



ESCONDIDO

CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2017





CITY OF ESCONDIDO - CALIFORNIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

CITY COUNCIL

Sam Abed, Mayor

John Masson, Deputy Mayor

Olga Diaz

Ed Gallo

Michael Morasco

CITY MANAGER

ASSISTANT CITY MANAGER

DIRECTOR OF COMMUNITY DEVELOPMENT

DIRECTOR OF LIBRARY AND COMMUNITY SERVICES

DIRECTOR OF ADMINISTRATIVE SERVICES

DIRECTOR OF INFORMATION SYSTEMS

DIRECTOR OF ENGINEERING SERVICES

DIRECTOR OF UTILITIES

CHIEF OF POLICE

FIRE CHIEF

CITY ATTORNEY

CITY CLERK

CITY TREASURER

Jeffrey Epp

Jay Petrek

Bill Martin

Loretta McKinney

Sheryl Bennett

Mitch Howard

Ed Domingue

Christopher McKinney

Craig Carter

Rick Vogt

Michael R. McGuinness

Diane Halverson

Douglas Schultz



CITY OF ESCONDIDO
Comprehensive Annual Financial Report
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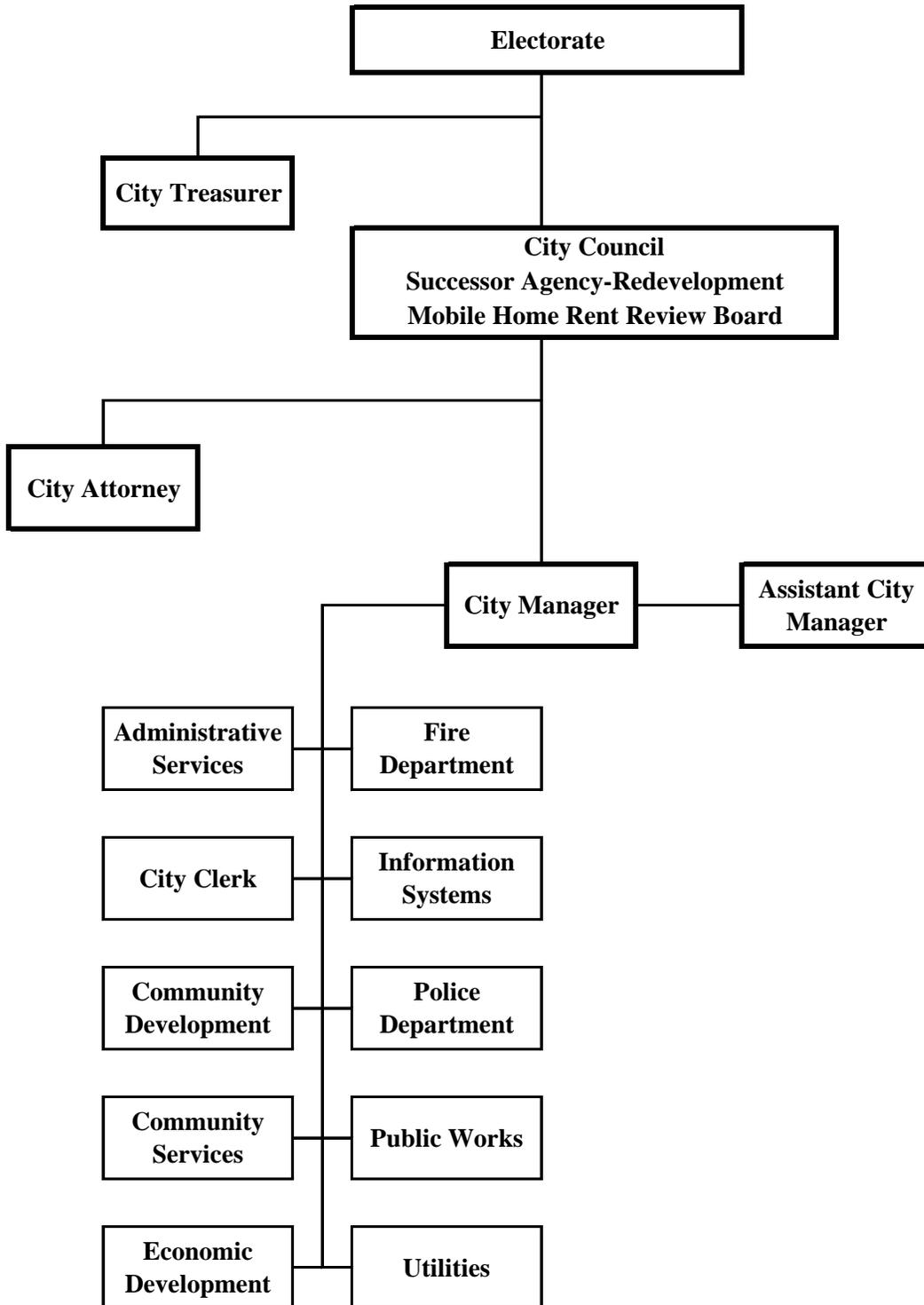
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CITY OF ESCONDIDO
Comprehensive Annual Financial Report
Organization Chart
June 30, 2017



December 27, 2017

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, 2017.

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, 2017, 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, 2017, 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 151,613. 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 27, 2017

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 October 2017, the unemployment rate in Escondido was 3.7%. The San Diego countywide unemployment rate was 3.7% with the State of California recording a 4.3% rate.

CITY OF ESCONDIDO
Letter of Transmittal
December 27, 2017

Long-term Financial Planning. The City adopted a balanced budget for fiscal year 2016-17 with the assumption that sales tax and property tax revenue will continue to show growth. For the seventh year in a row, the City Council adopted a budget that does not rely on reserves for fiscal year 2017-18. The two-year General Fund budget was adopted with the assumption that sales tax, the City's largest revenue source which represents 39 percent of total General Fund revenue, grow by \$1.1 million or 3 percent. This 3 percent projected increase in sales tax for 2017-18 is based primarily on projected growth in new and used auto sales of 3.3 percent as well as projected growth in sales tax collected from construction materials, at 4.2 percent.

The City Council Action Plan is developed biennially following a workshop where key policy interests are identified and discussed by the City Council and City Staff represents the City Council's collective vision for Escondido's future and the key activities that will be used to achieve that vision. In February 2017, 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 2017-2019 Council Action Plan: Economic Development, Fiscal Management, Community Improvement, and Public Safety.

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

The City's investments include United States Treasury Notes, obligations issued by various United States Government Agencies, money market funds and investments in the Local Agency Investment fund (LAIF) established by the State Treasurer. Over the past 5 years, a decline in the City's average annual investment portfolio yield has been realized, decreasing from 1.43% at June 2012 to 1.24% at June 2017. 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 27, 2017

When restricted and unrestricted fund balance is available, the City spends restricted fund balance first. Also, the City reduces committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes in which amounts in any of these unrestricted classifications of fund balance could be used. The City's general fund currently has \$17.9 million in General Fund Reserves.

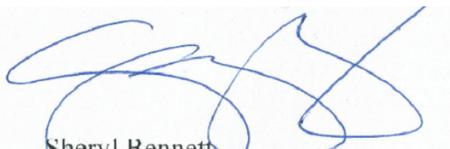
In August 2015 the Standard & Poor's Ratings Services upgraded several of Escondido's bond ratings. Standard & Poor's Ratings Services raised its long-term rating to 'AA-' from 'A+' on the Escondido Joint Powers Financing Authority, Calif.'s existing series 2012 revenue bonds (water system financing), 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, 2016. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Sheryl Bennett
Deputy City Manager /
Director of Administrative Services



Joan Ryan
Assistant Director of Finance





Government Finance Officers Association

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

Presented to

**City of Escondido
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

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, 2017, 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, 2017, 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 114 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 27, 2017, 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 27, 2017

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CITY OF ESCONDIDO

Management's Discussion and Analysis

As management of the City of Escondido (City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. 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 \$417,875,475 (*net position*).
- The City's total government-wide net position increased by \$23,642,551 million in the current year, a 6.0 percent increase.
- A Special Item of \$22,359,967 is reported related to the dissolution of the former redevelopment agency. In accordance with AB X1 26 which dissolves redevelopment agencies, the California State Department of Finance determined that Advances made between the General Fund and the former Community Development Commission were disallowed and not an enforceable obligation. On April 26, 2017, the Department of Finance approved the City of Escondido Successor Agency Oversight Board Resolution making a finding that city loans were for legitimate redevelopment purposes and eligible for reinstatement. As a result, \$9,832,652 of principal and \$7,554,980 of interest were recorded as a Loan to the Successor Agency from the General Fund. Repayments will begin in fiscal year 2018/2019. In addition, \$4,972,335 is due to the transfer of capital assets from the Successor Agency as part of the approval of the Agency's long-term property management plan.
- Excluding the special item, governmental activities decreased by 1.1 percent or \$1,867,130 while business-type activities increased by 1.6 percent or \$3,149,716. The decrease in net position of the governmental activities is due to an increase in expenses while the increase in net position for the business-type activities is largely attributable to an increase in total capital assets and charges for services.
- 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 \$43,299,814 or 24.3 percent. The change reflects a \$37,106,482 increase to governmental activities and a \$6,193,332 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 \$117,877,941, an increase of \$13,084,213 in comparison with the prior year.
- At the end of the current fiscal year, fund balance committed to Reserves in the General Fund was \$17,921,319 or 19.7 percent of General Fund expenditures.

Overview of the Financial Statements

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

CITY OF ESCONDIDO Management's Discussion and Analysis

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate California Center for the Arts, Escondido Foundation. Financial information for the California Center for the Arts, Escondido Foundation for the fiscal year ending June 30, 2017 is being reported separately from the primary government, as it is known as a discretely presented component unit. The government-wide financial statements can be found on pages 34-37 of this report.

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

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

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

CITY OF ESCONDIDO Management's Discussion and Analysis

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

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

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

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

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

The proprietary fund financial statements can be found on pages 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 106-115 of this report. The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds can be found on pages 120-148 of this report.

CITY OF ESCONDIDO
Management's Discussion and Analysis

City of Escondido's Summary of Net Position

As of June 30, 2017 and 2016

(Amounts expressed in thousands)

	Governmental activities		Business-type activities		Total Primary Government		Total Percent Change
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 176,563	\$ 150,420	\$ 85,383	\$ 105,711	\$ 261,946	\$ 256,131	2.22%
Capital assets	298,250	299,555	287,190	265,477	585,440	565,032	3.49%
Total Assets	<u>474,813</u>	<u>449,975</u>	<u>372,573</u>	<u>371,188</u>	<u>847,386</u>	<u>821,163</u>	3.09%
Deferred outflows of resources	46,204	36,128	10,460	9,259	56,664	45,387	19.90%
Long-term liabilities outstanding	284,071	241,790	174,029	137,249	458,100	379,039	17.26%
Other liabilities	10,252	13,806	10,224	42,251	20,476	56,057	-173.77%
Total Liabilities	<u>294,323</u>	<u>255,596</u>	<u>184,253</u>	<u>179,500</u>	<u>478,576</u>	<u>435,096</u>	9.09%
Deferred inflows of resources	6,929	31,234	669	5,987	7,598	37,221	-389.88%
Net position:							
Net investment in capital assets	218,477	223,908	188,877	172,887	407,354	396,795	2.59%
Restricted	100,550	96,530	-	-	100,550	96,530	4.00%
Unrestricted	(99,262)	(121,165)	9,234	22,073	(90,028)	(99,092)	-10.07%
Total net position	<u>\$ 219,765</u>	<u>\$ 199,273</u>	<u>\$ 198,111</u>	<u>\$ 194,960</u>	<u>\$ 417,876</u>	<u>\$ 394,233</u>	5.66%

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 \$417,875,475. Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At June 30, 2017, the net investment in capital assets represents \$407.4 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, 2017 restricted net position account for 24.2 percent, or \$100.5 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, 2017 unrestricted net position was (\$90.0) million.

CITY OF ESCONDIDO
Management's Discussion and Analysis

In fiscal year 2014/2015, 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's Changes in Net Position

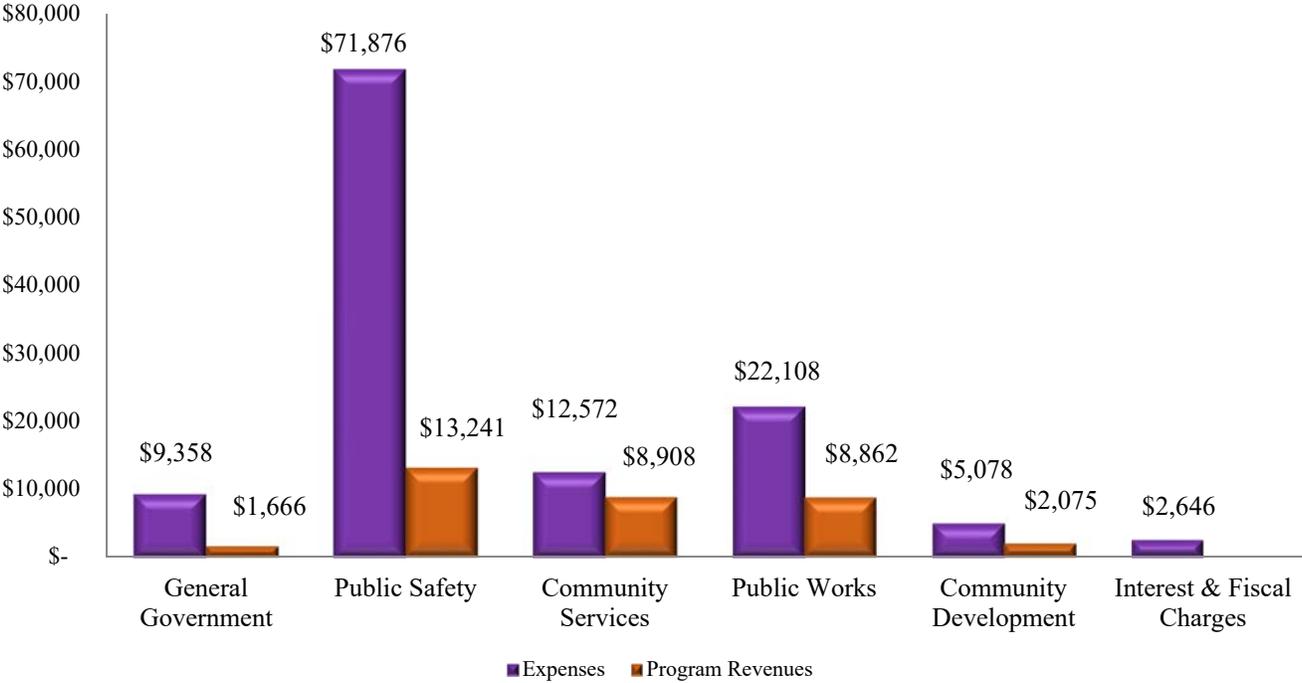
As of June 30, 2017 and 2016

(Amounts expressed in thousands)

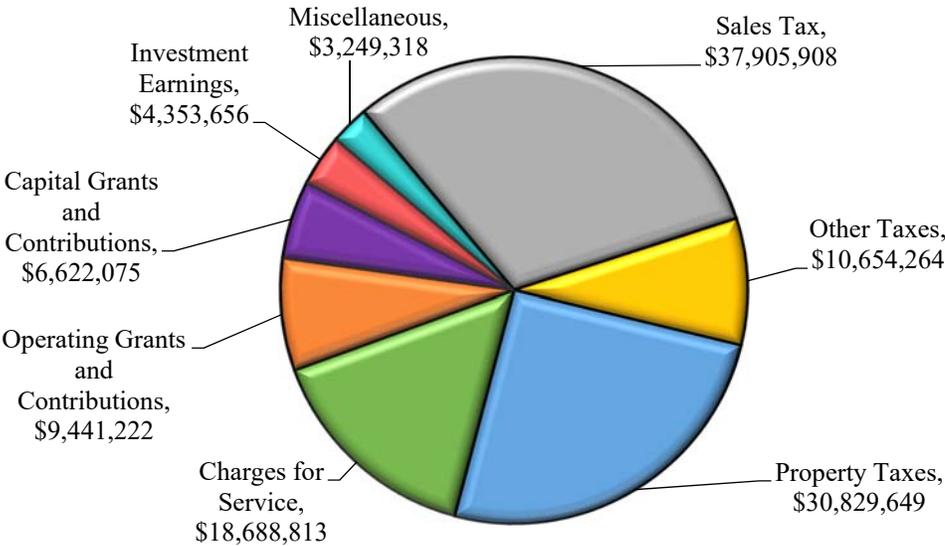
	Governmental activities		Business-type activities		Total		Total Percent
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program revenues:							
Charges for services	\$ 18,689	\$ 17,673	\$ 89,609	\$ 84,650	\$ 108,298	\$ 102,323	5.52%
Operating grants and contributions	9,441	10,605	30	70	9,471	10,675	-12.71%
Capital grants and contributions	6,622	4,788	1,767	1,356	8,389	6,144	26.76%
General revenues:							
Sales tax	37,906	38,030	-	-	37,906	38,030	-0.33%
Property taxes	30,830	29,341	-	-	30,830	29,341	4.83%
Other taxes	10,654	10,172	-	-	10,654	10,172	4.52%
Other	7,603	5,183	1,445	2,270	9,048	7,453	17.63%
Total revenues	<u>121,745</u>	<u>115,792</u>	<u>92,851</u>	<u>88,346</u>	<u>214,596</u>	<u>204,138</u>	4.87%
Expenses:							
General government	9,358	8,852	-	-	9,358	8,852	5.41%
Public safety	71,876	65,521	-	-	71,876	65,521	8.84%
Community services	12,572	12,560	-	-	12,572	12,560	0.10%
Public works	22,108	20,067	-	-	22,108	20,067	9.23%
Community development	5,077	4,643	-	-	5,077	4,643	8.55%
Interest and fiscal charges	2,646	2,953	-	-	2,646	2,953	-11.60%
Water	-	-	57,315	49,845	57,315	49,845	13.03%
Wastewater	-	-	32,361	30,566	32,361	30,566	5.55%
Total expenses	<u>123,637</u>	<u>114,596</u>	<u>89,676</u>	<u>80,411</u>	<u>213,313</u>	<u>195,007</u>	8.58%
Special item on dissolution of redevelopment agency	<u>22,360</u>	<u>30,723</u>	<u>-</u>	<u>-</u>	<u>22,360</u>	<u>30,723</u>	-37.40%
Increase (decrease) in net position before transfers	20,468	31,919	3,175	7,935	23,643	39,854	-68.57%
Transfers	<u>25</u>	<u>25</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	-
Increase (decrease) in net position after transfers	20,493	31,944	3,150	7,910	23,643	39,854	-68.57%
Net position – July 1	<u>199,272</u>	<u>167,328</u>	<u>194,961</u>	<u>187,051</u>	<u>394,233</u>	<u>354,379</u>	10.11%
Net position – June 30	<u>\$219,765</u>	<u>\$199,272</u>	<u>\$ 198,111</u>	<u>\$194,961</u>	<u>\$ 417,876</u>	<u>\$ 394,233</u>	5.66%

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

Analysis of Changes in Net Position – Governmental activities

Governmental activities increased the City's net position by \$20,492,837. This amount includes the special item of \$22,359,967 from the Successor Agency due to the winding down of the redevelopment agency. Excluding the special item, governmental activities decreased the City's net position by (\$1,867,130).

Total governmental revenues increased by \$5,952,300 or 5.1 percent during the current fiscal year resulting in total revenues of \$122 million. Key elements of this change are as follows:

- Overall sales tax revenue decreased by \$124,195, or .33 percent compared to the prior year. The slight decrease was mainly due to the timing of the final "triple flip" reimbursements in the prior fiscal year. The City saw growth in both new auto sales and restaurants during the fiscal year.
- Property tax revenue increased by \$1,487,343 over the prior fiscal year or 5.1 percent. The assessed value growth for Escondido in fiscal year 2016/17 was up about 5.3 percent compared to the prior year.
- Other tax revenue is composed of franchise, transient occupancy, business license, transfer station, and refuse taxes. All categories contributed to an overall increase in other tax revenue by \$482,206, or 4.7 percent.
- Other revenue increased by \$2.4 million or 46.7 percent, compared to last year. Miscellaneous income of \$2.8 million was received by the General Liability Internal Service Fund as part of the distribution of remaining assets from the dissolution of the San Diego Pooled Insurance Program Authority (SANDPIPA).

Overall charges for services increased by \$1.0 million or 5.8 percent, reflecting the following:

- General government charges for services decreased by \$180,000 primarily due to the closure of the Daley Ranch House rental for events as well as a decrease in mobilehome fees and other various charges collected for services.
- Public safety charges for services increased by \$959,000 from paramedic transport fees, which is the result of a 5% increase in the number of transports and a fee increase that went into effect on July 1, 2016.
- Community services charges for services decreased by \$68,000 or 1.8 percent due to a decrease in current year fees collected for Recreation Classes.
- Public works charges for services increased by \$143,000 and Community development charges for services increased by \$162,000 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 decreased by \$1.2 million, or 11.0 percent, reflecting the following:

- General government operating grants and contributions decreased by \$382,260 primarily due to a decrease in the amount of SB90 claim reimbursements received from the State over the prior fiscal year. As part of the State Budget Act of 2014, Local Agency Mandate Claims filed before 2004 were required to be distributed to local agencies; the City received payment for these claims in the prior fiscal year.
- Public safety operating grants and contributions decreased by \$167,430. The decrease in revenue is primarily due to less payments received for the Medi-Cal Ground Emergency Medical Transportation Supplemental Reimbursement Program in the current fiscal year. The program was enacted to supplement local agencies for uncompensated costs for Medi-Cal fee for services transports.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Analysis of Changes in Net Position – Governmental activities (Continued)

- Community services operating grants and contributions decreased by \$310,000 primarily due to decreases in both the amount of Community Development Block Grant funds and HOME Funds received in the current fiscal year.
- Public works operating grants and contributions decreased by \$.4 million due to a decrease 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.
- An operating grant of \$1 million was awarded for Community Development from the California Department of Housing and Community Development; the City reported revenue of \$101,700 in the current fiscal year. The CalHOME grant is to be used to enable low- and very low-income households to become or remain homeowners.

Capital grants and contributions increased by \$1.8 million, or 38.3 percent, compared to the prior year, reflecting the following:

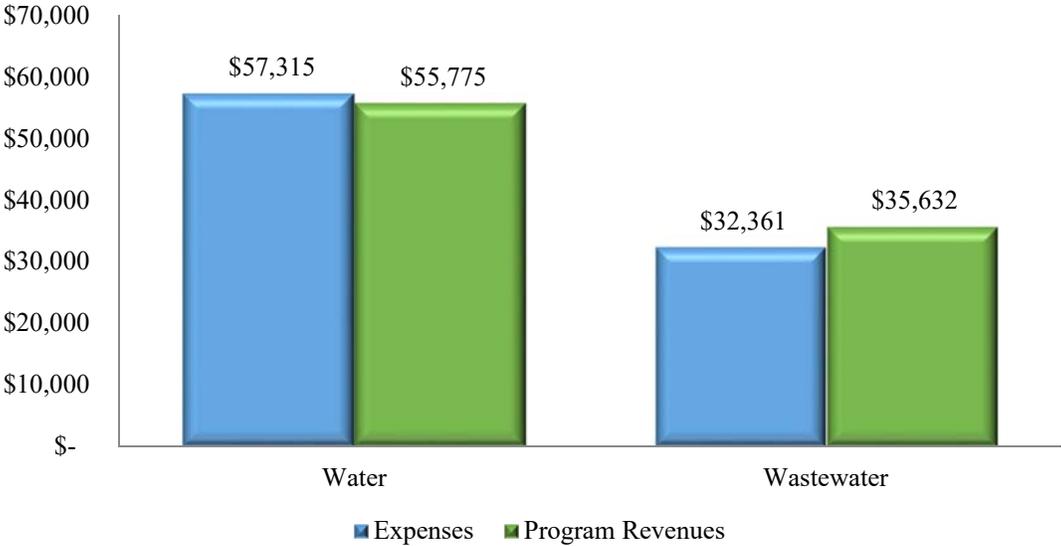
- Public works capital grants and contributions increased by \$1.6 million due to capital contributions from developers for streets and storm drains. The increase is also due to machinery and equipment purchased by the Water Fund and contributed to the Fleet Services Fund.

