

City of El Cajon California



**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016**

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City of El Cajon, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016



*Honoring and celebrating
the people who make El Cajon
The Valley of Opportunity*

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CITY OF EL CAJON

200 Civic Center Way

• El Cajon, California 92020

December 15, 2016

To the Honorable Mayor, Members of the City Council and Residents of the City of El Cajon:

The City of El Cajon annually publishes a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of El Cajon ("the City") for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the City. Management, therefore, assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework over financial reporting that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. The City's comprehensive framework of internal controls has been designed to provide reasonable 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.

Rogers, Anderson, Malody & Scott, LLP, a firm of certified public accountants, audited the City's financial statements with a goal to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's basic financial statements for the fiscal year ended June 30, 2016, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the basic financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the City's internal control over financial reporting and compliance with legal requirements involving the administration of federal awards. Although the independent auditor reports on internal control and compliance with legal matters, they do not express an opinion on them. These reports are contained in the City's separately issued Single Audit Report.

GAAP requires that management provide 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's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated on November 12, 1912, is located in the southern part of the state, just 15 miles due east of San Diego. The City currently occupies a land area of 14.4 square miles and serves a population of 102,337. The City has experienced population growth of approximately 5.5% over the past ten years.

By a vote of the people, the City became a charter city during fiscal year 2011-12, giving the city council more local control of municipal affairs. Policy-making and legislative authority are vested in the city council consisting of the mayor and four other council members. The city council is currently elected at large on a non-partisan basis, although as part of the November 8, 2016, general election, Measure S passed directing district elections for the City's four council members. The mayor is elected to serve a four-year term and councilmembers serve four-year staggered terms. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the city manager and city attorney. The City operates under the council-manager form of government. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, and for appointing the directors of the various departments.

The City provides a full range of services, including police and fire protection, animal control, emergency medical services, construction and maintenance of streets, parks, civic facilities, and other infrastructure, right-of-way regulation, city planning and building regulation, recreational activities, cultural events, housing assistance and wastewater services. The City is financially accountable for the El Cajon Housing Authority and El Cajon Public Financing Authority, both of which are reported as blended component units within the City's financial statements. Additional information on these separate entities can be found in note A.2. in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the city manager in March of each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the city council for review in June. The city council has a public hearing to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund (e.g., general fund), function (e.g., public safety), department (e.g., police) and activity (e.g., patrol). The city manager may transfer appropriations between departments within a fund. However, transfers of appropriations between funds require approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue fund, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and the major special revenue fund, this comparison is presented in the supplementary section of the accompanying financial statements.

Local Economy

California's economy continues to improve based on a number of key indicators. As of September 2016, state unemployment rates have improved to 5.5%, which is down from 5.9% at the same point last year. The San Diego regional unemployment rate is lower than the state rate at 4.7% for the same period. The UCLA Anderson Forecast expects "steady gains in employment...through 2018" for California and an unemployment rate "insignificantly different from the U.S. rate."

Additionally, State Domestic Product was \$2.5 trillion in 2015, which is up 5.7% from the previous year. The Standard and Poor's / Case Schiller 20 – City Composite Home Price Index was up 5.56% in 2015, and up 7.03% in the same period for the greater San Diego area market. Movement in the University of San Diego Index of Leading Economic Indicators has generally leveled off, and despite some volatility, ended the fiscal year at the same level it started. The index anticipates slow growth in the local economy going forward.

Sales Tax Revenues – Sales tax revenues, including regular sales tax and sales tax received in lieu of property taxes, increased by \$2.3 million from the prior fiscal year, a 10.1% increase. A large portion of this increase is attributable to the end of the state mandated revenue swapping plan, known as the Triple-Flip. The end of this program included the resolving of a timing difference created at inception, which resulted in a large, one-time windfall distribution of sales tax. Growth in the economy was also a major contributor as the additional district sales tax, known as "Prop J," and not affected by the Triple-Flip, increased 3.8% from the previous year.

Property Taxes – Property taxes collected in fiscal year 2015-16 increased 5.7% from the prior year. According to data from the County of San Diego Assessor's Office, the total assessed valuation of taxable property in El Cajon for fiscal year 2015-16 was \$8.0 billion; this represents a 5.2% increase from the prior year. For fiscal year 2016-17, total assessed values grew to \$8.4 billion, an increase of 4.4% from fiscal year 2015-16.

Although the economy maintains its steady growth, it is critical that the City position itself to maintain reserves and avoid cost increases that cannot be matched with revenue growth.

Long Term Financial Planning

The City utilizes many sources to evaluate and provide current and long range financial planning. These sources include the comprehensive annual financial report (CAFR), the annual budget, and the five-year business plan. In conjunction with the CAFR and the annual budget, the five-year business plan is reviewed and updated annually as a forerunner to preparing the annual budget.

As directed by the City Council Policy on Fund Balance (No. B-12), the general fund maintains a committed fund balance equal to 20% of annual budget expenditures, \$13,052,990 at June 30, 2016. Additionally, the general fund had assigned fund balance of \$4,020,000 for unfunded retirement obligations and \$2,000,000 for economic uncertainty. The \$16,431,447 unassigned fund balance at June 30, 2016, provides resources for future needs. The city council periodically rebalances these assignments based on anticipated needs, which was most recently done on October 25, 2016. Based on recent analysis and information received to date, general fund revenue and expenditure projections for fiscal year 2016-17 are conservatively estimated. The City must continue to operate in a fiscally conservative manner and prioritize capital outlay expenditures based upon available funding.

In November 2008, the voters approved Proposition J, a twenty-year half-cent sales tax measure, intended to preserve essential City services and bridge the City's long-standing fiscal needs. A total of \$9,170,780 was collected in fiscal year 2015-16 as a result of Proposition J and was vital in maintaining essential services.

Transportation related maintenance and capital projects were primarily funded by Gas Tax, TransNet, and the General Fund. A combined total of \$8,977,330 was utilized to reconstruct and resurface major thoroughfares and local residential streets, and to maintain or improve street lights and traffic signals. Projects are prioritized based upon need and available funding.

Major Fiscal Issues

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan for its employees. Each year an independent actuary, engaged by the pension plan, calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations. As a matter of policy, the City fully funds each year's actuarially determined contribution to the pension plan. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded as part of the actuarially determined contribution. Employer retirement contribution rates for fiscal year 2015-16 were 33.761% for miscellaneous members and 47.459% for safety members. Employer rates are expected to increase for a number of reasons including investment returns lower than assumed and a proposed discount rate change; rate increases are taken into consideration in the five-year business plan. Although the Public Employees' Pension Reform Act (PEPRA) established new retirement benefit levels and limits for "new members" effective January 1, 2013, it will be many years before PEPRA impacts the employer contribution rate.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, the City obtains a biennial actuarial valuation of its liability for other post-employment benefits (OPEB). In 2007, the City began making contributions to the California Employee Retiree Benefit Trust (CERBT) fund to transition to pre-funding the OPEB obligation rather than continue the practice of pay-as-you-go.

Awards and Acknowledgements

The City has applied for and been awarded the certificate for *Outstanding Financial Reporting* from the California Society of Municipal Finance Officers (CSMFO) beginning with the fiscal year ended 2007. Due to a change in the CSMFO award program criteria, the City is no longer eligible to apply for and receive both the certificate for *Outstanding Financial Reporting* from CSMFO and the *Certificate of Achievement for Excellence* from GFOA in a single year, although we feel that this CAFR would also meet the criteria for the GFOA award. The City is also a CSMFO recipient of the *Excellence in Operating Budgeting*, having received this award every year beginning in fiscal year 1996-97.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedicated efforts of the Finance Department staff and the assistance of the City's auditors, Rogers, Anderson, Malody & Scott, LLP. In particular, we would like to express our appreciation to members of the Finance Department that prepared this report. We would also like to thank the Mayor and members of the City Council for their support and commitment to fiscal integrity and financial leadership.

Sincerely,



Douglas Williford
City Manager



Clay Schoen
Director of Finance

*California Society of
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting Award
Fiscal Year Ending June 30, 2015*

*Presented to the
City of El Cajon*

For meeting the criteria established to achieve the Outstanding Financial Reporting Award.

February 23, 2016



Jesse Takahashi

Jesse Takahashi
CSMFO President

Michael Gomez

Michael Gomez, Chair
Professional Standards and
Recognition Committee

Dedicated Excellence in Municipal Financial Reporting

CITY OF EL CAJON
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2016

Elected Officials

Mayor

Bill Wells

Councilmembers

Tony Ambrose

Star Bales

Gary Kendrick

W. E. "Bob" McClellan

Appointed Officials

City Manager

Douglas Williford

City Attorney

Morgan Foley

Management Team

Majed Al-Ghafry – Assistant City Manager

Belinda Hawley – City Clerk

Jeff Davis – Police Chief

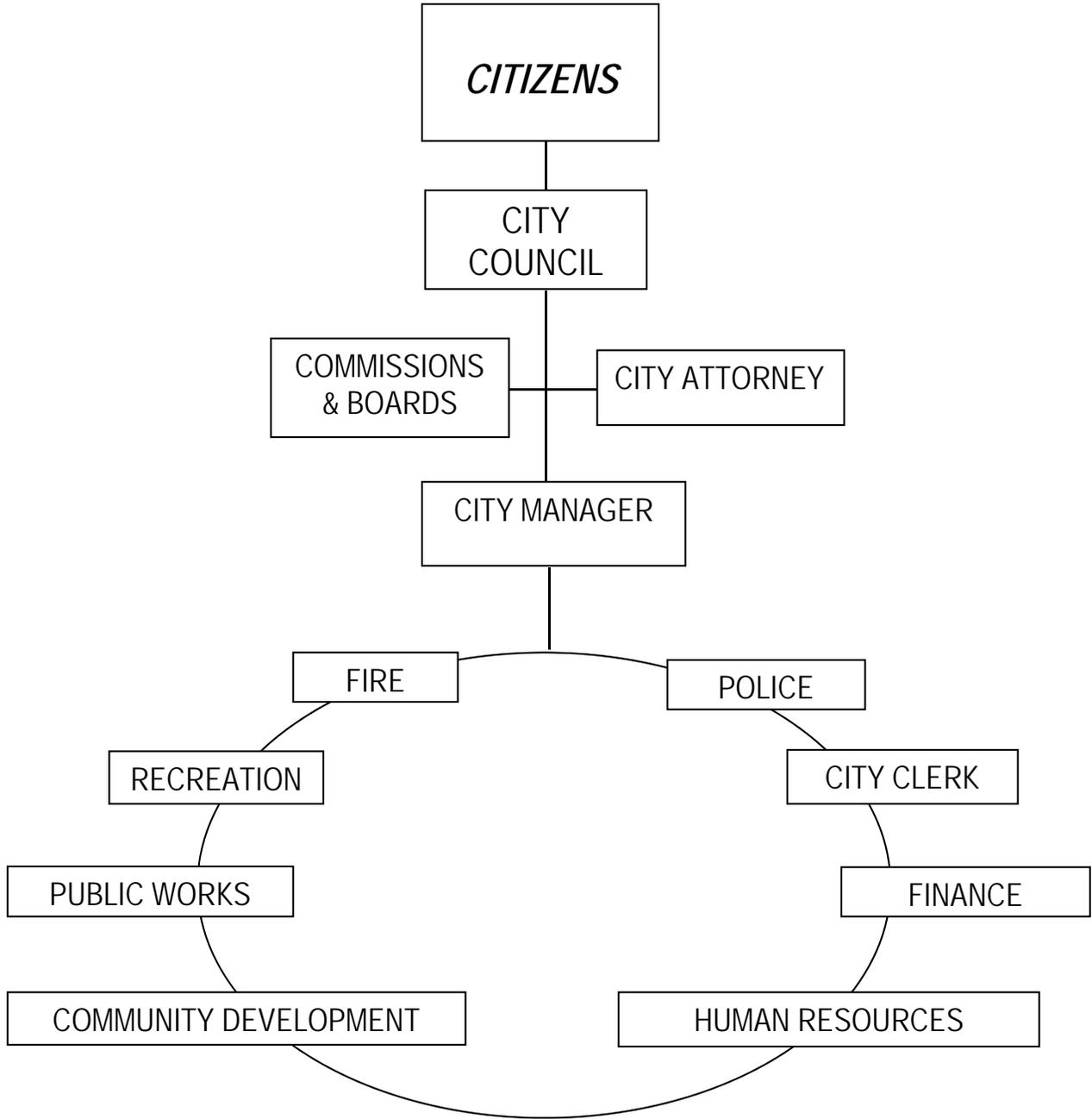
Rick Sitta – Fire Chief

Jim Lynch – Director of Human Resources

Sara Ramirez – Director of Recreation

Clay Schoen – Director of Finance

CITY OF EL CAJON
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2016



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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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To the Honorable Mayor and Members of the City Council
City of El Cajon, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Daniel Hernandez, CPA, MBA
Lisa Dongxue Guo, CPA, MSA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of El Cajon, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, nonmajor fund 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 nonmajor fund 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 the nonmajor fund 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of El Cajon, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of El Cajon, California's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
December 15, 2016

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CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

As management of the City of El Cajon, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The net position of the City increased \$11.4 million from operations, to \$240.6 million, during fiscal year ended June 30, 2016. Of this amount, governmental activities net position accounts for \$182.6 million, and business-type activities total \$58.0 million
- The City's government-wide total assets increased \$3.1 million during the fiscal year. The majority of the increase is related to an increase in cash and investments.
- The City's liabilities increased \$9.5 million from the prior fiscal year. This increase is primarily due to an increase in the net pension liability.
- At June 30, 2016, the City's governmental funds reported combined fund balances of \$93.6 million, a \$1.8 million decrease from the prior year. The governmental funds cash and investments balance at June 30, 2016, decreased \$3.5 million to \$69.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of El Cajon's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains certain required supplementary information, and optional supplementary information that presents combining statements for non-major governmental funds (special revenue, debt service and capital projects), enterprise funds, internal service funds, and fiduciary funds.

Government-wide financial statements. The *government-wide financial statements* (statement of net position and statement of activities) provide a broad overview of the City's finances, in a manner similar to private-sector businesses. The government-wide financial statements can be found in section C of this report.

The *statement of net position* presents information on all of the City's assets and liabilities, 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).

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety consisting of police and fire, public works, parks and recreation, community development and capital projects. The business-type activity of the City includes wastewater operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the El Cajon Public Financing Authority and the El Cajon Housing Authority, separate entities for which the City is financially accountable.

The relationships between the government-wide financial statements and the fund financial statements are summarized in the diagram that follows.

		GOVERNMENT-WIDE FINANCIAL STATEMENTS				This information is not presented in the Government-wide Financial Statements because it is not a required component.
		Statement of Net Position		Statement of Activities		
		Governmental Activities column	Business-type Activities column	Governmental Activities column	Business-type Activities column	
FUND FINANCIAL STATEMENTS	Governmental Funds	Balance Sheet	n/a	Statement of Revenues, Expenditures, and Changes in Fund Balance	n/a	n/a
	Proprietary Funds	Internal Service Funds	Enterprise Funds	Internal Service Funds	Enterprise Funds	
		Statement of Net Position	Statement of Net Position	Statement of Revenues, Expenses, and Changes in Fund Net Position	Statement of Revenues, Expenses, and Changes in Fund Net Position	Statement of Cash Flows
Fiduciary Funds	n/a	n/a	n/a	n/a	Statement of Fiduciary Net Position	

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 City's funds are 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.

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

The focus of the governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for the *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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, El Cajon Housing Authority Special Revenue Fund, and Public Safety Facilities Capital Projects and City Capital Improvement Projects Funds, all of which are considered to be major funds. These statements can be found in section D. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining* statements located in sections I, J, and K of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget in section F of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise* funds are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses an enterprise fund to account for its Wastewater activities. *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 Maintenance, Vehicle and Equipment Replacement, Self-insurance, Information Technology Replacement, and Other Post-Employment Benefits. These services predominantly benefit governmental rather than business-type functions, so they have been included with *governmental activities* in the government-wide financial statements. The proprietary fund financial statements can be found in sections D and L of this report. Individual fund data for each of the internal service funds is provided in the form of combining statements on section M.

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 statement because the resources of those funds are *not* available to support the City's own programs. The basis of accounting for these funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found in sections D and N.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in section E 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 and other post-employment benefits to its employees, and the General Fund's budgetary comparison schedule. Required supplementary information can be found in section F.

The combining statements are presented as other supplementary information. Combining and individual fund statements and schedules can be found in sections G through N.

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2016, the net position of the City totaled \$240.6 million, which represents an overall increase of \$11.4 million from the previous fiscal year.

City of El Cajon
Statement of Net Position
Data as of June 30, 2016 and 2015

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current & other assets	\$ 111,960,110	\$ 112,888,834	\$ 32,589,193	\$ 26,374,256	\$ 144,558,303	\$ 139,263,090
Capital assets, net	218,963,053	222,213,577	52,125,741	51,060,068	271,088,794	273,273,645
Total assets	330,932,163	335,102,411	84,714,934	77,434,324	415,647,097	412,536,735
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows	26,302,623	11,234,592	1,591,150	603,885	27,893,773	11,838,477
Total deferred outflows	26,302,623	11,234,592	1,591,150	603,885	27,893,773	11,838,477
LIABILITIES						
Long-term liabilities	8,660,590	16,488,600	15,946,388	12,883,934	24,606,978	29,372,534
Net pension liability	139,383,975	126,999,548	9,489,527	8,398,238	148,873,502	135,397,786
Other liabilities	4,378,894	3,255,167	1,365,614	1,663,109	5,744,508	4,918,276
Total liabilities	152,423,459	146,743,315	26,801,529	22,945,281	179,224,988	169,688,596
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows	22,169,810	23,897,832	1,535,388	1,583,668	23,705,198	25,481,500
Total deferred inflows	22,169,810	23,897,832	1,535,388	1,583,668	23,705,198	25,481,500
NET POSITION						
Net investment in capital assets	218,963,053	214,159,409	36,498,175	38,577,876	255,461,228	252,737,285
Restricted	58,121,515	65,833,008	231,764	261,645	58,353,279	66,094,653
Unrestricted	(94,443,051)	(95,862,129)	21,239,228	14,669,739	(73,203,823)	(89,626,822)
Total net position	\$ 182,641,517	\$ 175,695,856	\$ 57,969,167	\$ 53,509,260	\$ 240,610,684	\$ 229,205,116

Governmental activities long-term liabilities decreased due to the final debt service payment on the 2009 revenue bonds, while the business-type activities long-term liabilities increased from the additional State Water Resources Control Board loan draws for the Johnson Avenue Sewer Replacement Project.

The largest portion of the City's total net position (\$255.5 million) reflects the investment in capital assets such as land, buildings, machinery and equipment, less any outstanding debt used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

An additional portion of the City's net position (\$58.4 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position can be used for ongoing operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of June 30, 2016 unrestricted net position was negative \$73.2 million; however, this amount improved \$16.4 million from the previous fiscal year.

City of El Cajon
Statement of Activities
Data as of June 30, 2016 and 2015

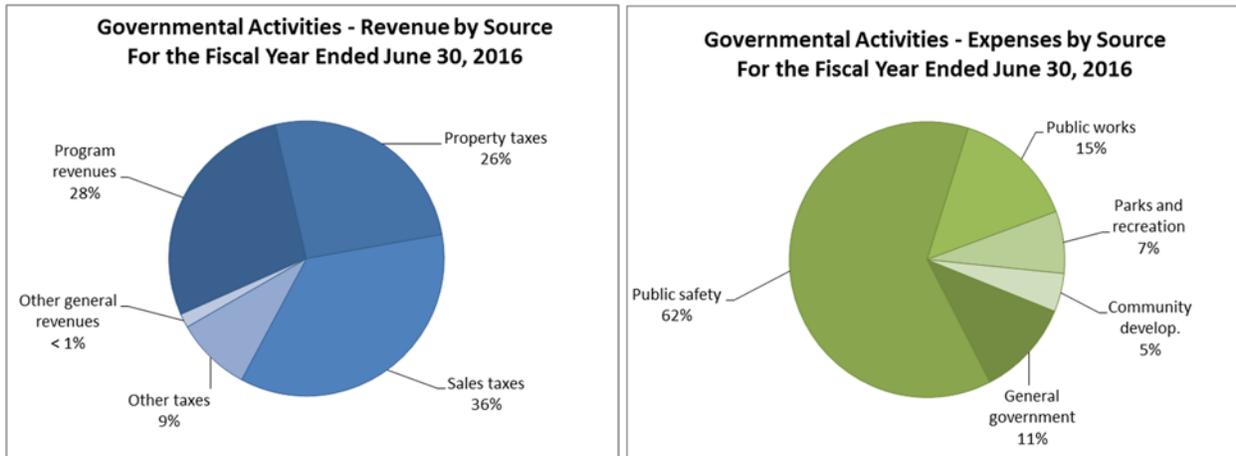
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	\$ 9,658,642	\$ 9,704,475	\$ 19,577,155	\$ 20,341,567	\$ 29,235,797	\$ 30,046,042
Operating grants & contributions	6,049,885	6,970,968	-	-	6,049,885	6,970,968
Capital grants & contributions	7,468,431	14,847,109	-	-	7,468,431	14,847,109
General revenues:						
Property taxes	21,396,116	21,360,064	-	-	21,396,116	21,360,064
Sales taxes	29,493,906	26,056,239	-	-	29,493,906	26,056,239
Other taxes	7,350,589	7,162,975	-	-	7,350,589	7,162,975
Intergovernmental	40,931	828,833	-	-	40,931	828,833
Interest earnings	599,306	54,446	187,377	69,455	786,683	123,901
Other	703,000	676,603	1,667,142	5,413,909	2,370,142	6,090,512
Special Item – payment to ATE's	-	(1,234,000)	-	-	-	(1,234,000)
Total revenues	82,760,806	86,427,712	21,431,674	25,824,931	104,192,480	112,252,643
EXPENSES						
General government	8,606,868	9,344,953	-	-	8,606,868	9,344,953
Public safety	47,292,321	45,235,084	-	-	47,292,321	45,235,084
Public works	10,984,725	10,806,104	-	-	10,984,725	10,806,104
Parks & recreation	5,526,453	5,526,542	-	-	5,526,453	5,526,542
Community development	3,501,648	2,906,824	-	-	3,501,648	2,906,824
Interest on long-term debt	174,542	483,777	-	-	174,542	483,777
Wastewater	-	-	16,700,355	15,867,424	16,700,355	15,867,424
Total expenses	76,086,557	74,303,284	16,700,355	15,867,424	92,786,912	90,170,708
Increase (decrease) in net position before transfers	6,674,249	12,124,428	4,731,319	9,957,507	11,405,568	22,081,935
Transfers	271,412	54,944	(271,412)	(54,944)	-	-
Change in net position	6,945,661	12,179,372	4,459,907	9,902,563	11,405,568	22,081,935
Net position, beginning	175,695,856	302,446,785	53,509,260	53,002,258	229,205,116	355,449,043
Prior period adjustment	-	(138,930,301)	-	(9,395,561)	-	(148,325,862)
Net position, beginning as restated	-	163,516,484	-	43,606,697	-	207,123,181
Net position, ending	\$ 182,641,517	\$ 175,695,856	\$ 57,969,167	\$ 53,509,260	\$ 240,610,684	\$ 229,205,116

CITY OF EL CAJON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the fiscal year ended June 30, 2016

Governmental activities. Net position increased by \$7.0 million during the fiscal year as a result of the City's governmental activities.

