152,418	\$ 66,166,696	\$ 69,907,949
Licenses and permits	1,192,210	1,083,012	984,790	1,350,224	1,193,338
Fines and forfeits	3,438,103	2,775,808	2,552,099	2,186,227	1,895,447
Intergovernmental	24,847,891	24,981,294	24,161,739	26,889,870	26,688,728
Charges for services	28,652,127	14,534,487	14,518,395	12,759,043	9,976,316
Special assessments	5,977,365	6,114,007	5,560,064	5,742,487	5,759,888
Lease income	67,842	65,380	48,743	47,609	75,321
Investment income	10,853,706	17,189,718	5,993,386	2,301,810	16,367,414
Miscellaneous	4,460,671	6,037,085	6,211,906	8,177,104	4,253,232
<b>Total Revenues</b>	<b>160,641,745</b>	<b>153,207,784</b>	<b>134,183,540</b>	<b>125,621,070</b>	<b>136,117,633</b>
<b>Expenditures</b>					
General government	7,255,759	9,127,482	6,908,388	6,761,408	7,096,148
Public safety	55,236,173	57,495,217	54,009,216	55,863,025	52,038,011
Public works	15,876,014	16,530,427	15,116,819	15,364,185	18,146,072
Community services	13,644,105	19,136,835	17,849,432	18,114,581	12,072,344
Community development	6,266,748	7,484,775	10,003,869	5,132,958	7,165,632
Contributions to other governments	-	-	-	-	-
Capital outlay	21,588,318	46,039,380	47,671,550	28,777,524	26,536,515
Debt service:					
Principal retirements	9,014,873	5,893,863	6,233,746	9,653,787	10,760,000
Interest and fiscal charges	6,000,362	14,271,646	7,922,238	7,585,243	23,952,729
SERAF payment	-	-	-	8,556,226	1,761,576
Cost of issuance	1,838,207	-	-	-	-
Payment to refunding bond escrow agent	9,331,468	-	-	-	-
Agency tax sharing agreement	3,280,870	3,697,911	5,448,326	3,817,295	9,101,406
<b>Total Expenditures</b>	<b>149,332,897</b>	<b>179,677,536</b>	<b>171,163,584</b>	<b>159,626,232</b>	<b>168,630,433</b>
Excess (Deficiency) of Revenues Over Expenditures	11,308,848	(26,469,752)	(36,980,044)	(34,005,162)	(32,512,800)
<b>Other Financing Sources (Uses)</b>					
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	-	-	681,996	-	463,018
Transfers in	17,333,710	12,095,699	9,445,273	9,195,181	28,486,232
Transfers out	(17,974,255)	(12,656,199)	(9,416,073)	(8,873,851)	(25,059,387)
<b>Total Other Financing Sources (Uses)</b>	<b>91,081,772</b>	<b>1,489,500</b>	<b>711,196</b>	<b>321,330</b>	<b>3,889,863</b>
Extraordinary item: Gain/(loss)	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ 102,390,620</b>	<b>\$ (24,980,252)</b>	<b>\$ (36,268,848)</b>	<b>\$ (33,683,832)</b>	<b>\$ (28,622,937)</b>
Debt service as a percentage of noncapital expenditures	11.8%	15.1%	11.5%	13.2%	24.4%

Source:

City of Escondido Finance Department.