Governmental activities expenses increased by \$9.1 million, or 8.0 percent, in fiscal year 2017. Details of these expenses include:

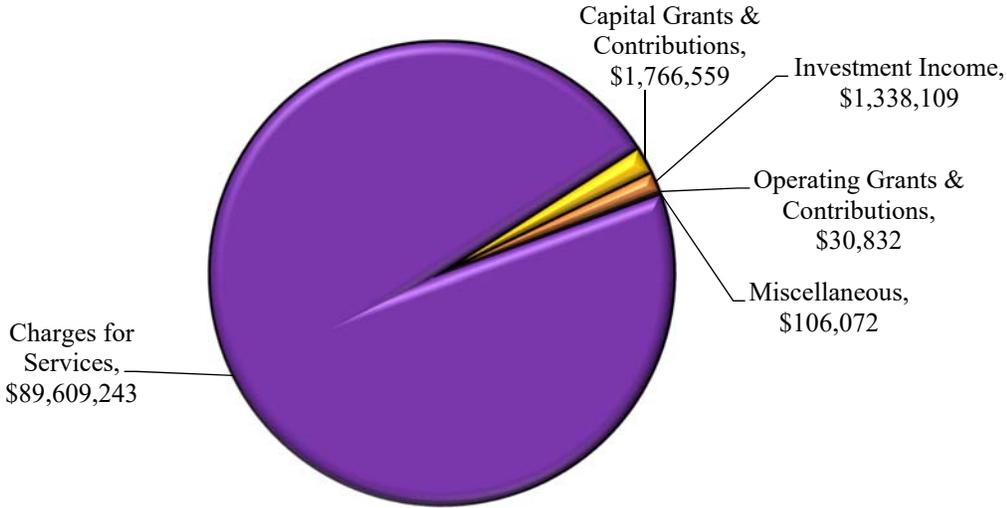
- Public safety expenses increased by \$6.3 million, or 9.6 percent, compared to the prior year. This increase is due to the pension expense activity recorded as part of the net pension liability and pension related deferred inflows and outflows.
- Public works expenses increased by \$2.3 million, or 11.6 percent, primarily due to expenses incurred for the pavement rehabilitation program funded by the County Transportation organization, San Diego Association of Governments (SANDAG).

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

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



Revenues by Source – Business-type Activities



CITY OF ESCONDIDO Management's Discussion and Analysis

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

Business-type activities increased the City's net position by \$3,149,714. Key elements of this increase are as follows:

- Charges for services increased by \$4.4 million, or 8.6 percent, in the Water Fund due to an increase in water consumption after the removal of the drought restrictions and a 5.5% rate increase in March 2016.
- Wastewater Fund charges for services increased by \$573,000, or 1.7 percent, due to annual rate increases.
- Total Water Fund expenses increased by \$7.5 million or 15.0 percent, from the prior year. Current year expenses include a settlement arrangement of \$4,110,762 payable to the Indian Water Authority as a result of the San Luis Rey Supreme Court decision. The remaining increase is due to negotiated personnel costs and the increase in the cost of purchased City water.
- Intergovernmental revenue decreased by \$838,000 compared to the prior year. The decrease is due to a decrease in the shared Water Fund onsite chlorine generation expenses with the Vista Irrigation District.

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 \$117,877,941, an increase of \$13,084,213 in comparison with the prior year. Of this amount, 8.8 percent or \$10,325,492 represents non-spendable assets, advances and loans receivable, which are not expected to be converted to cash until future periods.

Approximately 73.0 percent of this total amount or \$86,075,428 is not available for new spending because it is legally restricted by external third parties. In addition, \$21,118,632 or 17.9 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 \$358,389 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 \$17,921,319 in Reserves available to fund one-time unanticipated expenditures while total fund balance is \$31,167,252. 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 19.0 percent of total General Fund expenditures, while total fund balance represents 33.1 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$11,193,275, or 56.0 percent, compared to the prior year. This increase is primarily due to the Special Item on the dissolution of the former Redevelopment Agency of \$9,832,652. Excluding this item, the fund balance of the General Fund increased by \$1.4 million or 6.8 percent.

General Fund operating revenues were \$1.2 million greater than the prior fiscal year. This was primarily due to an increase in property tax revenue and increases received for charges for services.

CITY OF ESCONDIDO Management's Discussion and Analysis

General Fund Financial Highlights (Continued). Operating expenditures for the General Fund were \$4.1 million greater than the prior year but under budgeted amounts by approximately \$3.2 million. The significant reason for the increase over the prior year is due to Capital Outlay of \$3.2 million related to the San Diego Regional Communications System improvements and purchase of equipment.

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 \$93.5 million and estimated expenditures and transfers out of \$93.5 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 \$93.5 million to the final general fund budgeted revenue of \$94.5 results in a net increase in budgeted revenue of \$1.0 million.

The primary reason for the increase to budgeted revenue is due to \$834,125 in increases to charges for services due to an increase in paramedic fees, which is the result of a 5% increase in the number of transports and a fee increase that went into effect on July 1, 2016. The remaining budget adjustments were due to various operating grants received during the fiscal year.

Comparison of the fiscal year original general fund budgeted expenditures of \$93.5 million to the final general fund budgeted expenditures of \$95.8 million results in a net increase in budgeted expenditures of \$2.3 million. Differences between the original and the final budgeted expenditures can be briefly summarized as follows:

- \$523,370 in increases allocated to the police department to cover costs for special event overtime and training costs. Funding for special event overtime has been received from outside agencies and training costs are being covered by grant funding.
- \$804,910 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.
- \$1,026,299 in increases to operating transfers out primarily due to the allocation of fiscal year 2015/2016 General Fund surplus funds of \$932,000. These funds were transferred to the Reidy Creek Golf Course to cover the operating deficit, the General Capital Projects Fund, and the General Liability and Workers Compensation Internal Service Funds.

Actual General Fund revenues were \$611,112 less than final budgeted amounts and expenditures were \$3.2 million less than final budgeted amounts. Year end actual expenditures were less than the budgeted amounts due to salary and benefit savings from empty positions that were not filled during the fiscal year.

The General Fund ended the fiscal year with a \$11,193,275 net gain and Reserve balance of \$17.9 million.

CITY OF ESCONDIDO Management's Discussion and Analysis

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

At the end of the current fiscal year, the unrestricted net position of the Water and Wastewater Fund amounted to (\$12,783,042), and \$22,109,455 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, 2017, the City's investments in capital assets for its governmental and business-type activities are \$585,440,659, (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 3.6 percent; this represents a .4 percent decrease for governmental activities and an 8.1 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 \$1,552,824 due to current year additions of \$2,914,488 and transfers of construction in progress of \$1,361,664. Current year additions include several street projects; continued work on the East Valley Parkway near Valley Center Road project, which expands a current two-lane road to four-lanes, active transportation projects and continued work on the Citracado Parkway expansion project. The City is also in the process of replacing radios used by staff as part of a regional upgrade and improvements to the Jim Stone Pool.

Current year transfers of construction in progress included the completion of the Grape Day Park Play Equipment and new signage and a new roof at the Park Avenue Community Center. They also involved security enhancements to City Facilities as well as a new 911 emergency telephone system.

Machinery and equipment increased by a net \$1,086,379 due in large to completed projects. The increase also includes the purchase of a new laser scanner, computer servers and fleet related equipment such as trailers and lifts.

Motorized vehicles increased by a net \$2.75 million due to current year additions, transfers, and contributions between funds of \$628,495 and deletions of \$713,467. 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 two Gap Vac trucks, eighteen police vehicles, a KME brush truck, and a freightliner.

Additions to infrastructure totaled \$466,373. These additions were storm drain and street improvements contributed by developers.

The transfer of the remaining land and buildings from the Successor Agency to the City resulted in a net increase of \$4,677,355 to the City's capital asset inventory.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Capital Assets (Continued)

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 \$27.2 million due to several capital improvement projects. The major projects under construction are the onsite chlorine generation at the Water Treatment Plant, the Vista Verde reservoir and waterlines in the cemetery area. Other additions to CIP include the Felicita Sewer project, upgrades to the primary building for odor control at the Hale Avenue Resource Recovery Facility and the San Elijo Outfall project.

Land improvements increased by \$71,733 due to new pavement at the Hale Avenue Resource Recovery Facility. Machinery and equipment increased by a net \$868,431 due to the purchase of various pumps and actuators, along with other equipment.

Additions to the water system and sewer system totaled \$3.2 million. The Bear Valley Pipeline project was completed along with some sewer pipeline replacement projects. There were also contributions of water and sewer lines to the City from various developers.

City of Escondido's Capital Assets

(net of depreciation / in thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 52,059	\$ 49,357	\$ 2,875	\$ 2,868	\$ 54,934	\$ 52,225
Buildings and systems	107,925	112,017	11,448	12,152	119,373	124,169
Improvements other than buildings	13,544	14,448	757	712	14,301	15,160
Machinery and equipment	14,447	10,847	2,782	3,088	17,229	13,935
Infrastructure	98,819	102,983	200,460	205,007	299,279	307,990
Construction in progress	11,456	9,903	68,868	41,651	80,324	51,554
Total	\$ 298,250	\$ 299,555	\$ 287,190	\$ 265,478	\$ 585,440	\$ 565,033

Additional information on the City's capital assets can be found in the notes on pages 71-74 of this report.

CITY OF ESCONDIDO
Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City has total bonded debt outstanding of \$163,055,000. 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	
	2017	2016	2017	2016	2017	2016
Certificates of participation	\$ -	\$ -	\$ 25,875	\$ 26,470	\$ 25,875	\$ 26,470
Revenue bonds	-	-	72,740	74,807	72,740	74,807
Lease revenue bonds	3,980	4,200	-	-	3,980	4,200
GO bonds	60,460	61,520	-	-	60,460	61,520
Total	\$ 64,440	\$ 65,720	\$ 98,615	\$ 101,277	\$ 163,055	\$ 166,997

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 76-91 of this report.

Economic Factors and Next Year's Budgets and Rates

The average unemployment rate for the City as of June 2017 was 4.3 percent, a decrease compared to 5.2 percent in the prior year. Sales tax revenue is projected to grow in fiscal year 2017-18 by 3 percent. Prior year sales tax growth was projected at 4.4 percent and the City remains on target to meet this projection. This 3% projected increase in sales tax for 2017-18 is based primarily on projected growth in new and used auto sales of 3.3 percent as well as projected growth in sales tax collected from construction materials, at 4.2 percent.

The fiscal year 2017-18 General Fund operating budget has been balanced without relying on the use of reserves for the seventh year in a row. The fiscal year 2017-18 General Fund revenue estimate is \$97.3 million. This represents an increase of \$3.1 million or 3 percent over the fiscal year 2016-17 amended revenue projection. The proposed 2017-18 General Fund Operating Budget increased by approximately \$6.0 million compared to the fiscal year 2016-17 Operating Budget adopted in June 2016 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	California Center for the Arts, Escondido Foundation
ASSETS				
Cash and investments	\$ 74,746,238	\$ 44,173,026	\$ 118,919,264	\$ 1,993,899
Cash and investments with fiscal agent	-	29,813,259	29,813,259	-
Receivables, net of allowances	95,870,074	11,275,596	107,145,670	86,281
Internal balances	91,640	(91,640)	-	-
Due from other governments	2,116,630	-	2,116,630	-
Inventory, at cost	407,795	-	407,795	19,953
Deposits	413,876	3,805	417,681	-
Prepaid expenses	22,723	-	22,723	79,608
Prepaid bond insurance	-	104,332	104,332	-
Land held for resale	2,893,758	104,573	2,998,331	-
Assets held in charitable remainder	-	-	-	94,643
Capital assets:				
Not being depreciated	73,047,385	71,743,597	144,790,982	-
Being depreciated, net	225,202,960	215,446,717	440,649,677	86,723
Total Assets	474,813,079	372,573,265	847,386,344	2,361,107
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	46,159,478	8,182,809	54,342,287	-
Deferred loss on refundings	44,774	2,277,278	2,322,052	-
Total Deferred Outflows of Resources	46,204,252	10,460,087	56,664,339	-
LIABILITIES				
Accounts payable	2,700,833	7,220,248	9,921,081	82,034
Retentions payable	21,376	359,504	380,880	-
Accrued interest payable	1,029,567	1,533,095	2,562,662	-
Deposits payable	2,886,417	653,208	3,539,625	-
Accrued expenses	2,711,200	458,640	3,169,840	132,000
Due to other governments	469,988	-	469,988	-
Unearned revenue	431,755	-	431,755	639,953
Aggregate net pension liability	184,108,519	37,553,024	221,661,543	-
Long-term debt:				
Due within one year	6,534,705	9,376,722	15,911,427	73,412
Due in more than one year	93,428,487	127,099,200	220,527,687	-
Total Liabilities	294,322,847	184,253,641	478,576,488	927,399
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	6,522,314	669,211	7,191,525	-
Deferred gain on refundings	407,195	-	407,195	-
Total Deferred Inflows of Resources	6,929,509	669,211	7,598,720	-

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
June 30, 2017

	Primary Government			Component Unit
	Governmental	Business-type	Total	California
	Activities	Activities		Center for the Arts, Escondido Foundation
NET POSITION				
Net investment in capital assets	218,477,270	188,875,729	407,352,999	86,723
Restricted for:				
Community services:				
Expendable	2,602,997	-	2,602,997	-
Nonexpendable	333,590	-	333,590	-
Debt service	3,112,226	-	3,112,226	-
Capital projects	2,439,794	-	2,439,794	-
General government	2,174,233	-	2,174,233	-
Low and moderate income housing	74,235,340	-	74,235,340	-
Public safety	2,788,264	-	2,788,264	-
Public works	12,863,564	-	12,863,564	-
Total Restricted net position	100,550,008	-	100,550,008	-
Unrestricted (deficit)	(99,262,303)	9,234,771	(90,027,532)	1,346,985
Total net position	\$ 219,764,975	\$ 198,110,500	\$ 417,875,475	\$ 1,433,708

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 9,357,787	\$ 300,203	\$ 498,183	\$ 867,422
Public safety	71,876,096	10,251,178	2,333,676	655,992
Community services	12,571,637	3,739,242	3,514,335	1,654,326
Public works	22,107,665	2,424,590	2,993,332	3,444,335
Community development	5,077,618	1,973,600	101,696	-
Interest and fiscal charges	2,646,232	-	-	-
Total Governmental Activities	123,637,035	18,688,813	9,441,222	6,622,075
Business-type activities:				
Water	57,314,740	55,442,545	-	332,406
Wastewater	32,361,361	34,166,698	30,832	1,434,153
Total Business-type Activities	89,676,101	89,609,243	30,832	1,766,559
Total Primary Government	\$ 213,313,136	\$ 108,298,056	\$ 9,472,054	\$ 8,388,634
Component Unit:				
California Center for the Arts, Escondido Foundation	\$ 10,622,150	\$ 4,775,068	\$ 5,910,364	\$ -

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Unit
	Governmental Activities	Business-type Activities	Total	California Center for the Arts, Escondido Foundation
Primary Government:				
Governmental Activities:				
General government	\$ (7,691,979)	\$ -	\$ (7,691,979)	\$ -
Public safety	(58,635,250)	-	(58,635,250)	-
Community services	(3,663,734)	-	(3,663,734)	-
Public works	(13,245,408)	-	(13,245,408)	-
Community development	(3,002,322)	-	(3,002,322)	-
Interest and fiscal charges	(2,646,232)	-	(2,646,232)	-
Total Governmental Activities	(88,884,925)	-	(88,884,925)	-
Business-type activities:				
Water	-	(1,539,789)	(1,539,789)	-
Wastewater	-	3,270,322	3,270,322	-
Total Business-type Activities	-	1,730,533	1,730,533	-
Total Primary Government	(88,884,925)	1,730,533	(87,154,392)	-
Component Unit:				
California Center for the Arts, Escondido Foundation	-	-	-	63,282
General Revenues:				
Sales tax	37,905,908	-	37,905,908	-
Property tax	30,829,649	-	30,829,649	-
Franchise tax	6,360,715	-	6,360,715	-
Transient occupancy tax	1,699,718	-	1,699,718	-
Business license tax	1,846,511	-	1,846,511	-
Transfer station tax	659,920	-	659,920	-
Refuse collection tax	87,400	-	87,400	-
Investment earnings	4,353,656	1,338,109	5,691,765	90,772
Miscellaneous	3,249,318	106,072	3,355,390	164,442
Total general revenues	86,992,795	1,444,181	88,436,976	255,214
Transfers	25,000	(25,000)	-	-
Total general revenues and transfers	87,017,795	1,419,181	88,436,976	255,214
Special Item on dissolution of the former redevelopment agency (Note 6C and 8C)	22,359,967	-	22,359,967	-
Change in net position	20,492,837	3,149,714	23,642,551	318,496
Net position:				
Beginning of year	199,272,138	194,960,786	394,232,924	1,115,212
End of year	\$ 219,764,975	\$ 198,110,500	\$ 417,875,475	\$ 1,433,708

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO

**Balance Sheet
Governmental Funds
June 30, 2017**

	Major Funds			Total Governmental Funds
	General	Successor Agency Housing	Nonmajor Governmental Funds	
ASSETS				
Cash and investments	\$ 16,786,640	\$ 4,569,001	\$ 28,009,923	\$ 49,365,564
Receivables (net):				
Accounts	2,820,886	-	244,549	3,065,435
Interest	80,226	7,842,287	4,577,854	12,500,367
Taxes	7,169,875	-	49,148	7,219,023
Loans	-	36,185,597	18,084,605	54,270,202
Loans to Successor Agency	17,682,612	-	1,008,345	18,690,957
Due from other governments	218,193	101,696	1,796,741	2,116,630
Due from other funds	80,186	-	-	80,186
Inventory, at cost	-	-	13,348	13,348
Prepaid expenditures	-	-	22,723	22,723
Deposits	-	-	101,276	101,276
Land held for resale	-	2,091,616	802,142	2,893,758
Advances to other funds	159,250	-	335,000	494,250
Total Assets	\$ 44,997,868	\$ 50,790,197	\$ 55,045,654	\$ 150,833,719
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 947,801	\$ 124,877	\$ 877,690	\$ 1,950,368
Deposits payable	589,974	3,486	2,292,957	2,886,417
Retentions payable	-	-	21,376	21,376
Accrued expenditures	2,422,374	7,170	126,427	2,555,971
Due to other funds	-	-	44,270	44,270
Due to other governments	-	-	469,988	469,988
Unearned revenue	-	-	431,755	431,755
Advances from other funds	135,000	-	359,250	494,250
Total Liabilities	4,095,149	135,533	4,623,713	8,854,395
Deferred Inflows of Resources:				
Unavailable revenue	9,735,467	7,928,325	6,437,591	24,101,383
Total Deferred Inflows of Resources	9,735,467	7,928,325	6,437,591	24,101,383
Fund Balances:				
Nonspendable	9,991,902	-	333,590	10,325,492
Restricted	-	42,726,339	43,349,089	86,075,428
Committed	17,921,319	-	1,656,212	19,577,531
Assigned	1,541,101	-	-	1,541,101
Unassigned (deficit)	1,712,930	-	(1,354,541)	358,389
Total Fund Balances	31,167,252	42,726,339	43,984,350	117,877,941
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 44,997,868	\$ 50,790,197	\$ 55,045,654	\$ 150,833,719

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, 2017

Fund balances for governmental funds \$ 117,877,941

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	\$ 73,047,385	
Capital assets, being depreciated, net	225,202,960	
Less: amount reported in internal services fund	(9,816,936)	288,433,409

A portion of the unavailable revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds. 24,101,382

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position.

Total internal service fund net position	\$ 9,402,069	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	91,640	
Internal Service fund net position included as part of long-term liabilities	27,692,369	37,186,078

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	\$ (6,468,300)	
Loans	(3,005,729)	
Aggregate Net Pension Liability	(136,588,901)	
Bonds	(64,440,000)	
Bond premium	(8,254,064)	
Bond discount	7,516	
Deferred gain on refunding	(407,195)	
Deferred loss on refunding	44,774	
Less: amount reported in internal services fund	(27,692,369)	(246,804,268)

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

Interest payable		(1,029,567)
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Net position of governmental activities		\$ 219,764,975
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CITY OF ESCONDIDO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			Total Governmental Funds
	General Fund	Successor Agency Housing	Nonmajor Governmental Funds	
Revenues:				
Sales tax	\$ 36,089,095	\$ -	\$ -	\$ 36,089,095
Other taxes	24,389,450	-	1,817,567	26,207,017
Licenses and permits	1,222,686	-	-	1,222,686
Fines and forfeits	1,186,276	-	-	1,186,276
Intergovernmental	14,844,709	-	8,641,235	23,485,944
Charges for services	10,119,530	-	6,034,542	16,154,072
Special assessments	-	-	5,589,696	5,589,696
Lease income	3,449,520	183,250	-	3,632,770
Investment income	13,424	327,500	199,260	540,184
Miscellaneous	566,210	57,236	1,674,693	2,298,139
Total Revenues	91,880,900	567,986	23,956,993	116,405,879
Expenditures:				
Current:				
General government	6,163,871	-	87,622	6,251,493
Public safety	62,982,290	-	2,056,695	65,038,985
Public works	11,003,168	-	5,589,526	16,592,694
Community services	6,524,744	-	5,300,284	11,825,028
Community development	3,880,385	462,762	735,139	5,078,286
Capital outlay	3,230,225	-	2,854,056	6,084,281
Debt service:				
Principal retirements	242,250	-	1,350,620	1,592,870
Interest and fiscal charges	69,395	-	3,166,511	3,235,906
Total Expenditures	94,096,328	462,762	21,140,453	115,699,543
Excess (Deficiency) of Revenues Over Expenditures	(2,215,428)	105,224	2,816,540	706,336
Other Financing Sources (Uses):				
Debt issuance	3,230,225	-	-	3,230,225
Transfers in	2,081,000	25,000	1,659,952	3,765,952
Transfers (out)	(1,735,174)	-	(2,715,778)	(4,450,952)
Total Other Financing Sources (Uses)	3,576,051	25,000	(1,055,826)	2,545,225
Special Item on the dissolution of the former Redevelopment Agency (Note 8C)	9,832,652	-	-	9,832,652
Net Change in Fund Balance	11,193,275	130,224	1,760,714	13,084,213
Fund Balances:				
Beginning of Year	19,973,977	42,596,115	42,223,636	104,793,728
End of Year	\$ 31,167,252	\$ 42,726,339	\$ 43,984,350	\$ 117,877,941

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, 2017

Net change in fund balances - total governmental funds: \$ 13,084,213

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	\$ 6,084,281	
Contributed capital assets	5,062,683	
Depreciation, net of \$3,238,101 from Internal Service Funds	(13,221,513)	
Capital assets contributed to business-type activities	81,045	(1,993,504)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 9,117,622

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. 4,212,807

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	\$ (59,168)	
Change in pension liability	(2,868,183)	
Principal retirements	1,592,870	
Issuance of debt	(3,230,225)	
Accrued interest	636,405	(3,928,301)

Change in net position of governmental activities **\$ 20,492,837**

CITY OF ESCONDIDO

Statement of Net Position

Proprietary Funds

June 30, 2017

	Major Funds			Governmental
	Water	Wastewater	Total	Activities
				Internal
ASSETS				Service Funds
Current Assets:				
Cash and investments	\$ 4,779,229	\$ 39,393,797	\$ 44,173,026	\$ 25,380,674
Receivables (Net):				
Accounts	8,760,110	1,740,509	10,500,619	41,798
Interest	68,410	156,192	224,602	82,292
Loans	-	62,443	62,443	-
Inventory	-	-	-	394,447
Prepaid items	-	3,805	3,805	-
Deposits	-	-	-	312,600
Total Current Assets	13,607,749	41,356,746	54,964,495	26,211,811
Noncurrent Assets:				
Restricted cash and investments	26,175,045	3,638,215	29,813,260	-
Loans receivables	-	487,929	487,929	-
Land held for resale	104,573	-	104,573	-
Prepaid bond insurance	104,332	-	104,332	-
Capital assets:				
Not being depreciated	37,879,736	33,863,861	71,743,597	-
Being depreciated, net	83,390,715	132,056,002	215,446,717	9,816,936
Total Noncurrent Assets	147,654,401	170,046,007	317,700,408	9,816,936
Total Assets	161,262,150	211,402,753	372,664,903	36,028,747
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	3,856,269	4,326,540	8,182,809	1,944,331
Deferred loss on refundings	892,253	1,385,025	2,277,278	-
Total Deferred Outflows of Resources	4,748,522	5,711,565	10,460,087	1,944,331