Key elements of these activities are as follows:

- Public safety capital grants & contributions decreased by \$7.5 million from the prior year primarily due to the conclusion of a special ½ cent sales tax assessment levied for public safety facilities.
- Sales taxes, the City's largest revenue sources, increased by \$3.4 million from the prior year, primarily as a result of a one-time increase due to the end of a state-mandated revenue swapping program, known as the Triple-Flip, as well as general improvement in the economy.
- Public safety expenses increased from last year by \$2.1 million primarily due to increased personnel costs.
- Public works operating grants and contributions decreased \$1.1 million due to a reduction in gas tax revenue, as well as higher revenues in the previous year resulting from the resolution of timing differences in billing.



Business-type activities. The City's business-type activities consist solely of the wastewater enterprise fund, which reported a net position of \$58.0 million at June 30, 2016. Charges for services decreased \$764,412 from the previous fiscal year, while expenses increased \$832,931. As a result of operating activity, revenues exceeded expenses by \$2.9 million. This improvement, along with \$1.7 million refund for billing adjustments from the Metropolitan Wastewater system, represents a change in net position of \$4.5 million.

The largest portion of the wastewater net position (\$36.5 million) reflects the investment in capital assets used to deliver wastewater services. Additionally, \$231,764 is restricted for debt service. The remaining balance of unrestricted net position can be used for ongoing operations without constraints established by enabling legislation or other legal requirements. As of June 30, 2016 unrestricted net position was \$21.2 million.

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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.

At June 30, 2016, the City's governmental funds reported combined fund balances of \$93.6 million, a decrease of \$1.8 million. Approximately 17.7% of this amount (\$16.6 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spending form (\$8,379), 2) restricted for particular purposes (\$31.4 million), 3) committed for particular purposes (\$13.1 million), and 4) assigned for particular purposes (\$32.6 million).

General Fund. This is the City's primary operating fund. As of June 30, 2016 unassigned fund balance of the General Fund was \$16.6 million, while the total fund balance was \$35.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 25.6% of total General Fund expenditures for the year.

El Cajon Housing Authority Special Revenue Fund. This fund accounts for the housing enforceable obligations of the former El Cajon Redevelopment Agency for the purpose of developing low to moderate income housing. As of June 30, 2016, the Housing Authority had assets of \$14.3 million, 76.3% of which were loans receivable.

Public Safety Facilities Capital Projects Fund. This fund accounts for activities associated with the construction or upgrade to police, fire, and animal control facilities. As of June 30, 2016, the ending fund balance was \$14.3 million, a decrease of \$5.2 million from the prior fiscal year. The special ½ cent sales tax assessment levied to fund this activity expired on March 31, 2015. Expenditures increased to \$142,794 although there has yet to be significant activity on other construction/renovation projects.

City Capital Improvement Program Projects Fund. This fund accounts for capital improvement activities related to City facilities. As of June 30, 2016, its second year as a major fund, total fund balance was \$12.2 million. This represents an increase of \$1.2 million from the previous fiscal year.

Non-Major Governmental Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The total ending fund balances for these funds was approximately \$17.8 million at June 30, 2016. Comparing this amount to the prior year, non-major governmental fund balance decreased by \$2.8 million.

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

Wastewater Enterprise Fund. This fund is used to account for activities where fees are charged to external users for wastewater services. Operating revenues decreased \$761,002 to \$19.6 million during the fiscal year; non-operating revenues contributed another \$1.8 million. Operating expenses totaled \$16.7 million, an \$807,322 increase from the previous year. As a result of this activity, net position increased by \$4.5 million. Net position as of June 30, 2016 was \$58.0 million.

CITY OF EL CAJON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the fiscal year ended June 30, 2016

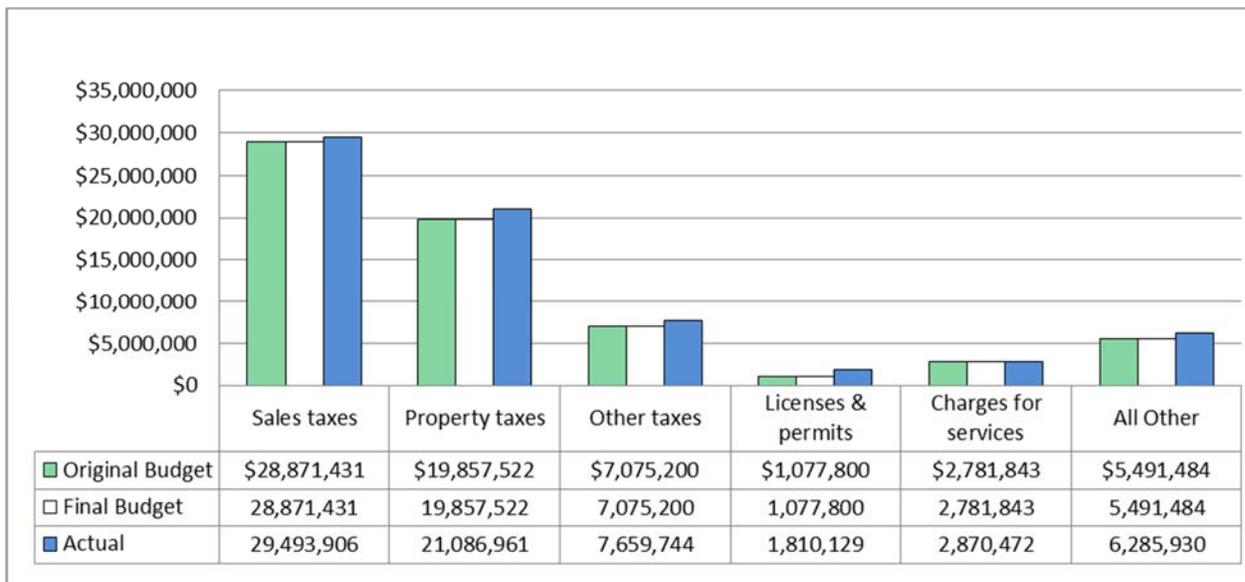
Internal Service Funds. These funds are used to account for the financing of goods or services provided by one fund/department to another fund/department on a cost-reimbursement basis. Additionally, two internal service funds are used to accumulate resources for the replacement of vehicles, equipment and information technology. The internal service funds net position at June 30, 2016, was \$10.6 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget anticipated General Fund revenues of \$65.2 million, expenditures of \$62.7 million, and other financing uses (transfers) of \$4.0 million. The following graphs depict the original budget, final budget, and actual results for General Fund revenues and expenditures.

Actual revenues performed better than budgetary expectations by approximately \$4.1 million. Total taxes accounted for \$2.4 million of this increase led by property taxes, which ended \$1.2 million over budget. Licenses and permits also exceeded expectations by \$732,329.

Comparison of General Fund Revenues: Budget vs. Actual for the fiscal year ended June 30, 2016

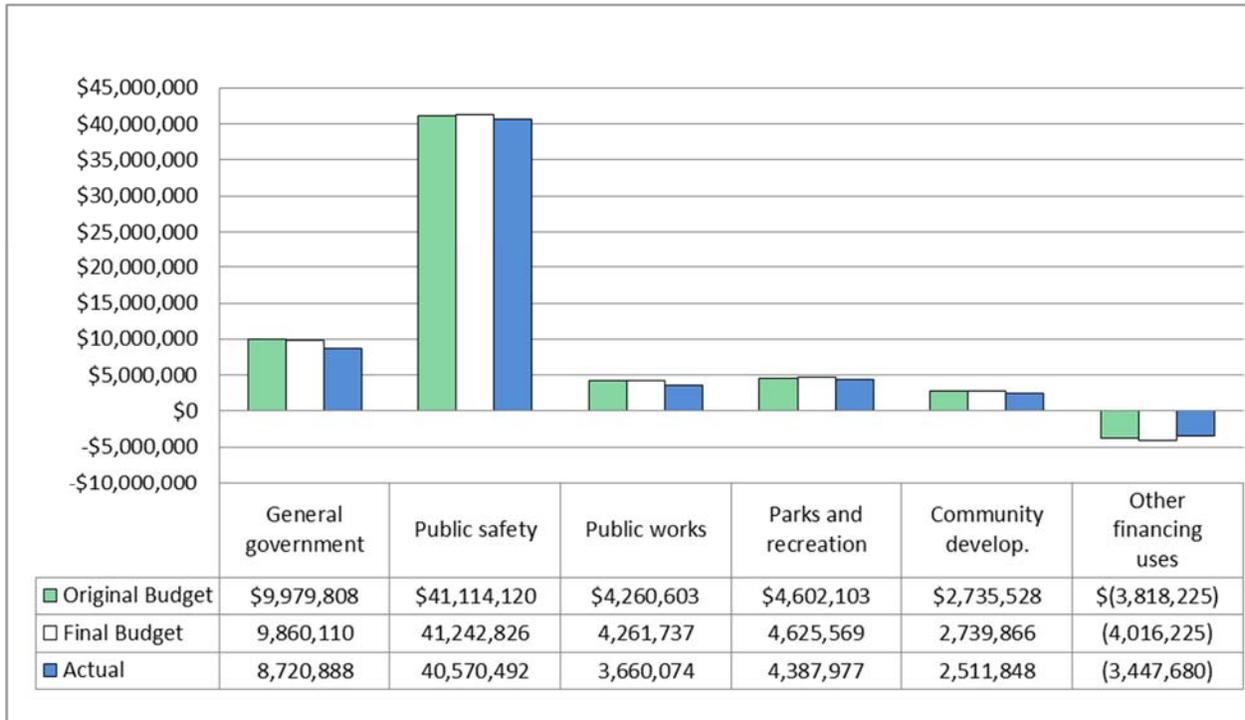


Actual expenditures were less than budget expectations by \$2.9 million. While budgetary savings were experienced throughout the General Fund, the largest contributors were the Public Works Department (14.1% under budget) and General Government (11.6% under budget).

The Budgetary Comparison Schedule showing more details of the General Fund original and final budgets can be found in the Required Supplementary Information section of this report.

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

Comparison of General Fund Expenditures: Budget vs. Actual for the fiscal year ended June 30, 2016



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets as of June 30, 2016, totaled over \$271.1 million, a decrease of \$2.2 million from the prior year. Additional information on the City's capital assets can be found in the notes to the financial statements.

City of El Cajon
Capital Assets (net of depreciation)
Comparative Data as of June 30, 2016 and 2015

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 22,694,588	\$ 22,658,588	\$ 82,300	\$ 82,300	\$ 22,776,888	\$ 22,740,888
Rights of way	31,190,652	31,190,652	-	-	31,190,652	31,190,652
Construction in Progress	5,162,842	2,087,303	889,309	6,338,426	6,052,151	8,425,729
Land improvements	4,297,122	4,998,013	-	-	4,297,122	4,998,013
Buildings & improvements	65,826,459	68,350,024	173,357	180,581	65,999,816	68,530,605
Machinery, equipment & vehicles	6,166,546	6,624,586	776,082	847,665	6,942,628	7,472,251
Interest in Mission Gorge Mains	-	-	7,911,031	8,095,009	7,911,031	8,095,009
Infrastructure	83,624,844	86,304,411	42,293,662	35,516,087	125,918,506	121,820,498
Total	\$ 218,963,053	\$ 222,213,577	\$ 52,125,741	\$ 51,060,068	\$ 271,088,794	\$ 273,273,645

CITY OF EL CAJON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016

Long-term debt. The City's long-term debt decreased \$4.9 million this fiscal year to \$15.6 million. The majority of the decrease is due to final debt service payment on the 2009 revenue bonds. Additional information on the City's debt can be found in the notes to the financial statements.

City of El Cajon
Long-Term Debt
Comparative Data as of June 30, 2016 and 2015

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds (including premium)	\$ -	\$ 7,774,168	\$ -	\$ -	\$ -	\$ 7,774,168
Notes payable	-	280,000	-	-	-	280,000
CA State Water Resources Loan	-	-	5,768,749	2,623,376	5,768,749	2,623,376
Obligation due to SD Metro WW	-	-	9,858,817	9,858,817	9,858,817	9,858,817
Total	\$ -	\$ 8,054,168	\$ 15,627,566	\$ 12,482,193	\$ 15,627,566	\$ 20,536,361

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered when preparing the City's General Fund budget for fiscal year 2016-17:

- The majority of sources of economic data report decreases in unemployment, growing Gross Domestic Product, improving real-estate markets, increasing taxable sales, and moderate inflation all signaling an improving economy marked by modest growth.
- The fiscal year 2016-17 General Fund budget expects revenues and other financing sources to increase a 3.6% over the prior year final budget. This growth is primarily due to general improvement in the economy.
- The General Fund expenditure and other financing uses budget for fiscal year 2016-17 reflects a 1.2% increase from the previous year's 2015-16 budget, and a \$2.4 million increase from 2015-16 estimated actual expenditures.

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional financial information, contact the City of El Cajon Finance Department, 200 Civic Center Way, El Cajon, CA 92020, (619) 441-1668 or visit the City's web site at www.cityofelcajon.us.

CITY OF EL CAJON
Statement of Net Position
June 30, 2016

	Governmental	Business-type	Totals	
	Activities	Activities	2016	2015
Assets:				
Cash and investments (note B)				
Cash and investments	\$ 81,572,093	\$ 28,554,929	\$ 110,127,022	\$ 103,539,086
Cash and investments, restricted	-	231,764	231,764	261,645
Cash and investments with fiscal agent	-	-	-	2,659,346
Receivables:				
Accounts, net of allowance for bad debt (note C)	580,349	3,739,863	4,320,212	4,469,147
Interest	175,525	62,637	238,162	148,941
Intergovernmental	1,085,007	-	1,085,007	1,065,716
Loans (note D)	21,181,308	-	21,181,308	22,021,331
Taxes	6,471,562	-	6,471,562	2,989,310
Prepaid items	903,266	-	903,266	874,568
Land held for resale (note E)	-	-	-	1,234,000
Capital assets, not being depreciated (note F):				
Land	22,694,588	82,300	22,776,888	22,740,888
Rights of way	31,190,652	-	31,190,652	31,190,652
Construction in progress	5,162,842	889,309	6,052,151	8,425,729
Capital assets, being depreciated, net (note F):				
Land improvements	4,297,122	-	4,297,122	4,998,013
Buildings and improvements	65,826,459	173,357	65,999,816	68,530,605
Machinery and equipment	2,487,710	12,124	2,499,834	2,808,694
Vehicles	3,678,836	763,958	4,442,794	4,663,557
Interest in Mission Gorge Mains	-	7,911,031	7,911,031	8,095,009
Infrastructure	83,624,844	42,293,662	125,918,506	121,820,498
Total assets	<u>330,932,163</u>	<u>84,714,934</u>	<u>415,647,097</u>	<u>412,536,735</u>
Deferred outflows of resources (note G):				
Deferred outflows	26,302,623	1,591,150	27,893,773	11,838,477
Total deferred outflows of resources	<u>26,302,623</u>	<u>1,591,150</u>	<u>27,893,773</u>	<u>11,838,477</u>
Combined assets and deferred outflows of resources	<u>\$ 357,234,786</u>	<u>\$ 86,306,084</u>	<u>\$ 443,540,870</u>	<u>\$ 424,375,212</u>
Liabilities:				
Accounts payable	\$ 2,219,246	\$ 1,015,442	\$ 3,234,688	\$ 2,349,798
Accrued interest payable	-	39,459	39,459	132,262
Accrued liabilities	1,750,736	89,687	1,840,423	1,695,053
Deposits payable	235,464	221,026	456,490	423,472
Unearned revenue	173,448	-	173,448	317,691
Long-term liabilities (note I):				
Due within one year	3,950,400	282,242	4,232,642	12,093,668
Due in more than one year	4,710,190	15,664,146	20,374,336	17,278,866
Net pension liability (note L)	139,383,975	9,489,527	148,873,502	135,397,786
Total liabilities	<u>152,423,459</u>	<u>26,801,529</u>	<u>179,224,988</u>	<u>169,688,596</u>
Deferred inflows of resources (note J):				
Deferred inflows	22,169,810	1,535,388	23,705,198	25,481,500
Total deferred inflows of resources	<u>22,169,810</u>	<u>1,535,388</u>	<u>23,705,198</u>	<u>25,481,500</u>
Combined liabilities and deferred inflows of resources	<u>174,593,269</u>	<u>28,336,917</u>	<u>202,930,186</u>	<u>195,170,096</u>
Net position:				
Net investment in capital assets	218,963,053	36,498,175	255,461,228	252,737,285
Restricted for:				
Public safety facility project fund	14,327,325	-	14,327,325	19,547,997
Public safety	1,901,527	-	1,901,527	2,342,966
Public works	17,503,390	-	17,503,390	16,507,263
Parks and recreation	177,139	-	177,139	438,609
Community development	24,212,134	-	24,212,134	24,336,827
Debt service	-	231,764	231,764	2,920,991
Unrestricted	(94,443,051)	21,239,228	(73,203,823)	(89,626,822)
Total net position	<u>\$ 182,641,517</u>	<u>\$ 57,969,167</u>	<u>\$ 240,610,684</u>	<u>\$ 229,205,116</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Statement of Activities
For the fiscal year ended June 30, 2016

Functions/Programs:	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Community development	\$ 3,501,648	\$ 1,962,232	\$ 1,613,789
General government	8,606,868	1,824,092	51,994
Parks and recreation	5,526,453	843,635	32,635
Public safety	47,292,321	3,829,943	1,911,999
Public works	10,984,725	1,198,740	2,439,468
Interest on long-term debt	174,542	-	-
	76,086,557	9,658,642	6,049,885
Business-type activities:			
Wastewater	16,700,356	19,577,156	-
	16,700,356	19,577,156	-
Total	\$ 92,786,913	\$ 29,235,798	\$ 6,049,885

General revenues:

Taxes

Property taxes

Sales taxes

Franchise taxes

Transient lodging taxes

Business license taxes

Intergovernmental (unrestricted)

Investment earnings

Other

Special item - payment to Affected Taxing Entities

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment

Net position, beginning as restated

Net position, ending

The accompanying notes are an integral part of these financial statements.