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

	2012	2013	2014	2015	2016
<b>Revenues</b>					
Taxes	\$ 65,556,779	\$ 53,387,010	\$ 57,289,455	\$ 59,989,511	\$ 64,220,119
Licenses and permits	821,380	887,383	991,164	862,280	934,455
Fines and forfeits	1,640,528	1,468,309	1,184,292	1,151,366	1,344,221
Intergovernmental	27,513,328	25,945,352	23,708,589	22,900,854	24,648,821
Charges for services	10,281,595	11,335,203	12,513,585	13,670,047	13,509,208
Special assessments	5,892,241	5,958,662	5,796,337	5,970,331	5,567,955
Lease income	60,024	221,513	205,259	203,599	3,502,021
Investment income	1,469,849	856,466	895,826	941,778	1,245,689
Miscellaneous	4,432,737	4,645,031	4,265,979	4,544,360	1,574,553
<b>Total Revenues</b>	<b>117,668,461</b>	<b>104,704,929</b>	<b>106,850,486</b>	<b>110,234,126</b>	<b>116,547,042</b>
<b>Expenditures</b>					
General government	6,407,543	5,834,828	5,811,016	6,086,111	6,447,372
Public safety	53,083,126	55,246,097	57,874,021	61,843,630	64,266,503
Public works	12,542,175	17,392,655	15,189,340	17,407,197	14,442,206
Community services	12,016,459	11,815,547	12,128,504	11,744,673	12,080,978
Community development	4,774,106	5,331,818	4,238,194	4,585,497	4,985,006
Contributions to other governments	-	4,319,291	-	-	-
Capital outlay	9,153,723	7,794,450	5,550,440	2,966,301	3,919,203
Debt service:					
Principal retirements	10,512,620	7,528,360	2,528,361	74,848,007	243,360
Interest and fiscal charges	5,792,921	3,983,078	3,737,237	5,637,963	2,351,824
SERAF payment	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Agency tax sharing agreement	5,921,213	-	-	-	-
<b>Total Expenditures</b>	<b>120,203,886</b>	<b>119,246,124</b>	<b>107,057,113</b>	<b>185,119,379</b>	<b>108,736,452</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>(2,535,425)</b>	<b>(14,541,195)</b>	<b>(206,627)</b>	<b>(74,885,253)</b>	<b>7,810,590</b>
<b>Other Financing Sources (Uses)</b>					
Issuance of debt	224,078	4,830,000	-	70,660,479	-
Bond issue costs	-	(122,073)	-	-	-
Payment to refunding escrow agent	-	-	-	-	-
Premium of debt	-	-	-	-	-
Sale of capital assets	474,819	111,234	1,346,540	138,304	173,751
Transfers in	8,237,198	6,522,962	5,035,243	3,173,695	2,968,322
Transfers out	(8,062,198)	(6,673,765)	(6,734,743)	(4,748,440)	(3,243,322)
<b>Total Other Financing Sources (Use)</b>	<b>873,897</b>	<b>4,668,358</b>	<b>(352,960)</b>	<b>69,224,038</b>	<b>(101,249)</b>
Extraordinary item: Gain/(loss)	21,191,043	(9,832,652)	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ 19,529,515</b>	<b>\$ (19,705,489)</b>	<b>\$ (559,587)</b>	<b>\$ (5,661,215)</b>	<b>\$ 7,709,341</b>
Debt service as a percentage of noncapital expenditures	14.7%	10.3%	6.2%	5.4%	2.5%

Source:

City of Escondido Finance Department.

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

Fiscal Year Ended June 30	Secured <sup>(1)</sup>				
	Residential	Commercial	Industrial	Other	Total
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
2016	9,660,263,316	929,027,539	722,758,161	2,034,053,982	13,346,102,998

Fiscal Year Ended June 30	Unsecured	Less: Exemptions	Taxable	Total
			Assessed Value	Direct Tax Rate
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
2016	501,273,002	(659,335,434)	13,188,040,566	0.103

Notes:

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

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

Source:

County of San Diego Auditor and Controller's Office.

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

Allocation of 1% Ad Valorem Property Taxes								
Fiscal Year Ended June 30	City Direct Rate*	Total Direct Rate	Overlapping Rates			Total	Voter Approved Debt	Total Tax Rate
			School District	San Diego County	All Other			
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
2016	0.103	0.103	0.710	0.157	0.030	1.000	0.153	1.153