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

	Major Funds		Total	Governmental Activities
	Water	Wastewater		Internal Service Funds
LIABILITIES				
Current Liabilities:				
Accounts payable	5,781,920	1,438,328	7,220,248	750,465
Retention payable	-	359,504	359,504	-
Accrued expenses	227,759	230,881	458,640	155,259
Due to other funds	-	-	-	35,916
Accrued interest	861,002	672,093	1,533,095	-
Long-term debt, due within one year	5,793,591	3,583,131	9,376,722	3,557,986
Total Current Liabilities	12,664,272	6,283,937	18,948,209	4,499,626
Noncurrent Liabilities:				
Deposits payable	509,137	144,071	653,208	-
Aggregate net pension liabilities	17,451,904	20,101,120	37,553,024	9,521,575
Long-term debt, due in more than one year	68,119,308	58,979,890	127,099,198	14,244,628
Total Noncurrent Liabilities	86,080,349	79,225,081	165,305,430	23,766,203
Total Liabilities	98,744,621	85,509,018	184,253,639	28,265,829
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	237,798	431,413	669,211	305,180
Total Deferred Inflows of Resources	237,798	431,413	669,211	305,180
NET POSITION				
Net investment in capital assets	79,811,295	109,064,434	188,875,729	9,107,259
Unrestricted (deficit)	(12,783,042)	22,109,453	9,326,411	294,810
Total Net Position	\$ 67,028,253	\$ 131,173,887	198,202,140	\$ 9,402,069
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			(91,640)	
Net position of business-type activities			<u>\$ 198,110,500</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, 2017

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Operating Revenues:				
Charges for services	\$ 52,936,039	\$ 34,166,602	\$ 87,102,641	\$ 31,108,066
Total Operating Revenues	<u>52,936,039</u>	<u>34,166,602</u>	<u>87,102,641</u>	<u>31,108,066</u>
Operating Expenses:				
Personnel services	9,690,510	10,262,470	19,952,980	4,892,487
Purchased water	21,058,343	-	21,058,343	-
Administrative expenses	6,352,417	2,869,530	9,221,947	2,078,643
Benefit claims	-	-	-	2,225,347
Supplies	2,188,124	1,698,598	3,886,722	356,260
Repairs and maintenance	1,720,494	2,579,508	4,300,002	1,087,487
Depreciation	3,977,493	5,645,513	9,623,006	3,238,101
Utilities	2,787,961	2,755,697	5,543,658	1,379,641
Fuel	-	-	-	819,735
Professional services	1,061,054	2,977,080	4,038,134	4,033,112
Insurance premiums	599,085	469,425	1,068,510	10,521,176
Rent	352,628	357,583	710,211	3,548
Other	733,020	442,400	1,175,420	536,268
Total Operating Expenses	<u>50,521,129</u>	<u>30,057,804</u>	<u>80,578,933</u>	<u>31,171,805</u>
Operating Income (Loss)	<u>2,414,910</u>	<u>4,108,798</u>	<u>6,523,708</u>	<u>(63,739)</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, 2017

	Business-Type Activities			Governmental
	Water	Wastewater	Total	Activities Internal Service Funds
Nonoperating Revenues (Expenses):				
Investment income	55,053	56,945	111,998	2,344
Rents and concessions	1,118,442	-	1,118,442	-
Intergovernmental	667,334	31,565	698,899	-
Interest and fiscal charges	(2,677,581)	(2,300,539)	(4,978,120)	(46,730)
Settlements	(4,110,762)	-	(4,110,762)	-
Miscellaneous	64,985	150,084	215,069	2,828,802
Total Nonoperating Revenues (Expenses)	(4,882,529)	(2,061,945)	(6,944,474)	2,784,416
Income Before Transfers and Capital Contributions	(2,467,619)	2,046,853	(420,766)	2,720,677
Transfers in	-	1,948,746	1,948,746	710,000
Transfers (out)	(1,948,746)	(25,000)	(1,973,746)	-
Capital Contributions:				
Connection fees	1,937,953	1,386,408	3,324,361	-
Developer contributions	232,393	47,012	279,405	773,844
Total Transfers and Capital Contributions	221,600	3,357,166	3,578,766	1,483,844
Changes in Net Position	(2,246,019)	5,404,019	3,158,000	4,204,521
Net Position at Beginning of Year	69,274,272	125,769,868	195,044,140	5,197,548
Net Position at End of Year	\$ 67,028,253	\$ 131,173,887	\$ 198,202,140	\$ 9,402,069
Change in Net Position			\$ 3,158,000	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			(8,286)	
Change in net position of business-type activities			<u>\$ 3,149,714</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 51,427,534	\$ 35,682,122	\$ 87,109,656	\$ 31,233,032
Cash paid to employees for services	(9,851,325)	(10,541,738)	(20,393,063)	(7,043,599)
Cash paid to suppliers for goods or services	(37,451,586)	(14,271,506)	(51,723,092)	-
Cash for rents and concessions	1,118,442	-	1,118,442	(20,273,883)
Cash from other sources	64,985	204,241	269,226	2,804,341
Net Cash Provided by Operating Activities	<u>5,308,050</u>	<u>11,073,119</u>	<u>16,381,169</u>	<u>6,719,891</u>
Cash Flows from Noncapital Financing Activities:				
Cash paid to other funds	-	(25,000)	(25,000)	745,916
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>745,916</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(12,566,025)	(18,490,883)	(31,056,908)	(3,153,098)
Construction in progress reimbursement	667,334	31,565	698,899	-
Sale of capital assets	-	-	-	24,461
Payments on connection rights	(6,460)	(21,872)	(28,332)	-
Cash received for connection fees	1,937,953	1,386,408	3,324,361	-
Principal payments on certificates of participation	(1,095,000)	(1,540,000)	(2,635,000)	-
Interest payments on certificates of participation	(2,611,946)	(2,047,734)	(4,659,680)	-
Capital lease payment	-	-	-	(190,375)
Principal payments on loans	(230,834)	(1,928,017)	(2,158,851)	(87,653)
Interest payments on loans	(79,718)	(388,641)	(468,359)	(21,533)
Net Cash (Used in) Capital and Related Financing Activities	<u>(13,984,696)</u>	<u>(22,999,174)</u>	<u>(36,983,870)</u>	<u>(3,428,198)</u>
Cash Flows from Investing Activities:				
Investment income received	70,631	64,981	135,612	(477)
Net Cash Provided by (Used for) Investing Activities	<u>70,631</u>	<u>64,981</u>	<u>135,612</u>	<u>(477)</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,606,015)</u>	<u>(11,886,074)</u>	<u>(20,492,089)</u>	<u>4,037,132</u>
Cash and cash equivalents:				
Beginning of year	39,560,289	54,918,086	94,478,375	21,343,542
End of year	<u>\$ 30,954,274</u>	<u>\$ 43,032,012</u>	<u>\$ 73,986,286</u>	<u>\$ 25,380,674</u>
Reconciliation of Cash Equivalents to the Statement of Net Position:				
Cash and investments	\$ 4,779,229	\$ 39,393,797	\$ 44,173,026	\$ 25,380,674
Restricted cash and investments	26,175,045	3,638,215	29,813,260	-
Total cash and cash equivalents	<u>\$ 30,954,274</u>	<u>\$ 43,032,012</u>	<u>\$ 73,986,286</u>	<u>\$ 25,380,674</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Governmental Activities Internal Service Funds
	Water	Wastewater	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 2,414,910	\$ 4,108,798	\$ 6,523,708	\$ (63,739)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,977,493	5,645,513	9,623,006	3,238,101
Pension expense	(254,738)	(280,754)	(535,492)	(124,978)
Cash from rent and concessions	1,118,442	-	1,118,442	-
Cash from other sources	64,985	150,086	215,071	2,804,341
Settlements	(4,110,762)	-	(4,110,762)	-
Noncash Transfer between funds	(1,948,746)	1,948,746	-	-
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	168,097	(433,226)	(265,129)	124,966
Inventories	-	-	-	6,836
Loans receivable	4,040	54,155	58,195	-
Accounts payable	(598,461)	(469,256)	(1,067,717)	41,930
Retentions payable	-	347,571	347,571	-
Accrued expenses	37,081	35,609	72,690	38,908
Compensated absences	56,843	(34,123)	22,720	35,826
Customer deposits	18,104	-	18,104	-
Estimated claims payable	4,360,762	-	4,360,762	617,700
Total adjustments	2,893,140	6,964,321	9,857,461	6,783,630
Net Cash Provided by Operating Activities	\$ 5,308,050	\$ 11,073,119	\$ 16,381,169	\$ 6,719,891
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 232,393	\$ 47,012	\$ 279,405	\$ 773,844
Bond amortization	517	-	517	-
Total noncash investing, capital and financing activities	\$ 232,910	\$ 47,012	\$ 279,922	\$ 773,844

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds	Private Purpose Trust Fund Successor Agency of the Former CDC
ASSETS		
Cash and investments	\$ 9,786,370	\$ 8,437,273
Cash and investments with fiscal agent	682,265	-
Receivables:		
Accounts	-	-
Interest	4,183	13,390
Taxes	9,457	-
Loans	-	1,182,924
Prepaid bond insurance	-	47,614
Due from other governments	-	469,988
Total Assets	\$ 10,482,275	10,151,189
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding of debt		61,087
Total Deferred Outflows of Resources		61,087
LIABILITIES		
Accounts payable	\$ 171,682	-
Deposits payable	8,064,714	-
Due to bondholders	2,245,879	-
Interest payable	-	237,058
Long-term liabilities:		
Due within one year	-	6,780,000
Due in more than one year	-	26,017,351
Total Liabilities	\$ 10,482,275	33,034,409
NET POSITION		
Held in trust for other purposes		(22,822,133)
Total Net Position		\$ (22,822,133)

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, 2017

	<u>Private Purpose Trust Fund Successor Agency of the Former CDC</u>
ADDITIONS:	
Taxes	\$ 9,812,675
Interest and change in fair value of investments	38,850
Contributions from other governments	<u>3,923</u>
Total Additions	<u>9,855,448</u>
DEDUCTIONS:	
Administrative expenses	219,580
Interest expense	<u>682,612</u>
Total Deduction	<u>902,192</u>
SPECIAL ITEMS:	
Dissolution of the former Redevelopment Agency (Note 6C)	(4,677,355)
Dissolution of the former Redevelopment Agency (Note 8C)	<u>(17,682,612)</u>
Total Special Items	<u>(22,359,967)</u>
Changes in Net Position	(13,406,711)
NET POSITION:	
Beginning of year	<u>(9,415,422)</u>
End of year	<u><u>\$ (22,822,133)</u></u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

- The members of the City Council also act as the governing body of the Escondido Vehicle Parking District (District) and the Escondido Joint Power Financing Authority (Authority).
- The District and the Authority are managed by employees of the City.
- The 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, 2017

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

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

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

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

Government - Wide Financial Statements

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

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

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

The City reports the following major governmental funds:

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

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

Proprietary Fund Financial Statements

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

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 elected to serve as the successor agency for its former redevelopment agency, which was dissolved by state law. The successor agency activity is accounted for in a private purpose trust fund used by the City to account for assets, liabilities and activities of the Successor Agency for 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, 2017

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.

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

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

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

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

D. Cash and Investments with Fiscal Agents

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Interfund Transactions

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

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

F. Due From Other Governments

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

G. Property Taxes

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

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

H. Inventories

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

I. Land Held for Resale

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets

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

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

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

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

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

K. Compensated Absences – Employee Leave Benefits

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Unearned Revenues

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

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

O. Pensions

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

CalPERS:	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Net Position (Continued)

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

Q. Fund Balance

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

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

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

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

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

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

Included in the General Fund’s committed fund balance, the City Council has approved an emergency reserve stabilization arrangement to be used for one-time unanticipated expenditure requirements and local disasters. City Council also committed a portion of fund balance to be used for future PERS expenditures. City Council action is required to add or spend the funds. At June 30, 2017, the balance totaled \$17,921,319.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

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. Implementation of this Statement did not have a material effect on the City's financial statements.

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. Implementation of this Statement did not have a material effect on the City's financial statements.

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. Implementation of this Statement did not have a material effect on the City's financial statements.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Implementation of New GASB Pronouncements (Continued)

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. This implementation did not have an effect on the City's financial statements.

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. Implementation of this Statement did not have a material effect on the City's financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that were raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This implementation did not have an effect on the City's financial statements.

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. 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.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Future GASB Pronouncements (Continued)

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. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement 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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Future GASB Pronouncements (Continued)

GASB Statement No. 86 – In April 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

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, 2017.

B. Deficit Fund Equity

The following fund reported a deficit fund balance/net position as of June 30, 2017:

Fund	Fund Type	Amount
Government wide Statement of Net Position	Governmental Activities	\$ (99,262,303)
Law Enforcement	Special Revenue Fund	(6,155)
Vehicle Parking District	Special Revenue Fund	(625,563)
Building Maintenance	Internal Service Fund	(2,359,249)
Office Automation	Internal Service Fund	(1,640,869)
Workers' Compensation	Internal Service Fund	(4,674,068)

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 74,746,238	\$ 44,173,026	\$ 1,993,899	\$ 18,223,643	\$ 139,136,806
Cash and investments with fiscal agent	-	29,813,260	-	682,265	30,495,525
Total	<u>\$ 74,746,238</u>	<u>\$ 73,986,286</u>	<u>\$ 1,993,899</u>	<u>\$ 18,905,908</u>	<u>\$ 169,632,331</u>

At June 30, 2017, 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, 2017:

	Fair Value	Measurement Input			Exempt
		Level 1	Level 2	Level 3	
Cash on hand	\$ 12,060	\$ -	\$ -	\$ -	\$ 12,060
Demand deposits	3,351,852	-	-	-	3,351,852
Investments:					
Federal Agency Securities	92,012,229	-	92,012,229	-	-
Money Market Funds	225,570	-	-	-	225,570
Negotiable Certificates of Deposit	8,678,612	-	8,678,612	-	-
State Investment Pool (LAIF)	34,856,483	-	-	-	34,856,483
Subtotal	<u>135,772,894</u>	<u>-</u>	<u>100,690,841</u>	<u>-</u>	<u>35,082,053</u>
Held by fiscal agent:					
Federal Agency Securities	710,811	-	710,811	-	-
Money Market Funds	6,965,912	-	6,965,912	-	-
State Investment Pool (LAIF)	22,818,802	-	-	-	22,818,802
Subtotal	<u>30,495,525</u>	<u>-</u>	<u>7,676,723</u>	<u>-</u>	<u>22,818,802</u>
Total	<u>\$ 169,632,331</u>	<u>\$ -</u>	<u>\$ 108,367,564</u>	<u>\$ -</u>	<u>\$ 61,264,767</u>

A. Demand Deposits

The carrying amount of the City's cash deposits were \$3,351,852 at June 30, 2017. Bank balances before reconciling items were \$4,075,833 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.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

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.

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, 2017

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, 2017, the City had \$57,675,285 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2017.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

Investment Type	Fair Value	Remaining Maturity in Months		
		18 Months or Less	18 to 42 Months	42 to 60 Months
Investments:				
Federal Agency Securities	\$ 92,012,229	\$ 29,185,420	\$ 38,648,689	\$ 24,178,120
Money Market Funds	225,570	225,570	-	-
Negotiable Certificates of Deposit	8,678,612	2,719,538	5,211,756	747,318
State Investment Pool (LAIF)	34,856,483	34,856,483	-	-
Subtotal	135,772,894	66,987,011	43,860,445	24,925,438
Held by fiscal agent:				
Federal Agency Securities	710,811	710,811	-	-
Money Market Funds	6,965,912	6,965,912	-	-
State Investment Pool (LAIF)	22,818,802	22,818,802	-	-
Subtotal	30,495,525	30,495,525	-	-
Total	\$ 166,268,419	\$ 97,482,536	\$ 43,860,445	\$ 24,925,438

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, 2017

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures Relating to Credit Risk (Continued)

Investment Type	Fair Value	Minimum Legal Rating	Exempt from Disclosures	Rating as of Year End				
				AAA	AA+	AA	A-1+	Not Rated
Investments:								
Federal Agency Securities	\$ 92,012,229	N/A	\$ -	\$ 1,499,955	\$ 79,043,239	\$ 498,795	\$ -	\$ 10,970,240
Money Market Funds	225,570	N/A	225,570	-	-	-	-	-
Negotiable Certificates of Deposit	8,678,612	N/A	-	-	8,678,612	-	-	-
State Investment Pool (LAIF)	34,856,483	N/A	-	-	34,856,483	-	-	-
Subtotal	<u>135,772,894</u>		<u>225,570</u>	<u>1,499,955</u>	<u>122,578,334</u>	<u>498,795</u>	<u>-</u>	<u>10,970,240</u>
Held by fiscal agent:								
Federal Agency Securities	710,811	N/A	-	-	-	-	710,811	-
Money Market Funds	6,965,912	N/A	-	-	-	-	-	6,965,912
State Investment Pool (LAIF)	22,818,802	N/A	-	-	-	-	-	22,818,802
Subtotal	<u>30,495,525</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,811</u>	<u>29,784,714</u>
Total	<u>\$ 166,268,419</u>		<u>\$ 225,570</u>	<u>\$ 1,499,955</u>	<u>\$ 122,578,334</u>	<u>\$ 498,795</u>	<u>\$ 710,811</u>	<u>\$ 40,754,954</u>

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	\$ 21,476,151
Federal Home Loan Bank	Federal Agency Securities	25,485,174
Federal Home Loan Mortgage Corp.	Federal Agency Securities	20,219,447
Federal Farm Credit Bank	Federal Agency Securities	24,831,457

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, 2017

Note 4 – Allowance for Uncollectible Receivables

All receivables are shown net of an allowance for uncollectible which at June 30, 2017 is as follows:

Fund	Allowance Amount
General Fund	\$ 3,296,337
Water Enterprise Fund	122,866
Wastewater Enterprise Fund	74,300

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, 2017, the loans receivable was reported in the accompanying basic financial statements as follows:

Governmental Funds	\$ 72,961,159
Proprietary Funds	550,372
Fiduciary Funds	1,182,924
Total	\$ 74,694,455

The loans at June 30, 2017, consisted of the following:

CITY OF ESCONDIDO:	
HOME grant fund loans	\$ 17,645,446
National Golf Operations	200,000
Successor Agency loan	18,690,957
CDBG notes receivable	239,159
Notes receivable	550,372
Successor Agency Housing Special Revenue Funds:	
Loans given to developers and non-profits	30,331,614
Mobile home loan program	2,471,669
First-time homebuyer program	3,007,314
HOME loans	375,000
Successor Agency to the Former CDC:	
Notes receivable, Palomar College	925,000
First-time homebuyer program	171,895
Mobile home loan program	86,029
Total	\$ 74,694,455

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Transfers of CIP	Contributions Between Funds (Note 6C)	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:						
Art and historical treasures	\$ 9,532,194	\$ -	\$ -	\$ -	\$ -	\$ 9,532,194
Land	49,357,130	2,000	2,700,000	-	-	52,059,130
Construction in progress	9,903,237	(1,361,664)	-	2,914,488	-	11,456,061
Total capital assets, not being depreciated	68,792,561	(1,359,664)	2,700,000	2,914,488	-	73,047,385
Capital assets, being depreciated:						
Land improvements	37,422,029	598,877	-	-	-	38,020,906
Buildings	219,769,479	137,934	2,302,068	-	-	222,209,481
Machinery and equipment	27,531,025	622,853	49,170	430,815	(16,459)	28,617,404
Motorized vehicles	25,078,912	-	628,495	2,839,077	(713,467)	27,833,017
Infrastructure	304,018,173	-	-	466,373	-	304,484,546
Golf Course	4,326,835	-	-	-	-	4,326,835
Radio Rights	-	-	-	3,230,225	-	3,230,225
Total capital assets, being depreciated	618,146,453	1,359,664	2,979,733	6,966,490	(729,926)	628,722,414
Less accumulated depreciation						
Land improvements	(34,863,168)	-	-	(1,357,274)	-	(36,220,442)
Buildings	(107,751,978)	-	(324,713)	(6,208,227)	-	(114,284,918)
Machinery and equipment	(23,457,444)	-	-	(1,299,490)	16,459	(24,740,475)
Motorized vehicles	(18,306,125)	-	-	(2,738,880)	713,467	(20,331,538)
Infrastructure	(201,034,904)	-	-	(4,631,005)	-	(205,665,909)
Golf Course	(1,970,389)	-	-	(144,272)	-	(2,114,661)
Radio Rights	-	-	-	(161,511)	-	(161,511)
Total accumulated depreciation	(387,384,008)	-	(324,713)	(16,540,659)	729,926	(403,519,454)
Total capital assets, being depreciated, net	230,762,445	1,359,664	2,655,020	(9,574,169)	-	225,202,960
Total Governmental Activities capital assets, net	\$ 299,555,006	\$ -	\$ 5,355,020	\$ (6,659,681)	\$ -	\$ 298,250,345

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

Depreciation expense was charged to the following functions:

General government	\$ 3,509,337
Public safety	3,006,460
Public works	5,740,193
Community services	925,150
Community development	121,418
Internal service funds	3,238,101
Total	\$ 16,540,659

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, is as follows:

	Balance July 1, 2016	Transfers of CIP	Contributions Between Funds	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:						
Land	\$ 2,868,024	\$ 6,800	\$ -	\$ -	\$ -	\$ 2,874,824
Construction in progress	41,650,608	(2,969,312)	-	30,187,477	-	68,868,773
Total capital assets, not being depreciated	44,518,632	(2,962,512)	-	30,187,477	-	71,743,597
Capital assets, being depreciated:						
Land improvements	963,287	71,733	-	-	-	1,035,020
Buildings	31,285,254	-	-	-	-	31,285,254
Machinery and equipment	9,468,584	-	(49,170)	917,601	-	10,337,015
Motorized vehicles	-	-	(628,495)	628,495	-	-
Water system	123,742,597	2,303,682	-	232,393	-	126,278,672
Electrical system	3,609,179	-	-	-	-	3,609,179
Sewer system	171,217,065	587,097	-	47,012	-	171,851,174
Recycled water system	24,163,391	-	-	-	-	24,163,391
Total capital assets, being depreciated	364,449,357	2,962,512	(677,665)	1,825,501	-	368,559,705
Less accumulated depreciation						
Land improvements	(251,392)	-	-	(26,977)	-	(278,369)
Buildings	(19,133,388)	-	-	(704,143)	-	(19,837,531)
Machinery and equipment	(6,381,127)	-	-	(1,173,376)	-	(7,554,503)
Water system	(43,588,558)	-	-	(3,006,790)	-	(46,595,348)
Electrical system	(3,186,642)	-	-	(49,270)	-	(3,235,912)
Sewer system	(63,549,801)	-	-	(4,055,567)	-	(67,605,368)
Recycled water system	(7,399,074)	-	-	(606,883)	-	(8,005,957)
Total accumulated depreciation	(143,489,982)	-	-	(9,623,006)	-	(153,112,988)
Total capital assets, being depreciated, net	220,959,375	2,962,512	(677,665)	(7,797,505)	-	215,446,717
Total Business-type Activities capital assets, net	\$ 265,478,007	\$ -	\$ (677,665)	\$ 22,389,972	\$ -	\$ 287,190,314

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

Depreciation expense was charged to the following functions:

Water	\$ 3,977,493
Wastewater	5,645,513
Total	\$ 9,623,006

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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.

Summary of changes in capital assets for the fiduciary funds for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Contributions Between Funds	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 2,700,000	\$ (2,700,000)	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	<u>2,700,000</u>	<u>(2,700,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:					
Buildings	2,302,068	(2,302,068)	-	-	-
Total capital assets, being depreciated	<u>2,302,068</u>	<u>(2,302,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation					
Buildings	(324,713)	324,713	-	-	-
Total accumulated depreciation	<u>(324,713)</u>	<u>324,713</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>1,977,355</u>	<u>(1,977,355)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fiduciary Funds capital assets, net	<u>\$ 4,677,355</u>	<u>\$ (4,677,355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Capital Assets (Continued)

D. Component Unit

Summary of changes in capital assets for the component unit for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, being depreciated:				
Leasehold improvements	\$ 42,638	\$ 29,622	\$ -	\$ 72,260
Machinery and equipment	755,782	-	(54,136)	701,646
Total capital assets, being depreciated	<u>798,420</u>	<u>29,622</u>	<u>(54,136)</u>	<u>773,906</u>
Less accumulated depreciation				
Leasehold improvements	(3,005)	(1,016)	-	(4,021)
Machinery and equipment	(689,033)	(19,141)	25,012	(683,162)
Total accumulated depreciation	<u>(692,038)</u>	<u>(20,157)</u>	<u>25,012</u>	<u>(687,183)</u>
Total capital assets, being depreciated, net	<u>106,382</u>	<u>9,465</u>	<u>(29,124)</u>	<u>86,723</u>
Total Component Unit capital assets, net	<u>\$ 106,382</u>	<u>\$ 9,465</u>	<u>\$ (29,124)</u>	<u>\$ 86,723</u>

Depreciation expense for the year ended June 30, 2017 was \$20,157.