Program Revenues Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		Totals	
	Governmental Activities	Business-type Activities	2016	2015
\$ 3,008,315	\$ 3,082,688	\$ -	\$ 3,082,688	\$ 3,581,804
-	(6,730,782)	-	(6,730,782)	(7,739,300)
496,091	(4,154,092)	-	(4,154,092)	(4,499,023)
227,358	(41,323,021)	-	(41,323,021)	(31,193,951)
3,736,667	(3,609,850)	-	(3,609,850)	(2,446,485)
-	(174,542)	-	(174,542)	(483,777)
<u>7,468,431</u>	<u>(52,909,599)</u>	<u>-</u>	<u>(52,909,599)</u>	<u>(42,780,732)</u>
-	-	2,876,800	2,876,800	4,474,143
-	-	2,876,800	2,876,800	4,474,143
<u>\$ 7,468,431</u>	<u>(52,909,599)</u>	<u>2,876,800</u>	<u>(50,032,799)</u>	<u>(38,306,589)</u>
	21,396,116	-	21,396,116	21,360,064
	29,493,906	-	29,493,906	26,056,239
	5,196,514	-	5,196,514	5,044,461
	1,378,472	-	1,378,472	1,330,117
	775,603	-	775,603	788,397
	40,931	-	40,931	828,833
	599,306	187,377	786,683	123,901
	703,000	1,667,142	2,370,142	6,090,512
	-	-	-	(1,234,000)
	<u>271,412</u>	<u>(271,412)</u>	<u>-</u>	<u>-</u>
	<u>59,855,260</u>	<u>1,583,107</u>	<u>61,438,367</u>	<u>60,388,524</u>
	6,945,661	4,459,907	11,405,568	22,081,935
	175,695,856	53,509,260	229,205,116	355,449,043
	-	-	-	(148,325,862)
	<u>175,695,856</u>	<u>53,509,260</u>	<u>229,205,116</u>	<u>207,123,181</u>
	<u>\$ 182,641,517</u>	<u>\$ 57,969,167</u>	<u>\$ 240,610,684</u>	<u>\$ 229,205,116</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF EL CAJON

Balance Sheet Governmental Funds June 30, 2016

	General	Special Revenue	Capital Projects		Non-Major	Total Governmental Funds
		Housing Authority	Public Safety Facilities Project	City Capital Improvement Program Project		
Assets:						
Cash and investments (note B)	\$ 30,688,388	\$ 3,376,665	\$ 14,393,053	\$ 12,577,554	\$ 8,276,218	\$ 69,311,878
Receivables:						
Accounts (note C)	580,349	-	-	-	-	580,349
Interest	127,876	7,570	32,253	-	7,826	175,525
Intergovernmental	-	-	-	-	1,085,007	1,085,007
Loans (note D)	227,852	10,901,832	-	-	10,051,332	21,181,016
Taxes	6,438,514	-	-	-	33,048	6,471,562
Prepaid items	8,379	-	-	-	-	8,379
Due from other funds (note H)	668,587	-	-	-	-	668,587
Total assets	\$ 38,739,945	\$ 14,286,067	\$ 14,425,306	\$ 12,577,554	\$ 19,453,431	\$ 99,482,303
Liabilities:						
Accounts payable	\$ 675,730	\$ 1,954	\$ 97,571	\$ 402,770	\$ 968,181	\$ 2,146,206
Accrued liabilities	1,680,727	-	410	-	45,190	1,726,327
Deposits payable	235,464	-	-	-	-	235,464
Due to other funds (note H)	-	-	-	-	668,587	668,587
Unearned revenue	173,448	-	-	-	-	173,448
Total liabilities	2,765,369	1,954	97,981	402,770	1,681,958	4,950,032
Deferred inflows of resources:						
Deferred inflows (note J)	319,852	578,088	-	-	-	897,940
Total deferred inflows of resources	319,852	578,088	-	-	-	897,940
Fund balance (note K):						
Nonspendable	8,379	-	-	-	-	8,379
Restricted	-	13,706,025	-	-	17,662,365	31,368,390
Committed	13,052,990	-	-	-	-	13,052,990
Assigned	6,020,000	-	14,327,325	12,174,784	111,358	32,633,467
Unassigned	16,573,355	-	-	-	(2,250)	16,571,105
Total fund balance	35,654,724	13,706,025	14,327,325	12,174,784	17,771,473	93,634,331
Total liabilities, deferred inflows of resources and fund balance	\$ 38,739,945	\$ 14,286,067	\$ 14,425,306	\$ 12,577,554	\$ 19,453,431	\$ 99,482,303

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Governmental Funds
June 30, 2016

Fund balances of governmental funds (page D-1)	\$ 93,634,331
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Capital assets	353,283,875
Accumulated depreciation	(137,505,491)
Prepaid expense (net OPEB asset) that are expended in governmental funds when paid and are recorded as an asset for the purposes of the statement of net position.	
	894,887
Accrued interest receivable for the current portion of interest due on loans receivable that has not been reported in the governmental funds.	
	292
Compensated absences payable are expended in the governmental funds when paid and are recorded as a liability for the purposes of the statement of net position.	
	(6,821,543)
Pension related adjustments that are not financial resources and, therefore, not reported in the governmental funds.	
Deferred outflows of resources	25,825,509
Deferred inflows of resources	(20,796,413)
Net pension liability	(136,445,392)
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position:	
Capital assets	11,203,804
Accumulated depreciation	(8,019,135)
Deferred outflows	477,114
Compensated absences	(82,905)
Claims payable	(1,756,142)
Deferred inflows	(475,457)
Net pension liability	(2,938,583)
Other assets and liabilities	<u>12,162,766</u>
Net position of governmental activities (page C-1)	<u><u>\$ 182,641,517</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Statement of Revenues, Expenditures and Change in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2016

	General	Special Revenue	Capital Projects		Non-Major	Total Governmental Funds
		Housing Authority	Public Safety Facilities Project	City Capital Improvement Program Project		
Revenues:						
Charges for services	\$ 5,165,405	\$ -	\$ -	\$ -	\$ -	\$ 5,165,405
Intergovernmental	844,211	-	-	-	6,106,673	6,950,884
Investment earnings	599,306	43,279	101,202	-	25,013	768,800
Licenses and permits	1,810,129	-	-	-	-	1,810,129
Other	5,084,544	735	-	1,279,287	1,164,339	7,528,905
Taxes	58,617,999	-	126,155	-	2,173,900	60,918,054
Total revenues	72,121,594	44,014	227,357	1,279,287	9,469,925	83,142,177
Expenditures:						
Current						
Community development	2,511,848	220,839	-	-	503,859	3,236,546
General government	8,720,888	-	-	-	-	8,720,888
Parks and recreation	4,910,807	-	-	-	202,310	5,113,117
Public safety	44,962,146	-	-	-	417,312	45,379,458
Public works	3,660,074	-	-	-	2,035,103	5,695,177
Capital outlay	-	-	142,794	2,552,172	6,212,205	8,907,171
Debt service						
Interest	-	-	-	-	174,542	174,542
Principal	-	-	-	-	7,990,000	7,990,000
Total expenditures	64,765,763	220,839	142,794	2,552,172	17,535,331	85,216,899
Excess (deficiency) of revenues over (under) expenditures	7,355,831	(176,825)	84,563	(1,272,885)	(8,065,406)	(2,074,722)
Other financing sources (uses):						
Transfers in	193,976	-	-	2,553,067	9,680,022	12,427,065
Transfers out	(2,448,000)	-	(5,305,235)	(35,046)	(4,367,372)	(12,155,653)
Total other financing sources (uses)	(2,254,024)	-	(5,305,235)	2,518,021	5,312,650	271,412
Net change in fund balances	5,101,807	(176,825)	(5,220,672)	1,245,136	(2,752,756)	(1,803,310)
Fund balances, beginning	30,552,917	13,882,850	19,547,997	10,929,648	20,524,229	95,437,641
Fund balances, ending	\$ 35,654,724	\$ 13,706,025	\$ 14,327,325	\$ 12,174,784	\$ 17,771,473	\$ 93,634,331

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Governmental Funds

For the fiscal year ended June 30, 2016

Net changes in fund balances - total governmental funds (page D-3)	\$ (1,803,310)
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 excluding the internal service funds exceeded depreciation in the current period.	
Capital outlay	5,324,486
Depreciation expense	(8,386,396)
The statement of net position includes the current portion of interest from loans receivable.	(2,217)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Revenue bond	7,710,000
Revenue bond issuance premium	64,168
Note payable	280,000
The statement of net position includes accrued interest payable on long term debt.	132,262
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(405,114)
Net difference in current year pension plan contribution and pension plan expense as of the measurement date.	3,274,562
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	22,088
Internal service funds are not governmental funds. However, they are used by management to charge the net costs of certain activities such as insurance, vehicle maintenance and replacement, information technology replacement to individual governmental funds. The net expense of the internal service funds is reported with governmental activities.	735,132
Changes in net position of governmental activities (page C-3)	<u>\$ 6,945,661</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Statement of Net Positions
Proprietary Funds
June 30, 2016

	Business-type Activity Enterprise Fund <u>Wastewater</u>	Governmental Activities Internal Service Funds
Assets and deferred outflows of resources:		
Current assets:		
Cash and investments (note B)		
Cash and investments	\$ 28,554,929	\$ 12,260,215
Cash and investments, restricted	231,764	-
Receivables:		
Accounts, net of allowance for bad debt (note C)	3,739,863	-
Interest	62,637	-
Total current assets	<u>32,589,193</u>	<u>12,260,215</u>
Non-current assets:		
Capital assets, not being depreciated (note F):		
Land	82,300	-
Construction in progress	889,309	-
Capital assets, being depreciated, net (note F):		
Buildings and improvements	173,357	-
Machinery and equipment	12,124	190,567
Vehicles	763,958	2,994,102
Interest in Mission Gorge Mains	7,911,031	-
Infrastructure	42,293,662	-
Total non-current assets	<u>52,125,741</u>	<u>3,184,669</u>
Deferred outflows of resources (note G):		
Deferred outflows of resources related to pensions	1,591,150	477,114
Total deferred outflows of resources	<u>1,591,150</u>	<u>477,114</u>
Total assets and deferred outflows of resources	<u>86,306,084</u>	<u>15,921,998</u>
Liabilities and deferred inflows of resources:		
Current liabilities:		
Accounts payable	1,015,442	73,040
Accrued interest payable	39,459	-
Accrued liabilities	89,687	24,409
Claims payable-current (note P)	-	500,000
Compensated absences payable (note I)	113,900	45,570
Deposits payable	221,026	-
California State Water Resources Control Board (note I)	168,342	-
Total current liabilities	<u>1,647,856</u>	<u>643,019</u>
Non-current liabilities:		
Claims payable (note P)	-	1,256,142
Compensated absences payable (note I)	204,922	37,335
California State Water Resources Control Board (note I)	5,600,407	-
San Diego Metropolitan Wastewater System (note I)	9,858,817	-
Net pension liability (note L)	9,489,527	2,938,583
Total non-current liabilities	<u>25,153,673</u>	<u>4,232,060</u>
Deferred inflows of resources (note J):		
Deferred inflows of resources related to pensions	1,535,388	475,457
Total deferred inflows of resources	<u>1,535,388</u>	<u>475,457</u>
Total liabilities and deferred inflows of resources	<u>28,336,917</u>	<u>5,350,536</u>
Net positions:		
Net investment in capital assets	36,498,175	3,184,669
Restricted	231,764	-
Unrestricted	<u>21,239,228</u>	<u>7,386,793</u>
Total net positions	<u>\$ 57,969,167</u>	<u>\$ 10,571,462</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Statement of Revenues, Expenses and Change in Fund Net Positions
Proprietary Funds
For the fiscal year ended June 30, 2016

	Business-type Activity Enterprise Fund <u>Wastewater</u>	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services	\$ 19,577,156	\$ 6,540,110
Fines	9,410	-
Total operating revenues	<u>19,586,566</u>	<u>6,540,110</u>
Operating expenses:		
Salaries and benefits	2,887,643	2,374,947
Materials, services and supplies	12,133,349	1,996,004
Insurance claims/premiums	-	656,323
Depreciation	1,646,830	815,334
Total operating expenses	<u>16,667,822</u>	<u>5,842,608</u>
Operating income (loss)	<u>2,918,744</u>	<u>697,502</u>
Non-operating revenues (expenses):		
Investment earnings	187,377	-
Other revenue	1,654,582	18,235
Gain on disposal of assets	3,150	19,395
Interest expense	(32,534)	-
Total non-operating revenues (expenses)	<u>1,812,575</u>	<u>37,630</u>
Income (loss) before operating transfers	<u>4,731,319</u>	<u>735,132</u>
Operating transfers:		
Transfers out	(271,412)	-
Total operating transfers	<u>(271,412)</u>	<u>-</u>
Change in net positions	4,459,907	735,132
Net positions, beginning	<u>53,509,260</u>	<u>9,836,330</u>
Net positions, ending	<u>\$ 57,969,167</u>	<u>\$ 10,571,462</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2016

	Business-type Activity Enterprise Fund Wastewater	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and charges to other funds	\$ 19,769,689	\$ 6,540,110
Payments to suppliers	(12,284,192)	(2,975,991)
Payments to employees	(3,119,630)	(1,939,633)
Net cash provided by operating activities	4,365,867	1,624,486
Cash flows from noncapital financing activities:		
Other revenue	1,654,582	18,235
Transfer out to other funds	(3,491)	-
Net cash provided by noncapital financing activities	1,651,091	18,235
Cash flows from capital and related financing activities:		
Proceeds from long term borrowing	3,136,584	-
Proceeds from sale of vehicles and equipment	3,150	25,298
Acquisitions of infrastructure, machinery and equipment	(2,696,789)	(632,623)
Transfer out to other funds	(267,921)	-
Net cash (used for) capital and related financing activities	175,024	(607,325)
Cash flows from investing activities:		
Interest and dividends received	154,984	-
Net cash provided by investing activities	154,984	-
Net increase in cash and cash equivalents	6,346,966	1,035,396
Cash and cash equivalents, beginning	22,439,727	11,224,819
Cash and cash equivalents, ending	\$ 28,786,693	\$ 12,260,215
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,918,744	\$ 697,502
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,646,830	815,334
Pension related adjustments	55,744	485,035
Changes in assets and liabilities:		
Decrease in accounts receivable, net of allowance for bad debt	164,233	-
Decrease in taxes receivable	189	-
Increase (decrease) in accounts payable	13,157	(194,523)
Increase (decrease) in accrued liabilities	(204,812)	94
(Decrease) in claims payable	-	(129,141)
Increase in deposits payable	18,701	-
(Decrease) in unearned revenue	(164,000)	-
(Decrease) in compensated absences payable	(82,919)	(49,815)
Net cash provided by (used for) operating activities	\$ 4,365,867	\$ 1,624,486
Noncash investing, capital, and financing activities:		
Interest payable on long term borrowing	\$ 32,534	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAJON
Statement of Fiduciary Net Position (Deficit)
Fiduciary Funds
June 30, 2016

	Agency Funds	Private Purpose Trust Fund Successor Agency to the Former El Cajon Redevelopment Agency	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 3,243,094	\$ 2,075,654	\$ 5,318,748
Cash with fiscal agent	-	6,055,273	6,055,273
Receivables:			
Accounts	174,658	-	174,658
Interest	7,281	7,084	14,365
Loans	-	2,550,000	2,550,000
Prepays	-	128,602	128,602
Assets held for resale	-	5,503,599	5,503,599
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,425,033</u>	<u>\$ 16,320,212</u>	<u>\$ 19,745,245</u>
Liabilities:			
Accounts payable	\$ 91,675	\$ 24,361	\$ 116,036
Accrued liabilities	52,440	-	52,440
Interest payable	-	767,544	767,544
Unearned revenue	157,835	-	157,835
Long-term debt	-	58,587,325	58,587,325
Sundry agency liabilities	3,123,083	-	3,123,083
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 3,425,033</u>	<u>59,379,230</u>	<u>62,804,263</u>
Net position (deficit):			
Held in trust for Successor Agency to the El Cajon Redevelopment Agency		<u>\$ (43,059,018)</u>	<u>\$ (43,059,018)</u>

The accompanying notes are an integral part of these financial statements.

City of El Cajon
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the fiscal year ended June 30, 2016

	Private Purpose Trust Fund
	Successor Agency to the Former El Cajon Redevelopment Agency
ADDITIONS:	
Property taxes	\$ 5,450,779
Intergovernmental	22,689
Investment earnings	29,046
(Loss) from assets held for resale	(1,248,672)
Total additions	4,253,842
 DEDUCTIONS:	
Administrative expenses	75,090
Program/project expenses	2,342,166
Payments to affected taxing entities	1,639,947
Interest and fiscal agent expenses	3,196,391
Total deductions	7,253,594
Change in net position	(2,999,752)
Net position (deficit), beginning	(40,059,266)
Net position (deficit), ending	\$ (43,059,018)

The accompanying notes are an integral part of these financial statements.

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CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of El Cajon have been prepared in conformity with generally accepted accounting principles in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. Reporting entity

The City of El Cajon (City), which was established on November 12, 1912, is a legal subdivision of the State of California charged with governmental powers. The City's powers are exercised through a five member City Council which serves as its governing body. As required by generally accepted accounting principles in the United States of America (GAAP), the accompanying financial statements present the activities of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

2. Component units

Because of their relationship with the City and the nature of their operations, component units are, in substance, part of the City's operations and, accordingly, the activities of these component units are blended with the activities of the City for purposes of reporting in the accompanying basic financial statements. While each of these component units is legally separate from the City, the City is financially accountable for these entities. Financial accountability is demonstrated by the City Council acting as the governing board for each of the component units.

Descriptions of the City's blended component units are as follows:

El Cajon Housing Authority

The City Council adopted Resolution No. 32-11 on March 9, 2011, declaring the need for the El Cajon Housing Authority (Housing Authority), pursuant to Health and Safety Code Section 34200 et. seq. The City Council serves as the Commissioners of the Housing Authority. On January 24, 2012, the Commissioners appointed certain City staff to serve as officials of the Housing Authority, and authorized the Housing Authority to accept the housing assets and enforceable obligations from the former El Cajon Redevelopment Agency. There are no separately issued financial statements for the Housing Authority.

El Cajon Public Financing Authority

The El Cajon Public Financing Authority (ECPFA) is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement (JPA Agreement), dated as of November 9, 2004, between the City and the former Redevelopment Agency. The JPA Agreement was entered into pursuant to the California Government Code, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of aiding the financing of projects for the City and the former Redevelopment Agency. A five-member Board governs the Authority. The City's council members constitute the Board of the Authority. Separately issued financial statements may be obtained from ECPFA, c/o City of El Cajon, Finance Department, 200 Civic Center Way, El Cajon, CA 92020.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Component units (continued)

The following entity is not considered a component unit of the City of El Cajon.

Successor Agency to the Former El Cajon Redevelopment Agency

The Successor Agency to the Former El Cajon Redevelopment Agency (Successor Agency) operates under the auspices of a legislatively formed Oversight Board comprised of representatives of the affected taxing entities of the redevelopment project area. The Oversight Board, in its fiduciary capacity, has authority over the operations and the timely dissolution of the former Redevelopment Agency. It is tasked with fulfilling the obligations of the former Redevelopment Agency, including but not limited to maintaining necessary bond reserves and disposing of excess property. Separately issued financial statements can be obtained from the Successor Agency, c/o City of El Cajon Finance Department, 200 Civic Center Way, El Cajon, CA 92020.

3. Basic financial statements

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government (the City) and its blended component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Included in direct expenses are certain incidental indirect costs. These indirect costs are not reported separately and, as such, are included as part of the program expense reported for the individual functions and activities.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary (agency and private-purpose trust) funds and blended component units. Separate statements for each fund category-*governmental*, *proprietary*, and *fiduciary*-are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basic financial statements (continued)

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Major Funds

The City's major governmental and business-type funds are presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of fund-type.

Major governmental funds are defined as funds that meet both of the following criteria:

Ten percent criterion – Any governmental fund that reports at least 10 percent of *any* of the following: total governmental fund assets; total governmental fund liabilities; total governmental fund revenues; or total governmental fund expenditures.

Five percent criterion – Any individual governmental fund that reports at least 5 percent of the total for both governmental and *enterprise* funds of any one of the items for which it met the 10 percent criterion above.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund. The General Fund is always a major fund. This is the City's primary operating fund. This fund accounts for all financial resources except those required to be accounted for in another fund. The fund will continue to exist indefinitely.

The General Fund information presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds, are presented in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As such, two Special Revenue Funds are included with the General Fund, namely, Emergency Medical Services and Recreation Special Programs. The combination of these funds with the General Fund is presented in the Supplementary Information section in these financial statements.

El Cajon Housing Authority Special Revenue Fund. This fund accounts for the housing enforceable obligations of the former El Cajon Redevelopment Agency for the purpose of developing low to moderate income housing.

Public Safety Facilities Capital Project Fund. This fund accounts for monies to be utilized for construction of public safety facilities throughout the City.

City Capital Improvement Program. This fund accounts for repairs, improvements and the preservation of City owned facilities and equipment, additional public buildings and the acquisition of land.

The City reports the following major enterprise fund:

Wastewater. This fund primarily accounts for the sanitary sewer disposal and maintenance of the City's sewer lines and related facilities. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basic financial statements (continued)

The City also reports the following fund types:

Internal Service Funds. These funds account for the maintenance, operation, and fueling of the City's automotive equipment, replacement of the City's automotive equipment, replacement of the City's information technology equipment and systems, payment of liability premiums and insurance claims both current and future, and post-employment benefits, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. These funds account for assets held by the City in a purely custodial capacity for other funds, governments or individuals, and are not included in the Government-Wide Statements.

4. Basis of accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic-resources measurement focus* and the *full accrual* basis of accounting, although Agency Funds have no measurement focus. Revenues are recorded when *earned* and expenses are recorded at the same time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds financial statements are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end for such items as property taxes, sales taxes, and transient occupancy taxes. Intergovernmental revenues received as a reimbursement of expenditures are considered available if collected within six months of year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*. The City allocates certain indirect expenses incurred by the general government activity to those activities that benefit.

5. Implementation of New Governmental Accounting Standards Board (GASB) Pronouncement

Beginning with the fiscal year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement requires the use of valuation techniques using one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Implementation of New Governmental Accounting Standards Board (GASB) Pronouncement (cont'd)

The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets, Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, and Level 3 inputs are significant unobservable inputs.

6. Property taxes

The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of El Cajon. The City's current year tax collection is received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on the property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal Year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuations. Taxable values of properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

7. Budgetary information

Budgets are generally prepared on a basis consistent with generally accepted accounting principles (GAAP), with the exception of General Fund and two funds which were considered special revenue funds prior to the implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. These three funds are budgeted as separate individual funds, but are consolidated into the General Fund for financial reporting purposes. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the City Manager, and a preliminary budget that is transmitted from the City Manager to the City Council for its review before the required date of adoption. Once transmitted to the City Council, the preliminary budget is made available for inspection. Prior to adoption, a budget workshop meeting is held by the City Council. Additionally, a public hearing is held to give the public the opportunity to comment upon the preliminary budget. Notice of such public hearing is given in a newspaper of general circulation.

The approval of the budget is accomplished by the adoption of a Budget Resolution by the City Council, prior to the beginning of the fiscal year. The level of budgetary control is at the department level. For purposes of this requirement, each fund, other than the General Fund, is considered to be a separate department. The City Manager is authorized to transfer appropriations within a departmental budget. Any appropriations transfers between funds require City Council approval. Appropriations lapse at year-end to the extent that they have not been expended. All governmental funds have appropriated adopted annual budgets except for all capital projects funds and the following special revenue funds: CDBG, HOME and Various Donations.