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	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(1)</sup>	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(2)</sup>
North County Fair LLC	\$228,179,684	1	1.73 %	\$163,639,403	1	1.43 %
Prebys Conrad Trust	115,982,270	2	0.88	57,278,773	4	0.50
M G Morningview Apts L P	55,395,000	3	0.42			
Cox Communications San Diego	47,449,332	4	0.36	36,428,345	6	0.32
Frit Escondido Promenade, LLC	46,180,179	5	0.35	31,643,458	7	0.28
Vons	42,693,233	6	0.32	37,388,828	5	0.33
Luna Properties LLC	41,570,717	7	0.32			
Emerald Glen Apts Escondido	34,892,221	8	0.26			
Garrick Motors Inc	34,739,892	9	0.26	22,243,148		0.19
Stone Brewing Co	34,550,481	10	0.26			
Eureka Escondido LLC				62,121,056	2	0.54
Goal Line L P				60,462,139	3	0.53
Hcp Ete Limited Partnership				30,000,000	8	0.26
Calpeak Power Enterprise LLC				28,448,873		0.25
Emil Rose Partners Ii Lp				27,381,973	10	0.24
<b>TOTAL</b>	<b>\$681,633,009</b>		<b>5.16 %</b>	<b>\$557,035,996</b>		<b>4.87 %</b>

Notes:

(1) Net assessed valuation for 2015-16 is \$13,188,040,566

(2) Net assessed valuation for 2006-07 is \$11,449,429,487

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
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
2016	10,966,106	10,779,437	98.30	165,151	10,944,588	99.80

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**  
**Taxable Sales by Category**  
**Last Ten Calendar Years (First Quarter)**

Category Name	2007	2008	2009	2010	2011
Apparel Stores	\$ 1,102,519	\$ 1,100,688	\$ 1,031,264	\$ 1,025,284	\$ 1,112,593
Auto Dealers & Auto Supplies	7,869,617	7,188,729	5,414,068	4,713,042	5,497,239
Building Materials	3,411,468	3,055,439	2,664,942	2,239,094	2,225,142
Drug Stores	306,153	311,120	307,487	291,320	286,391
Eating and Drinking Places	1,716,755	1,722,022	1,655,406	1,606,861	1,699,016
Food Stores	1,496,949	1,601,342	1,450,537	1,431,438	1,548,903
General Merchandise	2,376,999	2,217,975	1,951,983	1,780,708	1,793,573
Home Furnishings	338,051	310,544	278,176	267,632	375,200
Other Retail Stores	2,888,015	2,650,776	2,407,409	2,097,751	2,098,469
Packaged Liquor Stores	107,013	104,824	122,361	129,396	130,395
Service Stations	2,025,806	2,075,444	2,009,855	1,824,847	2,023,580
All Other Outlets	4,718,989	4,175,080	3,592,715	2,877,288	3,104,446
Total	<u>\$ 28,358,334</u>	<u>\$ 26,513,983</u>	<u>\$ 22,886,203</u>	<u>\$ 20,284,661</u>	<u>\$ 21,894,947</u>

Source:

MuniServices, LLC

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

Category Name	2012	2013	2014	2015	2016
Apparel Stores	\$ 1,192,265	\$ 1,214,059	\$ 1,174,801	\$ 1,220,743	\$ 1,262,864
Auto Dealers & Auto Supplies	6,865,485	8,270,873	8,726,015	9,156,428	9,899,616
Building Materials	2,341,177	2,517,671	2,608,752	2,749,821	3,010,298
Drug Stores	294,923	286,535	273,719	257,581	247,569
Eating and Drinking Places	1,797,515	1,930,372	2,066,140	2,278,362	2,424,365
Food Stores	1,677,665	1,685,288	1,637,699	1,676,322	1,582,703
General Merchandise	1,813,724	1,892,331	2,046,274	2,171,942	2,161,715
Home Furnishings	438,348	420,047	421,285	439,984	368,248
Other Retail Stores	2,236,402	2,316,595	2,407,117	2,509,115	2,610,069
Packaged Liquor Stores	138,569	148,350	155,821	153,742	151,465
Service Stations	2,275,429	2,275,429	2,187,304	2,109,133	1,900,476
All Other Outlets	3,843,206	3,843,206	4,086,891	4,572,930	5,013,035
Total	<u>\$ 24,914,708</u>	<u>\$ 26,800,756</u>	<u>\$ 27,791,818</u>	<u>\$ 29,296,103</u>	<u>\$ 30,632,423</u>

Source:

MuniServices, LLC

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

2016		2007	
Business Name	Business Category	Business Name	Business Category
Apro	Energy Sales	Acura	Auto Sales - New
Brecht Mini	Auto Sales - New	Apro	Energy Sales
Carmax Auto Superstores	Auto Sales - Used	Arco AM/PM Mini Marts	Service Stations
Dick's Sporting Goods	Recreation Products	Brecht Mini	Auto Sales - New
Escondido Jeep Eagle GMC Truck	Auto Sales - New	Escondido Jeep Eagle GMC Truck	Auto Sales - New
Ford of Escondido	Auto Sales - New	Escondido Ready Mix Concrete	Bldg.Matls-Whsle
Home Depot	Bldg.Matls-Retail	Home Depot	Bldg.Matls-Retail
Honda	Auto Sales - New	Honda	Auto Sales - New
Hyundai of Escondido	Auto Sales - New	Hyundai of Escondido	Auto Sales - New
Jack Powell Chrysler Plymouth	Auto Sales - New	J C Penney Company	Department Stores
Lexus Escondido	Auto Sales - New	Jack Powell Chrysler Plymouth	Auto Sales - New
Lowe's Home Centers	Bldg.Matls-Retail	Macy's Department Store	Department Stores
Macy's Department Store	Department Stores	Mercedes-Benz	Auto Sales - New
Mazda of Escondido	Auto Sales - New	Mossy Nissan	Auto Sales - New
Mercedes-Benz	Auto Sales - New	Nordstrom Department Store	Department Stores
Mossy Nissan	Auto Sales - New	North County Auto Center Escon	Service Stations
My Escondido Buick Cadillac Gm	Auto Sales - New	Palomar Transit Mix	Bldg.Matls-Whsle
Nordstrom Department Store	Department Stores	Pine Tree Lumber	Bldg.Matls-Retail
Pine Tree Lumber	Bldg.Matls-Retail	Quality Chevrolet	Auto Sales - New
Quality Chevrolet	Auto Sales - New	Sears Roebuck & Company	Department Stores
Shell Service Stations	Service Stations	Shell Service Stations	Service Stations
Target Stores	Department Stores	Target Stores	Department Stores
Toyota Recondition Center	Auto Sales - New	Texaco Service Stations	Service Stations
Vons Grocery Company	Food Markets	Toyota Recondition Center	Auto Sales - New
Wal Mart Stores	Department Stores	Vons Grocery Company	Food Markets

Note:

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

Source:

MuniServices, LLC

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

Fiscal Year Ended June 30	Governmental Activities (1)						Total Governmental Activities
	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Tax Allocation Bonds (2)	Loans Payable	Capital Leases Payable	
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
2016	61,520,000	4,200,000	-	-	666,456	874,856	67,261,312

Notes:

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

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

Source:

City of Escondido Finance Department.

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

Fiscal Year Ended June 30	Business-type Activities (1)			Total Business Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Revenue COP & Lease Revenue Bonds	Special Tax/ Assessment Bonds	Loans Payable				
2007	\$ 70,350,000	\$ 40,000	\$31,988,970	\$ 102,378,970	\$ 279,659,448	8.74 %	1,972
2008	86,515,000	20,000	29,990,130	116,525,130	290,072,307	9.11	2,023
2009	84,450,000	-	27,987,565	112,437,565	279,939,706	8.14	1,954
2010	82,315,000	-	25,981,179	108,296,179	266,311,605	7.66	1,832
2011	80,095,000	-	26,507,579	106,602,579	254,037,635	8.97	1,750
2012	118,420,000	-	24,715,177	143,135,177	233,938,750	7.80	1,602
2013	115,975,000	-	22,585,446	138,560,446	221,290,372	7.28	1,517
2014	113,075,000	-	20,448,701	133,523,701	213,647,067	6.65	1,452
2015	103,970,000	-	18,304,767	122,274,767	190,034,964	5.82	1,290
2016	101,250,000	-	16,153,467	117,403,467	184,394,779	5.55	1,223

Notes:

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

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

Source:

City of Escondido Finance Department.