Note 7 – Interfund Transactions

A. Due To and From Other Funds

At June 30, 2017, due from and to other funds balances are as follows:

Due From Other Funds	Due To Other Funds	Amounts
General Fund	Community Development Block Grant Fund - Nonmajor Governmental Funds	\$ 44,270
General Fund	Building Maintenance Fund - Internal Service Funds	35,916

The \$44,270 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.

The \$35,916 is for short-term borrowings from the Building Maintenance Internal Service Fund to the General Fund due to negative cash balances at the end of this fiscal year.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Interfund Transactions (Continued)

B. Advances To and From Other Funds

At June 30, 2017, 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	135,000 (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, 2017.
- (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, 2017, the amount of \$135,000 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, 2017, 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>Enterprise - Wastewater</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 25,000	\$ 1,000,174	\$ -	\$ 710,000	\$ 1,735,174
Nonmajor Governmental	2,056,000	-	659,778	-	-	2,715,778
Enterprise:						
Water	-	-	-	1,948,746	-	1,948,746
Wastewater	25,000	-	-	-	-	25,000
Total	<u>\$ 2,081,000</u>	<u>\$ 25,000</u>	<u>\$ 1,659,952</u>	<u>\$ 1,948,746</u>	<u>\$ 710,000</u>	<u>\$ 6,424,698</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, 2017

Note 8 – Long-Term Debt

A. Governmental Activities

Summary of changes in long-term liabilities for Governmental Activities as of June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
Compensated absences	\$ 6,608,415	\$ 99,805	\$ (4,813)	\$ 6,703,407	\$ 670,341	\$ 6,033,066
Claims payable	15,749,700	886,500	(268,800)	16,367,400	3,273,480	13,093,920
Loans payable	666,457	3,230,225	(400,522)	3,496,160	410,948	3,085,212
2015 Refunding General Obligation Bonds	61,520,000	-	(1,060,000)	60,460,000	1,780,000	58,680,000
Unamortized bond premium	8,684,711	-	(430,647)	8,254,064	-	8,254,064
2013A Lease Revenue Bonds	4,200,000	-	(220,000)	3,980,000	230,000	3,750,000
Unamortized bond discount	(8,063)	-	547	(7,516)	-	(7,516)
Capital leases - Stuphen Fire Truck	874,856	-	(165,179)	709,677	169,936	539,741
Total	\$ 98,296,076	\$ 4,216,530	\$ (2,549,414)	\$ 99,963,192	\$ 6,534,705	\$ 93,428,487

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, 2017, is \$6,703,407. 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, 2017, is \$16,367,400. For more information, see Note 10.

Loans Payable

In 2004, the City was granted an energy conservation loan from the California Energy Commission to fund various energy conservation projects. The term of the loan is 15 years with an annual interest rate of 3.95%. The outstanding balance at June 30, 2017, is \$480,818.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	103,836	3,089	106,925
Total	\$ 480,818	\$ 53,802	\$ 534,620

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, are \$69,627.

The annual debt service requirements are as follows:

Year Ended June 30,	Principals					Total
	City Hall	CFA 921	EVCC	Joslyn	Washington Pool	
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	\$ 9,614	\$ 14,433	\$ 21,602	\$ 13,879	\$ 10,099	\$ 69,627

In 2017, the City entered into a loan agreement with the County of San Diego for the purchase of portable and mobile Motorola radios, as well as support devices. The radios are operated through a \$70 million region-wide communication infrastructure system shared among 50 agencies that is financed over a ten-year period with an annual interest rate of 2.79%. The outstanding balance at June 30, 2017, is \$2,945,715.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 292,448	\$ 82,185	\$ 374,633
2019	300,607	74,026	374,633
2020	308,995	65,639	374,634
2021	317,615	57,018	374,633
2022	326,477	48,156	374,633
2023-2027	1,399,573	98,963	1,498,536
Total	\$ 2,945,715	\$ 425,987	\$ 3,371,702

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2017, the outstanding balance of the Bonds was \$60,460,000 and unamortized bond premium was \$8,254,064.

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.

The annual debt service requirements are as follows:

Year Ended				
June 30,	Principal	Interest	Total	
2018	\$ 1,780,000	\$ 2,986,500	\$ 4,766,500	
2019	1,870,000	2,915,300	4,785,300	
2020	1,965,000	2,840,500	4,805,500	
2021	2,065,000	2,742,250	4,807,250	
2022	2,165,000	2,639,000	4,804,000	
2023-2027	12,665,000	11,454,500	24,119,500	
2028-2032	16,530,000	7,922,750	24,452,750	
2033-2037	21,420,000	3,323,000	24,743,000	
	<u>\$ 60,460,000</u>	<u>\$ 36,823,800</u>	<u>\$ 97,283,800</u>	

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2017, the outstanding balance of these bonds was \$3,980,000 and unamortized bond discount was \$7,516.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	260,000	103,568	363,568
2023-2027	1,425,000	386,225	1,811,225
2028-2031	1,335,000	107,434	1,442,434
Total	<u>\$ 3,980,000</u>	<u>\$ 1,085,753</u>	<u>\$ 5,065,753</u>

Capital Leases

In September 2014, the City entered into a lease agreement with Leasing 2, Inc. to acquire a Sutphen aerial ladder fire truck. Per the lease agreement, the annual payments of \$190,375 are due in August of each year with the final payment due in August 2020. The outstanding balance at June 30, 2017, was \$709,677.

The future minimum lease and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ended June 30,	Principal	Interest	Total
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>\$ 709,677</u>	<u>\$ 51,823</u>	<u>\$ 761,500</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Capital Leases (continued)

Assets acquired through the capital leases are as follows:

Sutphen Aerial Ladder Fire Truck, net book value at July 1, 2016	\$ 881,096
Current year depreciation expense	(21,490)
Sutphen Aerial Ladder Fire Truck, net book value at June 30, 2017	\$ 859,606

B. Business-Type Activities

Summary of changes in long-term liabilities for Business-type Activities as of June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
Connection rights payable	\$ 13,273,287	\$ -	\$ (28,332)	\$ 13,244,955	\$ -	\$ 13,244,955
Compensated absences	1,220,972	56,842	(34,122)	1,243,692	124,369	1,119,323
Settlements payable	-	4,360,762	-	4,360,762	4,360,762	-
2007 Water Revenue COP	26,470,000	-	(595,000)	25,875,000	620,000	25,255,000
Unamortized bond premium	175,371	-	(8,253)	167,118	-	167,118
2012 Water Revenue Bonds	29,760,000	-	(500,000)	29,260,000	520,000	28,740,000
Unamortized bond premium	1,426,412	-	(55,192)	1,371,220	-	1,371,220
2015A Wastewater Refunding Revenue Bonds	13,575,000	-	(960,000)	12,615,000	995,000	11,620,000
Unamortized bond premium	2,171,565	-	(213,597)	1,957,968	-	1,957,968
2015B Wastewater Refunding Revenue Bonds	4,620,000	-	(425,000)	4,195,000	430,000	3,765,000
Unamortized bond discount	(49,476)	-	4,867	(44,609)	-	(44,609)
2012 Wastewater Revenue Bonds	26,825,000	-	(155,000)	26,670,000	160,000	26,510,000
Unamortized bond premium	1,628,202	-	(63,000)	1,565,202	-	1,565,202
Loans payable	16,153,466	-	(2,158,852)	13,994,614	2,166,591	11,828,023
Total	\$ 137,249,799	\$ 4,417,604	\$ (5,191,481)	\$ 136,475,922	\$ 9,376,722	\$ 127,099,200

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.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities

Connection Rights Payable (continued)

There was no limit to the number of rights purchased under a contract or the number of contracts an individual might purchase. Both contracts allowed several options to the purchaser. These options were: 1) The rights could be used by the purchaser at the time of pulling building permits, thus waiving the current fee being charged by the Building Department; 2) if the owner of the rights sold the property for which the rights were originally purchased, the rights could be transferred to the new owner; 3) the last option was to turn in the right to the City of Escondido for the purpose of resale on a "first come, first served" basis. Resales are paid based on receipts from current connection fees on building permits. Interest on connection rights represents the increase in the obligation of the City to the holders of the rights as a result of rates of increase stipulated in the City's agreement with the holders of the rights. The outstanding balance at June 30, 2017 is \$13,244,955.

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, 2017, is \$1,243,692.

Claims Payable

The balance of claims payable at June 30, 2017, is \$4,360,762 due to the conclusion of the San Luis Rey settlement agreement. For more information, see Note 15C.

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, 2017 was \$25,875,000 and unamortized bond premium was \$167,118 at June 30, 2017.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2007 Water Revenue Certificates of Participation (continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	725,000	1,082,497	1,807,497
2023-2027	4,465,000	4,894,530	9,359,530
2028-2032	5,310,000	3,639,404	8,949,404
2033-2037	9,535,000	2,273,469	11,808,469
2038	3,215,000	76,356	3,291,356
Total	<u>\$ 25,875,000</u>	<u>\$ 16,571,156</u>	<u>\$ 42,446,156</u>

2012 Water Revenue Bonds

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

Additionally, the term certificates, maturing on September 1, 2031, 2033, and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2030, 2032, and 2038 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 120% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2017, was \$29,260,000 and the unamortized bond premium was \$1,371,220. A reserve fund is not established.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2012 Water Revenue Bonds (continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	610,000	1,279,756	1,889,756
2023-2027	3,270,000	6,013,548	9,283,548
2028-2032	4,835,000	5,243,025	10,078,025
2033-2037	4,025,000	3,779,875	7,804,875
2038-2042	14,305,000	2,189,125	16,494,125
Total	<u>\$ 29,260,000</u>	<u>\$ 23,854,653</u>	<u>\$ 53,114,653</u>

2015A Wastewater Refunding Revenue Bonds

On April 29, 2015, the City issued \$14,645,000 of Refunding Revenue Bonds (Wastewater System), Series 2015A. Proceeds from the issuance were used to refund the 2004A COP Bonds and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 2.00% to 5.00% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2026 and are limited obligations of the City payable solely from net revenues of the City's Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2017, the outstanding balance of the Bonds was \$12,615,000 and unamortized bond premium was \$1,957,968.

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2015A Wastewater Refunding Revenue Bonds (continued)

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	1,215,000	385,375	1,600,375
2023-2027	7,100,000	923,000	8,023,000
Total	<u>\$ 12,615,000</u>	<u>\$ 3,415,125</u>	<u>\$ 16,030,125</u>

2015B Wastewater Refunding Revenue Bonds

On April 29, 2015, the City issued \$5,060,000 of Refunding Revenue Bonds (Wastewater System), Series 2015B. Proceeds from the issuance were used to refund the 2004B Certificates of Participation and pay the costs of issuing the Bonds. The Bonds bear interest ranging from 0.40% to 3.25% per annum payable on March 1 and September 1 of each year commencing on September 1, 2015. The Bonds mature September 1, 2015 through September 1, 2025. The 2015 Bonds are limited obligations of the City payable solely from net revenues of the City's Wastewater System remaining after payment of operation and maintenance costs. At June 30, 2017, the outstanding balance of the Bonds was \$4,195,000 and unamortized bond discount was \$44,609.

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

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	460,000	65,250	525,250
2023-2026	1,980,000	124,813	2,104,813
Total	<u>\$ 4,195,000</u>	<u>\$ 544,740</u>	<u>\$ 4,739,740</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2012 Wastewater Revenue Bonds

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

Additionally, the term certificates, maturing on September 1, 2028, 2030, 2033, 2036 and 2041 are subject to mandatory sinking fund redemption in part on each September 1, on and after September 1, 2027 2029, 2032, 2034, and 2034 respectively, in integral multiples of \$5,000, at a redemption price without premium, equal to the principal amount plus accrued interest to the redemption date, in accordance with the schedules contained in the covenants. The rate covenant requires net revenues during each Fiscal Year to be sufficient to equal 115% of the Debt Service payable in such Fiscal Year. The outstanding balance at June 30, 2017, was \$26,670,000 and unamortized bond premium is \$1,565,202. A reserve fund is not established.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	185,000	1,252,381	1,437,381
2023-2027	1,070,000	6,148,793	7,218,793
2028-2032	6,400,000	5,294,050	11,694,050
2033-2037	8,075,000	3,571,624	11,646,624
2038-2042	10,255,000	1,331,875	11,586,875
Total	<u>\$ 26,670,000</u>	<u>\$ 22,679,547</u>	<u>\$ 49,349,547</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Loans Payable

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

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

The first phase of the Tertiary Treatment Facility project was completed on May 25, 2001. During fiscal year 2002-03, the City increased the outstanding loan balance on the second phase of the projects by \$4,912,366. The project was completed on April 1, 2003. The principal and interest on the first phase loan is due annually on May 25 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, 2017, is \$8,833,489.

The annual debt service requirements are as follows:

Year Ended June 30,	Principals			
	Phase I	Phase II	Phase III	Total
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	407,497	823,099	617,606	1,848,202
2022-2023	-	1,646,196	1,235,211	2,881,407
	<u>\$ 1,629,967</u>	<u>\$ 4,938,592</u>	<u>\$ 3,705,635</u>	<u>\$ 10,274,194</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Loans Payable (continued)

In 2002, the City of Escondido entered into an agreement with the Department of Water Resources for a loan program. The funds were provided in part from the Federal Capitalization Grant for Drinking Water State Revolving Funds program. The proceeds were used to construct the Gravity Float Line Capital Project. Repayment began on January 1, 2005, with semi-annual payments of \$65,459 with varying interest rates from 1.94% to 3.16%. The repayment ends on July 1, 2024. The outstanding balance at June 30, 2017, is \$835,555.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	122,231	8,688	130,919
2023-2024	253,814	8,023	261,837
Total	\$ 835,555	\$ 80,877	\$ 916,432

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, 2017, is \$711,559.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 81,739	\$ 17,077	\$ 98,816
2019	83,701	15,116	98,817
2020	85,709	13,107	98,816
2021	87,767	11,050	98,817
2022	89,873	8,943	98,816
2022-2025	282,770	13,680	296,450
Total	\$ 711,559	\$ 78,973	\$ 790,532

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Loans Payable (Continued)

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, 2017, is \$2,173,306.

The annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
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	139,227	40,406	179,633
2023-2027	750,502	147,663	898,165
2028-2032	760,029	48,320	808,349
	\$ 2,173,306	\$ 431,376	\$ 2,604,682

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Pledged Revenue

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Charges for services	\$ 20,916,586	\$ 9,801,772	46.86%
Loan repayment revenue	359,569	359,569	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, 2017, the City met this requirement, as follows:

	Water	Wastewater
Gross revenues, excluding intergovernmental revenue and developer contributions	\$ 56,112,472	\$ 35,760,041
Operating and maintenance expenses, excluding depreciation, interest and transfers	46,543,636	24,412,291
Net revenues	9,568,836	11,347,750
Amount required:		
Debt service payments	4,018,015	5,783,757
Coverage required	1.20	1.15
Amount required	4,821,618	6,651,321
Excess of net revenues	\$ 4,747,218	\$ 4,696,429

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Funds

Summary of changes in long-term liabilities for Fiduciary Funds as of June 30, 2017, are as follows:

	Balance July 1, 2016	Special Item (Note 8C)	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
Advances from the City of Escondido	\$ 2,346,388	\$ 17,682,612	\$ 45,183	\$ (1,383,226)	\$ 18,690,957	\$ 50,000	\$ 18,640,957
2007 A & B Lease Revenue Bonds	20,200,000	-	-	(6,400,000)	13,800,000	6,730,000	7,070,000
Unamortized bond premium	510,657	-	-	(204,263)	306,394	-	306,394
Loans payable - Other Governments	2,050,000	-	-	(2,050,000)	-	-	-
Total	\$ 25,107,045	\$ 17,682,612	\$ 45,183	\$ (10,037,489)	\$ 32,797,351	\$ 6,780,000	\$ 26,017,351

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. At June 30, 2017, the outstanding balance of the advance from the Street Special Revenue Fund totaled \$1,008,345.

In accordance with AB X1 26 which dissolves redevelopment agencies, the California State Department of Finance determined that Advances made between the General Fund and the former Community Development Commission were disallowed and not an enforceable obligation. On April 26, 2017, the Department of Finance approved the City of Escondido Successor Agency Oversight Board Resolution making a finding that city loans were for legitimate redevelopment purposes and eligible for reinstatement. As a result, \$9,832,652 of principal and \$7,554,980 of interest are reported as a Special Item and are recorded as a Loan to the Successor Agency from the General Fund. Repayments will begin in fiscal year 2018/2019. At June 30, 2017, the outstanding balance of the advance from the General Fund totaled \$17,682,612.

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, 2017, was \$13,800,000 and unamortized bond premium was \$306,394.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

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
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	\$ 9,805,000	\$ 496,375	\$ 3,995,000	\$ 223,550	\$ 13,800,000	\$ 719,925	\$ 14,519,925

Loans Payable

In 2002, 2004, 2006 and 2008, the Commission of the City of Escondido received loans from the California Housing Finance Agency. The proceeds of the loans were used to finance the property acquisitions for the projects of Washington Plaza Apartments, Trinity Apartments, Brotherton, Las Ventanas, and SoCal Housing. The term of the loans are ten years with an annual interest rate of 3%. Payment is deferred for the term of the loans. The balances have been paid in full at June 30, 2017.

D. Component Unit

Summary of changes in long-term liabilities for Component Unit as of June 30, 2017, are as follows:

	Balance	Additions	Deletions	Balance	Due within One Year	Due in More Than One Year
	July 1, 2016			June 30, 2017		
Compensated absences	\$ 73,406	\$ 30,810	\$ (30,804)	\$ 73,412	\$ 73,412	\$ -
Total	\$ 73,406	\$ 30,810	\$ (30,804)	\$ 73,412	\$ 73,412	\$ -

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, 2017, is \$73,412.

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017	Due Date
Via Robles	\$ 9,500,000	\$ 6,900,000	November 15, 2036
Heritage Park	7,450,000	4,250,000	July 15, 2033
Total Mortgage Revenue Bonds	\$ 16,950,000	\$ 11,150,000	

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, 2017, the 86-1-R Limited Obligation Improvement Refunding Bonds outstanding were \$615,000.

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, 2017, the 98-1 Limited Obligation Refunding Bonds outstanding were \$2,525,000.

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, 2017, the 2006-01 Special Tax Bonds outstanding were \$13,450,000.

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, 2017

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

B. Special Assessment Debt (Continued)

On June 30, 2017, the outstanding principal of Community Facilities District No. 2000-01 (Hidden Trails) Special Tax Refunding bonds, Series 2013 was \$2,060,000.

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, 2017

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, 2017, the City has recorded general self-insurance and workers' compensation liabilities of \$3,420,900 and \$12,946,500 respectively, for a total of \$16,367,400. The City is self-insured for workers' compensation up to \$500,000, but has purchased outside insurance coverage for individual claims in excess of \$500,000 up to a maximum of \$5,000,000 per claim through the CSAC Excess Insurance Authority, a risk management joint powers authority, with additional reinsurance of \$300,000,000 per occurrence. Only the probable amounts of loss as estimated by legal counsel and the City, including an estimate for incurred but not reported losses, have been recorded as liabilities in the accompanying financial statements.

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
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
2016-17	15,749,700	886,500	(268,800)	16,367,400

Note 11 – Restricted Net Position

At June 30, 2017, restricted net position consisted of the followings:

	Governmental Activities	Business-type Activities	Total
Community services:			
Expendable	\$ 2,602,997	\$ -	\$ 2,602,997
Nonexpendable	333,590	-	333,590
Debt service	3,112,226	-	3,112,226
Capital projects	2,439,794	-	2,439,794
General government	2,174,233	-	2,174,233
Low and moderate income housing	74,235,340	-	74,235,340
Public safety	2,788,264	-	2,788,264
Public works	12,863,564	-	12,863,564
Total restricted net position	\$ 100,550,008	\$ -	\$ 100,550,008

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Fund Balance

A. Fund Balance Classification

At June 30, 2017, fund balances are classified as follows:

	General	Special Revenue Successor Agency Housing	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Advances to other funds	\$ 159,250	\$ -	\$ -	\$ 159,250
Noncurrent loans receivable, net of deferred revenue	9,832,652	-	-	9,832,652
Daley Ranch Permanent Fund	-	-	333,590	333,590
Total nonspendable	<u>9,991,902</u>	<u>-</u>	<u>333,590</u>	<u>10,325,492</u>
Restricted for				
Housing & community development	-	42,726,339	18,345,843	61,072,182
Community Development Block Grant	-	-	24,366	24,366
Debt service	-	-	4,141,793	4,141,793
Capital projects	-	-	8,129,825	8,129,825
Street maintenance	-	-	7,728,639	7,728,639
Landscape and assessment districts	-	-	1,366,645	1,366,645
Daley Ranch	-	-	500,000	500,000
Park development	-	-	2,756,462	2,756,462
Public Art	-	-	355,516	355,516
Total restricted	<u>-</u>	<u>42,726,339</u>	<u>43,349,089</u>	<u>86,075,428</u>
Committed to				
Reserves	17,392,319	-	-	17,392,319
PERS Rate Smoothing	529,000	-	-	529,000
Capital projects	-	-	1,262,099	1,262,099
Parks & Recreation	-	-	329,982	329,982
Daley Ranch restoration	-	-	33,282	33,282
Ryan Trust	-	-	29,061	29,061
Hegyri Trust	-	-	1,788	1,788
Total committed	<u>17,921,319</u>	<u>-</u>	<u>1,656,212</u>	<u>19,577,531</u>
Assigned to				
Carryovers	83,825	-	-	83,825
Underground waivers	1,135,615	-	-	1,135,615
Library Trust	321,661	-	-	321,661
Total assigned	<u>1,541,101</u>	<u>-</u>	<u>-</u>	<u>1,541,101</u>
Unassigned (deficit)	<u>1,712,930</u>	<u>-</u>	<u>(1,354,541)</u>	<u>358,389</u>
Total Fund Balances	<u>\$ 31,167,252</u>	<u>\$ 42,726,339</u>	<u>\$ 43,984,350</u>	<u>\$ 117,877,941</u>

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2015 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, 2017, are summarized as follows:

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

* Plan is closed to new entrants

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Benefits Provided (Continued)

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

* Plan is closed to new entrants

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms of the plan:

Description	Number of members	
	Miscellaneous	Safety
Active members	588	244
Transferred members	273	69
Terminated members	336	44
Retired members and beneficiaries	622	295
Total Members	1,819	652

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, 2017

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, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions		
Discount Rate	7.65%	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	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 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, 2017

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, 2017

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Miscellaneous Plan			
Balance at: 6/30/2015 (Valuation Date) (1)	\$ 358,541,674	\$ 256,497,492	\$ 102,044,182
Changes Recognized for the Measurement Period:			
Service Cost	6,041,393	-	6,041,393
Interest on the Total Pension Liability	26,975,771	-	26,975,771
Changes of Assumptions	-	-	-
Difference between Expected and Actual Experience	(607,786)	-	(607,786)
Plan to Plan Resource Movement	-	-	-
Contribution from the Employer	-	10,112,303	(10,112,303)
Contributions from Employees	-	2,818,117	(2,818,117)
Net Investment Income (2)	-	1,306,944	(1,306,944)
Benefit Payments including Refunds of Employee Contributions	(16,660,225)	(16,660,225)	-
Administrative Expense	-	(156,322)	156,322
Net Changes During 2015-16	15,749,153	(2,579,183)	18,328,336
Balance at: 6/30/2016 (Measurement Date) (1)	\$ 374,290,827	\$ 253,918,309	\$ 120,372,518
Safety Plan			
Balance at: 6/30/2015 (Valuation Date) (1)	\$ 325,302,348	\$ 248,984,831	\$ 76,317,517
Changes Recognized for the Measurement Period:			
Service Cost	6,945,677	-	6,945,677
Interest on the Total Pension Liability	25,001,133	-	25,001,133
Changes of Assumptions	-	-	-
Difference between Expected and Actual Experience	5,753,055	-	5,753,055
Contribution from the Employer	-	9,136,622	(9,136,622)
Contributions from Employees	-	2,460,227	(2,460,227)
Net Investment Income (2)	-	1,283,251	(1,283,251)
Benefit Payments including Refunds of Employee Contributions	(15,432,111)	(15,432,111)	-
Administrative Expense	-	(151,743)	151,743
Net Changes During 2015-16	22,267,754	(2,703,754)	24,971,508
Balance at: 6/30/2016 (Measurement Date) (1)	\$ 347,570,102	\$ 246,281,077	\$ 101,289,025

(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, 2017

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:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Miscellaneous Plan	\$ 167,628,155	\$ 120,372,518	\$ 81,005,187
Safety Plan	149,513,528	101,289,025	61,790,571
Total Plans	\$ 317,141,683	\$ 221,661,543	\$ 142,795,758

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, 2016, the City incurred a pension expense of \$10,104,920 and \$9,136,624 for Miscellaneous and Safety plans, respectively.