8. Encumbrances

Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. A listing of significant encumbrances outstanding at year-end is included in Note P – Commitments and Contingencies.

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Claims and judgments

The City provides for public liability claims and judgments through its self-insurance fund. The costs of claims and judgments are recorded when the liability is incurred and measurable. The City also purchases excess public liability insurance above self-insured retention amounts.

10. Cash and cash equivalents

City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

11. Investments

In accordance with GASB Statement No. 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

In the accompanying financial statements, investments are stated at fair value except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. In the fund financial statements, changes in fair value that occur during a fiscal year are recognized as "Investment earnings" reported for the fiscal year. "Investment earnings" includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

12. Prepaid items

Prepaid items represent expenses paid late in the current fiscal year for services to be provided early in the following fiscal year.

13. Capital assets

Capital assets, which include land; buildings and improvements; machinery and equipment; interest in Mission Gorge Mains and infrastructure assets (i.e., roads, bridges, curbs and gutters, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as those with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at acquisition value on the date contributed.

The estimated useful lives of capital assets using the straight-line method of depreciation are as follows:

Category	Useful Life
Infrastructure	20 - 60 years
Buildings and improvements	10 - 50 years
Machinery and equipment	2 - 20 years
Interest in Mission Gorge Mains	60 years

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Improvements are capitalized and depreciated (if applicable) over the remaining useful lives of the related capital assets. Capital assets and the related obligations acquired under lease/purchase agreements, if any, are capitalized and accounted for in accordance with the FASB Codification.

14. Interfund transactions and balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered and are recorded as transfers in or out.

15. Deferred Outflows or Inflows of Resources

Deferred Outflows of Resources. This is the consumption of net assets by the government that is applicable to a future reporting period and has a positive effect on net position, similar to assets.

Deferred Inflows of Resources. This is an acquisition of net assets by the government that is applicable to a future reporting period and has a negative effect on net position, similar to liabilities.

16. Fund balances

The components of the fund balances of governmental funds now reflect the classifications as described below.

Nonspendable fund balance – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance – includes amounts that can be used only for specific purposes as determined the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment, which may be done in conjunction with the adoption of the annual budget resolution, or by a separate action taken during a properly noticed City Council meeting.

Assigned fund balance – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Manager is the designated official for establishing fund balance assignments per City Council Policy No. B-12, Fund Balance.

Unassigned fund balance – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City Council Policy on Fund Balance (No. B-12) also establishes the order of use of unrestricted fund balance. Committed amounts should be reduced first, followed by assigned amounts, then the unassigned amounts.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Fund balances (continued)

In the General Fund, Committed fund balance represents the operating reserve equal to 20% of annual expenditures, adjusted each year in conjunction with the City Council's adoption of the annual budget. Assigned fund balance is an amount to assist in accelerating the reduction of the unfunded pension liability and stabilize service levels during economic uncertainty. Unassigned fund balance represents the residual fund balance and is to mitigate the effects of unforeseen changes in revenues and/or expenditures.

In the Special Revenue, Capital Projects and Debt Service Funds, Assigned fund balance represents the intent to utilize this portion of fund balance for the purposes that these funds were established.

17. Net position flow assumption

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

18. Pension

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net pension liability is the Plan's total pension liability based on entry age normal actuarial cost method less the plan's fiduciary net position. This may be a negative liability (net pension asset).

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. This may be a negative expense (pension income).

Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes were used in these financial statements.

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

NOTE B: CASH AND INVESTMENTS

Cash and investments as of June 30, 2016, totaled \$121,732,807, and are reflected in the accompanying financial statements and consist of the following:

Cash and investments in the financial statements	Cash and investments consist of the following
STATEMENT OF NET POSITION-	
Cash and investments	Cash on hand
\$ 110,127,022	\$ 4,690
Cash and investments, restricted	Deposits with financial institutions
231,764	9,539,199
	Investments
	112,188,918
FIDUCIARY FUNDS-	
Cash and investments	
5,318,748	
Cash and investments with fiscal agent	
6,055,273	
Total cash and investments	Total cash and investments
\$ 121,732,807	\$ 121,732,807

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CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE B: CASH AND INVESTMENTS (continued)

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

The table below lists some of the investment types authorized for the City by the California Government Code Section 53601 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 the bond trustee 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.

<u>Investment Types Authorized by State Law and the City's Investment Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bank Deposits	N/A	N/A	None
Certificates of Deposits	N/A	30%	None
Placement Service Deposits	N/A	30%	None
Securities of the US Government or its Agencies	5 years	None	None
US Treasury Bills, Notes, Bonds or Certificates	5 years	None	None
Medium-Term Notes	5 years	30%	None
Municipal Debt	5 years	20%	None
Supranationals	5 years	30%	None
Asset-Backed Securities	5 years	20%	None
Bankers' Acceptance	180 days	30%	None
Commercial Paper	270 days	25%	10%
Repurchase Agreements	30 days	30%	None
Money Market Mutual Funds	N/A	15%	10%
County of San Diego Treasury	N/A	30%	None
JPA Pools (other investment pools)/CAMP	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 65,000,000 <i>per LAIF account</i>

Investments Authorized by Debt Agreements

The debt agreements govern the investment of debt proceeds held by bond trustee 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 with fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
General Obligations of States	None	None	None
US Treasury Obligations	None	None	None
US Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Pre-Refunded Municipal Obligations	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 65,000,000 <i>per LAIF account</i>

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE B: CASH AND INVESTMENTS (continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is \$65,000,000 per account.

Investment in JPA Pool/CAMP

The City is a voluntary participant in the CAMP Trust (Trust), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the Trust specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by CAMP.

Interest Rate Risk and Interest Rate Fluctuations

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investments (including investments held by bond trustees) did not include investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information below).

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 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 investment by maturity:

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CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE B: CASH AND INVESTMENTS (continued)

Investment Type	Total	Remaining Maturity (in months)			
		12 or less	13 to 24	25 to 60	> 60
US Agency securities	\$ 33,445,488	\$ 15,056,835	\$ 3,513,055	\$ 14,875,598	\$ -
US Treasuries	20,426,454	8,007,163	9,007,086	3,412,205	-
Corporate notes	5,657,345	-	1,955,074	3,702,271	-
CAMP cash pool	5,787,181	5,787,181	-	-	-
LAIF (2 accounts)	40,817,177	40,817,177	-	-	-
Held by fiscal agent:					
LAIF	1,577,145	1,577,145	-	-	-
AMBAC Surety Bond	2	2	-	-	-
Invesco STIT Treasury Private	4,478,126	4,478,126	-	-	-
Total	\$ 112,188,918	\$ 75,723,629	\$ 14,475,215	\$ 21,990,074	\$ -

Fair Value Measurement

The hierarchy levels for investments as of June 30, 2016, are as follows:

	Level 1	Level 2	Level 3
<u>Investments by fair value level</u>			
US Agency securities	\$ -	\$ 33,445,488	\$ -
US Treasuries	20,426,454	-	-
Corporate notes	-	5,657,345	-
Total investments by fair value level	\$20,426,454	\$39,102,833	\$ -

Investments measured at the net asset value (NAV)

Held by fiscal agent:	
AMBAC Surety Bond	\$ 2
Invesco STIT Treasury Private	4,478,126
Total investments measured at the net asset value (NAV)	\$ 4,478,128

Investments not subject to GASB Statement No. 72

CAMP cash pool	\$ 5,787,181
LAIF (2 accounts)	40,817,177
Held by fiscal agent:	
LAIF	1,577,145
	\$48,181,503

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 year-end for each investment type.

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE B: CASH AND INVESTMENTS (continued)

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>S&P Rating</u>	<u>Moodys Rating</u>	<u>Not Rated</u>
US Agency securities	\$ 33,445,488	N/A	AA+	AAA	\$ -
US Treasuries	20,426,454	N/A	N/A	AAA	-
Corporate notes	5,657,345	"A" category	A-/A/AA+	A1/A2/A3	-
CAMP cash pool	5,787,181	N/A	AAAm	Not Rated	-
LAIF (2 accounts)	40,817,177	N/A	Not Rated	Not Rated	40,817,177
Held by fiscal agent:					
LAIF	1,577,145				1,577,145
AMBAC Surety Bond	2	N/A	AAAm	Aaa-mf	-
Invesco STIT Treasury Private	4,478,126	N/A	AAAm	Aaa-mf	-
Total	<u>\$112,188,918</u>				

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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:

<u>Issuer</u>	<u>Type</u>	<u>Amount</u>
Federal National Mortgage Association	Federal Agency Securities	\$ 18,214,061
Federal Home Loan Mortgage Corporation	Federal Agency Securities	10,098,557

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 a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, none of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts.

For the investments with fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE C: ACCOUNTS RECEIVABLE AND ALLOWANCE FOR BAD DEBT

Accounts receivable and related allowance for bad debt are as follows:

Governmental Activities:		Business-type Activities:	
General Fund	\$ 580,349	Wastewater	\$4,344,673
		Less allowance for bad debt	(604,810)
Total Governmental Activities	<u>\$ 580,349</u>	Total Business-type Activities	<u>\$ 3,739,863</u>

Allowance for bad debt is recognized to ensure that receivables are not overstated due to uncollectible accounts. Bad debt reserve is maintained for accounts receivable based on a variety of factors, including the length of time receivables are past due, economic conditions, significant one-time events, and historical experience.

NOTE D: LOANS RECEIVABLE

Lexington Avenue Senior Apartments **\$ 247,500**

In fiscal year 1994, the City and the former Redevelopment Agency entered into a Disposition and Development Agreement with a Lexington Avenue Senior Apartments to provide for the development of affordable housing on certain property situated within the Project Area. The former Redevelopment Agency loaned \$550,000, which is to be repaid in forty equal annual installments of \$13,750 each, with no interest. If the apartments remain in compliance with the provisions of the agreement during the one-year period preceding the due date of the note installment, the installment is forgiven and the principal balance of the note is reduced by the amount forgiven. This loan is now an asset of the El Cajon Housing Authority as the successor housing entity. At the end of the agreement, fiscal year 2034, the property will revert to the El Cajon Housing Authority, as the successor housing entity.

Chambers Senior Residences, L.P. **\$ 5,029,872**

In fiscal year 2010, the former Redevelopment Agency entered into a Disposition Development Agreement with Chambers Senior Residences, L.P. for the development and construction of affordable housing units for forty-eight senior households with very low income and family households with moderate income. The former Redevelopment Agency agreed to provide a loan up to \$4,500,000, secured by a Deed of Trust. The loan bears interest at the rate of 3%. Loan repayments will be based on residual receipts from the monies earned on the property once it is built. The balance outstanding includes principal and accrued interest of \$4,500,000 and \$529,872 respectively, at June 30, 2016. This loan is now an asset of the El Cajon Housing Authority as the successor housing entity.

Bay Kitchen and Bath Remodelers **\$ 568,000**

The former Redevelopment Agency entered into an Affordable Housing Agreement with James and Marcia Miller, dba Bay Kitchen and Bath Remodelers, to eliminate blight throughout the inner city by substantially rehabilitating substandard housing properties, while providing affordable housing opportunities to the citizens of El Cajon. A total of \$614,469 in low and moderate income housing funds were loaned, secured by a Deed of Trust, bearing interest at the rate of 3.25%. The project experienced complications and delays. After completion, it became evident the sale of the rehabilitated property would not be sufficient to result in the full repayment of the loan and interest. As a result, the loan was written down to \$568,000, the estimated collectible amount at June 30, 2016. Subsequent to the fiscal year end, the property was deeded back to the El Cajon Housing Authority, as the housing successor.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE D: LOANS RECEIVABLE (continued)

Successor Agency to the Former El Cajon Redevelopment Agency, Land Sale **\$ 228,144**

The City entered into an agreement with the former Redevelopment Agency to sell the property at 100 Fletcher Parkway on June 15, 2011. The property was the site of the former police facility. The appraisal was for \$4,850,000, which was the purchase price of the property. Based on AB1484 requirements, loan payments by the Successor Agency to the City must be recalculated at the LAIF interest rate of 0.26% and repayments began in July 1, 2014. The balance outstanding includes the final principal payment and accrued interest of \$227,852 and \$292, respectively, as of June 30, 2016.

South Sunshine Associates, L.P. **\$ 1,082,379**

In fiscal year 2016, the City entered into a HOME Funding Agreement with South Sunshine Associates, L.P. for the acquisition and development of a 70-unit affordable housing project tailored to low-income families and veteran households. The City agreed to provide a loan up to \$1,200,000, secured by a Deed of Trust. The loan is due on or before July 31, 2073 with an interest rate of 3% starting to accrue upon project completion. As of June 30, 2016, the balance outstanding includes a loan disbursement of \$1,082,379 for the acquisition of a property to be developed.

Other Various Rehabilitation Loans **\$ 14,025,413**

The City and the Housing Authority have made various rehabilitation loans to low income households during the past few years. Provided that the Borrower continues to occupy the property as their primary residence, the principal sum is to be repaid upon the sale, transfer or change in title to the property. A few of the loans are forgivable if the Borrower meets certain criteria. The loans are secured by a Deed of Trust and bear no interest. The outstanding balances on these loans are as follows: CDBG \$388,295; HOME \$8,046,484; CAL HOME \$534,174; and Housing Authority (Low/Moderate Income Housing Assets) \$5,056,460.

Total Loans Receivable **\$ 21,181,308**

NOTE E: LAND HELD FOR RESALE **\$ 0**

On December 9, 2014, three properties were transferred to the City from the Successor Agency to the former El Cajon Redevelopment Agency (Successor Agency), pursuant to the Amended Long Range Property Management Plan (Plan) that was approved by the California Department of Finance on February 21, 2014 (see note L). Pursuant to the Plan, the properties' value of \$1,234,000, were based on the independent appraisal as of the 2011 property tax lien date. The properties are set for future redevelopment activity as part of the ongoing revitalization of downtown El Cajon. The City sold the property on November 3, 2015.

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CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE F: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 22,658,588	\$ 36,000	\$ -	\$ 22,694,588
Rights of way	31,190,652	-	-	31,190,652
Construction in progress	2,087,303	5,055,590	(1,980,051)	5,162,842
Total assets, not being depreciated	<u>55,936,543</u>	<u>5,091,590</u>	<u>(1,980,051)</u>	<u>59,048,082</u>
Capital assets being depreciated:				
Land improvements (restated) *	7,994,466	24,738	-	8,019,204
Buildings and improvements	87,730,711	-	-	87,730,711
Machinery and equipment	8,156,149	108,066	-	8,264,215
Vehicles	12,470,229	732,714	(281,826)	12,921,117
Infrastructure	186,524,299	1,980,051	-	188,504,350
Total assets being depreciated	<u>302,875,854</u>	<u>2,845,569</u>	<u>(281,826)</u>	<u>305,439,597</u>
Less accumulated depreciation for:				
Land improvements (restated)*	(2,996,453)	(725,629)	-	(3,722,082)
Buildings and improvements	(19,380,687)	(2,523,565)	-	(21,904,252)
Machinery and equipment	(5,364,837)	(411,668)	-	(5,776,505)
Vehicles	(8,636,955)	(881,250)	275,924	(9,242,281)
Infrastructure	(100,219,888)	(4,659,618)	-	(104,879,506)
Total accumulated depreciation	<u>(136,598,820)</u>	<u>(9,201,730)</u>	<u>275,924</u>	<u>(145,524,626)</u>
Total capital assets being depreciated, net	<u>166,277,034</u>	<u>(6,356,161)</u>	<u>(5,902)</u>	<u>159,914,971</u>
Governmental activity capital assets, net	<u>\$ 222,213,577</u>	<u>\$ (1,264,571)</u>	<u>\$ (1,985,953)</u>	<u>\$ 218,963,053</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities				
Land	\$ 82,300	\$ -	\$ -	\$ 82,300
Construction in progress	6,338,426	2,640,941	(8,090,058)	889,309
Total assets, not being depreciated	<u>6,420,726</u>	<u>2,640,941</u>	<u>(8,090,058)</u>	<u>971,609</u>
Capital assets being depreciated:				
Buildings and improvements	427,527	-	-	427,527
Machinery and equipment	150,127	-	-	150,127
Vehicles	2,517,709	71,562	(104,264)	2,485,007
Interest in Mission Gorge Mains	11,038,654	-	-	11,038,654
Infrastructure	78,612,572	8,090,058	(2,298,600)	84,404,030
Total assets being depreciated	<u>92,746,589</u>	<u>8,161,620</u>	<u>(2,402,864)</u>	<u>98,505,345</u>
Less accumulated depreciation for:				
Buildings and improvements	(246,946)	(7,224)	-	(254,170)
Machinery and equipment	(132,745)	(5,258)	-	(138,003)
Vehicles	(1,687,426)	(137,887)	104,264	(1,721,049)
Interest in Mission Gorge Mains	(2,943,645)	(183,978)	-	(3,127,623)
Infrastructure	(43,096,485)	(1,312,483)	2,298,600	(42,110,368)
Total accumulated depreciation	<u>(48,107,247)</u>	<u>(1,646,830)</u>	<u>2,402,864</u>	<u>(47,351,213)</u>
Total capital assets being depreciated, net	<u>44,639,342</u>	<u>6,514,790</u>	<u>-</u>	<u>51,154,132</u>
Business-type activity capital assets, net	<u>\$ 51,060,068</u>	<u>\$ 9,155,731</u>	<u>\$ (8,090,058)</u>	<u>\$ 52,125,741</u>

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE F: CAPITAL ASSETS (continued)

Depreciation expense is charged to functions based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental Activities:		Business Type Activities:	
General government	\$ 1,073,129	Wastewater	\$ 1,646,830
Public safety	2,954,039		
Public works	4,795,189		
Parks and recreation	365,689		
Community development	13,684		
	<u> </u>		
Total depreciation expense	<u> \$ 9,201,730 </u>	Total depreciation expense	<u> \$ 1,646,830 </u>

NOTE G: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources related to pensions including contributions subsequent to the measurement date, amortization of differences between expected and actual experiences, and amortization of the net difference between projected and actual earnings on pension plan investments.

Governmental Activities:		Business Type Activities:	
MAJOR FUNDS		MAJOR FUNDS	
General Fund	\$ 25,825,509	Wastewater enterprise	\$ 1,591,150
INTERNAL SERVICE FUNDS	477,114		
Total	<u> \$ 26,302,623 </u>	Total	<u> \$ 1,591,150 </u>

NOTE H: INTERFUND TRANSACTIONS AND BALANCES

Due to and from funds for the year ended June 30, 2016, were as follows:

DUE TO GENERAL FUND FROM:	
NON-MAJOR SPECIAL REVENUE FUNDS	
Federal, State, and Local Grants	\$ 88,230
CDBG	31,282
NON-MAJOR CAPITAL PROJECT FUND	
Transportation Projects	549,075
Total	<u> \$ 668,587 </u>

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CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE H: INTERFUND TRANSACTIONS AND BALANCES (continued)

Transfers to and from funds for the year ended June 30, 2016, were as follows:

TRANSFER TO	TRANSFER FROM				
	MAJOR FUNDS			NON-MAJOR FUNDS	PROPRIETARY FUND
	General Fund	Capital Projects			Wastewater
		Public Safety Facilities	City Capital Improvement Program		
MAJOR FUND					
General Fund	\$ -	\$ -	\$ -	\$ 193,976 (a)	\$ -
Capital Projects Fund	2,448,000 (a)	95,412 (a)		6,164 (a)	3,491 (a)
NON-MAJOR FUNDS					
Special Revenue Funds					
Federal, State, and Local Grants Funds	-	-	-	1,573 (a)	-
Capital Projects Funds					
Public Works Projects	-	-	6,372 (a)	3,979,447 (a)	267,921 (a)
Parks and Recreation Improvement Grants	-	-	28,674 (a)	186,212 (a)	-
Debt Service Fund					
El Cajon Public Financing Authority	-	5,209,823 (b)	-	-	-
Totals	<u>\$2,448,000</u>	<u>\$5,305,235</u>	<u>\$ 35,046</u>	<u>\$4,367,372</u>	<u>\$ 271,412</u>

Transfers are used to (a) subsidize various programs and capital projects and (b) debt service payment obligation of the El Cajon Public Financing Authority as further explained in Note I.

NOTE I: LONG-TERM LIABILITIES

Summary of the changes in long-term liabilities for the fiscal year ended June 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 6,549,149	\$ 3,628,100	\$ (3,272,801)	\$ 6,904,448	\$ 3,450,400
Claims payable (note K)	1,885,283	236,953	(366,094)	1,756,142	500,000
Revenue bond	7,710,000	-	(7,710,000)	-	-
Bond issuance premium	64,168	-	(64,168)	-	-
Note payable	280,000	-	(280,000)	-	-
Total governmental activities	<u>\$ 16,488,600</u>	<u>\$ 3,865,053</u>	<u>\$ (11,693,063)</u>	<u>\$ 8,660,590</u>	<u>\$ 3,950,400</u>
BUSINESS-TYPE ACTIVITIES					
Compensated absences	\$ 401,741	\$ 60,641	\$ (143,560)	\$ 318,822	\$ 113,900
CA State Water Resources	2,623,376	3,145,373	-	5,768,749	168,342
SD Metro Wastewater System	9,858,817	-	-	9,858,817	-
Total business-type activities	<u>\$12,883,934</u>	<u>\$ 3,206,014</u>	<u>\$ (143,560)</u>	<u>\$ 15,946,388</u>	<u>\$ 282,242</u>

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE I: LONG-TERM LIABILITIES (continued)

Compensated absences:

Compensated absences balances for the fiscal year ended June 30, 2016, are as follows:

Governmental Activities:		Business Type Activities:	
MAJOR FUNDS		MAJOR FUNDS	
General Fund	\$ 6,663,376	Wastewater enterprise	\$ 318,822
NON-MAJOR SPECIAL REVENUE FUNDS			
Gas Tax	144,273		
Transit	13,894		
INTERNAL SERVICE FUNDS			
	82,905		
Total	<u>\$ 6,904,448</u>	Total	<u>\$ 318,822</u>

Revenue bond:

El Cajon Public Financing Authority, 2009 Series A **\$ 0**

In June 2009, the El Cajon Public Financing Authority (ECPFA) issued \$25,195,000 of Revenue Bonds. The Bonds are special obligations of ECPFA payable from revenue consisting primarily of lease payments payable by the City under a lease agreement dated as of June 1, 2009, between the ECPFA, as lessor, and the City as lessee. The City pledged and paid the lease payments from sales tax revenues received by the City pursuant to Proposition O, a ballot measure approved by 68.92% of the voters of the City voting on the matter on November 2, 2004, which imposed a ½% sales tax in the City, which expired on March 31, 2015. The Bonds were issued to finance a portion of the costs of the public safety facility. The Bonds matured on August 1, 2015.