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

Fiscal Year Ended June 30	Outstanding General Obligation Bonded Debt				Percent of Assessed Value <sup>(1)</sup>	Per Capita
	General Obligation Bonds	Certificates of Participation	Tax Allocation Bonds <sup>(2)</sup>	Total		
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
2016	61,520,000	-	-	61,520,000	0.47	408

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, 2016**

2015-16 Assessed Valuation		\$ 13,552,437,394	
Redevelopment Agency Incremental Valuation		2,651,386,697	
Adjusted Assessed Valuation		<u>\$ 10,901,050,697</u>	
	Percentage Applicable <sup>(1)</sup>	Outstanding Debt 6/30/16	Estimated Share of Overlapping Debt
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	0.550 %	\$ 92,865,000	\$ 510,758
Palomar Community College District	12.943	511,508,251	66,204,513
San Marcos Unified School District School	3.593	277,306,103	9,963,608
San Marcos Unified School District School Facilities Improvement District No. 1	2.250	3,568,552	80,292
Valley Center Unified School District	0.001	604,287	6
Escondido Union High School District	77.751	92,592,907	71,991,911
Escondido Union School District	78.482	98,129,622	77,014,090
San Pasqual Union School District	57.098	344,589	196,753
City of Escondido	100.000	61,520,000	61,520,000
Palomar Pomerado Hospital District	18.897	467,510,127	88,345,389
City of Escondido Community Facilities District No. 2006-01	100.000	13,745,000	13,745,000
City of Escondido Hidden Trails Community Facilities District	100.000	2,160,000	2,160,000
City of Escondido 1915 Act Bonds	100.000	3,600,000	3,600,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>1,625,454,438</u>	<u>395,332,320</u>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Diego County General Fund Obligations	3.062	307,830,000	9,425,755
San Diego County Pension Obligation Bonds	3.062	649,860,000	19,898,713
San Diego County Superintendent of School Obligations	3.062	13,295,000	407,093
Palomar Community College District Certificates of Participation	12.943	3,825,000	495,070
San Marcos Unified School General Fund Obligations	3.593	54,268,327	1,949,861
Escondido Union High School District Certificates of Participation	77.751	57,790,000	44,932,303
Escondido Union School District Certificates of Participation	78.482	18,400,000	14,440,688
Escondido Union School District Benefit Obligation Bonds	78.482	8,525,000	6,690,591
City of Escondido General Fund Obligations	100.000	4,200,000	4,200,000
TOTAL OVERLAPPING GENERAL FUND DEBT		<u>1,117,993,327</u>	<u>102,440,074</u>
<b><u>OVERLAPPING TAX INCREMENT DEBT:</u></b>			
City of Escondido Lease Revenue Bonds	100.000	20,200,000	20,200,000
TOTAL OVERLAPPING DEBT		<u>\$ 2,763,647,765</u>	<u>\$ 517,972,394</u>
<b><u>CITY DIRECT DEBT:</u></b>			
City of Escondido General Fund Obligations	100.000 %	61,520,000	61,520,000
City of Escondido General Obligations	100.000	4,200,000	4,200,000
TOTAL CITY DIRECT DEBT		<u>\$ 65,720,000</u>	<u>\$ 65,720,000</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 517,972,394</u> <sup>(2)</sup>

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

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

**RATIOS TO 2015-16 ASSESSED VALUATION:**

Direct Debt (\$61,520,000)	0.45 %
Total Overlapping Tax and Assessment Debt	2.92
Total Direct Debt (\$65,720,000)	0.48
Combined Total Debt	3.82

**RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$2,651,386,697):**

Total Overlapping Tax Increment Debt	0.76 %
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Source: MuniServices, LLC.

**CITY OF ESCONDIDO**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011
Assessed valuation	\$9,842,664,350	\$10,437,917,513	\$10,419,201,152	\$9,608,214,935	\$9,501,563,129
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	2,460,666,088	2,609,479,378	2,604,800,288	2,402,053,734	2,375,390,782
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	369,099,913	391,421,907	390,720,043	360,308,060	356,308,617
Total Debt Applicable to Limit:					
General Obligation Bonds	84,350,000	83,180,000	81,800,000	80,360,000	78,860,000
Legal Debt Margin	<u>\$ 284,749,913</u>	<u>\$ 308,241,907</u>	<u>\$ 308,920,043</u>	<u>\$ 279,948,060</u>	<u>\$ 277,448,617</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit					
	23%	21%	21%	22%	22%

Note:

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

Source:

City of Escondido Finance Department.