As of measurement date of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after measurement date	\$ 11,189,817	\$ -
Changes of Assumptions	-	(2,156,982)
Differences between Expected and Actual Experiences	-	(1,626,077)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,900,810	-
	\$ 25,090,627	\$ (3,783,059)

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – City Employees Retirement Plan (Continued)

A. CalPERS (Continued)

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

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution made after measurement date	\$ 9,480,521	\$ -
Changes of Assumptions	-	(3,408,466)
Differences between Expected and Actual Experiences	6,147,434	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,623,705	-
	\$ 29,251,660	\$ (3,408,466)

The amounts above are net of outflows and inflows recognized in the 2015-16 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 2015-16 measurement period is 3.0 and 4.7 years, which was obtained by dividing the total service years of 5,237 and 2,992 (the sum of remaining service lifetimes of the active employees) by 1,763 and 639 (the total number of participants: active, inactive, and retired), respectively.

The \$22,000,106 and \$22,328,456 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, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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
2017	\$ (1,301,264)	\$ 2,523,127
2018	1,462,447	2,523,128
2019	6,329,464	6,938,535
2020	3,626,936	4,377,883
2021	-	-
Thereafter	-	-
Total	\$ 10,117,583	\$ 16,362,673

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the City's total covered payroll was \$2,158,219. The City made employer contributions of \$0, and employees contributed \$161,866 (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, 2017, the balance is \$9,879,643.

Note 15 – Contingencies and Commitments

A. Litigation

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

B. Grants

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

CITY OF ESCONDIDO
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 15 – Contingencies and Commitments (Continued)

C. San Luis Rey Settlement Agreement

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

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

D. Construction Commitments

The City has several outstanding or planned construction projects as of June 30, 2017. These projects are evidenced by contractual commitments with contractors. As of June 30, 2017, the City's outstanding commitments are as follows:

Project Name	Contract Amount	Expenditures to date as of June 30, 2017	Remaining Commitments
Water Treatment Plant Onsite Chlorine Generation	\$ 12,984,734	\$ 11,833,780	\$ 1,150,954
Cemetery Area Water Pipeline Replacement Project	8,069,275	7,811,033	258,242
HARRF Phase II Primary Treatment Building Odor Cont	11,768,802	6,651,943	5,116,859
Vista Verde Reservoir Replacement Project	9,441,344	4,115,172	5,326,172
Southwest Sewer Realignment Project	8,511,050	6,830,581	1,680,469

*Required
Supplementary
Information*

CITY OF ESCONDIDO
Required Supplementary Information
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Sales Tax:				
Sales tax	\$ 37,218,000	\$ 37,218,000	\$ 36,089,095	\$ (1,128,905)
Total Sales Tax	37,218,000	37,218,000	36,089,095	(1,128,905)
Other Taxes:				
Property taxes	11,993,000	11,993,000	12,035,779	42,779
Property transfer tax	562,000	718,000	732,640	14,640
Franchise tax	7,176,000	6,967,000	7,031,635	64,635
Transient occupancy tax	1,701,000	1,701,000	1,699,718	(1,282)
Business license	1,789,000	1,850,000	1,846,512	(3,488)
Miscellaneous other taxes	938,000	938,000	1,043,166	105,166
Total Other Taxes	24,159,000	24,167,000	24,389,450	222,450
Licenses and Permits:				
Tow licenses	348,000	348,000	348,125	125
Building permits	450,000	450,000	507,042	57,042
Other licenses and permits	289,000	289,000	367,519	78,519
Total Licenses and Permits	1,087,000	1,087,000	1,222,686	135,686
Fines and Forfeits:				
Vehicle code fines	493,000	493,000	349,886	(143,114)
Parking ticket fines	250,000	250,000	201,508	(48,492)
Library fines	105,000	105,000	64,720	(40,280)
Booking fees	56,000	56,000	53,526	(2,474)
Other fines	493,000	493,000	516,636	23,636
Total Fines and Forfeits	1,397,000	1,397,000	1,186,276	(210,724)

CITY OF ESCONDIDO
Required Supplementary Information
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Intergovernmental:				
Property tax in-lieu	12,329,000	12,316,000	12,316,652	652
Grants	566,000	616,573	375,994	(240,579)
Rincon fire operation fees	2,023,000	2,023,000	1,949,202	(73,798)
Miscellaneous agencies	213,000	258,000	202,861	(55,139)
Total Intergovernmental	15,131,000	15,213,573	14,844,709	(368,864)
Charges for Services:				
Zoning and subdivision fees	162,000	162,000	126,369	(35,631)
Annexation fees	-	-	7,760	7,760
Sale of maps and publications	500	500	118	(382)
Plan check fees	449,000	499,000	401,722	(97,278)
Environmental impact report	54,000	54,000	38,184	(15,816)
Engineering and inspection fees	1,470,500	1,545,799	1,170,113	(375,686)
Special police services	333,000	382,305	328,611	(53,694)
Fire and paramedic services	5,331,000	6,165,125	6,621,814	456,689
Processing fees	10,000	10,000	3,600	(6,400)
Recycling revenue	657,000	517,000	533,361	16,361
Community services	-	-	11,000	11,000
Senior services	16,600	16,600	15,106	(1,494)
Audio visual rentals	34,800	34,800	42,144	7,344
Other	191,000	191,000	819,628	628,628
Total Charges for Services	8,709,400	9,578,129	10,119,530	541,401
Investment income	235,655	170,655	13,424	(157,231)
Lease income	3,293,600	3,293,600	3,449,520	155,920
Miscellaneous:				
Contributions	15,000	29,250	18,087	(11,163)
Mobile home fees	51,000	51,000	29,383	(21,617)
Library trust donations	-	-	57,645	57,645
Other	130,345	286,805	461,095	174,290
Total Miscellaneous	196,345	367,055	566,210	199,155
Total Revenues	91,427,000	92,492,012	91,880,900	(611,112)

CITY OF ESCONDIDO
Required Supplementary Information
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Expenditures:				
General Government:				
City council	433,690	452,890	452,838	(52)
City manager	1,289,170	1,551,740	1,551,685	(55)
City attorney	181,810	228,720	100,539	(128,181)
City clerk	580,675	586,760	532,662	(54,098)
City treasurer	312,035	312,510	285,300	(27,210)
Finance	1,337,590	1,352,645	1,256,849	(95,796)
Human resources	604,840	625,180	527,838	(97,342)
Information systems	1,174,160	1,211,640	992,742	(218,898)
Other	1,618,185	989,255	463,418	(525,837)
Total General Government	7,532,155	7,311,340	6,163,871	(1,147,469)
Public Safety:				
Police	39,264,515	39,787,885	39,646,715	(141,170)
Fire	22,800,125	23,605,035	23,335,575	(269,460)
Total Public Safety	62,064,640	63,392,920	62,982,290	(410,630)
Public Works:				
Highways and streets	12,178,270	11,997,195	11,003,168	(994,027)
Community Services:				
Library	3,637,465	3,667,595	3,538,636	(128,959)
Community services	3,149,570	3,170,843	2,957,108	(213,735)
Community relations	91,170	91,170	29,000	(62,170)
Total Community Services	6,878,205	6,929,608	6,524,744	(404,864)
Community Development:				
Planning	1,723,080	1,880,760	1,733,269	(147,491)
Building	984,370	1,057,520	954,558	(102,962)
Code enforcement	1,256,750	1,262,255	1,192,558	(69,697)
Total Community Development	3,964,200	4,200,535	3,880,385	(320,150)

CITY OF ESCONDIDO
Required Supplementary Information
General Fund
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Capital outlay	-	3,230,225	3,230,225	-
Debt Service:				
Principal retirements	23,175	242,250	242,250	-
Interest and fiscal charges	3,480	72,875	69,395	(3,480)
Total Debt Service	<u>26,655</u>	<u>315,125</u>	<u>311,645</u>	<u>(3,480)</u>
Total Expenditures	<u>92,644,125</u>	<u>97,376,948</u>	<u>94,096,328</u>	<u>(3,280,620)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,217,125)</u>	<u>(4,884,936)</u>	<u>(2,215,428)</u>	<u>2,669,508</u>
Other Financing Sources (Uses):				
Debt issuance	-	3,230,225	3,230,225	-
Transfers in	2,081,000	2,081,000	2,081,000	-
Transfers out	(708,875)	(1,735,174)	(1,735,174)	-
Total Other Financial Sources (Uses)	<u>1,372,125</u>	<u>3,576,051</u>	<u>3,576,051</u>	<u>-</u>
Special Item on the dissolution of the former Redevelopment Agency (Note 8C)	-	-	9,832,652	9,832,652
Net Change in Fund Balance	155,000	(1,308,885)	11,193,275	12,502,160
Fund Balances:				
Beginning of Year	<u>19,973,977</u>	<u>19,973,977</u>	<u>19,973,977</u>	<u>-</u>
End of Year	<u>\$ 20,128,977</u>	<u>\$ 18,665,092</u>	<u>\$ 31,167,252</u>	<u>\$ 12,502,160</u>

CITY OF ESCONDIDO
Required Supplementary Information
Successor Agency Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Lease income	\$ 199,000	\$ 199,000	\$ 183,250	\$ (15,750)
Investment income	6,400	6,400	327,500	321,100
Intergovernmental	1,812,000	1,812,000	-	(1,812,000)
Miscellaneous	-	-	57,236	57,236
Total Revenues	2,017,400	2,017,400	567,986	(1,449,414)
Expenditures:				
Community development	628,980	628,980	462,762	(166,218)
Total Expenditures	628,980	628,980	462,762	(166,218)
Excess of Revenues Over Expenditures	1,388,420	1,388,420	105,224	(1,283,196)
Other Financing Sources (Uses):				
Transfers in	25,000	25,000	25,000	-
Net Change in Fund Balance	1,413,420	1,413,420	130,224	(1,283,196)
Fund Balance:				
Beginning of Year	42,596,115	42,596,115	42,596,115	-
End of Year	\$ 44,009,535	\$ 44,009,535	\$ 42,726,339	\$ (1,283,196)

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	2015-16	2014-15	2013-14 ⁽¹⁾
TOTAL PENSION LIABILITY			
Service Cost	\$ 6,041,393	\$ 6,086,726	\$ 6,187,698
Interest	26,975,771	25,822,523	24,823,748
Changes of Benefits Terms	-	-	-
Changes in Assumptions	-	(6,078,768)	-
Difference Between Expected and Actual Experience	(607,786)	(3,440,683)	-
Benefit Payments, Including Refunds of employee Contributions	(16,660,225)	(15,747,072)	(14,003,896)
Net Change in Total Pension Liability	\$ 15,749,153	\$ 6,642,726	\$ 17,007,550
Total Pension Liability - Beginning	358,541,674	351,898,948	334,891,398
Total Pension Liability - Ending (a)	\$ 374,290,827	\$ 358,541,674	\$ 351,898,948
PLAN FIDUCIARY NET POSITION			
Contribution - Employer	\$ 10,112,303	\$ 8,956,819	\$ 8,191,219
Contribution - Employee	2,818,117	2,702,365	2,751,097
Net Investment Income ⁽²⁾	1,306,944	5,794,332	38,132,668
Benefit Payments, Including Refunds of Employee Contributions	(16,660,225)	(15,747,072)	(14,003,896)
Plan to Plan Resource Movement	-	(741)	-
Administrative Expense	(156,322)	(288,739)	-
Net Change in Fiduciary Net Position	\$ (2,579,183)	\$ 1,416,964	\$ 35,071,088
Plan Fiduciary Net Position - Beginning	256,497,492	255,080,528	220,009,440
Plan Fiduciary Net Position - Ending (b)	\$ 253,918,309	\$ 256,497,492	\$ 255,080,528
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 120,372,518	\$ 102,044,182	\$ 96,818,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.84%	71.54%	72.49%
Covered-Employee Payroll	\$ 34,850,841	\$ 34,030,669	\$ 32,920,288
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	345.39%	299.86%	294.10%

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

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

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after 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	2015-16	2014-15	2013-14 ⁽¹⁾
TOTAL PENSION LIABILITY			
Service Cost	\$ 6,945,677	\$ 6,321,850	\$ 5,878,133
Interest	25,001,133	23,398,715	22,099,344
Changes of Benefits Terms	-	-	-
Changes in Assumptions	-	(5,933,256)	-
Difference Between expected and Actual Experience	5,753,055	2,817,273	-
Benefit Payments, Including Refunds of employee Contributions	(15,432,111)	(14,245,717)	(13,505,688)
Net Change in Total Pension Liability	\$ 22,267,754	\$ 12,358,865	\$ 14,471,789
Total Pension Liability - Beginning	325,302,348	312,943,483	298,471,694
Total Pension Liability - Ending (a)	\$ 347,570,102	\$ 325,302,348	\$ 312,943,483
PLAN FIDUCIARY NET POSITION			
Contribution - Employer	\$ 9,136,622	\$ 9,066,062	\$ 7,687,967
Contribution - Employee	2,460,227	2,322,205	2,079,491
Net Investment Income	1,283,251	5,455,063	36,944,486
Benefit Payments, Including Refunds of Employee Contributions	(15,432,111)	(14,245,717)	(13,505,688)
Plan to Plan Resource Movement	-	-	-
Administrative Expense	(151,743)	(280,190)	-
Net Change in Fiduciary Net Position	\$ (2,703,754)	\$ 2,317,423	\$ 33,206,256
Plan Fiduciary Net Position - Beginning	248,984,831	246,667,408	213,461,153
Plan Fiduciary Net Position - Ending (b)	\$ 246,281,077	\$ 248,984,831	\$ 246,667,409
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 101,289,025	\$ 76,317,517	\$ 66,276,074
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.86%	76.54%	78.82%
Covered-Employee Payroll	\$ 25,315,004	\$ 23,096,046	\$ 20,583,139
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	400.11%	330.44%	321.99%

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

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

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after 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>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u> ⁽¹⁾
Actuarially Determined Contribution	\$ 11,189,817	\$ 10,105,058	\$ 8,956,958	\$ 8,191,219
Contribution in Relation to the Actuarially Determined Contribution	<u>(11,189,817)</u>	<u>(10,105,058)</u>	<u>(8,956,958)</u>	<u>(8,191,219)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ⁽²⁾⁽³⁾	\$ 36,103,136	\$ 34,925,134	\$ 34,030,669	\$ 32,920,288
Contributions as a Percentage of Covered-Employee Payroll ⁽²⁾	30.99%	28.93%	26.32%	24.88%

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

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

⁽³⁾ 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 2016-17 was from the June 30, 2014 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.

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

	2016-17	2015-16	2014-15	2013-14 ⁽¹⁾
Actuarially Determined Contribution	\$ 9,480,521	\$ 9,136,624	\$ 9,066,062	\$ 7,687,967
Contribution in Relation to the Actuarially Determined Contribution	(9,480,521)	(9,136,624)	(9,066,062)	(7,687,967)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ⁽²⁾⁽³⁾	\$ 24,502,596	\$ 21,836,652	\$ 23,096,046	\$ 20,583,139
Contributions as a Percentage of Covered-Employee Payroll ⁽²⁾	38.69%	41.84%	39.25%	37.35%

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

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

⁽³⁾ Payroll from 2014-15 of \$22,423,346 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 2016-17 was from the June 30, 2014 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.

CITY OF ESCONDIDO
Notes to Required Supplementary Information
June 30, 2017

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.

Supplementary Information

CITY OF ESCONDIDO
Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

STREET FUND

This fund was established to account for transactions related to:

- Gasoline taxes received under Sections 2103, 2105, 2106, 2107, and 2107.5 of the Streets and Highways Code. These funds are utilized solely for street-related purposes such as new construction, rehabilitation or maintenance.
- 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.

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.

CITY OF ESCONDIDO
Non-Major Governmental Funds

SPECIAL REVENUE FUNDS (continued)

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

GENERAL OBLIGATION DEBT SERVICE FUND

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

GOLF COURSE DEBT SERVICE FUND

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

CITY OF ESCONDIDO
Non-Major Governmental Funds

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). 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.

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, 2017

	Special Revenue			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
ASSETS				
Cash and investments	\$ 5,663,035	\$ 2,830,929	\$ -	\$ 1,384,229
Receivable:				
Accounts	-	102,023	-	-
Interest	16,770	9,199	-	4,695
Taxes	-	-	-	1,746
Loans	-	200,000	239,159	-
Loans to Successor Agency	1,008,345	-	-	-
Due from other governments	-	223,663	102,333	-
Inventory	-	13,348	-	-
Prepaid items	-	22,723	-	-
Deposits	-	101,276	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 6,688,150	\$ 3,503,161	\$ 341,492	\$ 1,390,670
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 74,992	\$ 21,690	\$ 24,025
Deposits payable	-	63,874	-	-
Retention payable	-	-	-	-
Accrued expenditures	-	108,821	9,308	-
Due to other funds	-	-	44,270	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	200,000	-	-
Total liabilities	-	447,687	75,268	24,025
Deferred inflows of resources:				
Unavailable revenue	852,583	12,264	241,858	-
Total deferred inflows of resources	852,583	12,264	241,858	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	5,835,567	3,256,462	24,366	1,366,645
Committed	-	363,264	-	-
Unassigned (deficit)	-	(576,516)	-	-
Total fund balances	5,835,567	3,043,210	24,366	1,366,645
Total liabilities, deferred inflows of resources and fund balances	\$ 6,688,150	\$ 3,503,161	\$ 341,492	\$ 1,390,670

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Law Enforcement	HOME	Miscellaneous	Vehicle Parking District
ASSETS				
Cash and investments	\$ 440,753	\$ 278,610	\$ 229,281	\$ 3,917
Receivable:				
Accounts	220	-	-	-
Interest	3,860	4,486,090	1,337	83
Taxes	-	-	-	-
Loans	-	17,645,446	-	-
Loans to Successor Agency	-	-	-	-
Due from other governments	443,548	419,869	241,151	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 888,381	\$ 22,830,015	\$ 471,769	\$ 4,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 193,108	\$ 220	\$ 61,018	\$ 325
Deposits payable	500	-	-	-
Retention payable	-	-	21,376	-
Accrued expenditures	7,855	4	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	469,988
Unearned revenues	431,755	-	-	-
Advances from other funds	-	-	-	159,250
Total liabilities	633,218	224	82,394	629,563
Deferred inflows of resources:				
Unavailable revenue	261,318	4,483,948	149,316	-
Total deferred inflows of resources	261,318	4,483,948	149,316	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	18,345,843	355,516	-
Committed	-	-	30,850	-
Unassigned (deficit)	(6,155)	-	(146,307)	(625,563)
Total fund balances	(6,155)	18,345,843	240,059	(625,563)
Total liabilities, deferred inflows of resources and fund balances	\$ 888,381	\$ 22,830,015	\$ 471,769	\$ 4,000

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Debt Service		Capital Projects	
	General Obligation	Golf Course	Street Improvement	Storm Drain
ASSETS				
Cash and investments	\$ 4,063,425	\$ 19,513	\$ 3,903,000	\$ 618,876
Receivable:				
Accounts	-	-	-	-
Interest	11,453	-	13,271	1,928
Taxes	47,402	-	-	-
Loans	-	-	-	-
Loans to Successor Agency	-	-	-	-
Due from other governments	-	-	363,499	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	200,000	-
Total assets	\$ 4,122,280	\$ 19,513	\$ 4,479,770	\$ 620,804
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 21,929	\$ -
Deposits payable	-	-	2,201,270	9,573
Retention payable	-	-	-	-
Accrued expenditures	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	-	-	2,223,199	9,573
Deferred inflows of resources:				
Unavailable revenue	-	-	363,499	-
Total deferred inflows of resources	-	-	363,499	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	4,122,280	19,513	1,893,072	611,231
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	4,122,280	19,513	1,893,072	611,231
Total liabilities, deferred inflows of resources and fund balances	\$ 4,122,280	\$ 19,513	\$ 4,479,770	\$ 620,804

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Capital Projects			
	Public Safety Facilities	General Capital Projects	County Transportation Street Projects	Public Facilities
ASSETS				
Cash and investments	\$ -	\$ 2,368,176	\$ 814,291	\$ 5,059,489
Receivable:				
Accounts	-	-	142,306	-
Interest	-	5,457	1,647	20,873
Taxes	-	-	-	-
Loans	-	-	-	-
Loans to Successor Agency	-	-	-	-
Due from other governments	-	-	2,678	-
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Land held for resale	-	-	802,142	-
Advances to other funds	-	-	-	135,000
Total assets	\$ -	\$ 2,373,633	\$ 1,763,064	\$ 5,215,362
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 415,841	\$ 59,109	\$ 5,433
Deposits payable	-	17,740	-	-
Retention payable	-	-	-	-
Accrued expenditures	-	258	-	181
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	-	433,839	59,109	5,614
Deferred inflows of resources:				
Unavailable revenue	-	-	72,805	-
Total deferred inflows of resources	-	-	72,805	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	677,696	1,631,150	5,209,748
Committed	-	1,262,098	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	-	1,939,794	1,631,150	5,209,748
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 2,373,633	\$ 1,763,064	\$ 5,215,362

CITY OF ESCONDIDO
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Permanent	
	Daley Ranch	Total Nonmajor Governmental Funds
ASSETS		
Cash and investments	\$ 332,399	\$ 28,009,923
Receivable:		
Accounts	-	244,549
Interest	1,191	4,577,854
Taxes	-	49,148
Loans	-	18,084,605
Loans to Successor Agency	-	1,008,345
Due from other governments	-	1,796,741
Inventory	-	13,348
Prepaid items	-	22,723
Deposits	-	101,276
Land held for resale	-	802,142
Advances to other funds	-	335,000
Total assets	\$ 333,590	\$ 55,045,654
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 877,690
Deposits payable	-	2,292,957
Retention payable	-	21,376
Accrued expenditures	-	126,427
Due to other funds	-	44,270
Due to other governments	-	469,988
Unearned revenues	-	431,755
Advances from other funds	-	359,250
Total liabilities	-	4,623,713
Deferred inflows of resources:		
Unavailable revenue	-	6,437,591
Total deferred inflows of resources	-	6,437,591
Fund balances:		
Nonspendable	333,590	333,590
Restricted	-	43,349,089
Committed	-	1,656,212
Unassigned (deficit)	-	(1,354,541)
Total fund balances	333,590	43,984,350
Total liabilities, deferred inflows of resources and fund balances	\$ 333,590	\$ 55,045,654

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Street	Community Services	Community Development Block Grant	Landscape and Assessment District
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,891,970	763,841	864,699	61,280
Charges for services	891,536	3,267,848	-	-
Special assessments	-	-	-	801,639
Investment income	37,764	27,527	-	14,543
Miscellaneous	-	408,150	-	5,955
Total revenues	3,821,270	4,467,366	864,699	883,417
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,499,260	-	37,516	797,845
Community services	-	4,104,369	760,086	-
Community development	-	-	30,088	-
Capital outlay	19,926	448,317	21,973	-
Debt services:				
Principal retirements	-	5,185	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,519,186	4,557,871	849,663	797,845
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,302,084	(90,505)	15,036	85,572
OTHER FINANCING SOURCES (USES)				
Transfers in	-	354,100	-	-
Transfers out	(2,055,000)	-	-	-
Total other financing sources (uses)	(2,055,000)	354,100	-	-
NET CHANGE IN FUND BALANCES	247,084	263,595	15,036	85,572
FUND BALANCES:				
Beginning of year	5,588,483	2,779,615	9,330	1,281,073
End of year	\$ 5,835,567	\$ 3,043,210	\$ 24,366	\$ 1,366,645