U.S. Housing & Urban Development Section 108 Series 2004-A **\$ 0**

In June 2004, the City entered into a note payable for \$850,000 with U.S. Housing & Urban Development (HUD) under Section 108 for the acquisition of a fire engine ladder truck that serves the entire City. The note payable is an advance of future Community Development Block Grant (CDBG) allocations. Collateral security for this Note is a lease-leaseback arrangement between the City and the El Cajon Public Financing Authority, with an assignment of lease payments to HUD. In March, 2016, the City paid the remaining balance on the note.

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CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE I: LONG-TERM LIABILITIES (continued)

Note payable:

California State Water Resources Control Board **\$ 5,768,749**

The City entered into an installment sale agreement (Agreement) with the California State Water Resources Control Board (CSWRCB) to finance the construction of the Johnson Avenue Sewer Interceptor Project (Project) in January 2014, amended in February 2015, wherein the City agreed to sell to CSWRCB and CSWRCB purchased from the City the Project. Simultaneously, the City purchased from the CSWRCB and the CSWRCB sold to the City the Project. All rights, title and interest in the Project immediately vests with the City on the date of execution and delivery of the Agreement.

The CSWRCB agreed to provide funding for this project of up to \$11,300,000 at an interest rate of 2.1% per annum payable in equal monthly installments beginning one year after the completion of the Project, to be fully amortized by October 19, 2035. Funding has been provided in full or in part by the Clean Water State Revolving Fund (CWSRF) through an agreement with the CSWRCB. CWSRF is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency and state bond proceeds. Contingent on the City's performance under this Agreement, CSWRCB agrees to forgive \$2,000,000 of the principal due under this Agreement.

Pledged revenues

The City has pledged the Net Revenues of the Wastewater Enterprise Fund, and any Reserve Fund, towards this obligation. The City also agreed, to the extent permitted by law, to fix, prescribe and collect sewer rates during each Fiscal Year necessary to yield Net Revenues that are at least 1.2 times the highest year's debt service under this Agreement, or 1.1 times the highest year's debt service for all debts. As of June 30, 2016, pledged net revenues and debt service are \$9,170,839 and \$-0-, respectively.

Reserve fund

The CSWRCB also required that the City maintain and fund a separate account for a Reserve Amount, up to an amount not exceeding the lesser of (i) ten percent of the aggregate principal amount of the obligation, (ii) the maximum annual debt service with respect to the obligation, or (iii) 125 percent of the average annual debt service with respect to the obligation. As of June 30, 2016, the City has restricted cash and investments in the amount of \$231,764 for this purpose.

Debt service requirement

The debt service requirement provided by CSWRCB, and presented below, is based on the \$3,768,749 non-forgivable portion only. A debt service requirement for the forgivable portion, \$2,000,000, will not be established by CSWRCB unless the City fails to meet the performance criteria under this Agreement.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 168,342	\$ 63,422	\$ 231,764
2018	156,155	75,609	231,764
2019	159,435	72,329	231,764
2020	162,783	68,981	231,764
2021	166,201	65,563	231,764
2022-2036	2,955,833	610,621	3,566,454
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 3,768,749</u>	<u>\$ 956,525</u>	<u>\$ 4,725,274</u>

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE I: LONG-TERM LIABILITIES (continued)

Obligation due to San Diego Metropolitan Wastewater System **\$ 9,858,817**

In a prior year, the City entered into an agreement to reimburse the City of San Diego, as operator of the San Diego Metropolitan Wastewater System (SDMWS) for costs incurred by SDMWS in the construction of the Mission Gorge Mains. The parties are in agreement as to the obligation; however, both the total dollar amount to be remitted and the amounts of the annual installments are still being negotiated by the parties. No agreement has been made with respect to whether or not interest will be applied to the obligation.

NOTE J: DEFERRED INFLOWS OF RESOURCES

Deferred inflow of resources for the fiscal year ended June 30, 2016, is as follows:

	General	Special Revenue Housing Authority	Internal Service Funds	Wastewater Fund	Totals
PENSIONS					
Changes of assumptions	\$ 5,183,452	\$ -	\$ 95,219	\$ 307,491	\$ 5,586,162
Differences between expected and actual experiences	15,612,963	-	380,237	1,227,896	17,221,096
UNAVAILABLE REVENUE					
Prior years' sale of property	319,852	-	-	-	319,852
Loans receivable	-	578,088	-	-	578,088
Totals	\$ 21,116,267	\$ 578,088	\$ 475,456	\$ 1,535,387	\$ 23,705,198

NOTE K: FUND BALANCE

Fund balance for the fiscal year ended June 30, 2016, are as follows:

	General	Special Revenue Housing Authority	Capital Projects		Non-Major	Total Governmental Funds
			Public Safety Facilities Project	City Capital Improvement Program Project		
Nonspendable						
Prepaid items	\$ 8,379	\$ -	\$ -	\$ -	\$ -	\$ 8,379
Restricted						
Animal shelter operations	-	-	-	-	40,395	40,395
Animal shelter project	-	-	-	-	254,271	254,271
Community development	-	3,382,281	-	-	454,777	3,837,058
Loans receivable	-	10,323,744	-	-	10,051,332	20,375,079
Public safety	-	-	-	-	1,548,795	1,548,795
Public works project	-	-	-	-	995,827	995,827
RTCIP impact fee	-	-	-	-	498,628	498,628
Streets projects	-	-	-	-	3,818,340	3,818,340
Committed	13,052,990	-	-	-	-	13,052,990
Assigned						
Capital projects	-	-	14,327,325	12,174,784	111,358	26,613,467
Economic uncertainty	2,000,000	-	-	-	-	2,000,000
Unfunded retirement obligations	4,020,000	-	-	-	-	4,020,000
Unassigned	16,573,355	-	-	-	(2,250)	16,571,105
Totals	\$35,654,724	\$13,706,025	\$14,327,325	\$12,174,784	\$17,771,473	\$93,634,331

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS

1. Pension Plan Description

Plan Description

The City provides retirement benefits to all eligible employees (employees who work at least 1,000 hours per fiscal year) through California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. Retirement benefits under a defined benefit plan (Plan) is based on a formula, rather than contributions and earnings to a savings plan, and are calculated based on a member's years of service credit, age at retirement and final compensation (average salary for a defined period of employment). There are three basic types of retirement: Non-Industrial Disability retirement for employees who can no longer perform the usual duties of their current position due to illness or injury, Industrial Disability retirement for safety risk pool (police and fire) employees who are unable to perform the usual duties of their current position due to job-related illness or injury, and Service retirement or "normal" retirement. The benefit provisions and all other requirements are established by State Statute, as recently amended by the Public Employees' Pension Reform Act (PEPRA), and City ordinance.

The Plan consists of individual rate plans (benefit tiers) within a safety risk pool and a miscellaneous risk pool (all other). Rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. The City sponsors five rate plans (three safety and two miscellaneous). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. CalPERS' comprehensive annual financial report and a full description of the pension plan regarding benefit provisions, assumptions and membership information are available online at www.calpers.ca.gov.

The rate plan provisions and benefits in effect at June 30, 2016, are summarized as noted below. All members have a benefit vesting schedule of 5 years service and receive benefit payments monthly for life.

	CLASSIC MEMBER Membership date prior to January 1, 2013			PEPRA MEMBER Membership date on or after January 1, 2013	
	MISCELLANEOUS	SAFETY		MISCELLANEOUS	SAFETY
		TIER 1	TIER 2		
Benefit formula	3.0% @ 60	3.0% @ 50	3.0% @ 55	2.0% @ 62	2.7% @ 57
Retirement age	50 – 60+	50+	50 – 55+	52 – 67+	50 – 57+
Monthly benefits, % eligible compensation	2.0% to 3.0%	3.0%	2.4 to 3.0%	1.0% to 2.5%	2.0 to 2.7%
Member Paid Contribution Rate	8.000%	9.000%	9.000%	6.250%	12.250%
Employer Contribution Rate	33.761%	47.459%	42.057%	33.761%	47.459%

Employees Covered

During the 2014-15 measurement period, the following number of employees were covered by the benefit terms of the Plan:

	MISCELLANEOUS	SAFETY
Inactive employees or beneficiaries currently receiving benefits	431	270
Inactive employees entitled to but not yet receiving benefits	270	112
Active employees	<u>256</u>	<u>184</u>
Totals	<u>957</u>	<u>566</u>

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS (continued)

1. Pension Plan Description (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers to 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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The total contributions to the Plan for the measurement period ended June 30, 2015 (measurement date), is \$11,838,477.

2. Net Pension Liability Information

The City reported a net pension liability of \$148,873,502. The net pension liability is measured as the total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. The net pension liability is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The City's net pension liability was based on a projection of the City's long-term contributions to the plan, actuarially determined.

Assumptions

Following is a summary of principal assumptions and methods used to determine the net pension liability.

ACTUARIAL COST METHOD	Entry Age Normal
ACTUARIAL METHOD/PERIOD	For details, see June 30, 2014, Funding Valuation Report available online at www.calpers.ca.gov
ACTUARIAL ASSUMPTIONS	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Salary increases	Varies by entry age and service
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation
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.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS (continued)

2. Net Pension Liability Information (continued)

Change of Assumptions

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 expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" is available online at www.calpers.ca.gov, under the GASB 68 section.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

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CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS (continued)

2. Net Pension Liability Information (continued)

The table below reflects the 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.

<u>ASSET CLASS</u>	<u>CURRENT TARGET ALLOCATION</u>	<u>REAL RETURN YEARS 1-10 ^(a)</u>	<u>REAL RETURN YEARS 11+ ^(b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%

(a) An expected inflation of 2.5% was used for this period
 (b) An expected inflation of 3.0% was used for this period

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

The net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65% is \$148,873,502. The net pension liability using a discount rate that is 1% lower (6.65%) than the current rate is \$210,618,915 and using a discount rate that is 1% higher (8.65%) than the current rate is \$97,868,437.

3. Pension Plan's Fiduciary Net Position

Detailed information about the Plan's fiduciary net positions is available in a separately issued CalPERS financial report. 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, Appendix B. This report and CalPERS' audited financial statements are available on the CalPERS' website <https://www.calpers.ca.gov/> under Forms and Publications.

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CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS (continued)

4. Changes in the Net Pension Liability

Schedule of Changes in Net Pension Liability

	Total Pension <u>Liability</u> (a)	INCREASE (DECREASE) Plan Fiduciary <u>Net Position</u> (b)	Net Pension <u>Liability (Asset)</u> (c) = (a) – (b)
MISCELLANEOUS			
Balance at 06/30/2014 (valuation date)	\$195,989,489	\$143,443,271	\$ 52,546,218
Changes recognized for the measurement period:			
Service cost	2,565,998	-	2,565,998
Interest on the total pension liability	14,457,238	-	14,457,238
Changes of benefit terms	-	-	-
Differences between expected and actual experience	57,598	-	57,598
Plan to plan resource movement	-	256	(256)
Changes of assumptions	(3,292,566)	-	(3,292,566)
Contributions from the employer	-	4,676,850	(4,676,850)
Contributions from employees	-	1,169,243	(1,169,243)
Net investment income	-	3,217,684	(3,217,684)
Benefit payments, including refunds of employee contributions	(10,108,043)	(10,108,043)	-
Administrative expense	-	(162,571)	162,571
Net changes during 2014-15	<u>3,680,225</u>	<u>(1,206,581)</u>	<u>4,886,806</u>
Balance at 06/30/2015 (measurement date)	<u>\$199,669,714</u>	<u>\$142,236,690</u>	<u>\$ 57,433,024</u>
SAFETY			
Balance at 06/30/2014 (valuation date)	\$271,275,894	\$188,424,326	\$ 82,851,568
Changes recognized for the measurement period:			
Service cost	4,099,136	-	4,099,136
Interest on the total pension liability	20,106,901	-	20,106,901
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,748,846	-	1,748,846
Changes of assumptions	(4,926,806)	-	(4,926,806)
Contributions from the employer	-	7,064,751	(7,064,751)
Contributions from employees	-	1,452,168	(1,452,168)
Net investment income	-	4,131,876	(4,131,876)
Benefit payments, including refunds of employee contributions	(14,624,385)	(14,624,385)	-
Administrative expense	-	(209,628)	209,628
Net changes during 2014-15	<u>6,403,692</u>	<u>(2,185,218)</u>	<u>8,588,910</u>
Balance at 06/30/2015 (measurement date)	<u>\$277,679,586</u>	<u>\$186,239,108</u>	<u>\$ 91,440,478</u>

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS (continued)

4. Changes in the Net Pension Liability (continued)

Pension Expense

For the measurement period ending June 30, 2015, the total pension expense recognized is \$9,651,888 consisting of \$2,873,836 and \$6,778,052, for miscellaneous and safety, respectively.

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized as 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.

Amortization is computed on a straight-line basis and the period differs depending on the source of the gain or loss:

	<u>MISCELLANEOUS</u>	<u>SAFETY</u>
Differences between actual and expected experience	2.3 years	4.1 years
Changes in assumptions	2.3 years	4.1 years
Net difference between projected and actual earnings on plan investments	5.0 years	5.0 years

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants. The Plans' EARSL for the 2014-15 measurement period is as follows:

	<u>MISCELLANEOUS</u>	<u>SAFETY</u>
Total future service years <i>(a)</i>	2,200	2,335
Total number of participants <i>(active, inactive and retired)</i>	957	566
EARSL for the 2014-15 measurement period	2.3 years	4.1 years

(a) The sum of the remaining service years of the active employees. Inactive employees and retirees have remaining service years equal to 0. Total future service years is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows and Inflows of Resources Related to Pensions

The following presents the Deferred Outflows and Deferred Inflows related to pensions as of the measurement date of June 30, 2015.

	DEFERRED OUTFLOWS OF RESOURCES (note G)	DEFERRED INFLOWS OF RESOURCES (note J)
Pension contributions subsequent to the measurement date	\$ 12,482,547	\$ -
Differences between actual and expected experience	1,354,853	-
Changes in assumptions	-	(5,586,162)
Net difference between projected and actual earnings on plan investments	14,056,373	(17,221,096)
Totals	<u>\$ 27,893,773</u>	<u>\$ (22,807,258)</u>

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE L: DEFINED BENEFIT PENSION PLANS (continued)

4. Changes in the Net Pension Liability (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

MEASUREMENT PERIOD <u>ENDED JUNE 30</u>	DEFERRED OUTFLOWS/(INFLOWS) <u>OF RESOURCES</u>
2016	\$(4,407,891)
2017	(3,423,338)
2018	(3,001,385)
2019	3,436,582
2020	-
Thereafter	-

NOTE M: DEFINED CONTRIBUTION PENSION PLAN

City provides a defined contribution retirement plan (the "Plan") for specified part-time, temporary and seasonal employees who work less than 1,000 hours per fiscal year in lieu of Social Security coverage. In a defined contribution plan, benefits depend solely on amount contributed to the plan plus investment earnings. The plan provisions were established by the City Council to comply with the Omnibus Budget Reconciliation Act of 1990. The plan is a qualified pension plan as specified by Internal Revenue Code Section 414(l), and is administered by Nationwide Retirement Solutions.

Eligible employees are fully vested effective their dates of hire. If participating employees become eligible for participation in CalPERS, by virtue of working more than 1,000 hours per fiscal year or otherwise, contributions to the Plan shall cease once the employee is enrolled in CalPERS. If a participating employee is hired into a regular full-time position, all contributions and earnings in the plan are transferred to the City's Deferred Compensation Plan, also administered by Nationwide Retirement Solutions.

Contributions are equal to 7.5% of each participating employee's compensation and are made by the City. Contributions are invested with a third party administrator in a liquid savings account. Earnings are at a variable rate and accrue daily commencing on the date the funds are posted. For the year ended June 30, 2016, the City's total payroll and covered payroll was \$622,020. The City made employer contributions of \$46,657. The assets held in trust by the plan administrator had a fair value of \$440,230 at June 30, 2016.

Distribution shall be by lump sum only, twelve months after termination of employment. Such distribution shall include investment earnings accrued to date of fund withdrawal. In the event of a participating employee's death, the waiting period will be waived.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE N: OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides a monthly contribution towards certain health benefits for retired miscellaneous and safety members who retired on or after July 14, 1988. The monthly contribution was \$122 and \$125 during calendar years 2015 and 2016, respectively, in accordance with the Public Employees Medical and Health Care Act (PEMCHA). The healthcare benefit meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The City is participating in the California Employer's Retiree Benefit Trust (CERBT), Strategy 1, through an irrevocable trust agreement. CERBT, an agent multiple-employer plan, is administered by the California Public Employee's Retirement System (CalPERS). The City does not issue separate stand-alone financial reports for this plan. The City's OPEB financial statements are included in the CalPERS annual financial report and is available through the CalPERS' website at www.calpers.ca.gov.

Funding Policy

The annual contribution is a combination of projected pay-as-you-go and an additional amount to prefund benefits as determined annually by the City Council. The City contributed a total of \$720,194: \$270,194 pay-as-you-go and \$450,000 towards prefunding.

Annual OPEB Cost and Net OPEB Asset

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed fifteen years.

The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB asset.

Annual required contribution	\$	655,772
Interest on net OPEB obligation at 7.36%		(64,238)
Adjustment to Net OPEB Obligation Amortization		106,572
Annual OPEB cost (expense)		698,106
Contributions made		(720,194)
(Increase) Decrease in net OPEB obligation (asset)		(22,088)
Net OPEB obligation (asset) – beginning of year		(872,799)
Net OPEB obligation (asset) – end of year	\$	(894,887)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2016 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2014	\$ 600,030	86.9%	\$ (914,620)
6/30/2015	648,602	93.6%	(872,799)
6/30/2016	698,106	103.2%	(894,887)

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE N: OTHER POST EMPLOYMENT BENEFITS (continued)

Funded Status and Progress

The funded status and funding progress below presents multi-year trend information about whether the value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Multi-year trend information regarding the funding progress is presented in the Required Supplemental Information section and is also presented here for the convenience of the reader.

Valuation Date	Actuarial Accrued Liability	Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2011	\$ 3,441,000	\$ 559,000	\$ 2,882,000	16.2%	\$30,806,019	9.4%
6/30/2013	5,335,400	1,198,033	4,137,367	22.5%	28,618,518	14.5%
6/30/2015	6,032,720	2,051,906	3,980,814	34.0%	29,542,893	13.5%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

For the most recent valuation, the actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.36% investment rate of return, which is the assumed rate of expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, an annual adjustment of 4% to the minimum health benefit reimbursement amount, and assumed payroll increases of 4%. The UAAL is being amortized using level-dollar over a closed amortization period, with 10 years remaining.

NOTE O: RISK MANAGEMENT

General Liability Insurance

The City is exposed to various general liability risks of loss related to acts or omissions of its employees. The City, including its component units, uses the Self Insurance Fund to account for and finance risks for general liability. There were no significant changes in insurance coverage from the prior year, and there were no settlements in excess of the insurance coverage in any of the prior three years.

The City is self-insured for liability insurance through CSAC Excess Insurance Authority (EIA) with a self-insured retention (SIR) of \$250,000. The total general liability policy limit is \$25,000,000, including the \$250,000 SIR. The Director of Human Resources/Risk Manager administered claims against the City. The estimated liability for pending and incurred but not reported (IBNR) claims at June 30, 2016, has been incorporated in the financial statements as claims payable in the Self Insurance Internal Service Fund and is based on history and actuarial studies.

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE O: RISK MANAGEMENT (continued)

The aggregate change in the balance of liability is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Claims payable, beginning of year	\$1,885,283	\$1,885,283	\$1,885,283
Current year claims & changes in estimates	107,812	425,580	590,575
Claim payments	<u>(236,953)</u>	<u>(425,580)</u>	<u>(590,575)</u>
Claims payable, end of year	<u>\$1,756,142</u>	<u>\$1,885,283</u>	<u>\$1,885,283</u>

Worker's Compensation Insurance

The City participates in CSAC Excess Insurance Authority's (CSAC EIA) programs for both primary and excess coverage. The primary coverage covers the first dollar to \$125,000; the excess layer covers losses up to the statutory limit. York Risk Management is the City's third party claims administrator. Loss control services are obtained on an as needed basis.

Property Insurance

The City participates in the Public Entity Property Insurance Program (PEPIP) through Alliant Insurance Services for coverage on the City's physical assets. This includes all real and personal property owned by the City or for which the City has assumed responsibility to insure, e.g. buildings, structures, computer equipment, heavy duty equipment, mechanical equipment, vehicles, furniture and fixtures. The deductible varies depending on the type of loss.

NOTE P: COMMITMENTS AND CONTINGENCIES

Operating Leases

The City has entered into several operating leases in the conduct of its day-to-day operations to provide for services. None of these operating leases are considered to be significant commitments.

Federal and State Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would not have a material effect on the City's financial position.

Litigation

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City's legal counsel, these actions when finally adjudicated will not have a material effect on the City's financial position.