**CITY OF ESCONDIDO**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2012	2013	2014	2015	2016
Assessed valuation	\$ 9,663,353,864	\$ 9,674,335,352	\$ 9,841,518,516	\$ 10,389,492,632	\$ 10,901,050,697
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	2,415,838,466	2,418,583,838	2,460,379,629	2,597,373,158	2,725,262,674
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	362,375,770	362,787,576	369,056,944	389,605,974	408,789,401
Total Debt Applicable to Limit:					
General Obligation Bonds	77,295,000	75,665,000	73,965,000	61,520,000	61,520,000
Legal Debt Margin	<u>\$ 285,080,770</u>	<u>\$ 287,122,576</u>	<u>\$ 295,091,944</u>	<u>\$ 328,085,974</u>	<u>\$ 347,269,401</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	21%	21%	20%	16%	15%

Note:

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

Source:

City of Escondido Finance Department.

**CITY OF ESCONDIDO**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

**2001 Lease Revenue Bonds**

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-

**2013A Lease Revenue Refunding Bonds**

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2016	360,019	-	360,019	215,000	145,019	360,019	1.00

**1993 Certificates of Participation**

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2016	-	-	-	-	-	-	-

Notes:

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

Source:

City of Escondido Finance Department.

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

**Water and Wastewater Revenue and Revenue Certificates of Participation**

Fiscal Year Ended June 30	Charges for Services and Other Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2016	86,015,050	66,144,441	19,870,609	2,720,000	4,559,645	7,279,645	2.73

**Special Assessment Debt - Hidden Trails**

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2016	192,845	-	192,845	100,000	88,231	188,231	1.02

**Special Assessment Debt - Eureka Ranch**

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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	-	1,218,656	1,218,656	1.02
2016	1,088,472	-	1,088,472	-	445,103	445,103	2.45

Notes:

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

Source:

City of Escondido Finance Department.

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

**Special Assessment Debt - Auto Parkway**

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2016	343,967	-	343,967	270,000	58,219	328,219	1.05

**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	
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
2016	345,177	-	345,177	175,000	158,887	333,887	1.03

Notes:

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

Source:

City of Escondido Finance Department.

**CITY OF ESCONDIDO**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

Calendar Year	Population <sup>(1)</sup>	Personal Income (in millions) <sup>(2)</sup>	Per Capita Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
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
2015	150,760	3,323	22,042	5.2

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	2016		2007	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Palomar Medical Center	2,376	3.43 %	2,000	3.00 %
Escondido Union School District	1,983	2.86	1,893	2.78
City of Escondido	1,016	1.47	1,246	1.83
Escondido Union High School District	879	1.27	1,200	1.76
Toyota of Escondido Inc	356	0.51		
Home Depot <sup>(1)</sup>	350	0.51	330	0.49
Nordstrom Inc.*	320	0.46	375	0.55
Vons Grocery Stores	248	0.36	425	0.63
Palomar Community College District	197	0.28		
California Center for the Arts	180	0.26		
Bergelectric ***			800	1.18
North County Transit District			600	0.88
SDG&E			400	0.59

Notes:

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

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

\*Count for Nordstrom only not including Nordstrom's Rack

\*\*\* Berg Electric has refused to participate

Source:

MuniServices, LLC.

**CITY OF ESCONDIDO**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	2007	2008	2009	2010	2011
<b>Police:</b>					
Physical Arrests	7,359	7,373	7,004	7,190	7,617
Traffic Violations	21,580	20,496	21,438	16,956	13,811
Parking Violations	8,909	8,295	7,942	7,606	5,784
<b>Fire:</b>					
Number of Calls Answered	10,515	10,650	11,237	11,544	11,370
Number of Inspections Conducted	1,880	1,738	3,105	2,059	2,222
<b>Public Works<sup>(1)</sup>:</b>					
Street Resurfacing (miles)	4.5	2.3	1.1	1.5	9.5
<b>Parks and Recreation<sup>(1)</sup>:</b>					
Number of Recreation Classes	832	977	1,228	1,101	1,176
Number of Facility Rentals	998	987	982	1,106	1,125
Golf Rounds Played	90,014	95,149	100,192	97,683	95,020
<b>Water:</b>					
Number of Service Connections	25,972	26,161	26,280	26,390	26,489
Average Daily Consumption (gallons)	27,301,940	25,500,000	23,170,000	18,799,222	18,835,000
<b>Sewer:</b>					
Number of Service Connections	26,503	26,702	26,909	27,014	27,066
Average Daily Treatment (gallons)	14,300,000	14,320,000	13,000,000	12,500,000	12,900,000

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.