CITY OF ESCONDIDO

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

Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Special Revenue			
	Law Enforcement	HOME	Miscellaneous	Vehicle Parking District
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,174,098	746,956	850,809	-
Charges for services	-	-	124,249	-
Special assessments	-	-	-	-
Investment income	13,030	66,497	5,100	110
Miscellaneous	-	400	140	-
Total revenues	2,187,128	813,853	980,298	110
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	2,056,121	-	-	-
Public works	-	-	-	94,948
Community services	-	-	213,536	-
Community development	-	171,775	88,718	-
Capital outlay	363,700	-	620,592	-
Debt services:				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,419,821	171,775	922,846	94,948
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(232,693)	642,078	57,452	(94,838)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	95,225
Transfers out	-	-	(1,000)	-
Total other financing sources (uses)	-	-	(1,000)	95,225
NET CHANGE IN FUND BALANCES	(232,693)	642,078	56,452	387
FUND BALANCES:				
Beginning of year	226,538	17,703,765	183,607	(625,950)
End of year	\$ (6,155)	\$ 18,345,843	\$ 240,059	\$ (625,563)

CITY OF ESCONDIDO

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

Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Debt Service		Capital Projects	
	General Obligation	Golf Course	Street Improvement	Storm Drain
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	170,449	-
Charges for services	-	-	196,784	264,696
Special assessments	4,788,057	-	-	-
Investment income	(19,140)	116	(6,212)	5,881
Miscellaneous	-	-	-	-
Total revenues	4,768,917	116	361,021	270,577
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	276,825	13,876
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	78,477	-
Debt services:				
Principal retirements	1,060,000	220,000	-	-
Interest and fiscal charges	3,004,306	141,477	-	-
Total expenditures	4,064,306	361,477	355,302	13,876
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	704,611	(361,361)	5,719	256,701
OTHER FINANCING SOURCES (USES)				
Transfers in	108	365,550	75,299	-
Transfers out	-	-	-	-
Total other financing sources (uses)	108	365,550	75,299	-
NET CHANGE IN FUND BALANCES	704,719	4,189	81,018	256,701
FUND BALANCES:				
Beginning of year	3,417,561	15,324	1,812,054	354,530
End of year	\$ 4,122,280	\$ 19,513	\$ 1,893,072	\$ 611,231

CITY OF ESCONDIDO

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

Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Capital Projects			
	Public Safety Facilities	General Capital Projects	County Transportation Street Projects	Public Facilities
REVENUES:				
Other taxes	\$ -	\$ -	\$ 1,817,567	\$ -
Intergovernmental	-	-	117,133	-
Charges for services	-	86,602	-	1,202,827
Special assessments	-	-	-	-
Investment income	-	15,069	(9,595)	44,692
Miscellaneous	-	1,182,858	-	-
Total revenues	-	1,284,529	1,925,105	1,247,519
EXPENDITURES:				
Current:				
General government	-	85,442	-	2,180
Public safety	-	574	-	-
Public works	-	24,576	2,842,546	2,134
Community services	-	21,163	-	201,130
Community development	-	444,558	-	-
Capital outlay	-	514,183	565,018	221,870
Debt services:				
Principal retirements	-	-	-	65,435
Interest and fiscal charges	-	-	-	20,728
Total expenditures	-	1,090,496	3,407,564	513,477
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	194,033	(1,482,459)	734,042
OTHER FINANCING SOURCES (USES)				
Transfers in	-	769,670	-	-
Transfers out	(108)	-	-	(659,670)
Total other financing sources (uses)	(108)	769,670	-	(659,670)
NET CHANGE IN FUND BALANCES	(108)	963,703	(1,482,459)	74,372
FUND BALANCES:				
Beginning of year	108	976,091	3,113,609	5,135,376
End of year	\$ -	\$ 1,939,794	\$ 1,631,150	\$ 5,209,748

CITY OF ESCONDIDO

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

Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Permanent	
	Daley Ranch	Total Nonmajor Governmental Funds
REVENUES:		
Other taxes	\$ -	\$ 1,817,567
Intergovernmental	-	8,641,235
Charges for services	-	6,034,542
Special assessments	-	5,589,696
Investment income	3,878	199,260
Miscellaneous	77,190	1,674,693
Total revenues	81,068	23,956,993
EXPENDITURES:		
Current:		
General government	-	87,622
Public safety	-	2,056,695
Public works	-	5,589,526
Community services	-	5,300,284
Community development	-	735,139
Capital outlay	-	2,854,056
Debt services:		
Principal retirements	-	1,350,620
Interest and fiscal charges	-	3,166,511
Total expenditures	-	21,140,453
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	81,068	2,816,540
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,659,952
Transfers out	-	(2,715,778)
Total other financing sources (uses)	-	(1,055,826)
NET CHANGE IN FUND BALANCES	81,068	1,760,714
FUND BALANCES:		
Beginning of year	252,522	42,223,636
End of year	\$ 333,590	\$ 43,984,350

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, 2017

	Final Budget Amounts	Actual	Variance Over Under
REVENUES:			
Intergovernmental	\$ 3,009,000	\$ 2,891,970	\$ (117,030)
Charges for services	1,350,200	891,536	(458,664)
Investment income	43,520	37,764	(5,756)
Total revenues	<u>4,402,720</u>	<u>3,821,270</u>	<u>(581,450)</u>
EXPENDITURES:			
Current:			
Public works	2,756,344	1,499,260	(1,257,084)
Community development	601,122	-	(601,122)
Capital outlay	4,150,781	19,926	(4,130,855)
Total expenditures	<u>7,508,247</u>	<u>1,519,186</u>	<u>(5,989,061)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,105,527)</u>	<u>2,302,084</u>	<u>(5,407,611)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,055,000)	(2,055,000)	-
Total other financing sources (uses)	<u>(2,055,000)</u>	<u>(2,055,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(5,160,527)	247,084	(5,407,611)
FUND BALANCES:			
Beginning of year	5,588,483	5,588,483	-
End of year	<u>\$ 427,956</u>	<u>\$ 5,835,567</u>	<u>\$ (5,407,611)</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 842,120	\$ 763,841	\$ (78,279)
Charges for services	4,173,740	3,267,848	(905,892)
Investment income	29,065	27,527	(1,538)
Miscellaneous	418,820	408,150	(10,670)
Total revenues	<u>5,463,745</u>	<u>4,467,366</u>	<u>(996,379)</u>
EXPENDITURES:			
Current:			
Community services	4,261,980	4,104,369	(157,611)
Capital outlay	3,294,845	448,317	(2,846,528)
Debt services:			
Principal retirements	5,185	5,185	-
Total expenditures	<u>7,562,010</u>	<u>4,557,871</u>	<u>(3,004,139)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,098,265)</u>	<u>(90,505)</u>	<u>(2,007,760)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	354,100	354,100	-
Total other financing sources (uses)	<u>354,100</u>	<u>354,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,744,165)	263,595	(2,007,760)
FUND BALANCES:			
Beginning of year	2,779,615	2,779,615	-
End of year	<u>\$ 1,035,450</u>	<u>\$ 3,043,210</u>	<u>\$ (2,007,760)</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 1,514,995	\$ 864,699	\$ (650,296)
Total revenues	<u>1,514,995</u>	<u>864,699</u>	<u>(650,296)</u>
EXPENDITURES:			
Current:			
Public works	150,000	37,516	(112,484)
Community services	790,262	760,086	(30,176)
Community development	137,751	30,088	(107,663)
Capital outlay	<u>1,610,502</u>	<u>21,973</u>	<u>(1,588,529)</u>
Total expenditures	<u>2,688,515</u>	<u>849,663</u>	<u>(1,838,852)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,173,520)</u>	<u>15,036</u>	<u>(1,188,556)</u>
NET CHANGE IN FUND BALANCES	(1,173,520)	15,036	(1,188,556)
FUND BALANCES:			
Beginning of year	<u>9,330</u>	<u>9,330</u>	<u>-</u>
End of year	<u>\$ (1,164,190)</u>	<u>\$ 24,366</u>	<u>\$ (1,188,556)</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 68,980	\$ 61,280	\$ (7,700)
Special assessments	797,365	801,639	4,274
Investment income	-	14,543	14,543
Miscellaneous	5,955	5,955	-
Total revenues	<u>872,300</u>	<u>883,417</u>	<u>11,117</u>
EXPENDITURES:			
Current:			
Public works	1,156,770	797,845	(358,925)
Total expenditures	<u>1,156,770</u>	<u>797,845</u>	<u>(358,925)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(284,470)</u>	<u>85,572</u>	<u>(370,042)</u>
NET CHANGE IN FUND BALANCES	(284,470)	85,572	(370,042)
FUND BALANCES:			
Beginning of year	1,281,073	1,281,073	-
End of year	<u>\$ 996,603</u>	<u>\$ 1,366,645</u>	<u>\$ (370,042)</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 460,710	\$ 746,956	\$ 286,246
Investment income	10,000	66,497	56,497
Miscellaneous	-	400	400
Total revenues	<u>470,710</u>	<u>813,853</u>	<u>343,143</u>
EXPENDITURES:			
Current:			
Community development	200,070	171,775	(28,295)
Total expenditures	<u>200,070</u>	<u>171,775</u>	<u>(28,295)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>270,640</u>	<u>642,078</u>	<u>314,848</u>
NET CHANGE IN FUND BALANCES	270,640	642,078	314,848
FUND BALANCES:			
Beginning of year	17,703,765	17,703,765	-
End of year	<u>\$ 17,974,405</u>	<u>\$ 18,345,843</u>	<u>\$ 314,848</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Intergovernmental	\$ 298,422	\$ 850,809	\$ 552,387
Charges for services	203,800	124,249	(79,551)
Investment income	-	5,100	5,100
Miscellaneous	-	140	140
Total revenues	<u>502,222</u>	<u>980,298</u>	<u>478,076</u>
EXPENDITURES:			
Current:			
Community services	266,138	213,536	(52,602)
Community development	423,682	88,718	(334,964)
Capital outlay	773,213	620,592	(152,621)
Total expenditures	<u>1,463,033</u>	<u>922,846</u>	<u>(540,187)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(960,811)</u>	<u>57,452</u>	<u>(1,018,263)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,000)	(1,000)	-
Total other financing sources (uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(961,811)	56,452	(1,018,263)
FUND BALANCES:			
Beginning of year	183,607	183,607	-
End of year	<u>\$ (778,204)</u>	<u>\$ 240,059</u>	<u>\$ (1,018,263)</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Investment income	\$ 200	\$ 110	\$ (90)
Total revenues	<u>200</u>	<u>110</u>	<u>(90)</u>
EXPENDITURES:			
Current:			
Public works	95,425	94,948	(477)
Total expenditures	<u>95,425</u>	<u>94,948</u>	<u>(477)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(95,225)</u>	<u>(94,838)</u>	<u>(387)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	95,225	95,225	-
Total other financing sources (uses)	<u>95,225</u>	<u>95,225</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	387	(387)
FUND BALANCES:			
Beginning of year	(625,950)	(625,950)	-
End of year	<u>\$ (625,950)</u>	<u>\$ (625,563)</u>	<u>\$ (387)</u>

CITY OF ESCONDIDO
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Obligation Debt Service Fund
For the Year Ended June 30, 2017

	Final Budget Amounts	Actual	Variance Over Under
REVENUES:			
Special assessments	\$ 4,044,360	\$ 4,788,057	\$ 743,697
Investment income	20,590	(19,140)	(39,730)
Total revenues	<u>4,064,950</u>	<u>4,768,917</u>	<u>703,967</u>
EXPENDITURES:			
Debt services:			
Principal retirements	1,060,000	1,060,000	-
Interest and fiscal charges	3,004,950	3,004,306	(644)
Total expenditures	<u>4,064,950</u>	<u>4,064,306</u>	<u>(644)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>704,611</u>	<u>(704,611)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	108	108
Total other financing sources (uses)	<u>-</u>	<u>108</u>	<u>108</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>704,719</u>	<u>(704,503)</u>
FUND BALANCES:			
Beginning of year	3,417,561	3,417,561	-
End of year	<u>\$ 3,417,561</u>	<u>\$ 4,122,280</u>	<u>\$ (704,503)</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, 2017

	Final Budget Amounts	Actual	Variance Over (Under)
REVENUES:			
Investment income	\$ 100	\$ 116	\$ 16
Total revenues	<u>100</u>	<u>116</u>	<u>16</u>
EXPENDITURES:			
Debt services:			
Principal retirements	220,000	220,000	-
Interest and fiscal charges	145,650	141,477	(4,173)
Total expenditures	<u>365,650</u>	<u>361,477</u>	<u>(4,173)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(365,550)</u>	<u>(361,361)</u>	<u>(4,189)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	365,550	365,550	-
Total other financing sources (uses)	<u>365,550</u>	<u>365,550</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	4,189	(4,189)
FUND BALANCES:			
Beginning of year	15,324	15,324	-
End of year	<u>\$ 15,324</u>	<u>\$ 19,513</u>	<u>\$ (4,189)</u>

CITY OF ESCONDIDO INTERNAL SERVICE FUNDS

BUILDING MAINTENANCE FUND

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

VEHICLE AND EQUIPMENT MAINTENANCE FUND

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

CENTRAL SERVICES FUND

This fund was created to account for transactions related to:

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

OFFICE AUTOMATION FUND

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

WORKERS' COMPENSATION FUND

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

GENERAL LIABILITY SELF-INSURANCE FUND

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

CITY OF ESCONDIDO
INTERNAL SERVICE FUNDS (continued)

INSURANCE FUND

This fund was created to account for transactions related to:

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

CITY OF ESCONDIDO
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 6,550,260	\$ 851,335	\$ 323,747
Receivables (Net):				
Accounts	-	-	-	-
Interest	271	24,572	2,681	1,094
Inventory	80,765	48,218	265,464	-
Deposits	-	-	-	-
Total Current Assets	81,036	6,623,050	1,119,480	324,841
Noncurrent Assets:				
Capital assets:				
Being depreciated, net	1,325,520	8,323,091	63,568	104,757
Total Noncurrent Assets	1,325,520	8,323,091	63,568	104,757
Total Assets	1,406,556	14,946,141	1,183,048	429,598
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	723,264	463,512	170,931	449,139
Total Deferred Outflows of Resources	723,264	463,512	170,931	449,139
LIABILITIES				
Current Liabilities:				
Accounts payable	177,928	438,251	92,344	17,316
Accrued expenses	46,131	30,837	8,668	26,000
Due to other funds	35,916	-	-	-
Long-term debt, due within one year	106,053	176,295	1,319	-
Total Current Liabilities	366,028	645,383	102,331	43,316
Noncurrent Liabilities:				
Aggregate net pension liabilities	3,528,787	2,293,904	674,148	2,368,757
Long-term debt, due in more than one year	534,319	596,967	11,869	-
Total Noncurrent Liabilities	4,063,106	2,890,871	686,017	2,368,757
Total Liabilities	4,429,134	3,536,254	788,348	2,412,073
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	59,935	110,775	(3,224)	107,533
Total Deferred Inflows of Resources	59,935	110,775	(3,224)	107,533
NET POSITION				
Net investment in capital assets	1,325,520	7,613,414	63,568	104,757
Unrestricted (deficit)	(3,684,769)	4,149,210	505,287	(1,745,626)
Total Net Position	\$ (2,359,249)	\$ 11,762,624	\$ 568,855	\$ (1,640,869)

CITY OF ESCONDIDO
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2017

ASSETS	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Current Assets:				
Cash and investments	\$ 8,198,598	\$ 7,778,088	\$ 1,678,646	\$ 25,380,674
Receivables (Net):				
Accounts	-	-	41,798	41,798
Interest	28,737	20,523	4,414	82,292
Inventory	-	-	-	394,447
Deposits	250,000	-	62,600	312,600
Total Current Assets	8,477,335	7,798,611	1,787,458	26,211,811
Noncurrent Assets:				
Capital assets:				
Being depreciated, net	-	-	-	9,816,936
Total Noncurrent Assets	-	-	-	9,816,936
Total Assets	8,477,335	7,798,611	1,787,458	36,028,747
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	42,636	-	94,849	1,944,331
Total Deferred Outflows of Resources	42,636	-	94,849	1,944,331
LIABILITIES				
Current Liabilities:				
Accounts payable	2,806	6,499	15,321	750,465
Accrued expenses	418	-	43,205	155,259
Due to other funds	-	-	-	35,916
Long-term debt, due within one year	2,589,406	684,180	733	3,557,986
Total Current Liabilities	2,592,630	690,679	59,259	4,499,626
Noncurrent Liabilities:				
Aggregate net pension liabilities	222,948	-	433,031	9,521,575
Long-term debt, due in more than one year	10,358,153	2,736,720	6,600	14,244,628
Total Noncurrent Liabilities	10,581,101	2,736,720	439,631	23,766,203
Total Liabilities	13,173,731	3,427,399	498,890	28,265,829
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	20,308	-	9,853	305,180
Total Deferred Inflows of Resources	20,308	-	9,853	305,180
NET POSITION				
Net investment in capital assets	-	-	-	9,107,259
Unrestricted (deficit)	(4,674,068)	4,371,212	1,373,564	294,810
Total Net Position	\$ (4,674,068)	\$ 4,371,212	\$ 1,373,564	\$ 9,402,069

CITY OF ESCONDIDO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
Operating Revenues:				
Charges for services	\$ 4,775,555	\$ 5,343,545	\$ 1,380,890	\$ 1,589,289
Total Operating Revenues	<u>4,775,555</u>	<u>5,343,545</u>	<u>1,380,890</u>	<u>1,589,289</u>
Operating Expenses:				
Personnel services	2,167,106	1,026,397	393,570	1,027,399
Administrative expenses	7,798	15,175	92,790	-
Benefit claims	-	-	-	-
Supplies	116,730	159,947	60,462	15,087
Repairs and maintenance	223,153	778,599	78,128	6,979
Depreciation	157,094	3,013,637	18,454	48,916
Utilities	976,690	4,514	373,169	13,694
Fuel	-	819,735	-	-
Professional services	1,364,572	25,549	274,034	38,381
Insurance premiums	61,445	46,240	16,475	15,365
Rent	3,548	-	-	-
Other	17,067	-	46,952	394,551
Total Operating Expenses	<u>5,095,203</u>	<u>5,889,793</u>	<u>1,354,034</u>	<u>1,560,372</u>
Operating Income (Loss)	<u>(319,648)</u>	<u>(546,248)</u>	<u>26,856</u>	<u>28,917</u>
Nonoperating Revenues (Expenses):				
Investment income	2,328	(7,991)	8,571	3,911
Interest and fiscal charges	(21,535)	(25,195)	-	-
Miscellaneous	1,756	46,985	3,141	-
Total Nonoperating Revenues (Expenses)	<u>(17,451)</u>	<u>13,799</u>	<u>11,712</u>	<u>3,911</u>
Income Before Transfers and Capital Contributions				
	<u>(337,099)</u>	<u>(532,449)</u>	<u>38,568</u>	<u>32,828</u>
Transfers in	-	-	-	-
Capital Contributions:				
Developer contributions	87,499	686,345	-	-
Total Transfers and Capital Contributions	<u>87,499</u>	<u>686,345</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>(249,600)</u>	<u>153,896</u>	<u>38,568</u>	<u>32,828</u>
Net Position at Beginning of Year	<u>(2,109,649)</u>	<u>11,608,728</u>	<u>530,287</u>	<u>(1,673,697)</u>
Net Position at End of Year	<u>\$ (2,359,249)</u>	<u>\$ 11,762,624</u>	<u>\$ 568,855</u>	<u>\$ (1,640,869)</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, 2017

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Operating Revenues:				
Charges for services	\$ 3,629,625	\$ 3,151,676	\$ 11,237,486	\$ 31,108,066
Total Operating Revenues	<u>3,629,625</u>	<u>3,151,676</u>	<u>11,237,486</u>	<u>31,108,066</u>
Operating Expenses:				
Personnel services	73,322	-	204,693	4,892,487
Administrative expenses	313,620	1,424,710	224,550	2,078,643
Benefit claims	1,544,256	123,719	557,372	2,225,347
Supplies	904	289	2,841	356,260
Repairs and maintenance	-	-	628	1,087,487
Depreciation	-	-	-	3,238,101
Utilities	1,484	-	10,090	1,379,641
Fuel	-	-	-	819,735
Professional services	1,351,970	831,468	147,138	4,033,112
Insurance premiums	633,496	(50,516)	9,798,671	10,521,176
Rent	-	-	-	3,548
Other	4,142	22,403	51,153	536,268
Total Operating Expenses	<u>3,923,194</u>	<u>2,352,073</u>	<u>10,997,136</u>	<u>31,171,805</u>
Operating Income (Loss)	<u>(293,569)</u>	<u>799,603</u>	<u>240,350</u>	<u>(63,739)</u>
Nonoperating Revenues (Expenses):				
Investment income	(9,016)	(7,984)	12,525	2,344
Interest and fiscal charges	-	-	-	(46,730)
Miscellaneous	-	2,723,023	53,897	2,828,802
Total Nonoperating Revenues (Expenses)	<u>(9,016)</u>	<u>2,715,039</u>	<u>66,422</u>	<u>2,784,416</u>
Income Before Transfers and Capital Contributions	<u>(302,585)</u>	<u>3,514,642</u>	<u>306,772</u>	<u>2,720,677</u>
Transfers in	500,000	200,000	10,000	710,000
Capital Contributions:				
Developer contributions	-	-	-	773,844
Total Transfers and Capital Contributions	<u>500,000</u>	<u>200,000</u>	<u>10,000</u>	<u>1,483,844</u>
Changes in Net Position	197,415	3,714,642	316,772	4,204,521
Net Position at Beginning of Year	<u>(4,871,483)</u>	<u>656,570</u>	<u>1,056,792</u>	<u>5,197,548</u>
Net Position at End of Year	<u>\$ (4,674,068)</u>	<u>\$ 4,371,212</u>	<u>\$ 1,373,564</u>	<u>\$ 9,402,069</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,775,555	\$ 5,357,682	\$ 1,380,890	\$ 1,589,289
Cash paid to employees for services	(2,193,583)	(1,055,218)	(493,808)	(1,051,358)
Cash paid to other suppliers of goods and services	(2,690,238)	(1,518,331)	(811,598)	(480,108)
Cash from other sources	1,756	23,685	1,980	
Net Cash Provided by (Used in) Operating Activities	<u>(106,510)</u>	<u>2,807,818</u>	<u>77,464</u>	<u>57,823</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds	35,916	-	-	-
Net Cash Provided by Noncapital Financing Activities	<u>35,916</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	(60,434)	(3,055,948)	(16,243)	(20,473)
Sale of capital assets	-	23,300	1,161	-
Capital lease payment	-	(190,375)	-	-
Principal payments on loans	(87,653)	-	-	-
Interest payments on loans	(21,533)	-	-	-
Net Cash (Used in) Capital and Related Financing Activities	<u>(169,620)</u>	<u>(3,223,023)</u>	<u>(15,082)</u>	<u>(20,473)</u>
Cash Flows from Investing Activities:				
Investment income	2,572	(6,027)	8,782	4,056
Net Cash Provided by (Used for) Investing Activities	<u>2,572</u>	<u>(6,027)</u>	<u>8,782</u>	<u>4,056</u>
Net increase (decrease) in cash and cash equivalents	(237,642)	(421,232)	71,164	41,406
Cash and cash equivalents:				
Beginning of year	237,642	6,971,492	780,171	282,341
End of year	<u>\$ -</u>	<u>\$ 6,550,260</u>	<u>\$ 851,335</u>	<u>\$ 323,747</u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,629,625	\$ 3,151,676	\$ 11,348,315	\$ 31,233,032
Cash paid to employees for services	(390,662)	(1,424,710)	(434,260)	(7,043,599)
Cash paid to other suppliers of goods and services	(2,792,674)	(1,369,292)	(10,611,642)	(20,273,883)
Cash from other sources	-	2,723,023	53,897	2,804,341
Net Cash Provided by (Used in) Operating Activities	<u>446,289</u>	<u>3,080,697</u>	<u>356,310</u>	<u>6,719,891</u>
Cash Flows from Noncapital Financing Activities:				
Cash received from other funds	<u>500,000</u>	<u>200,000</u>	<u>10,000</u>	<u>745,916</u>
Net Cash Provided by Noncapital Financing Activities	<u>500,000</u>	<u>200,000</u>	<u>10,000</u>	<u>745,916</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase and construction of capital assets	-	-	-	(3,153,098)
Sale of capital assets	-	-	-	24,461
Capital lease payment	-	-	-	(190,375)
Principal payments on loans	-	-	-	(87,653)
Interest payments on loans	-	-	-	(21,533)
Net Cash (Used in) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,428,198)</u>
Cash Flows from Investing Activities:				
Investment income	<u>(9,587)</u>	<u>(11,899)</u>	<u>11,626</u>	<u>(477)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(9,587)</u>	<u>(11,899)</u>	<u>11,626</u>	<u>(477)</u>
Net increase (decrease) in cash and cash equivalents	936,702	3,268,798	377,936	4,037,132
Cash and cash equivalents:				
Beginning of year	<u>7,261,896</u>	<u>4,509,290</u>	<u>1,300,710</u>	<u>21,343,542</u>
End of year	<u><u>\$ 8,198,598</u></u>	<u><u>\$ 7,778,088</u></u>	<u><u>\$ 1,678,646</u></u>	<u><u>\$ 25,380,674</u></u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017