Recent Court Decision

On June 2, 2016, the United States Court of Appeals for the Ninth Circuit (Ninth Circuit) issued a decision in a case called *Flores v. City of San Gabriel*. The primary issue on appeal was whether the Fair Labor Standards Act (FLSA) required cash payments made in lieu of health benefits to be included in the regular rate calculation for overtime pay purposes; the Ninth Circuit held that such payments must be included for overtime purposes under the FLSA. The City of El Cajon is evaluating this recent court decision and believes the City may have some liability as a result. However, the amount and timing of that liability has not yet been determined nor can it be reasonably estimated at the time this CAFR was published.

CITY OF EL CAJON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the fiscal year ended June 30, 2016

NOTE P: COMMITMENTS AND CONTINGENCIES (continued)

Significant Encumbrances

Encumbrances represent purchase orders, contracts or other commitments for the expenditure of monies. However, because these commitments will be honored in subsequent years, they do not constitute an expenditure or liability for financial statement purposes. At fiscal year-end, the City had the following significant encumbrances.

Traffic Signal Upgrade Project	\$ 350,900
Animal Shelter Project	355,352
Transit and Land Use Project	387,932
Safe Routes to School Project	446,077
Pedestrian Safety Project	655,368
Johnson Avenue Sewer Interceptor Project	1,438,436

NOTE Q: JOINT VENTURES

The City represents the greatest membership share in two of the joint powers authorities to which it belongs. A summary of each joint power authority, the City's participation, and any related party transactions with each authority are as follows:

Heartland Fire Training Authority

The purpose of Heartland Fire Training Authority (HFTA) is to provide a fire-fighting training facility and training courses for personnel of the member agencies. HFTA was created on October 1, 1999, as amended, by a Joint Powers Agreement (JPA) between a number of cities and fire protection districts in San Diego County. For the current fiscal year, the JPA members consist of the Cities of El Cajon, La Mesa, Lemon Grove, and Santee, the County of San Diego, the Fire Protection Districts of Alpine, Bonita-Sunnyside, Lakeside, and San Miguel, the Viejas Band of Kumeyaay Indians, and the Barona Band of Mission Indians. One elected official from each member agency is appointed to the HFTA Commission. The Commission approves an annual budget based on the costs of operating the facility and providing training to member agency personnel. El Cajon's membership share was 16.01% for the fiscal year ending June 30, 2016.

On October 27, 2009, HFTA entered into a Facility Lease Agreement with the City of El Cajon. The executed agreement included a proposed capital improvement project based on a prioritized list of capital improvement needs. The lease agreement provides for annual rent payments of \$66,500 that was utilized by the City of El Cajon to fund the capital improvement project. The City also provides clerical and accounting services for HFTA. Charges for services were \$26,718 for the fiscal year ending June 30, 2016.

Annual financial statements may be obtained from HFTA, c/o City of El Cajon, Finance Department, 200 Civic Center Way, El Cajon, CA 92020.

CITY OF EL CAJON
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2016

NOTE Q: JOINT VENTURES (continued)

Heartland Communications Facility Authority

The purpose of the Heartland Communication Facility Authority (HCFA) is to equip, maintain, operate and staff a facility to provide emergency call receiving and dispatching services to member agencies. HCFA was created on June 25, 1986, as amended, by a Joint Powers Agreement (JPA) between a number of cities and fire protection districts in San Diego County. For the current fiscal year, the JPA members consist of the Cities of El Cajon, La Mesa, Lemon Grove, and Santee, and the Fire Protection Districts of Alpine, Bonita-Sunnyside, and Lakeside. One elected official from each member agency is appointed to the HCFA Commission. The commission approves an annual budget based on the costs of operating the Authority. El Cajon's membership share was 33.67% for the fiscal year ending June 30, 2016.

HCFA leases a portion of the property located at 100 E. Lexington Avenue from the City. Lease payments totaled \$46,567 for the fiscal year ending June 30, 2016. The City also provides clerical and accounting services for HCFA. Charges for services were \$50,250 for the fiscal year ending June 30, 2016.

Annual financial statements may be obtained from HCFA, c/o City of El Cajon, Finance Department, 200 Civic Center Way, El Cajon, CA 92020.

NOTE R: SUBSEQUENT EVENTS

On October 17, 2016, the property securing the El Cajon Housing Authority loan receivable with James and Marcia Miller, dba Bay Kitchen and Bath Remodelers, was deeded back to the City in lieu of foreclosure. An appraisal of the property is underway and has not yet been completed.

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Required Supplementary Information
CITY OF EL CAJON
MAJOR GOVERNMENTAL FUNDS

Major governmental funds are defined as funds that meet both of the following criteria:

Ten percent criterion - Any governmental fund that reports at least 10 percent of any of the following: total governmental fund assets; total governmental fund liabilities; total governmental fund revenues; or total governmental fund expenditures.

Five percent criterion - Any individual governmental fund that reports at least 5 percent of the total for both governmental and enterprise funds of any one of the items for which it met the 10 percent criterion above.

The General Fund is always a major fund.

General fund - This is the City's primary operating fund. This fund accounts for all financial resources except those required to be accounted for in another fund. The fund will continue to exist indefinitely.

The Budgetary Comparison Schedule presented in Required Supplementary Information is the City's General fund as presented in the City's adopted budget, and does not include two additional budgetary "special revenue" funds. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires these two additional budgetary "special revenue" funds to be collapsed into the General fund for financial reporting purposes (see Required Supplementary Information Note 3).

SPECIAL REVENUE FUNDS

The fund(s) listed below are major Special Revenue Fund(s). Budgetary to actual comparison schedules are not presented for these fund(s) as explained below.

Housing Authority - This fund accounts for the committed, housing set-aside funds that were transferred from the former Redevelopment Agency when it was dissolved by State law on February 1, 2012. This fund is used to increase, improve, and preserve affordable housing for low and moderate income residents of El Cajon. This fund is not annually budgeted because its fund activities (housing loans), are of a long-term basis.

Required Supplementary Information
CITY OF EL CAJON
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual ¹	Variance with Final Budget
	Original	Final		
Taxes:				
Sales and use	\$ 28,871,431	\$ 28,871,431	\$ 29,493,906	\$ 622,475
Property	19,857,522	19,857,522	21,086,961	1,229,439
Franchise	4,950,000	4,950,000	5,196,514	246,514
Transient lodging	1,150,000	1,150,000	1,378,472	228,472
Business licenses	775,200	775,200	775,603	403
Property transfer	200,000	200,000	309,155	109,155
Total taxes	<u>55,804,153</u>	<u>55,804,153</u>	<u>58,240,611</u>	<u>2,436,458</u>
Intergovernmental:				
Motor vehicle license fees	-	-	40,931	40,931
Reimbursements	438,750	438,750	643,078	204,328
Total intergovernmental	<u>438,750</u>	<u>438,750</u>	<u>684,009</u>	<u>245,259</u>
Licenses and permits	<u>1,077,800</u>	<u>1,077,800</u>	<u>1,810,129</u>	<u>732,329</u>
Charges for services:				
Planning and engineering	411,000	411,000	469,272	58,272
Public safety	349,150	349,150	376,881	27,731
All others	2,021,693	2,021,693	2,024,319	2,626
Total charges for services	<u>2,781,843</u>	<u>2,781,843</u>	<u>2,870,472</u>	<u>88,629</u>
Investment earnings	<u>200,000</u>	<u>200,000</u>	<u>597,422</u>	<u>397,422</u>
Other:				
Fines	613,000	613,000	614,923	1,923
Sale of property	1,732,728	1,732,728	1,741,462	8,734
Rental income	854,200	854,200	785,179	(69,021)
Miscellaneous	1,652,806	1,652,806	1,862,935	210,129
Total other	<u>4,852,734</u>	<u>4,852,734</u>	<u>5,004,499</u>	<u>151,765</u>
Total revenues	<u>65,155,280</u>	<u>65,155,280</u>	<u>69,207,142</u>	<u>4,051,862</u>

¹ Includes only the General fund as defined by the City's budget. Financial statements prepared on a GAAP basis combine additional funds pursuant to GASB Statement No. 54 (see Required Supplementary Information Note 3).

Required Supplementary Information
CITY OF EL CAJON
Budgetary Comparison Schedule (continued)
General Fund
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual ¹	Variance with Final Budget
	Original	Final		
General government:				
Administration	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
City council	317,887	330,787	337,346	(6,559)
Community services and events	489,450	489,450	369,265	120,185
Contingency	100,000	100,000	44,250	55,750
City attorney	628,087	635,897	558,927	76,970
City clerk and elections	358,843	366,873	361,127	5,746
City manager	1,149,327	970,823	901,755	69,068
Finance	1,737,677	1,750,649	1,643,751	106,898
Human resources	703,163	719,493	643,306	76,187
Information systems	1,296,139	1,296,903	1,125,813	171,090
Business service	144,216	144,216	112,836	31,380
Facilities maintenance	2,015,085	2,015,085	1,805,852	209,233
ECPAC administrative services	289,934	289,934	66,660	223,274
Total general government	<u>9,979,808</u>	<u>9,860,110</u>	<u>8,720,888</u>	<u>1,139,222</u>
Public safety:				
Police:				
Administration	1,895,816	1,926,725	2,029,093	(102,368)
Inspection and training	1,732,211	1,740,100	1,423,715	316,385
Records	984,168	984,168	791,054	193,114
Information systems	646,416	646,416	504,944	141,472
Communications	2,167,190	2,167,190	1,937,612	229,578
Patrol	11,668,152	11,698,986	11,898,911	(199,925)
Special operations unit	2,720,872	2,724,912	3,062,132	(337,220)
Traffic enforcement	1,820,612	1,825,421	2,007,901	(182,480)
Investigation	4,213,469	4,221,547	4,097,640	123,907
Laboratory	785,577	785,577	780,379	5,198
Auxillary	174,557	174,557	154,728	19,829
Animal control	872,026	872,026	732,780	139,246
Total police	<u>29,681,066</u>	<u>29,767,625</u>	<u>29,420,889</u>	<u>346,736</u>
Fire:				
Administration	1,371,044	1,372,413	1,264,571	107,842
Suppression	8,286,892	8,298,772	8,150,407	148,365
Heartland Fire and Rescue	1,775,118	1,804,016	1,734,625	69,391
Total fire	<u>11,433,054</u>	<u>11,475,201</u>	<u>11,149,603</u>	<u>325,598</u>
Total public safety	<u>41,114,120</u>	<u>41,242,826</u>	<u>40,570,492</u>	<u>672,334</u>

¹ Includes only the General fund as defined by the City's budget. Financial statements prepared on a GAAP basis combine additional funds pursuant to GASB Statement No. 54 (see Required Supplementary Information Note 3).

Required Supplementary Information
CITY OF EL CAJON
Budgetary Comparison Schedule (continued)
General Fund
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual ¹	Variance with Final Budget
	Original	Final		
Public works:				
Administration	\$ 135,254	\$ 135,606	\$ 135,894	\$ (288)
Engineering	1,885,047	1,885,829	1,550,621	335,208
Traffic engineering and maintenance	1,425,927	1,425,927	1,276,734	149,193
Street maintenance	814,375	814,375	696,825	117,550
Total public works	<u>4,260,603</u>	<u>4,261,737</u>	<u>3,660,074</u>	<u>601,663</u>
Parks and recreation				
Parks	2,073,286	2,073,286	1,898,321	174,965
Recreation	2,528,817	2,552,283	2,489,656	62,627
Total parks and recreation	<u>4,602,103</u>	<u>4,625,569</u>	<u>4,387,977</u>	<u>237,592</u>
Community development:				
Administration	407,121	407,827	475,513	(67,686)
Planning	1,247,346	1,249,049	960,114	288,935
Building and fire safety	1,081,061	1,082,990	1,076,221	6,769
Total community development	<u>2,735,528</u>	<u>2,739,866</u>	<u>2,511,848</u>	<u>228,018</u>
Total expenditures	<u>62,692,162</u>	<u>62,730,108</u>	<u>59,851,279</u>	<u>2,878,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,463,118</u>	<u>2,425,172</u>	<u>9,355,863</u>	<u>6,930,691</u>
Other financing sources (uses):				
Transfers in	193,976	193,976	193,976	-
Transfers out	(4,012,201)	(4,210,201)	(3,641,656)	568,545
Total other financing sources (uses)	<u>(3,818,225)</u>	<u>(4,016,225)</u>	<u>(3,447,680)</u>	<u>568,545</u>
Net change in fund balance	<u>(1,355,107)</u>	<u>(1,591,053)</u>	<u>5,908,183</u>	<u>7,499,236</u>
Fund balance, beginning	<u>25,777,417</u>	<u>25,777,417</u>	<u>29,604,633</u>	<u>3,827,216</u>
Fund balance, ending	<u>\$ 24,422,310</u>	<u>\$ 24,186,364</u>	<u>\$ 35,512,816</u>	<u>\$ 11,326,452</u>

¹ Includes only the General fund as defined by the City's budget. Financial statements prepared on a GAAP basis combine additional funds pursuant to GASB Statement No. 54 (see Required Supplementary Information Note 3).

Required Supplementary Information
CITY OF EL CAJON
Budgetary Comparison Schedule (continued)
General Fund
For the fiscal year ended June 30, 2016

**Reconciliation of the Budgetary Comparison Schedule-General Fund to the Statement of Revenues,
Expenditures and Change in Fund Balances - Governmental Funds (GAAP Basis)**

Actual revenues from budgetary comparison schedule (page F-2)	\$ 69,207,142
Revenues from other general funds are combined with the general fund, as required under generally accepted accounting principles	
Emergency Medical Service	2,851,150
Recreation Special Programs	482,414
Elimination of interfund transactions	(419,112)
Total revenues as reported on the Statement of Revenues, Expenditures and Change in Fund Balances for the General Fund (GAAP Basis) (page G-2)	72,121,594
Actual expenditures from budgetary comparison schedule (page F-4)	59,851,279
Expenditures from other general funds are combined with the general fund, as required under generally accepted accounting principles	
Emergency Medical Service	4,810,766
Recreation Special Programs	522,830
Elimination of interfund transactions	(419,112)
Total revenues as reported on the Statement of Revenues, Expenditures and Change in Fund Balances for the General Fund (GAAP Basis) (page G-2)	64,765,763
Actual other financing sources (uses) from budgetary comparison schedule	(3,447,680)
Other financing sources (uses) from other general funds are combined with the general fund, as required under generally accepted accounting principles	
Emergency Medical Service	1,443,656
Recreation Special Programs	(250,000)
Total revenues as reported on the Statement of Revenues, Expenditures and Change in Fund Balances for the General Fund (GAAP Basis)	(2,254,024)
Net change in fund balance as reported on the Statement of Revenues, Expenditures and Change in Fund Balances for the General Fund (GAAP Basis)	5,101,807
Fund balance, beginning of year (GAAP Basis) (page G-2)	30,552,917
Fund balance, end of year (GAAP Basis) (page G-2)	\$ 35,654,724

Certain funds, Emergency Medical Service and Recreation Special Programs, are combined with the General Fund for reporting purposes on a GAAP basis, pursuant to GASB Statement No. 54 (See Required Supplementary Information Note 3).

Required Supplementary Information
CITY OF EL CAJON
Notes to the Budgetary Comparison Schedule
For the fiscal year ended June 30, 2016

1. Budgetary control and accounting

Budgets are generally prepared on a basis consistent with generally accepted accounting principles (GAAP), with the exception of the General Fund and two funds which were considered special revenue funds prior to the implementation of GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. These three funds are budgeted as separate individual funds, but are consolidated into the General Fund for financial reporting purposes. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the City Manager and a final recommended budget that is transmitted to the City Council for its review before the required date of adoption. Once transmitted to the City Council, the preliminary budget is made available for inspection. Prior to adoption, a budget workshop meeting is held by the City Council. A public hearing is held to give the public the opportunity to comment upon the preliminary budget. Notice of such public hearing is given in a newspaper of general circulation.

The approval of the budget is accomplished by the adoption of a Budget Resolution by the City Council, prior to the beginning of the fiscal year. Annual budgets are adopted for all governmental funds, except for the City's capital project funds and the CDBG, HOME program, El Cajon Housing Authority, and Various Donations Special Revenue funds. The level of budgetary control is at the department level. For purposes of this requirement, each fund other than the General Fund is considered to be a separate department. The City Manager is authorized to transfer appropriations within a departmental budget. Any appropriations transfers between departments or funds require City Council approval. Appropriations lapse at year-end to the extent that they have not been expended or encumbered.

2. Expenditures in excess of appropriations

There were no departments within the General Fund whose expenditures exceeded appropriations.

3. General fund

The Budgetary Comparison Schedule presented in Required Supplementary Information is for the City's General fund as reported in the City's budget. Financial statements for the General fund prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The two additional funds that comprise the General fund (GAAP basis) are the Emergency Medical Services and Recreation Special Programs. A reconciliation of the budgetary comparison schedule-General Fund to the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (GAAP Basis) is included in Supplementary Information as well as the Combined Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the General fund (GAAP Basis), and budgetary comparisons of the two additional funds (pages G-1 through G-4).

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Required Supplementary Information
CITY OF EL CAJON
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
As of June 30, 2016

	2015	2016
Total pension liability		
Service cost	\$ 6,754,765	\$ 6,665,134
Interest on total pension liability	33,181,886	34,564,139
Changes in benefits	-	-
Differences between expected and actual experience	-	1,806,444
Changes in assumptions	-	(8,219,372)
Benefit payments, including refunds of employee contributions	(23,438,073)	(24,732,428)
Net change in total pension liability	16,498,578	10,083,917
Total pension liability - beginning	450,766,805	467,265,383
Total pension liability - ending (a)	\$ 467,265,383	\$ 477,349,300
Plan fiduciary net position		
Contributions - employer	\$ 9,758,501	\$ 11,741,601
Contributions - employee	2,682,128	2,621,411
Net investment income	50,182,599	7,349,560
Benefit payments	(23,438,073)	(24,732,428)
Plan to plan resource movement	-	256
Administrative expense	-	(372,199)
Net change in plan fiduciary net position	39,185,155	(3,391,799)
Plan fiduciary net position - beginning	292,682,442	331,867,597
Plan fiduciary net position - ending (b)	331,867,597	328,475,798
Net pension liability - ending (a)-(b)	\$ 135,397,786	\$ 148,873,502
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	71.02%	68.81%
Covered-employee payroll	\$ 28,851,261	\$ 29,392,736
Net pension liability as percentage of covered employee payroll	469.30%	506.50%
Measurement period (fiscal year)	2013-2014	2014-2015

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 benefits 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.

*Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Required Supplementary Information
CITY OF EL CAJON
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
As of June 30, 2016
(continued)

	Fiscal Year	
	2015	2016
Actuarially determined contribution	\$ 11,781,843	\$ 12,381,077
Contributions in relation to the actuarially determined contributions	(11,838,477)	(12,482,547)
Contributions deficiency (excess)	\$ (56,634)	\$ (101,470)
Covered-employee payroll	\$ 29,542,893	\$ 29,178,936
Contributions as a percentage of covered-employee payroll	39.88%	42.43%
Notes to schedule:		
Valuation date	06/30/2013	06/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal.
Amortization method/period	June 30, 2012 funding valuation report.
Asset valuation method	Actuarial value of assets, June 30, 2012 funding valuation report.
Inflation	2.75%
Salary increases	Varies by entry age and service.
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses including inflation.
Retirement age	The probabilities of retirement are based on the 2010 California Public Employees' Retirement System (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.

*GASB Statement No. 68 was first implemented in fiscal year 2015.

Required Supplementary Information
CITY OF EL CAJON
Other Post Employment Benefits

BENEFIT DESCRIPTION:

The City provides a monthly contribution towards certain health benefits for retired miscellaneous and safety members who retired on or after July 14, 1988.

FUNDED STATUS:

Valuation <u>Date</u>	Actuarial <u>Accrued Liability</u>	Value of <u>Plan Assets</u>	Unfunded Actuarial <u>Accrued Liability</u>	Funded <u>Status</u>	Annual <u>Covered Payroll</u>	UAAL as a % <u>of Payroll</u>
6/30/2011	\$ 3,441,000	\$ 559,000	\$ 2,882,000	16.2%	\$ 30,806,019	9.4%
6/30/2013	5,335,400	1,198,033	4,137,367	22.5%	28,618,518	14.5%
6/30/2015	6,032,720	2,051,906	3,980,814	34.0%	29,542,893	13.5%

ACTUARIAL ASSUMPTIONS:

For the most recent valuation, the actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.36% investment rate of return, which is the assumed rate of expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, an annual adjustment of 4% to the minimum health benefit reimbursement amount, and assumed payroll increases of 4%. The UAAL is being amortized using level-dollar over a closed amortization period, with 10 years remaining.