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

Function	2012	2013	2014	2015	2016
<b>Police:</b>					
Physical Arrests	7,032	5,988	5,740	4,923	5,114
Traffic Violations	13,054	9,782	8,454	8,528	7,038
Parking Violations	4,514	4,022	4,328	5,571	6,052
<b>Fire:</b>					
Number of Calls Answered	11,978	13,065	13,139	13,450	14,553
Number of Inspections Conducted	1,380	1,741	1,496	2,590	2,086
<b>Public Works<sup>(1)</sup>:</b>					
Street Resurfacing (miles)	3.0	19.3	18.6	44.0	63.5
<b>Parks and Recreation<sup>(1)</sup>:</b>					
Number of Recreation Classes	990	1,275	2,410	1,070	808
Number of Facility Rentals	995	2,541	1,975	1,770	1,857
Golf Rounds Played	95,934	95,528	97,094	94,917	99,130
<b>Water:</b>					
Number of Service Connections	26,502	26,508	26,536	26,567	26,617
Average Daily Consumption (gallons)	20,220,000	23,370,000	22,579,315	19,500,000	16,680,000
<b>Sewer:</b>					
Number of Service Connections	27,054	27,072	27,102	27,139	27,048
Average Daily Treatment (gallons)	12,730,000	12,630,000	12,100,000	11,900,000	11,700,000

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.

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

Function	2007	2008	2009	2010	2011
Police:					
Stations	1	1	1	1	1
Fire:					
Stations	5	5	7	7	7
Public Works:					
Streets (miles)	299.2	302.0	302.0	304.4	304.6
Streetlights	5,691	6,382	6,408	6,460	6,479
Traffic Signals	126	135	139	146	148
Parks and Recreation:					
Parks	14	14	14	14	14
Community Centers	3	3	3	3	3
Golf Courses	2	2	2	2	2
Water:					
Water Mains (miles)	418	425	429	430	430
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:					
Sanitary Sewers (miles)	375	375	375	351	352
Storm Drains (miles)	378	380	380	380	381
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

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

Function	2012	2013	2014	2015	2016
Police:					
Stations	1	1	1	1	1
Fire:					
Stations	7	7	7	7	7
Public Works:					
Streets (miles)	304.9	305.0	305.0	306.2	307.4
Streetlights	6,480	6,479	6,487	6,488	6,489
Traffic Signals	148	151	152	153	155
Parks and Recreation:					
Parks	14	14	14	14	14
Community Centers	3	3	3	3	3
Golf Courses	2	2	2	2	2
Water:					
Water Mains (miles)	430	431	431	423	423
Maximum Daily Plant Capacity (gallons)	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Sewer:					
Sanitary Sewers (miles)	355	363	379	374	380
Storm Drains (miles)	383	382	377	411	411
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.