	Building Maintenance	Vehicle and Equipment Maintenance	Central Services	Office Automation
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (319,648)	\$ (546,248)	\$ 26,856	\$ 28,917
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	157,094	3,013,637	18,454	48,916
Pension expense	(50,692)	(27,053)	(10,801)	(28,585)
Cash from other sources	1,756	23,685	1,980	-
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	-	14,137	-	-
Inventories	-	-	6,836	-
Accounts payable	72,967	316,253	30,786	3,949
Accrued expenses	6,645	4,816	1,895	4,626
Compensated absences	25,368	8,591	1,458	-
Estimated claims payable	-	-	-	-
Total adjustments	<u>213,138</u>	<u>3,354,066</u>	<u>50,608</u>	<u>28,906</u>
Net Cash Provided by (used in) Operating Activities	<u><u>\$ (106,510)</u></u>	<u><u>\$ 2,807,818</u></u>	<u><u>\$ 77,464</u></u>	<u><u>\$ 57,823</u></u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ 87,499	\$ 686,345	\$ -	\$ -
Total noncash investing, capital and financing activities	<u><u>\$ 87,499</u></u>	<u><u>\$ 686,345</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF ESCONDIDO
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017

	Workers' Compensation	General Liability Self-Insurance	Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (293,569)	\$ 799,603	\$ 240,350	\$ (63,739)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	-	3,238,101
Pension expense	(1,850)	-	(5,997)	(124,978)
Cash from other sources		2,723,023	53,897	2,804,341
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:				
Accounts receivable	-	-	110,829	124,966
Inventories	-	-	-	6,836
Accounts payable	(142,922)	(173,129)	(65,974)	41,930
Accrued expenses	(1,694)	-	22,620	38,908
Compensated absences	(176)	-	585	35,826
Estimated claims payable	886,500	(268,800)	-	617,700
Total adjustments	<u>739,858</u>	<u>2,281,094</u>	<u>115,960</u>	<u>6,783,630</u>
Net Cash Provided by Operating Activities	<u>\$ 446,289</u>	<u>\$ 3,080,697</u>	<u>\$ 356,310</u>	<u>\$ 6,719,891</u>
Noncash Investing, Capital and Financing Activities:				
Contributed property, plant and equipment	\$ -	\$ -	\$ -	\$ 773,844
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,844</u>

CITY OF ESCONDIDO
AGENCY FUNDS

HIDDEN TRAILS COMMUNITY FACILITIES DISTRICT

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

EUREKA RANCH COMMUNITY FACILITIES DISTRICT

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

AUTO PARKWAY ASSESSMENT DISTRICT FUND

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

RANCHO SAN PASQUAL FUND

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

DEPOSIT TRUST FUND

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

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2017

	Hidden Trails Community Facilities District	Eureka Ranch Community Facilities District	Auto Parkway Assessment District	Rancho San Pasqual
ASSETS				
Cash and investments	\$ 182,185	\$ 774,801	\$ 321,389	\$ 272,016
Cash and investments with fiscal agent	-	-	338,047	344,218
Receivables:				
Taxes	590	7,979	-	888
Interest	483	1,850	767	666
Total assets	\$ 183,258	\$ 784,630	\$ 660,203	\$ 617,788
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to bondholders	183,258	784,630	660,203	617,788
Total liabilities	\$ 183,258	\$ 784,630	\$ 660,203	\$ 617,788

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities (Continued)
Agency Funds
June 30, 2017

	Deposit Trust	Total	
ASSETS			
Cash and investments	\$ 8,235,979	\$ 9,786,370	
Cash and investments with fiscal agent	-	682,265	
Receivables:			
Taxes	-	9,457	
Interest	417	4,183	
Total assets	\$ 8,236,396	\$ 10,482,275	
LIABILITIES			
Accounts payable	\$ 171,682	\$ 171,682	
Deposits payable	8,064,714	8,064,714	
Due to bondholders	-	2,245,879	
Total liabilities	\$ 8,236,396	\$ 10,482,275	

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Hidden Trails Community Facilities District</u>				
ASSETS				
Cash and investments	\$ 181,809	\$ 200,522	\$ (200,146)	\$ 182,185
Cash and investments with fiscal agent	1		(1)	-
Receivables:				
Taxes	377	590	(377)	590
Interest	551	483	(551)	483
Total assets	\$ 182,738	\$ 201,595	\$ (201,075)	\$ 183,258
LIABILITIES				
Accounts payable	\$ -	\$ 196,776	\$ (196,776)	\$ -
Due to bondholders	182,738	311,597	(311,077)	183,258
Total liabilities	\$ 182,738	\$ 508,373	\$ (507,853)	\$ 183,258

Eureka Ranch Community Facilities District

ASSETS				
Cash and investments	\$ 650,470	\$ 1,034,018	\$ (909,687)	\$ 774,801
Cash and investments with fiscal agent	5,055	5	(5,060)	-
Receivables:				
Taxes	1,564	7,979	(1,564)	7,979
Interest	1,603	1,850	(1,603)	1,850
Total assets	\$ 658,692	\$ 1,043,852	\$ (917,914)	\$ 784,630
LIABILITIES				
Accounts payable	\$ -	\$ 896,048	\$ (896,048)	\$ -
Due to bondholders	658,692	1,488,866	(1,362,928)	784,630
Total liabilities	\$ 658,692	\$ 2,384,914	\$ (2,258,976)	\$ 784,630

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Auto Parkway Assessment District</u>				
ASSETS				
Cash and investments	\$ 313,555	\$ 341,798	\$ (333,964)	\$ 321,389
Cash and investments with fiscal agent	337,897	1,129	(979)	338,047
Receivables:				
Interest	818	767	(818)	767
Total assets	\$ 652,270	\$ 343,694	\$ (335,761)	\$ 660,203
LIABILITIES				
Accounts payable	\$ -	\$ 330,954	\$ (330,954)	\$ -
Due to bondholders	652,270	644,006	(636,073)	660,203
Total liabilities	\$ 652,270	\$ 974,960	\$ (967,027)	\$ 660,203
<u>Rancho San Pasqual</u>				
ASSETS				
Cash and investments	\$ 254,369	\$ 355,033	\$ (337,386)	\$ 272,016
Cash and investments with fiscal agent	343,090	1,128		344,218
Receivables:				
Taxes	577	888	(577)	888
Interest	692	666	(692)	666
Total assets	\$ 598,728	\$ 357,715	\$ (338,655)	\$ 617,788
LIABILITIES				
Accounts payable	\$ -	\$ 334,276	\$ (334,276)	\$ -
Due to bondholders	598,728	554,363	(535,303)	617,788
Total liabilities	\$ 598,728	\$ 888,639	\$ (869,579)	\$ 617,788

CITY OF ESCONDIDO
Combining Statement of Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Deposit Trust</u>				
ASSETS				
Cash and investments	\$ 6,924,913	\$ 3,725,196	\$ (2,414,130)	\$ 8,235,979
Receivables:				
Interest	541	417	(541)	417
Total assets	\$ 6,925,454	\$ 3,725,613	\$ (2,414,671)	\$ 8,236,396
LIABILITIES				
Accounts payable	\$ 120,292	\$ 1,570,703	\$ (1,519,313)	\$ 171,682
Deposits payable	6,805,162	4,703,452	(3,443,900)	8,064,714
Total liabilities	\$ 6,925,454	\$ 6,274,155	\$ (4,963,213)	\$ 8,236,396
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 8,325,116	\$ 5,656,567	\$ (4,195,313)	\$ 9,786,370
Cash and investments with fiscal agent	686,043	2,262	(6,040)	682,265
Receivables:				
Taxes	2,518	9,457	(2,518)	9,457
Interest	4,205	4,183	(4,205)	4,183
Total assets	\$ 9,017,882	\$ 5,672,469	\$ (4,208,076)	\$ 10,482,275
LIABILITIES				
Accounts payable	\$ 120,292	\$ 3,328,757	\$ (3,277,367)	\$ 171,682
Deposits payable	6,805,162	4,703,452	(3,443,900)	8,064,714
Due to bondholders	2,092,428	2,998,832	(2,845,381)	2,245,879
Total liabilities	\$ 9,017,882	\$ 11,031,041	\$ (9,566,648)	\$ 10,482,275



Statistical Section

CITY OF ESCONDIDO STATISTICAL SECTION

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

FINANCIAL TRENDS INFORMATION

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

REVENUE CAPACITY INFORMATION

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

DEBT CAPACITY INFORMATION

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

OPERATING INFORMATION

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

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

	2008	2009	2010	2011	2012
Governmental Activities:					
Net investment in capital assets	\$ 197,917,746	\$ 198,895,947	\$ 205,646,459	\$ 222,661,354	\$ 225,296,741
Restricted	83,690,162	89,093,908	114,214,410	86,393,247	98,970,485
Unrestricted	65,128,364	65,461,162	36,921,478	40,341,057	53,862,572
Total Governmental Activities Net Position	\$ 346,736,272	\$ 353,451,017	\$ 356,782,347	\$ 349,395,658	\$ 378,129,798
Business-type Activities:					
Net investment in capital assets	\$ 123,532,924	\$ 126,868,016	\$ 130,301,709	\$ 137,189,496	\$ 138,580,703
Restricted	-	-	-	-	-
Unrestricted	30,304,352	37,096,093	46,473,299	53,436,660	56,358,559
Total Business-type Activities Net Position	\$ 153,837,276	\$ 163,964,109	\$ 176,775,008	\$ 190,626,156	\$ 194,939,262
Primary Government:					
Net investment in capital assets	\$ 321,450,670	\$ 325,763,963	\$ 335,948,168	\$ 359,850,850	\$ 363,877,444
Restricted	83,690,162	89,093,908	114,214,410	86,393,247	98,970,485
Unrestricted	95,432,716	102,557,255	83,394,777	93,777,717	110,221,131
Total Primary Government Activities Net Position	\$ 500,573,548	\$ 517,415,126	\$ 533,557,355	\$ 540,021,814	\$ 573,069,060

Note:

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

Source:

City of Escondido Finance Department.

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

	2013	2014	2015	2016	2017
Governmental Activities:					
Net investment in capital assets	\$ 211,228,317	\$ 207,003,751	\$ 201,314,048	\$ 223,906,554	\$ 218,477,270
Restricted	90,152,311	92,356,580	90,509,538	96,530,455	100,550,008
Unrestricted	27,922,604	24,555,904	(124,495,479)	(121,164,871)	(99,262,303)
Total Governmental Activities Net Position	\$ 329,303,232	\$ 323,916,235	\$ 167,328,107	\$ 199,272,138	\$ 219,764,975
Business-type Activities:					
Net investment in capital assets	\$ 141,057,087	\$ 151,539,613	\$ 158,231,376	\$ 172,888,190	\$ 188,875,729
Restricted	-	-	-	-	-
Unrestricted	61,147,031	57,540,105	28,819,831	22,072,596	9,234,771
Total Business-type Activities Net Position	\$ 202,204,118	\$ 209,079,718	\$ 187,051,207	\$ 194,960,786	\$ 198,110,500
Primary Government:					
Net investment in capital assets	\$ 352,285,404	\$ 358,543,364	\$ 359,545,424	\$ 396,794,744	\$ 407,352,999
Restricted	90,152,311	92,356,580	90,509,538	96,530,455	100,550,008
Unrestricted	89,069,635	82,096,009	(95,675,648)	(99,092,275)	(90,027,532)
Total Primary Government Activities Net Position	\$ 531,507,350	\$ 532,995,953	\$ 354,379,314	\$ 394,232,924	\$ 417,875,475

Note:

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

Source:

City of Escondido Finance Department.

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

	2008	2009	2010	2011	2012
<u>Expenses</u>					
Governmental Activities:					
General government	\$ 9,646,524	\$ 8,183,784	\$ 8,058,408	\$ 8,162,775	\$ 7,923,896
Public safety	57,284,755	53,639,237	58,486,106	56,170,547	60,467,057
Community services	29,728,378	20,460,103	20,321,281	13,935,737	14,428,323
Public works	18,340,037	23,475,660	25,927,953	30,251,264	23,508,515
Community development	13,974,447	12,777,932	7,814,707	9,908,625	6,765,185
Interest and fiscal charges	14,338,384	8,050,461	7,649,971	7,459,498	5,946,168
Total Governmental Activities Expenses	143,312,525	126,587,177	128,258,426	125,888,446	119,039,144
Business-type Activities:					
Water	37,989,541	38,810,712	40,277,313	37,364,315	43,537,887
Wastewater	26,995,420	24,743,922	24,154,671	23,833,875	23,995,887
Total Business-type Activities Expenses	64,984,961	63,554,634	64,431,984	61,198,190	67,533,774
Total Primary Government Expenses	<u>\$ 208,297,486</u>	<u>\$ 190,141,811</u>	<u>\$ 192,690,410</u>	<u>\$ 187,086,636</u>	<u>\$ 186,572,918</u>
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	\$ 290,007	\$ 455,029	\$ 159,353	\$ 351,155	\$ 735,395
Public safety	9,241,808	9,980,199	9,207,628	8,273,579	8,429,675
Community services	6,864,643	6,798,670	5,625,758	3,871,455	4,158,173
Public works	1,411,020	1,253,367	1,076,721	994,907	1,160,643
Community development	1,507,452	1,128,602	1,372,001	1,154,371	820,337
Operating grants and contributions	15,513,780	9,728,353	14,568,341	12,988,723	13,503,657
Capital grants and contributions	9,042,570	11,779,461	14,818,607	10,550,030	5,608,064
Total Governmental Activities Program Revenues	43,871,280	41,123,681	46,828,409	38,184,220	34,415,944
Business-type Activities:					
Charges for services:					
Water	38,944,163	39,161,082	40,155,208	37,293,900	42,398,099
Wastewater	23,699,984	25,741,913	29,208,703	28,176,381	26,430,851
Operating grants and contributions	2,657,685	301,875	-	-	-
Capital grants and contributions	3,554,975	4,725,698	5,851,309	8,922,144	2,155,659
Total Business-type Activities Program Revenues	68,856,807	69,930,568	75,215,220	74,392,425	70,984,609
Total Primary Government Program Revenues	<u>\$ 112,728,087</u>	<u>\$ 111,054,249</u>	<u>\$ 122,043,629</u>	<u>\$ 112,576,645</u>	<u>\$ 105,400,553</u>

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

	2013	2014	2015	2016	2017
<u>Expenses</u>					
Governmental Activities:					
General government	\$ 6,931,282	\$ 6,817,120	\$ 6,412,164	\$ 8,852,170	\$ 9,357,787
Public safety	58,937,215	64,735,010	62,464,110	65,521,010	71,876,096
Community services	13,492,016	13,824,749	12,485,541	12,559,645	12,571,637
Public works	28,719,020	22,830,644	24,390,896	20,066,941	22,107,665
Community development	6,095,723	4,442,510	4,652,366	4,643,576	5,077,618
Interest and fiscal charges	4,038,630	3,709,135	4,655,972	2,952,792	2,646,232
Total Governmental Activities Expenses	122,533,177	116,359,168	115,061,049	114,596,134	123,637,035
Business-type Activities:					
Water	48,899,219	51,937,493	51,558,727	49,844,796	57,314,740
Wastewater	25,847,825	28,748,596	29,740,987	30,565,986	32,361,361
Total Business-type Activities Expenses	74,747,044	80,686,089	81,299,714	80,410,782	89,676,101
Total Primary Government Expenses	<u>\$ 197,280,221</u>	<u>\$ 197,045,257</u>	<u>\$ 196,360,763</u>	<u>\$ 195,006,916</u>	<u>\$ 213,313,136</u>
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	\$ 481,812	\$ 1,049,402	\$ 261,135	\$ 479,655	\$ 300,203
Public safety	8,322,729	8,217,629	9,450,880	9,292,514	10,251,178
Community services	4,118,332	4,104,210	4,042,601	3,807,474	3,739,242
Public works	1,261,705	1,554,453	1,292,959	2,280,973	2,424,590
Community development	914,370	1,351,882	1,615,495	1,811,997	1,973,600
Operating grants and contributions	12,507,289	13,031,177	9,216,428	10,604,522	9,441,222
Capital grants and contributions	8,528,675	3,331,901	2,855,849	4,787,949	6,622,075
Total Governmental Activities Program Revenues	36,134,912	32,640,654	28,735,347	33,065,084	34,752,110
Business-type Activities:					
Charges for services:					
Water	48,857,327	54,411,250	54,323,287	51,055,900	55,442,545
Wastewater	28,482,081	29,413,549	32,014,382	33,594,079	34,166,698
Operating grants and contributions	6,559	243,302	533,816	70,130	30,832
Capital grants and contributions	3,858,657	1,879,809	2,972,993	1,355,692	1,766,559
Total Business-type Activities Program Revenues	81,204,624	85,947,910	89,844,478	86,075,801	91,406,634
Total Primary Government Program Revenues	<u>\$ 117,339,536</u>	<u>\$ 118,588,564</u>	<u>\$ 118,579,825</u>	<u>\$ 119,140,885</u>	<u>\$ 126,158,744</u>

(Continued)

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

	2008	2009	2010	2011	2012
<u>Net (Expense)/Revenue</u>					
Governmental activities	\$ (99,441,245)	\$ (85,463,496)	\$ (81,430,017)	\$ (87,704,226)	\$ (84,623,200)
Business-type activities	3,871,846	6,375,934	10,783,236	13,194,235	3,450,835
Total Primary Government Net Expense	<u>\$ (95,569,399)</u>	<u>\$ (79,087,562)</u>	<u>\$ (70,646,781)</u>	<u>\$ (74,509,991)</u>	<u>\$ (81,172,365)</u>
<u>General Revenues and Other</u> <u>Changes in Net Position</u>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 24,471,382	\$ 18,841,244	\$ 17,826,617	\$ 20,819,517	\$ 25,532,055
Property taxes	43,123,943	37,745,185	27,884,137	28,168,365	24,060,363
Franchise tax	4,088,986	4,540,227	4,344,355	4,461,129	4,563,576
Payments in lieu of taxes	20,550,985	18,907,389	17,989,533	17,652,114	19,548,954
Other taxes	4,801,752	4,264,906	4,014,349	4,048,337	2,899,789
Use of money and property	14,217,786	6,977,368	4,654,030	4,810,578	5,885,611
Sale of capital assets	-	-	-	171,386	399,819
Miscellaneous	971,977	872,722	2,130,400	476,135	748,181
Transfers	81,500	29,200	41,330	1,248,845	25,000
Extraordinary item: Gain/(loss)	-	-	-	-	29,693,992
Total Governmental Activities	<u>112,308,311</u>	<u>92,178,241</u>	<u>78,884,751</u>	<u>81,856,406</u>	<u>113,357,340</u>
Business-type activities:					
Use of money and property	3,497,943	2,791,475	1,794,117	1,608,420	1,750,475
Miscellaneous	1,214,200	988,624	274,876	297,338	250,862
Transfers	(81,500)	(29,200)	(41,330)	(1,248,845)	(25,000)
Extraordinary item: Loss on chemical tank spill	-	-	-	-	(1,114,066)
Total Business-type Activities	<u>4,630,643</u>	<u>3,750,899</u>	<u>2,027,663</u>	<u>656,913</u>	<u>862,271</u>
Total Primary Government	<u>\$ 116,938,954</u>	<u>\$ 95,929,140</u>	<u>\$ 80,912,414</u>	<u>\$ 82,513,319</u>	<u>\$ 114,219,611</u>
<u>Change in Net Position</u>					
Governmental activities	\$ 12,867,066	\$ 6,714,745	\$ (2,545,266)	\$ (5,847,820)	\$ 28,734,140
Business-type activities	8,502,489	10,126,833	12,810,899	13,851,148	4,313,106
Total primary government	<u>\$ 21,369,555</u>	<u>\$ 16,841,578</u>	<u>\$ 10,265,633</u>	<u>\$ 8,003,328</u>	<u>\$ 33,047,246</u>

Source:

City of Escondido Finance Department.

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

	2013	2014	2015	2016	2017
<u>Net (Expense)/Revenue</u>					
Governmental activities	\$ (86,398,265)	\$ (83,718,514)	\$ (86,325,702)	\$ (81,531,050)	\$ (88,884,925)
Business-type activities	6,457,580	5,261,821	8,544,764	5,665,019	1,730,533
Total Primary Government					
Net Expense	<u>\$ (79,940,685)</u>	<u>\$ (78,456,693)</u>	<u>\$ (77,780,938)</u>	<u>\$ (75,866,031)</u>	<u>\$ (87,154,392)</u>
<u>General Revenues and Other</u>					
<u> Changes in Net Position</u>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 24,202,373	\$ 27,366,084	\$ 29,447,205	\$ 32,080,999	\$ 37,905,908
Property taxes	16,738,501	16,805,289	16,953,228	17,039,019	17,779,603
Franchise tax	4,516,247	4,694,252	5,147,696	6,110,634	4,997,491
Payments in lieu of taxes	19,041,332	20,075,228	20,531,727	18,648,743	13,680,629
Other taxes	3,971,585	4,218,914	4,411,676	4,616,524	5,026,190
Use of money and property	3,290,477	4,153,899	4,309,471	4,445,175	4,353,656
Sale of capital assets	-	-	138,304	173,750	0
Miscellaneous	1,070,052	892,851	362,066	564,129	3,249,318
Transfers	25,000	125,000	(54,620)	25,000	25,000
Extraordinary item:					
Gain/(loss)	(34,948,363)	-	-	30,722,560	22,359,967
Total Governmental Activities	<u>37,907,204</u>	<u>78,331,517</u>	<u>81,246,753</u>	<u>114,426,533</u>	<u>109,377,762</u>
Business-type activities:					
Use of money and property	1,522,495	1,577,693	1,699,516	2,043,040	1,338,109
Miscellaneous	447,638	161,086	176,720	226,520	106,072
Transfers	(25,000)	(125,000)	54,620	(25,000)	(25,000)
Extraordinary item:					
Loss on chemical tank spill	-	-	-	-	-
Total Business-type Activities	<u>1,945,133</u>	<u>1,613,779</u>	<u>1,930,856</u>	<u>2,244,560</u>	<u>1,419,181</u>
Total Primary Government	<u>\$ 39,852,337</u>	<u>\$ 79,945,296</u>	<u>\$ 83,177,609</u>	<u>\$ 116,671,093</u>	<u>\$ 110,796,943</u>
<u>Change in Net Position</u>					
Governmental activities	\$ (48,491,061)	\$ (5,386,997)	\$ (5,078,949)	\$ 31,944,031	\$ 20,492,837
Business-type activities	8,402,713	6,875,600	10,475,620	7,909,579	3,149,714
Total primary government	<u>\$ (40,088,348)</u>	<u>\$ 1,488,603</u>	<u>\$ 5,396,671</u>	<u>\$ 39,853,610</u>	<u>\$ 23,642,551</u>

Source:

City of Escondido Finance Department.