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CITY OF EL CAJON
Balance Sheet
General Fund (GAAP Basis)
June 30, 2016

	General Fund	Emergency Medical Service	Recreation Special Programs	Reconciliation to Fund Financial Statements	Total ¹
Assets:					
Cash and investments	\$ 30,443,911	\$ 11,277	\$ 233,200	\$ -	\$ 30,688,388
Receivables:					
Accounts	393,791	160,603	25,955	-	580,349
Interest	127,249	-	627	-	127,876
Intergovernmental	-	-	-	-	-
Loans	227,852	-	-	-	227,852
Taxes	6,437,309	1,205	-	-	6,438,514
Prepaid items	8,379	-	-	-	8,379
Due from other funds	668,587	-	-	-	668,587
Total assets	<u>\$ 38,307,078</u>	<u>\$ 173,085</u>	<u>\$ 259,782</u>	<u>\$ -</u>	<u>\$ 38,739,945</u>
Liabilities:					
Accounts payable	\$ 662,447	\$ 9,360	\$ 3,923	\$ -	\$ 675,730
Accrued liabilities	1,561,505	105,659	13,563	-	1,680,727
Deposits payable	217,649	-	17,815	-	235,464
Unearned revenue	32,809	-	140,639	-	173,448
Total liabilities	<u>2,474,410</u>	<u>115,019</u>	<u>175,940</u>	<u>-</u>	<u>2,765,369</u>
Deferred inflows of resources					
Unavailable revenue from prior years' sale of property	319,852	-	-	-	319,852
	<u>319,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,852</u>
Fund balance					
Nonspendable:					
Prepaid items	8,379	-	-	-	8,379
Committed	13,052,990	-	-	-	13,052,990
Assigned:					
Economic uncertainty	2,000,000	-	-	-	2,000,000
Unfunded retirement obligations	4,020,000	-	-	-	4,020,000
Unassigned	16,431,447	58,066	83,842	-	16,573,355
Total fund balance	<u>35,512,816</u>	<u>58,066</u>	<u>83,842</u>	<u>-</u>	<u>35,654,724</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 38,307,078</u>	<u>\$ 173,085</u>	<u>\$ 259,782</u>	<u>\$ -</u>	<u>\$ 38,739,945</u>

¹ The total for General Fund (GAAP Basis) includes additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. This total is reported on the Balance Sheet-Governmental Funds for the General Fund (page D-1).

CITY OF EL CAJON
Statement of Revenues, Expenditures and Change in Fund Balances
General Fund (GAAP Basis)
For the fiscal year ended June 30, 2016

	General Fund	Emergency Medical Service	Recreation Special Programs	Reconciliation to Fund Financial Statements	Total ¹
Revenues:					
Charges for services	\$ 2,870,472	\$ 2,294,268	\$ 419,777	\$ (419,112)	\$ 5,165,405
Intergovernmental	684,009	156,202	4,000	-	844,211
Investment earnings	597,422	-	1,884	-	599,306
Licenses and permits	1,810,129	-	-	-	1,810,129
Other	5,004,499	23,292	56,753	-	5,084,544
Taxes	58,240,611	377,388	-	-	58,617,999
Total revenues	<u>69,207,142</u>	<u>2,851,150</u>	<u>482,414</u>	<u>(419,112)</u>	<u>72,121,594</u>
Expenditures:					
Community development	2,511,848	-	-	-	2,511,848
General government	8,720,888	-	-	-	8,720,888
Parks and recreation	4,387,977	-	522,830	-	4,910,807
Public safety	40,570,492	4,810,766	-	(419,112)	44,962,146
Public works	3,660,074	-	-	-	3,660,074
Total expenditures	<u>59,851,279</u>	<u>4,810,766</u>	<u>522,830</u>	<u>(419,112)</u>	<u>64,765,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,355,863</u>	<u>(1,959,616)</u>	<u>(40,416)</u>	<u>-</u>	<u>7,355,831</u>
Other financing sources (uses):					
Transfers in	193,976	1,443,656	-	(1,443,656)	193,976
Transfers out	<u>(3,641,656)</u>	<u>-</u>	<u>(250,000)</u>	<u>1,443,656</u>	<u>(2,448,000)</u>
Total other financing sources (uses)	<u>(3,447,680)</u>	<u>1,443,656</u>	<u>(250,000)</u>	<u>-</u>	<u>(2,254,024)</u>
Net change in fund balances	5,908,183	(515,960)	(290,416)	-	5,101,807
Fund balances, beginning	<u>29,604,633</u>	<u>574,026</u>	<u>374,258</u>	<u>-</u>	<u>30,552,917</u>
Fund balances, ending	<u>\$ 35,512,816</u>	<u>\$ 58,066</u>	<u>\$ 83,842</u>	<u>\$ -</u>	<u>\$ 35,654,724</u>

¹ The total for General Fund (GAAP Basis) include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. This total is reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds for the General Fund (page D-3).

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance

Emergency Medical Service¹

Budget and Actual

For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 2,790,000	\$ 2,790,000	\$ 2,294,268	\$ (495,732)
Intergovernmental	81,000	81,000	156,202	75,202
Other	-	-	23,292	23,292
Taxes	378,000	378,000	377,388	(612)
Total revenues	3,249,000	3,249,000	2,851,150	(397,850)
Expenditures:				
Current:				
Public safety	5,413,736	5,424,733	4,810,766	613,967
Total expenditures	5,413,736	5,424,733	4,810,766	613,967
Excess (deficiency) of revenues over (under) expenditures	(2,164,736)	(2,175,733)	(1,959,616)	216,117
Other financing sources:				
Transfers in	2,012,201	2,012,201	1,443,656	(568,545)
Total other financing sources	2,012,201	2,012,201	1,443,656	(568,545)
Net change in fund balance	(152,535)	(163,532)	(515,960)	(352,428)
Fund balance, beginning	251,447	251,447	574,026	322,579
Fund balance, ending	\$ 98,912	\$ 87,915	\$ 58,066	\$ (29,849)

¹ Emergency Medical Service is considered General Fund (GAAP Basis), pursuant to GASB Statement No. 54. This fund has a legally adopted budget and as such, a budgetary comparison schedule is presented.

A reconciliation of the budgetary comparison schedule-General Fund to the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (GAAP Basis) is included in Required Supplementary Information (page F-5).

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Recreation Special Programs¹ Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 494,206	\$ 494,206	\$ 419,777	\$ (74,429)
Intergovernmental	4,000	4,000	4,000	-
Investment earnings	-	-	1,884	1,884
Other	69,620	69,620	56,753	(12,867)
Total revenues	567,826	567,826	482,414	(85,412)
Expenditures:				
Current:				
Parks and recreation	567,401	580,927	522,830	58,097
Total expenditures	567,401	580,927	522,830	58,097
Excess (deficiency) of revenues over (under) expenditures	425	(13,101)	(40,416)	(27,315)
Other financing sources:				
Transfers out	250,000	250,000	(250,000)	(500,000)
Total other financing sources	250,000	250,000	(250,000)	(500,000)
Net change in fund balance	250,425	236,899	(290,416)	(527,315)
Fund balance, beginning	390,350	390,350	374,258	(16,092)
Fund balance, ending	\$ 640,775	\$ 627,249	\$ 83,842	\$ (543,407)

¹ Recreation Special Programs is considered General Fund (GAAP Basis), pursuant to GASB Statement No. 54. This fund has a legally adopted budget and as such, a budgetary comparison schedule is presented.

A reconciliation of the budgetary comparison schedule-General Fund to the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (GAAP Basis) is included in Required Supplementary Information (page F-5).

CITY OF EL CAJON
Combined Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue Funds	Debt Service Fund <u>El Cajon Public Financing Authority</u>	Capital Projects Funds	Total
Assets:				
Cash and investments	\$ 7,008,349	\$ 1,910	\$ 1,265,959	\$ 8,276,218
Receivables:				
Interest	6,296	-	1,530	7,826
Intergovernmental	445,042	-	639,965	1,085,007
Loans	10,051,332	-	-	10,051,332
Taxes	33,048	-	-	33,048
Total assets	\$ 17,544,067	\$ 1,910	\$ 1,907,454	\$ 19,453,431
Liabilities:				
Accounts payable	\$ 215,628	\$ 1,910	\$ 750,643	\$ 968,181
Accrued liabilities	45,190	-	-	45,190
Due to other funds	119,512	-	549,075	668,587
Total liabilities	380,330	1,910	1,299,718	1,681,958
Fund balance				
Restricted:				
Animal shelter operations	40,395	-	-	40,395
Animal shelter project	254,271	-	-	254,271
Community development	454,777	-	-	454,777
Loans receivable	10,051,332	-	-	10,051,332
Public safety	1,548,795	-	-	1,548,795
Public works projects	995,827	-	-	995,827
RTCIP impact fee	-	-	498,628	498,628
Streets projects	3,818,340	-	-	3,818,340
Assigned:				
Capital projects	-	-	111,358	111,358
Unassigned	-	-	(2,250)	(2,250)
Total fund balance	17,163,737	-	607,736	17,771,473
Total liabilities and fund balance	\$ 17,544,067	\$ 1,910	\$ 1,907,454	\$ 19,453,431

CITY OF EL CAJON
Combined Statement of Revenues, Expenditures and Change in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2016

	Special Revenue Funds	Debt Service Fund El Cajon Public Financing Authority	Capital Projects Funds	Total
Revenues:				
Intergovernmental	\$ 5,090,828	\$ -	\$ 1,015,845	\$ 6,106,673
Investment earnings	20,388	1	4,624	25,013
Other	125,950	-	1,038,389	1,164,339
Taxes	-	-	2,173,900	2,173,900
Total revenues	<u>5,237,166</u>	<u>1</u>	<u>4,232,758</u>	<u>9,469,925</u>
Expenditures:				
Current:				
Community development	503,859	-	-	503,859
Parks and recreation	-	-	202,310	202,310
Public safety	412,342	4,970	-	417,312
Public works	2,035,103	-	-	2,035,103
Capital outlay	667,153	-	5,545,052	6,212,205
Debt service:				
Interest	20,342	154,200	-	174,542
Principal	280,000	7,710,000	-	7,990,000
Total expenditures	<u>3,918,799</u>	<u>7,869,170</u>	<u>5,747,362</u>	<u>17,535,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,318,367</u>	<u>(7,869,169)</u>	<u>(1,514,604)</u>	<u>(8,065,406)</u>
Other financing sources (uses):				
Transfers in	1,573	5,209,823	4,468,626	9,680,022
Transfers out	<u>(1,122,731)</u>	<u>-</u>	<u>(3,244,641)</u>	<u>(4,367,372)</u>
Total other financing sources (uses)	<u>(1,121,158)</u>	<u>5,209,823</u>	<u>1,223,985</u>	<u>5,312,650</u>
Net change in fund balances	197,209	(2,659,346)	(290,619)	(2,752,756)
Fund balances, beginning	<u>16,966,528</u>	<u>2,659,346</u>	<u>898,355</u>	<u>20,524,229</u>
Fund balances, ending	<u>\$ 17,163,737</u>	<u>\$ -</u>	<u>\$ 607,736</u>	<u>\$ 17,771,473</u>

**CITY OF EL CAJON
NON-MAJOR SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Gas Tax - This fund accounts for state funds for preventive maintenance and repair of qualifying city streets.

Transit - This fund accounts for transit monies received under the Transportation Development Act.

Federal/County Asset Forfeiture - This fund accounts for asset forfeiture revenues and expenditures.

Local Public Safety - This fund accounts for allocation of the state's sales tax revenue (Proposition 172) to be used for public safety, including sheriffs, police and fire protection.

Federal, State and Local Grants - This fund accounts for various federal, state and local grants.

Housing In-Lieu Fees - This fund accounts for in-lieu fees received from developers as an alternative to constructing the affordable housing units. These funds will be utilized by the City to support the development of affordable housing units.

CDBG (Community Development Block Grants) - This fund accounts for federal grants for public facilities, capital improvements, and public services. This fund is not annually budgeted because fund activities are of a long-term basis.

HOME - This fund accounts for federal grants to support local affordable housing initiatives under the Home Investment Partnership Program. This fund is not annually budgeted because its fund activities (housing loans), are of a long-term basis.

Various Donations - This fund accounts for various donations received used to pay for specific functions and/or programs of the city. This fund is not annually budgeted because donations vary greatly from year to year.

CITY OF EL CAJON
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2016

	Budgeted			
	Gas Tax	Transit	Federal/ County Asset Forfeiture	Local Public Safety
Assets:				
Cash and investments	\$ 3,870,847	\$ 742,564	\$ 278,672	\$ 672,742
Receivables:				
Interest	-	1,691	581	1,472
Intergovernmental	-	-	-	-
Loans	-	-	-	-
Taxes	-	-	-	33,048
Total assets	<u>\$ 3,870,847</u>	<u>\$ 744,255</u>	<u>\$ 279,253</u>	<u>\$ 707,262</u>
Liabilities:				
Accounts payable	\$ 10,376	\$ 2,839	\$ 1,169	\$ 16,241
Accrued liabilities	42,131	3,059	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>52,507</u>	<u>5,898</u>	<u>1,169</u>	<u>16,241</u>
Fund balance:				
Restricted:				
Animal shelter	-	-	-	-
Animal shelter project	-	-	-	-
Community development	-	-	-	-
Loans receivable	-	-	-	-
Public safety	-	-	278,084	691,021
Public works projects	-	738,357	-	-
Streets projects	3,818,340	-	-	-
Total fund balance	<u>3,818,340</u>	<u>738,357</u>	<u>278,084</u>	<u>691,021</u>
Total liabilities and fund balance	<u>\$ 3,870,847</u>	<u>\$ 744,255</u>	<u>\$ 279,253</u>	<u>\$ 707,262</u>

Budgeted		Unbudgeted			Total Non-Major Special Revenue Funds
Federal, State, and Local Grants	Housing In Lieu Fees	CDBG	HOME	Various Donations	
\$ 715,907	\$ 288,085	\$ -	\$ 142,184	\$ 297,348	\$ 7,008,349
1,341	644	-	-	567	6,296
231,403	-	213,639	-	-	445,042
534,174	-	388,295	9,128,863	-	10,051,332
-	-	-	-	-	33,048
<u>\$ 1,482,825</u>	<u>\$ 288,729</u>	<u>\$ 601,934</u>	<u>\$ 9,271,047</u>	<u>\$ 297,915</u>	<u>\$ 17,544,067</u>
\$ 23,261	\$ -	\$ 156,702	\$ 5,040	\$ -	\$ 215,628
-	-	-	-	-	45,190
88,230	-	31,282	-	-	119,512
<u>111,491</u>	<u>-</u>	<u>187,984</u>	<u>5,040</u>	<u>-</u>	<u>380,330</u>
-	-	-	-	40,395	40,395
-	-	-	-	254,271	254,271
-	288,729	25,655	137,144	3,249	454,777
534,174	-	388,295	9,128,863	-	10,051,332
579,690	-	-	-	-	1,548,795
257,470	-	-	-	-	995,827
-	-	-	-	-	3,818,340
<u>1,371,334</u>	<u>288,729</u>	<u>413,950</u>	<u>9,266,007</u>	<u>297,915</u>	<u>17,163,737</u>
<u>\$ 1,482,825</u>	<u>\$ 288,729</u>	<u>\$ 601,934</u>	<u>\$ 9,271,047</u>	<u>\$ 297,915</u>	<u>\$ 17,544,067</u>

CITY OF EL CAJON
Combining Statement of Revenues, Expenditures and Change in Fund Balances
Non-Major Special Revenue Funds
For the fiscal year ended June 30, 2016

	Budgeted			
	Gas Tax	Transit	Federal/ County Asset Forfeiture	Local Public Safety
Revenues:				
Intergovernmental	\$ 2,223,683	\$ 177,429	\$ -	\$ 408,380
Investment earnings	430	5,102	1,795	4,698
Other	4,685	-	100,893	-
Total revenues	<u>2,228,798</u>	<u>182,531</u>	<u>102,688</u>	<u>413,078</u>
Expenditures:				
Current:				
Community development	-	-	-	-
Public safety	-	-	70,146	18,840
Public works	1,872,903	162,200	-	-
Capital outlay	63,584	-	-	301,374
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	<u>1,936,487</u>	<u>162,200</u>	<u>70,146</u>	<u>320,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>292,311</u>	<u>20,331</u>	<u>32,542</u>	<u>92,864</u>
Other financing (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(239,938)</u>	<u>(5,395)</u>	<u>-</u>	<u>(140,000)</u>
Total other financing (uses)	<u>(239,938)</u>	<u>(5,395)</u>	<u>-</u>	<u>(140,000)</u>
Net change in fund balances	52,373	14,936	32,542	(47,136)
Fund balances, beginning	<u>3,765,967</u>	<u>723,421</u>	<u>245,542</u>	<u>738,157</u>
Fund balances, ending	<u>\$ 3,818,340</u>	<u>\$ 738,357</u>	<u>\$ 278,084</u>	<u>\$ 691,021</u>

Budgeted		Unbudgeted			Total Non-Major Special Revenue Funds
Federal, State, and Local Grants	Housing In Lieu Fees	CDBG	HOME	Various Donations	
\$ 820,306	\$ -	\$ 1,427,173	\$ 33,857	\$ -	\$ 5,090,828
4,055	1,979	-	727	1,602	20,388
10,096	-	721	2,855	6,700	125,950
<u>834,457</u>	<u>1,979</u>	<u>1,427,894</u>	<u>37,439</u>	<u>8,302</u>	<u>5,237,166</u>
42,462	-	413,129	48,268	-	503,859
323,356	-	-	-	-	412,342
-	-	-	-	-	2,035,103
302,195	-	-	-	-	667,153
-	-	20,342	-	-	20,342
-	-	280,000	-	-	280,000
<u>668,013</u>	<u>-</u>	<u>713,471</u>	<u>48,268</u>	<u>-</u>	<u>3,918,799</u>
166,444	1,979	714,423	(10,829)	8,302	1,318,367
1,573	-	-	-	-	1,573
(19,135)	-	(716,690)	-	(1,573)	(1,122,731)
(17,562)	-	(716,690)	-	(1,573)	(1,121,158)
148,882	1,979	(2,267)	(10,829)	6,729	197,209
<u>1,222,452</u>	<u>286,750</u>	<u>416,217</u>	<u>9,276,836</u>	<u>291,186</u>	<u>16,966,528</u>
<u>\$ 1,371,334</u>	<u>\$ 288,729</u>	<u>\$ 413,950</u>	<u>\$ 9,266,007</u>	<u>\$ 297,915</u>	<u>\$ 17,163,737</u>

CITY OF EL CAJON
Schedule of Revenues, Expenditures and Change in Fund Balance
Gas Tax Special Revenue Fund
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,141,112	\$ 2,141,112	\$ 2,223,683	\$ 82,571
Investment earnings	-	-	430	430
Other	-	-	4,685	4,685
Total revenues	<u>2,141,112</u>	<u>2,141,112</u>	<u>2,228,798</u>	<u>87,686</u>
Expenditures:				
Current:				
Public works	2,127,927	2,128,291	1,872,903	255,388
Capital outlay	<u>206,000</u>	<u>206,000</u>	<u>63,584</u>	<u>142,416</u>
Total expenditures	<u>2,333,927</u>	<u>2,334,291</u>	<u>1,936,487</u>	<u>397,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(192,815)</u>	<u>(193,179)</u>	<u>292,311</u>	<u>485,490</u>
Other financing (uses):				
Transfers out	<u>(551,250)</u>	<u>(551,250)</u>	<u>(239,938)</u>	<u>311,312</u>
Total other financing (uses)	<u>(551,250)</u>	<u>(551,250)</u>	<u>(239,938)</u>	<u>311,312</u>
Net change in fund balance	(744,065)	(744,429)	52,373	796,802
Fund balance, beginning	<u>3,765,967</u>	<u>3,765,967</u>	<u>3,765,967</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,021,902</u>	<u>\$ 3,021,538</u>	<u>\$ 3,818,340</u>	<u>\$ 796,802</u>

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Transit Special Revenue Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 315,883	\$ 315,883	\$ 177,429	\$ (138,454)
Investment earnings	-	-	5,102	5,102
Total revenues	<u>315,883</u>	<u>315,883</u>	<u>182,531</u>	<u>(133,352)</u>
Expenditures:				
Current:				
Public works	<u>220,862</u>	<u>220,862</u>	<u>162,200</u>	<u>58,662</u>
Total expenditures	<u>220,862</u>	<u>220,862</u>	<u>162,200</u>	<u>58,662</u>
Excess of revenues over expenditures	<u>95,021</u>	<u>95,021</u>	<u>20,331</u>	<u>(74,690)</u>
Other financing (uses):				
Transfers out	<u>(225,000)</u>	<u>(225,000)</u>	<u>(5,395)</u>	<u>219,605</u>
Total other financing (uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(5,395)</u>	<u>219,605</u>
Net change in fund balance	(129,979)	(129,979)	14,936	144,915
Fund balance, beginning	<u>723,421</u>	<u>723,421</u>	<u>723,421</u>	<u>-</u>
Fund balance, ending	<u>\$ 593,442</u>	<u>\$ 593,442</u>	<u>\$ 738,357</u>	<u>\$ 144,915</u>

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Federal/County Asset Forfeiture Special Revenue Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 1,795	\$ 1,795
Other	57,500	57,500	100,893	43,393
Total revenues	<u>57,500</u>	<u>57,500</u>	<u>102,688</u>	<u>45,188</u>
Expenditures:				
Current:				
Public safety	117,132	117,132	70,146	46,986
Total expenditures	<u>117,132</u>	<u>117,132</u>	<u>70,146</u>	<u>46,986</u>
Net change in fund balance	(59,632)	(59,632)	32,542	92,174
Fund balance, beginning	<u>245,542</u>	<u>245,542</u>	<u>245,542</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 185,910</u></u>	<u><u>\$ 185,910</u></u>	<u><u>\$ 278,084</u></u>	<u><u>\$ 92,174</u></u>

CITY OF EL CAJON
Schedule of Revenues, Expenditures and Change in Fund Balance
Local Public Safety Special Revenue Fund
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 375,000	\$ 375,000	\$ 408,380	\$ 33,380
Investment earnings	-	-	4,698	4,698
Total revenues	<u>375,000</u>	<u>375,000</u>	<u>413,078</u>	<u>38,078</u>
Expenditures:				
Current:				
Public safety	19,640	19,640	18,840	800
Capital outlay	<u>410,075</u>	<u>410,075</u>	<u>301,374</u>	<u>108,701</u>
Total expenditures	<u>429,715</u>	<u>429,715</u>	<u>320,214</u>	<u>109,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,715)</u>	<u>(54,715)</u>	<u>92,864</u>	<u>147,579</u>
Other financing sources (uses):				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balance	(194,715)	(194,715)	(47,136)	147,579
Fund balance, beginning	<u>738,157</u>	<u>738,157</u>	<u>738,157</u>	<u>-</u>
Fund balance, ending	<u>\$ 543,442</u>	<u>\$ 543,442</u>	<u>\$ 691,021</u>	<u>\$ 147,579</u>

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Federal, State and Local Grants Special Revenue Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,658,052	\$ 1,931,353	\$ 820,306	\$ (1,111,047)
Investment earnings	700	700	4,055	3,355
Other	30,000	30,000	10,096	(19,904)
Total revenues	<u>1,688,752</u>	<u>1,962,053</u>	<u>834,457</u>	<u>(1,127,596)</u>
Expenditures:				
Current:				
Community development	634,000	1,114,000	42,462	1,071,538
Public safety	181,562	392,656	323,356	69,300
Public works	169,120	169,120	-	169,120
Capital outlay	520,144	623,451	302,195	321,256
Total expenditures	<u>1,504,826</u>	<u>2,299,227</u>	<u>668,013</u>	<u>1,631,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>183,926</u>	<u>(337,174)</u>	<u>166,444</u>	<u>503,618</u>
Other financing (uses):				
Transfers in	-	-	1,573	1,573
Transfers out	(118,200)	(118,200)	(19,135)	99,065
Total other financing (uses)	<u>(118,200)</u>	<u>(118,200)</u>	<u>(17,562)</u>	<u>100,638</u>
Net change in fund balance	65,726	(455,374)	148,882	604,256
Fund balance, beginning	<u>1,195,484</u>	<u>1,195,484</u>	<u>1,222,452</u>	<u>26,968</u>
Fund balance, ending	<u><u>\$ 1,261,210</u></u>	<u><u>\$ 740,110</u></u>	<u><u>\$ 1,371,334</u></u>	<u><u>\$ 631,224</u></u>

CITY OF EL CAJON
Schedule of Revenues, Expenditures and Change in Fund Balance
Housing In Lieu Fees Special Revenue Fund
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 1,979	\$ 979
Total revenues	1,000	1,000	1,979	979
Expenditures:				
Capital outlay	282,772	282,772	-	282,772
Total expenditures	282,772	282,772	-	282,772
Net change in fund balance	(281,772)	(281,772)	1,979	283,751
Fund balance, beginning	286,750	286,750	286,750	-
Fund balance, ending	<u>\$ 4,978</u>	<u>\$ 4,978</u>	<u>\$ 288,729</u>	<u>\$ 283,751</u>

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**CITY OF EL CAJON
DEBT SERVICE FUNDS**

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

NON-MAJOR DEBT SERVICE FUND

El Cajon Public Financing Authority - This fund accounts for the monies utilized for the debt service payments on financings for public capital improvements and related capital requirements, including the 2009 revenue bonds and a US Department of Housing & Urban Development Section 108 loan, both of which were paid off this fiscal year.