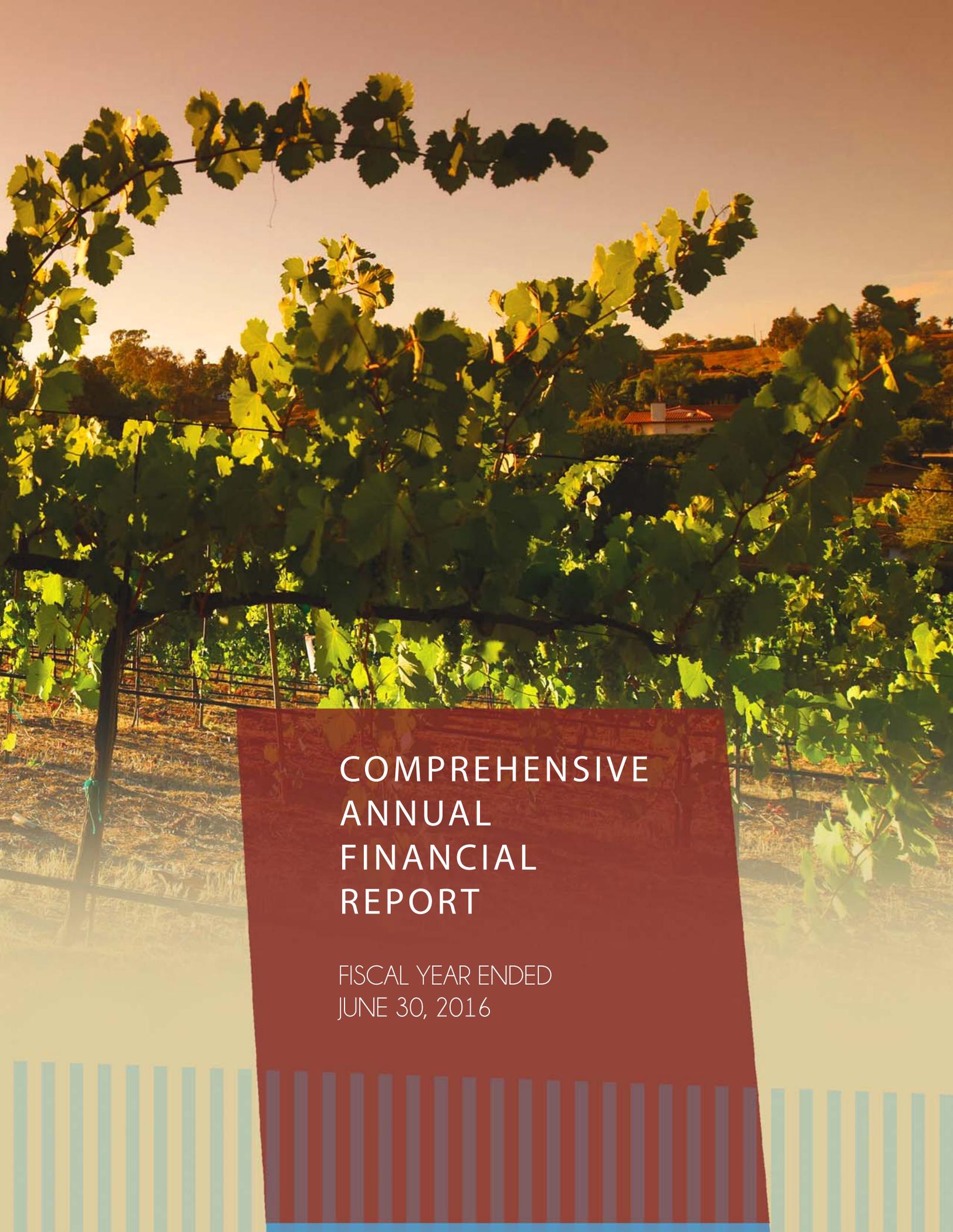
**CITY OF ESCONDIDO**  
**Full-time and Part-time City Employees by Function**  
**Last Ten Fiscal Years**  
**As of June 30**

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	120	118	112	110	109	106	108	111	107	113
Public Safety	404	397	377	381	375	360	374	383	365	383
Public Works	175	156	149	142	143	151	154	148	140	118
Community Development	58	53	42	39	38	37	35	36	37	38
Community Services	280	265	221	225	224	216	225	206	174	168
Housing & Neighborhood Services	13	13	13	14	15	12	10	10	9	10
Water	124	121	119	117	118	118	114	114	118	115
Wastewater	74	75	72	74	75	73	71	82	78	73
Total	<u>1,248</u>	<u>1,198</u>	<u>1,105</u>	<u>1,102</u>	<u>1,097</u>	<u>1,073</u>	<u>1,091</u>	<u>1,090</u>	<u>1,028</u>	<u>1,018</u>

Source:

City of Escondido Finance Department.



A photograph of a vineyard with green grape leaves and a white building in the background, overlaid with a semi-transparent red box containing text.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
JUNE 30, 2016