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

	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 10,149,296	\$ 10,763,636	\$ 10,331,307	\$ -	\$ -
Unreserved, designated	36,201,191	30,001,183	21,694,390	-	-
Unreserved, undesignated	31,478	360,555	-	-	-
Nonspendable	-	-	-	5,456,377	5,180,347
Committed to	-	-	-	28,354,588	31,938,244
Assigned to	-	-	-	713,361	852,481
Unassigned	-	-	-	399,790	753,121
Total General Fund	\$ 46,381,965	\$ 41,125,374	\$ 32,025,697	\$34,924,116	\$38,724,193
All Other Governmental Funds					
Reserved	\$ 79,272,342	\$ 90,244,472	\$ 91,342,926	\$ -	\$ -
Reserved for current projects, reported in:					
Special revenue funds	4,409,890	4,506,647	3,005,679	-	-
Capital projects funds	83,750,017	38,533,362	9,407,468	-	-
Unreserved, reported in:					
Special revenue funds	903,378	1,656,500	4,762,099	-	-
Capital projects funds	4,822,008	6,609,031	8,691,702	-	-
Undesignated, reported in:					
Special revenue funds	17,198	612,564	1,097,044	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	-	61,204,587	57,982,791
Restricted for	-	-	-	21,732,085	30,695,122
Committed to	-	-	-	8,418,117	5,208,585
Assigned to	-	-	-	774,990	447,148
Unassigned	-	-	-	(14,547,286)	(1,021,715)
Total All Other Governmental Funds	\$ 173,174,833	\$ 142,162,576	\$ 118,306,918	\$77,582,493	\$93,311,931

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)

	2013	2014	2015	2016	2017
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
Nonspendable	2,503,401	217,690	183,403	179,185	9,991,902
Committed to	17,210,596	17,319,659	17,281,659	16,892,319	17,921,319
Assigned to	980,678	897,465	681,822	941,262	1,541,101
Unassigned	247,130	1,753,519	-	1,961,211	1,712,930
Total General Fund	\$20,941,805	\$20,188,333	\$18,146,884	\$19,973,977	\$31,167,252
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for current projects, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	60,199,844	-	-	-	333,590.00
Restricted for	20,785,893	81,559,045	78,261,012	84,682,384	86,075,428
Committed to	2,466,775	2,008,525	1,860,686	984,157	1,656,212
Assigned to	159,405	139,653	488	-	-
Unassigned	(1,248,533)	(1,149,954)	(1,184,683)	(846,790)	(1,354,541)
Total All Other Governmental Funds	\$82,363,384	\$82,557,269	\$78,937,503	\$84,819,751	\$86,710,689

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)

	2008	2009	2010	2011	2012
<u>Revenues</u>					
Taxes	\$ 80,426,993	\$ 74,152,418	\$ 66,166,696	\$ 69,907,949	\$ 65,556,779
Licenses and permits	1,083,012	984,790	1,350,224	1,193,338	821,380
Fines and forfeits	2,775,808	2,552,099	2,186,227	1,895,447	1,640,528
Intergovernmental	24,981,294	24,161,739	26,889,870	26,688,728	27,513,328
Charges for services	14,534,487	14,518,395	12,759,043	9,976,316	10,281,595
Special assessments	6,114,007	5,560,064	5,742,487	5,759,888	5,892,241
Lease income	65,380	48,743	47,609	75,321	60,024
Investment income	17,189,718	5,993,386	2,301,810	16,367,414	1,469,849
Miscellaneous	6,037,085	6,211,906	8,177,104	4,253,232	4,432,737
Total Revenues	153,207,784	134,183,540	125,621,070	136,117,633	117,668,461
<u>Expenditures</u>					
General government	9,127,482	6,908,388	6,761,408	7,096,148	6,407,543
Public safety	57,495,217	54,009,216	55,863,025	52,038,011	53,083,126
Public works	16,530,427	15,116,819	15,364,185	18,146,072	12,542,175
Community services	19,136,835	17,849,432	18,114,581	12,072,344	12,016,459
Community development	7,484,775	10,003,869	5,132,958	7,165,632	4,774,106
Contributions to other governments	-	-	-	-	-
Capital outlay	46,039,380	47,671,550	28,777,524	26,536,515	9,153,723
Debt service:					
Principal retirements	5,893,863	6,233,746	9,653,787	10,760,000	10,512,620
Interest and fiscal charges	14,271,646	7,922,238	7,585,243	23,952,729	5,792,921
SERAF payment	-	-	8,556,226	1,761,576	-
Agency tax sharing agreement	3,697,911	5,448,326	3,817,295	9,101,406	5,921,213
Total Expenditures	179,677,536	171,163,584	159,626,232	168,630,433	120,203,886
Excess (Deficiency) of Revenues Over Expenditures	(26,469,752)	(36,980,044)	(34,005,162)	(32,512,800)	(2,535,425)
<u>Other Financing Sources (Uses)</u>					
Issuance of debt	2,050,000	-	-	-	224,078
Bond issue costs	-	-	-	-	-
Sale of capital assets	-	681,996	-	463,018	474,819
Transfers in	12,095,699	9,445,273	9,195,181	28,486,232	8,237,198
Transfers out	(12,656,199)	(9,416,073)	(8,873,851)	(25,059,387)	(8,062,198)
Total Other Financing Sources (Uses)	1,489,500	711,196	321,330	3,889,863	873,897
Extraordinary item: Gain/(loss)	-	-	-	-	21,191,043
Net Change in Fund Balance	\$ (24,980,252)	\$ (36,268,848)	\$ (33,683,832)	\$ (28,622,937)	\$ 19,529,515
Debt service as a percentage of noncapital expenditures	15.1%	11.5%	13.2%	24.4%	14.7%

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)

	2013	2014	2015	2016	2017
<u>Revenues</u>					
Taxes	\$ 53,387,010	\$ 57,289,455	\$ 59,989,511	\$ 64,220,119	\$ 62,296,112
Licenses and permits	887,383	991,164	862,280	934,455	1,222,686
Fines and forfeits	1,468,309	1,184,292	1,151,366	1,344,221	1,186,276
Intergovernmental	25,945,352	23,708,589	22,900,854	24,648,821	23,485,944
Charges for services	11,335,203	12,513,585	13,670,047	13,509,208	16,154,072
Special assessments	5,958,662	5,796,337	5,970,331	5,567,955	5,589,696
Lease income	221,513	205,259	203,599	3,502,021	3,632,770
Investment income	856,466	895,826	941,778	1,245,689	540,184
Miscellaneous	4,645,031	4,265,979	4,544,360	1,574,553	2,298,139
Total Revenues	104,704,929	106,850,486	110,234,126	116,547,042	116,405,879
<u>Expenditures</u>					
General government	5,834,828	5,811,016	6,086,111	6,447,372	6,251,493
Public safety	55,246,097	57,874,021	61,843,630	64,266,503	65,038,985
Public works	17,392,655	15,189,340	17,407,197	14,442,206	16,592,694
Community services	11,815,547	12,128,504	11,744,673	12,080,978	11,825,028
Community development	5,331,818	4,238,194	4,585,497	4,985,006	5,078,286
Contributions to other governments	4,319,291	-	-	-	-
Capital outlay	7,794,450	5,550,440	2,966,301	3,919,203	6,084,281
Debt service:					
Principal retirements	7,528,360	2,528,361	74,848,007	243,360	1,592,870
Interest and fiscal charges	3,983,078	3,737,237	5,637,963	2,351,824	3,235,906
SERAF payment	-	-	-	-	-
Agency tax sharing agreement	-	-	-	-	-
Total Expenditures	119,246,124	107,057,113	185,119,379	108,736,452	115,699,543
Excess (Deficiency) of Revenues Over Expenditures	(14,541,195)	(206,627)	(74,885,253)	7,810,590	706,336
<u>Other Financing Sources (Uses)</u>					
Issuance of debt	4,830,000	-	70,660,479	-	3,230,225.00
Bond issue costs	(122,073)	-	-	-	-
Sale of capital assets	111,234	1,346,540	138,304	173,751	-
Transfers in	6,522,962	5,035,243	3,173,695	2,968,322	3,765,952
Transfers out	(6,673,765)	(6,734,743)	(4,748,440)	(3,243,322)	(4,450,952)
Total Other Financing Sources (Uses)	4,668,358	(352,960)	69,224,038	(101,249)	2,545,225
Extraordinary item: Gain/(loss)	(9,832,652)	-	-	-	9,832,652
Net Change in Fund Balance	\$ (19,705,489)	\$ (559,587)	\$ (5,661,215)	\$ 7,709,341	\$ 13,084,213
Debt service as a percentage of noncapital expenditures	10.3%	6.2%	5.4%	2.5%	1.5%

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 ⁽¹⁾				
	Residential	Commercial	Industrial	Other	Total
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
2017	10,700,250,243	2,078,689,776	789,351,890	508,151,608	14,076,443,517

Fiscal Year Ended June 30	Unsecured	Less: Exemptions	Taxable	Total
			Assessed Value	Direct Tax Rate
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
2017	505,626,175	(739,647,768)	13,842,421,924	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			
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
2017	0.103	0.103	0.710	0.157	0.030	1.000	0.146	1.146

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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾
North County Fair LLC	\$219,225,383	1	1.58 %	\$166,712,081	1	1.32 %
Prebys Conrad Trust	117,738,120	2	0.85	58,374,424	5	0.46
M G Morningview Apts L P	71,235,519	3	0.51			
Latitude Del LLC	59,392,119	4	0.43			
Emerald Glen Apts Escondido	47,878,732	5	0.35			
Frit Escondido Promenade LLC	47,304,777	6	0.34			
Vons Companies Inc	46,396,183	7	0.34	34,000,000	8	0.27
Luna Properties LLC	41,710,111	8	0.30			
Stone Brewing Co	39,256,697	9	0.28			
Cox Communications California	38,612,540	10	0.28	51,682,153	6	0.41
Eureka Escondido LLC				72,076,825	2	0.57
Goal Line L P				62,033,728	3	0.49
Morning View Senior Apartments				60,832,800	4	0.48
Realty Assoc Fund Viii LP				34,794,719	7	0.28
PKI Del Norte Plaza LP				33,500,000	9	0.27
New Albertsons Inc				31,597,872	10	0.25
TOTAL	\$728,750,181		5.26 %	\$605,604,602		4.80 %

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
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
2017	11,541,072	11,328,962	98.16	167,550	11,496,512	99.61

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	2008	2009	2010	2011	2012
Apparel Stores	\$ 1,100,688	\$ 1,031,264	\$ 1,025,284	\$ 1,112,593	\$ 1,192,265
Auto Dealers & Auto Supplies	7,188,729	5,414,068	4,713,042	5,497,239	6,865,485
Building Materials	3,055,439	2,664,942	2,239,094	2,225,142	2,341,177
Drug Stores	311,120	307,487	291,320	286,391	294,923
Eating and Drinking Places	1,722,022	1,655,406	1,606,861	1,699,016	1,797,515
Food Stores	1,601,342	1,450,537	1,431,438	1,548,903	1,677,665
General Merchandise	2,217,975	1,951,983	1,780,708	1,793,573	1,813,724
Home Furnishings	310,544	278,176	267,632	375,200	438,348
Other Retail Stores	2,650,776	2,407,409	2,097,751	2,098,469	2,236,402
Packaged Liquor Stores	104,824	122,361	129,396	130,395	138,569
Service Stations	2,075,444	2,009,855	1,824,847	2,023,580	2,275,429
All Other Outlets	4,175,080	3,592,715	2,877,288	3,104,446	3,843,206
Total	\$ 26,513,983	\$ 22,886,203	\$ 20,284,661	\$ 21,894,947	\$ 24,914,708

Source:

MuniServices, LLC

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

Category Name	2013	2014	2015	2016	2017
Apparel Stores	\$ 1,214,059	\$ 1,174,801	\$ 1,220,743	\$ 1,262,864	\$ 1,295,718
Auto Dealers & Auto Supplies	8,270,873	8,726,015	9,156,428	9,899,616	10,153,739
Building Materials	2,517,671	2,608,752	2,749,821	3,010,298	3,094,261
Drug Stores	286,535	273,719	257,581	247,569	248,626
Eating and Drinking Places	1,930,372	2,066,140	2,278,362	2,424,365	2,607,915
Food Stores	1,685,288	1,637,699	1,676,322	1,582,703	1,520,597
General Merchandise	1,892,331	2,046,274	2,171,942	2,161,715	2,129,044
Home Furnishings	420,047	421,285	439,984	368,248	430,421
Other Retail Stores	2,316,595	2,407,117	2,509,115	2,610,069	2,469,786
Packaged Liquor Stores	148,350	155,821	153,742	151,465	152,364
Service Stations	2,275,429	2,187,304	2,109,133	1,900,476	1,753,509
All Other Outlets	3,843,206	4,086,891	4,572,930	5,013,035	5,237,064
Total	<u>\$ 26,800,756</u>	<u>\$ 27,791,818</u>	<u>\$ 29,296,103</u>	<u>\$ 30,632,423</u>	<u>\$ 31,093,044</u>

Source:

MuniServices, LLC

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

2017		2008	
Business Name	Business Category	Business Name	Business Category
Apro	Energy Sales	Apro	Energy Sales
Brecht Mini	Auto Sales - New	Arco AM/PM Mini Marts	Service Stations
Carmax Auto Superstores	Auto Sales - Used	Brecht BMW Service Center	Auto Sales - New
Escondido Jeep Eagle GMC Truck	Auto Sales - New	Escondido Jeep Eagle GMC Truck	Auto Sales - New
Escondido Ready Mix Concrete	Bldg.Matls-Retail	Escondido Ready Mix Concrete	Bldg.Matls-Whsle
Ford of Escondido	Auto Sales - New	Heller Ford Suzuki	Auto Sales - New
Home Depot	Bldg.Matls-Retail	Home Depot	Bldg.Matls-Retail
Honda	Auto Sales - New	Honda of Escondido	Auto Sales - New
Jack Powell Chrysler Plymouth	Auto Sales - New	J C Penney Company	Department Stores
J C Penney Company	Department Stores	Jack Powell Chrysler Plymouth	Auto Sales - New
Lexus Escondido	Auto Sales - New	Lowe's Home Centers	Bldg.Matls-Retail
Lowe's Home Centers	Bldg.Matls-Retail	Macy's Department Store	Department Stores
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	Pine Tree Lumber	Bldg.Matls-Retail
Nordstrom Department Store	Department Stores	Quality Chevrolet	Auto Sales - New
Pine Tree Lumber	Bldg.Matls-Retail	Sears Roebuck & Company	Department Stores
Quality Chevrolet	Auto Sales - New	Shell Service Stations	Service Stations
Shell Service Stations	Service Stations	Target Stores	Department Stores
Target Stores	Department Stores	Texaco Service Stations	Service Stations
Toyota Recondition Center	Auto Sales - New	Toyota Recondition Center	Auto Sales - New
Vons Grocery Company	Food Markets	Vons Grocery Company	Food Markets
Wal Mart Stores	Department Stores	Vons Service Station	Service Stations

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	
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
2017	60,460,000	3,980,000	-	-	3,496,159	709,677	68,645,836

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				
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	184,664,779	5.56	1,225
2017	98,615,000	-	13,994,615	112,609,615	181,255,451	5.18	1,196

Notes:

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

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

Source:

City of Escondido Finance Department.

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

Fiscal Year Ended June 30	Outstanding General Obligation Bonded Debt				Percent of Assessed Value ⁽¹⁾	Per Capita
	General Obligation Bonds	Certificates of Participation	Tax Allocation Bonds ⁽²⁾	Total		
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
2017	60,460,000	-	-	60,460,000	0.44	399

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, 2017

2016-17 Assessed Valuation		\$ 14,205,952,141	
Redevelopment Agency Incremental Valuation		2,808,787,360	
Adjusted Assessed Valuation		\$ 11,397,164,781	
	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/17	Estimated Share of Overlapping Debt
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	0.547 %	\$ 74,905,000	\$ 409,730
Palomar Community College District	12.944	639,550,855	82,783,463
San Marcos Unified School District School	3.605	275,461,541	9,930,389
San Marcos Unified School District School Facilities Improvement District No. 1	2.266	2,819,069	63,880
Valley Center Unified School District	0.001	304,382	3
Escondido Union High School District	77.124	90,263,772	69,615,032
Escondido Union School District	77.823	88,894,622	69,180,462
San Pasqual Union School District	57.373	292,517	167,826
City of Escondido	100.000	60,460,000	60,460,000
Palomar Pomerado Hospital District	18.889	443,465,867	83,766,268
City of Escondido Community Facilities District No. 2006-01	100.000	13,450,000	13,450,000
City of Escondido Hidden Trails Community Facilities District	100.000	2,060,000	2,060,000
City of Escondido 1915 Act Bonds	100.000	3,140,000	3,140,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		1,695,067,625	395,027,053
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	3.040	291,180,000	8,851,872
San Diego County Pension Obligation Bonds	3.040	605,520,000	18,407,808
San Diego County Superintendent of School Obligations	3.040	11,460,000	348,384
Palomar Community College District Certificates of Participation	12.944	3,280,000	424,563
San Marcos Unified School General Fund Obligations	3.605	57,876,115	2,086,434
Escondido Union High School District Certificates of Participation	77.124	56,645,000	43,686,890
Escondido Union School District Certificates of Participation	77.823	17,485,000	13,607,352
Escondido Union School District Benefit Obligation Bonds	77.823	8,245,000	6,416,506
City of Escondido General Fund Obligations	100.000	3,980,000	3,980,000
TOTAL OVERLAPPING GENERAL FUND DEBT		1,055,671,115	97,809,809
OVERLAPPING TAX INCREMENT DEBT:			
City of Escondido Lease Revenue Bonds	100.000	13,800,000	13,800,000
TOTAL OVERLAPPING DEBT		\$ 2,764,538,740	\$ 506,636,862
CITY DIRECT DEBT:			
City of Escondido General Fund Obligations	100.000 %	60,460,000	60,460,000
City of Escondido General Obligations	100.000	3,980,000	3,980,000
TOTAL CITY DIRECT DEBT		\$ 64,440,000	\$ 64,440,000
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 506,636,862 ⁽²⁾

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

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

RATIOS TO 2016-17 ASSESSED VALUATION:

Direct Debt (\$60,460,000)	0.43 %
Total Overlapping Tax and Assessment Debt	2.78
Total Direct Debt (\$64,440,000)	0.45
Combined Total Debt	3.57

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$2,808,787,360):

Total Overlapping Tax Increment Debt	0.49 %
--------------------------------------	--------

Source: MuniServices, LLC.

CITY OF ESCONDIDO
Legal Debt Margin Information
Last Ten Fiscal Years

	2008	2009	2010	2011	2012
Assessed valuation	\$10,437,917,513	\$10,419,201,152	\$ 9,608,214,935	\$9,501,563,129	\$9,663,353,864
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	2,609,479,378	2,604,800,288	2,402,053,734	2,375,390,782	2,415,838,466
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	391,421,907	390,720,043	360,308,060	356,308,617	362,375,770
Total Debt Applicable to Limit:					
General Obligation Bonds	83,180,000	81,800,000	80,360,000	78,860,000	77,295,000
Legal Debt Margin	<u>\$ 308,241,907</u>	<u>\$ 308,920,043</u>	<u>\$ 279,948,060</u>	<u>\$ 277,448,617</u>	<u>\$ 285,080,770</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit					
	21%	21%	22%	22%	21%

Note:

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

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Legal Debt Margin Information
Last Ten Fiscal Years

	2013	2014	2015	2016	2017
Assessed valuation	\$9,674,335,352	\$9,841,518,516	\$10,389,492,632	\$10,901,050,697	\$11,397,164,781
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	2,418,583,838	2,460,379,629	2,597,373,158	2,725,262,674	2,849,291,195
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	362,787,576	369,056,944	389,605,974	408,789,401	427,393,679
Total Debt Applicable to Limit:					
General Obligation Bonds	75,665,000	73,965,000	61,520,000	61,520,000	60,460,000
Legal Debt Margin	<u>\$ 287,122,576</u>	<u>\$ 295,091,944</u>	<u>\$ 328,085,974</u>	<u>\$ 347,269,401</u>	<u>\$ 366,933,679</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	21%	20%	16%	15%	14%

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	
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	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-

2013A Lease Revenue Refunding Bonds

Fiscal Year Ended June 30	Loan Payment Revenue	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2017	359,569	-	359,569	220,000	139,569	359,569	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	
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	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-

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	
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
2017	93,821,259	72,905,682	20,915,577	2,635,000	4,643,985	7,278,985	2.87

Special Assessment Debt - Hidden Trails

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2017	199,532	-	199,532	100,000	86,231	186,231	1.07

Special Assessment Debt - Eureka Ranch

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2017	1,028,832	-	1,028,832	295,000.00	594,950	889,950	1.16

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	
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
2017	340,252	-	340,252	285,000	42,609	327,609	1.04

Special Assessment Debt - Rancho San Pasqual

Fiscal Year Ended June 30	Special Assessment Collections	Less: Expenditures	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2017	353,979	-	353,979	175,000	148,913	323,913	1.09

Notes:

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

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
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
2016	151,492	3,500	23,103	4.7

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	2017		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Palomar Medical Center	2,659	3.83 %	2,000	2.92 %
Escondido Union School District	1,960	2.82	1,893	2.76
City of Escondido	1,027	1.48	1,198	1.75
Escondido Union High School District	842	1.21	1,200	1.75
Bergelectric	802	1.16	800	1.17
Home Depot (2 locations)	350	0.50	330	0.48
Nordstrom Inc.*	320	0.46	375	0.55
Toyota of Escondido	312	0.45		
Vons Grocery Stores (3 locations)	249	0.36	425	0.62
California Center for the Arts	220	0.32		
North County Transit District			600	0.87
SDG&E			400	0.58

Notes:

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

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

*Count for Nordstrom only not including Nordstrom's Rack

Source:

MuniServices, LLC.

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	118	112	110	109	106	108	111	107	113	120
Public Safety	397	377	381	375	360	374	383	365	383	398
Public Works	156	149	142	143	151	154	148	140	118	111
Community Development	53	42	39	38	37	35	36	37	38	37
Community Services	265	221	225	224	216	225	206	174	168	167
Housing & Neighborhood Services	13	13	14	15	12	10	10	9	10	9
Water	121	119	117	118	118	114	114	118	115	117
Wastewater	75	72	74	75	73	71	82	78	73	73
Total	<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>	<u>1,032</u>

Source:

City of Escondido Finance Department.

CITY OF ESCONDIDO
Operating Indicators by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012
Police:					
Physical Arrests	7,373	7,004	7,190	7,617	7,032
Traffic Violations	20,496	21,438	16,956	13,811	13,054
Parking Violations	8,295	7,942	7,606	5,784	4,514
Fire:					
Number of Calls Answered	10,650	11,237	11,544	11,370	11,978
Number of Inspections Conducted	1,738	3,105	2,059	2,222	1,380
Public Works⁽¹⁾:					
Street Resurfacing (miles)	2.3	1.1	1.5	9.5	3.0
Parks and Recreation⁽²⁾:					
Number of Recreation Classes	977	1,228	1,101	1,176	990
Number of Facility Rentals	987	982	1,106	1,125	995
Golf Rounds Played	95,149	100,192	97,683	95,020	95,934
Water:					
Number of Service Connections	26,161	26,280	26,390	26,489	26,502
Average Daily Consumption (gallons)	25,500,000	23,170,000	18,799,222	18,835,000	20,220,000
Sewer:					
Number of Service Connections	26,702	26,909	27,014	27,066	27,054
Average Daily Treatment (gallons)	14,320,000	13,000,000	12,500,000	12,900,000	12,730,000

Note:

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

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

Source:

City of Escondido.

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

Function	2013	2014	2015	2016	2017
Police:					
Physical Arrests	5,988	5,740	4,923	5,114	5,533
Traffic Violations	9,782	8,454	8,528	7,038	6,912
Parking Violations	4,022	4,328	5,571	6,052	6,218
Fire:					
Number of Calls Answered	13,065	13,139	13,450	14,553	15,369
Number of Inspections Conducted	1,741	1,496	2,590	2,086	1,826
Public Works ⁽¹⁾ :					
Street Resurfacing (miles)	19.3	18.6	44.0	63.5	67.0
Parks and Recreation ⁽²⁾ :					
Number of Recreation Classes	1,275	2,410	1,070	808	577
Number of Facility Rentals	2,541	1,975	1,770	1,857	3,056
Golf Rounds Played	95,528	97,094	94,917	99,130	97,394
Water:					
Number of Service Connections	26,508	26,536	26,567	26,617	26,694
Average Daily Consumption (gallons)	23,370,000	22,579,315	19,500,000	16,680,000	17,206,595
Sewer:					
Number of Service Connections	27,072	27,102	27,139	27,048	27,070
Average Daily Treatment (gallons)	12,630,000	12,100,000	11,900,000	11,700,000	12,600,000

Note:

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

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

Source:

City of Escondido.

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

Function	2008	2009	2010	2011	2012
Police:					
Stations	1	1	1	1	1
Fire:					
Stations	5	7	7	7	7
Public Works:					
Streets (miles)	302.0	302.0	304.4	304.6	304.9
Streetlights	6,382	6,408	6,460	6,479	6,480
Traffic Signals	135	139	146	148	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)	425	429	430	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	351	352	355
Storm Drains (miles)	380	380	380	381	383
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	2013	2014	2015	2016	2017
Police:					
Stations	1	1	1	1	1
Fire:					
Stations	7	7	7	7	7
Public Works:					
Streets (miles)	305.0	305.0	306.2	307.4	323.0
Streetlights	6,479	6,487	6,488	6,489	6,489
Traffic Signals	151	152	153	155	155
Parks and Recreation:					
Parks	14	14	14	14	14
Community Centers	3	3	3	3	3
Golf Courses	2	2	2	2	2
Water:					
Water Mains (miles)	431	431	423	423	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)	363	379	374	380	380
Storm Drains (miles)	382	377	411	411	221
Maximum Daily Treatment Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

Source:

City of Escondido.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017