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for this fund are displayed on pages H-1 and H-2 as it is the sole debt service fund.

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance El Cajon Public Financing Authority Debt Service Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 5,000	\$ 5,000	\$ 1	\$ (4,999)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>1</u>	<u>(4,999)</u>
Expenditures:				
Current:				
Public safety	3,250	3,250	4,970	(1,720)
Debt service:				
Interest	154,200	154,200	154,200	-
Principal	<u>7,710,000</u>	<u>7,710,000</u>	<u>7,710,000</u>	<u>-</u>
Total expenditures	<u>7,867,450</u>	<u>7,867,450</u>	<u>7,869,170</u>	<u>(1,720)</u>
(Deficiency) of revenues (under) expenditures	<u>(7,862,450)</u>	<u>(7,862,450)</u>	<u>(7,869,169)</u>	<u>(6,719)</u>
Other financing sources:				
Transfers in	<u>5,190,227</u>	<u>5,190,227</u>	<u>5,209,823</u>	<u>19,596</u>
Total other financing sources	<u>5,190,227</u>	<u>5,190,227</u>	<u>5,209,823</u>	<u>19,596</u>
Net change in fund balance	(2,672,223)	(2,672,223)	(2,659,346)	12,877
Fund balance, beginning	<u>2,659,346</u>	<u>2,659,346</u>	<u>2,659,346</u>	<u>-</u>
Fund balance, ending	<u>\$ (12,877)</u>	<u>\$ (12,877)</u>	<u>\$ -</u>	<u>\$ 12,877</u>

**CITY OF EL CAJON
MAJOR CAPITAL PROJECTS FUND**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds). The following Capital Projects Funds have been classified as major funds in the accompanying financial statements and budgetary to actual comparison schedules are presented.

Public Safety Facilities - This fund was established to account for activities associated with the construction of a new public safety center and animal shelter, as well as upgrades to existing fire stations. These projects are funded by a ½% sales tax that was in place from April 2005 through March 2015 (Proposition O approved by voters in November 2004).

City Capital Improvement Program - This fund was established to account for repairs, improvements and the preservation of City owned facilities and equipment, additional public buildings and the acquisition of land.

CITY OF EL CAJON
Schedule of Revenues, Expenditures and Change in Fund Balance
Public Safety Facilities Project Fund
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 25,000	\$ 25,000	\$ 101,202	\$ 76,202
Taxes	-	-	126,155	126,155
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>227,357</u>	<u>202,357</u>
Expenditures:				
Capital outlay	<u>9,481,474</u>	<u>9,481,771</u>	<u>142,794</u>	<u>9,338,977</u>
Total expenditures	<u>9,481,474</u>	<u>9,481,771</u>	<u>142,794</u>	<u>9,338,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,456,474)</u>	<u>(9,456,771)</u>	<u>84,563</u>	<u>9,541,334</u>
Other financing sources (uses):				
Transfers out	<u>5,190,227</u>	<u>5,190,227</u>	<u>(5,305,235)</u>	<u>(10,495,462)</u>
Total other financing sources (uses)	<u>5,190,227</u>	<u>5,190,227</u>	<u>(5,305,235)</u>	<u>(10,495,462)</u>
Net change in fund balance	(4,266,247)	(4,266,544)	(5,220,672)	(954,128)
Fund balance, beginning	<u>19,547,997</u>	<u>19,547,997</u>	<u>19,547,997</u>	<u>-</u>
Fund balance, ending	<u>\$ 15,281,750</u>	<u>\$ 15,281,453</u>	<u>\$ 14,327,325</u>	<u>\$ (954,128)</u>

CITY OF EL CAJON
Schedule of Revenues, Expenditures and Change in Fund Balance
City Capital Improvement Program Project Fund
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other	\$ 2,536,500	\$ 2,536,500	\$ 1,279,287	\$ (1,257,213)
Total revenues	<u>2,536,500</u>	<u>2,536,500</u>	<u>1,279,287</u>	<u>(1,257,213)</u>
Expenditures:				
Capital outlay	9,437,850	9,725,850	2,552,172	7,173,678
Total expenditures	<u>9,437,850</u>	<u>9,725,850</u>	<u>2,552,172</u>	<u>7,173,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,901,350)</u>	<u>(7,189,350)</u>	<u>(1,272,885)</u>	<u>5,916,465</u>
Other financing sources (uses):				
Transfers in	3,401,250	3,689,250	2,553,067	(1,136,183)
Transfers out	<u>(191,490)</u>	<u>(161,490)</u>	<u>(35,046)</u>	<u>126,444</u>
Total other financing sources (uses)	<u>3,209,760</u>	<u>3,527,760</u>	<u>2,518,021</u>	<u>(1,009,739)</u>
Net change in fund balance	(3,691,590)	(3,661,590)	1,245,136	(9,440,630)
Fund balance, beginning	<u>9,695,647</u>	<u>9,695,647</u>	<u>10,929,648</u>	<u>1,234,001</u>
Fund balance, ending	<u>\$ 6,004,057</u>	<u>\$ 6,034,057</u>	<u>\$ 12,174,784</u>	<u>\$ 6,140,727</u>

**CITY OF EL CAJON
NON-MAJOR CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds). The following Capital Projects Funds have been classified as non-major funds in the accompanying financial statements.

Public Works Projects - This fund was created to account for research, planning, construction, improvement, maintenance, and operation of public streets and highways and their related public facilities for non-motorized traffic.

Parks and Recreation Improvement Grants - This fund was established to account for state grants to repair and improve City recreational facilities.

Parks Impact Fees - This fund was established to account for City financed park and recreational improvements financed with park impact fees.

Transportation Projects - This fund was established to account for major street construction projects funded through TransNet (½% special sales tax), Specific Street Obligations, and Gas Tax. Expenditures in this fund are restricted to improvements in the City's transit and street system.

CITY OF EL CAJON
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2016

	Public Works Projects	Parks and Recreation Improvement Grants	Parks Impact Fees	Transportation Projects	Total Non-major Capital Projects Funds
Assets:					
Cash and investments	\$ 565,830	\$ 6,777	\$ 95,344	\$ 598,008	\$ 1,265,959
Receivables:					
Interest	1,031	-	203	296	1,530
Intergovernmental	-	98,842	-	541,123	639,965
Total assets	<u>\$ 566,861</u>	<u>\$ 105,619</u>	<u>\$ 95,547</u>	<u>\$ 1,139,427</u>	<u>\$ 1,907,454</u>
Liabilities:					
Accounts payable	\$ 68,233	\$ 107,869	\$ -	\$ 574,541	\$ 750,643
Due to other funds	-	-	-	549,075	549,075
Total liabilities	<u>68,233</u>	<u>107,869</u>	<u>-</u>	<u>1,123,616</u>	<u>1,299,718</u>
Fund balance					
Restricted:					
RTCIP impact fee	498,628	-	-	-	498,628
Assigned:					
Capital projects	-	-	95,547	15,811	111,358
Unassigned	-	(2,250)	-	-	(2,250)
Total fund balance	<u>498,628</u>	<u>(2,250)</u>	<u>95,547</u>	<u>15,811</u>	<u>607,736</u>
Total liabilities and fund balance	<u>\$ 566,861</u>	<u>\$ 105,619</u>	<u>\$ 95,547</u>	<u>\$ 1,139,427</u>	<u>\$ 1,907,454</u>

CITY OF EL CAJON

Combining Statement of Revenues, Expenditures and Change in Fund Balances (Deficit) Non-Major Capital Projects Funds For the fiscal year ended June 30, 2016

	Public Works Projects	Parks and Recreation Improvement Grants	Parks Impact Fees	Transportation Projects	Total Non-major Capital Projects Funds
Revenues:					
Intergovernmental	\$ -	\$ 303,292	\$ -	\$ 712,553	\$ 1,015,845
Investment earnings	2,983	-	596	1,045	4,624
Other	1,017,086	161,603	-	(140,300)	1,038,389
Taxes	-	-	30,600	2,143,300	2,173,900
Total revenues	1,020,069	464,895	31,196	2,716,598	4,232,758
Expenditures:					
Current:					
Parks and recreation	-	202,310	-	-	202,310
Capital outlay	5,065,331	479,721	-	-	5,545,052
Total expenditures	5,065,331	682,031	-	-	5,747,362
Excess (deficiency) of revenues over (under) expenditures	(4,045,262)	(217,136)	31,196	2,716,598	(1,514,604)
Other financing sources (uses):					
Transfers in	4,253,740	214,886	-	-	4,468,626
Transfers out	-	-	-	(3,244,641)	(3,244,641)
Total other financing sources (uses)	4,253,740	214,886	-	(3,244,641)	1,223,985
Net change in fund balances	208,478	(2,250)	31,196	(528,043)	(290,619)
Fund balances, beginning	290,150	-	64,351	543,854	898,355
Fund balances (deficit), ending	\$ 498,628	\$ (2,250)	\$ 95,547	\$ 15,811	\$ 607,736

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Public Works Projects Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 2,983	\$ 2,983
Other	512,986	512,986	1,017,086	504,100
Total revenues	512,986	512,986	1,020,069	507,083
Expenditures:				
Capital outlay	10,544,137	10,142,137	5,065,331	5,076,806
Total expenditures	10,544,137	10,142,137	5,065,331	5,076,806
Excess (deficiency) of revenues over (under) expenditures	(10,031,151)	(9,629,151)	(4,045,262)	5,583,889
Other financing sources (uses):				
Transfers in	10,071,151	9,669,151	4,253,740	(5,415,411)
Total other financing sources (uses)	10,071,151	9,669,151	4,253,740	(5,415,411)
Net change in fund balance	40,000	40,000	208,478	168,478
Fund balance, beginning	290,150	290,150	290,150	-
Fund balance, ending	\$ 330,150	\$ 330,150	\$ 498,628	\$ 168,478

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance (Deficit) Parks and Recreation Improvement Grants Project Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 608,900	\$ 404,450	\$ 303,292	\$ (101,158)
Other	880,000	880,000	161,603	(718,397)
Total revenues	<u>1,488,900</u>	<u>1,284,450</u>	<u>464,895</u>	<u>(819,555)</u>
Expenditures:				
Current:				
Parks and recreation	103,350	250,200	202,310	47,890
Capital outlay	1,340,100	1,799,078	479,721	1,319,357
Total expenditures	<u>1,443,450</u>	<u>2,049,278</u>	<u>682,031</u>	<u>1,367,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,450</u>	<u>(764,828)</u>	<u>(217,136)</u>	<u>547,692</u>
Other financing sources:				
Transfers in	359,000	560,378	214,886	(345,492)
Total other financing sources	<u>359,000</u>	<u>560,378</u>	<u>214,886</u>	<u>(345,492)</u>
Net change in fund balance	404,450	(204,450)	(2,250)	202,200
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 404,450</u>	<u>\$ (204,450)</u>	<u>\$ (2,250)</u>	<u>\$ 202,200</u>

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Park Impact Fees Project Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 596	\$ 596
Taxes	1,500	1,500	30,600	29,100
Total revenues	1,500	1,500	31,196	29,696
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	1,500	1,500	31,196	29,696
Fund balance, beginning	64,351	64,351	64,351	-
Fund balance, ending	<u>\$ 65,851</u>	<u>\$ 65,851</u>	<u>\$ 95,547</u>	<u>\$ 29,696</u>

CITY OF EL CAJON

Schedule of Revenues, Expenditures and Change in Fund Balance Transportation Projects Fund Budget and Actual For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,379,422	\$ 3,929,422	\$ 712,553	\$ (3,216,869)
Investment earnings	-	-	1,045	1,045
Other	-	-	(140,300)	(140,300)
Taxes	4,147,458	4,147,458	2,143,300	(2,004,158)
Total revenues	8,526,880	8,076,880	2,716,598	(5,360,282)
Other financing (uses):				
Transfers out	(8,526,880)	(8,154,880)	(3,244,641)	4,910,239
Total other financing (uses)	(8,526,880)	(8,154,880)	(3,244,641)	4,910,239
Net change in fund balance	-	(78,000)	(528,043)	(450,043)
Fund balance, beginning	543,854	543,854	543,854	-
Fund balance, ending	\$ 543,854	\$ 465,854	\$ 15,811	\$ (450,043)

CITY OF EL CAJON
ENTERPRISE FUND

Enterprise Funds are used to account for activities where fees are charged to external users for goods or services.

Wastewater - This fund accounts for the sanitary sewer disposal and maintenance of the City's sewer lines and related facilities. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

The Statement of Net Position, Statement of Revenues, Expenses, and Change in Fund Net Position, and Statement of Cash Flows for this fund are displayed on pages D-5, D-6, and D-7 as it is the sole enterprise fund.

CITY OF EL CAJON
Schedule of Revenues, Expenses and Change in Fund Net Position
Wastewater Enterprise Fund
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating revenues:				
Charges for services	\$ 17,461,000	\$ 17,461,000	\$ 19,577,156	\$ 2,116,156
Fines	6,500	6,500	9,410	2,910
Licenses and permits	5,000	5,000	-	(5,000)
Total operating revenues	17,472,500	17,472,500	19,586,566	2,114,066
Operating expenses:				
Salaries and benefits	3,549,740	3,552,950	2,887,643	665,307
Materials, services and supplies	23,060,432	23,210,432	12,133,349	11,077,083
Depreciation	-	-	1,646,830	(1,646,830)
Total operating expenses	26,610,172	26,763,382	16,667,822	10,095,560
Operating income (loss)	(9,137,672)	(9,290,882)	2,918,744	12,209,626
Non-operating revenues:				
Investment earnings	50,000	50,000	187,377	137,377
Gain on disposal of machinery and equipment	-	-	3,150	3,150
Other revenues	1,000,000	1,000,000	1,654,582	654,582
Interest expense	-	-	(32,534)	(32,534)
Total non-operating revenues	1,050,000	1,050,000	1,812,575	762,575
Income (loss) before operating transfers	(8,087,672)	(8,240,882)	4,731,319	12,972,201
Operating transfers:				
Transfers out	-	-	(271,412)	(271,412)
Total operating transfers	-	-	(271,412)	(271,412)
Change in net position	(8,087,672)	(8,240,882)	4,459,907	12,700,789
Net position, beginning	53,509,260	53,509,260	53,509,260	-
Net position, ending	\$ 45,421,588	\$ 45,268,378	\$ 57,969,167	\$ 12,700,789

**CITY OF EL CAJON
INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one fund, or department, to other funds, or departments, on a cost-reimbursement basis.

Vehicle Maintenance - This fund accounts for maintenance and operating expenses of the City's automotive and equipment fleets.

Vehicle and Equipment Replacement - This fund accounts for the replacement of the City's automotive and equipment fleets.

Self-Insurance - This fund accounts for liability insurance premiums, payment of claims and to establish reserves against future claims.

IT Replacement - This fund accounts for the replacement of the City's information technology equipment.

Other Post-Employment Benefits - This fund accounts for post-employment benefits of the City including annual required contribution in accordance with GASB Statement 45 and terminal conversions of vacation and sick time.

CITY OF EL CAJON
Combining Statement of Net Position (Deficit)
Internal Service Funds
June 30, 2016

	<u>Vehicle Maintenance</u>	<u>Vehicle and Equipment Replacement</u>	<u>Self Insurance</u>	<u>IT Replacement</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
Assets and deferred outflows of resources:						
Current assets:						
Cash and investments	\$ 1,548,050	\$ 4,739,542	\$ 3,567,891	\$ 1,588,903	\$ 815,829	\$ 12,260,215
Total current assets	<u>1,548,050</u>	<u>4,739,542</u>	<u>3,567,891</u>	<u>1,588,903</u>	<u>815,829</u>	<u>12,260,215</u>
Non-current assets:						
Capital assets, being depreciated net:						
Machinery and equipment	1,957	552	-	188,058	-	190,567
Vehicles	-	2,994,102	-	-	-	2,994,102
Total non-current assets	<u>1,957</u>	<u>2,994,654</u>	<u>-</u>	<u>188,058</u>	<u>-</u>	<u>3,184,669</u>
Deferred outflows of resources:						
Deferred outflows related to pensions (Note G)	388,798	-	88,316	-	-	477,114
Total deferred outflows of resources	<u>388,798</u>	<u>-</u>	<u>88,316</u>	<u>-</u>	<u>-</u>	<u>477,114</u>
Total assets and deferred outflows of resources	<u>\$ 1,938,805</u>	<u>\$ 7,734,196</u>	<u>\$ 3,656,207</u>	<u>\$ 1,776,961</u>	<u>\$ 815,829</u>	<u>\$ 15,921,998</u>
Liabilities and deferred inflows of resources:						
Current liabilities:						
Accounts payable	\$ 51,692	\$ 6,679	\$ 14,556	\$ 113	\$ -	\$ 73,040
Accrued liabilities	21,540	-	2,869	-	-	24,409
Claims payable-current	-	-	500,000	-	-	500,000
Compensated absences	45,570	-	-	-	-	45,570
Total current liabilities	<u>118,802</u>	<u>6,679</u>	<u>517,425</u>	<u>113</u>	<u>-</u>	<u>643,019</u>
Non-current liabilities:						
Claims payable	-	-	1,256,142	-	-	1,256,142
Compensated absences	37,335	-	-	-	-	37,335
Net pension liability	2,339,646	-	598,937	-	-	2,938,583
Total non-current liabilities	<u>2,376,981</u>	<u>-</u>	<u>1,855,079</u>	<u>-</u>	<u>-</u>	<u>4,232,060</u>
Deferred inflows of resources:						
Deferred inflows related to pensions (note J)	378,550	-	96,907	-	-	475,457
Total deferred inflows of resources	<u>378,550</u>	<u>-</u>	<u>96,907</u>	<u>-</u>	<u>-</u>	<u>475,457</u>
Total liabilities and deferred inflows of resources	<u>2,874,333</u>	<u>6,679</u>	<u>2,469,411</u>	<u>113</u>	<u>-</u>	<u>5,350,536</u>
Net position (deficit):						
Net investment in capital assets	1,957	2,994,654	-	188,058	-	3,184,669
Unrestricted	(937,485)	4,732,863	1,186,796	1,588,790	815,829	7,386,793
Total net position (deficit)	<u>\$ (935,528)</u>	<u>\$ 7,727,517</u>	<u>\$ 1,186,796</u>	<u>\$ 1,776,848</u>	<u>\$ 815,829</u>	<u>\$ 10,571,462</u>

CITY OF EL CAJON
Combining Statement of Revenues, Expenses and Change in Net Position (Deficit)
Internal Service Funds
For the fiscal year ended June 30, 2016

	Vehicle Maintenance	Vehicle and Equipment Replacement	Self Insurance	IT Replacement	Other Post Employment Benefits	Total
Operating revenues:						
Charges for services	\$ 2,682,000	\$ 1,148,110	\$ 860,000	\$ 750,000	\$ 1,100,000	\$ 6,540,110
Total operating revenues	<u>2,682,000</u>	<u>1,148,110</u>	<u>860,000</u>	<u>750,000</u>	<u>1,100,000</u>	<u>6,540,110</u>
Operating expenses:						
Salaries and benefits	985,032	-	300,547	-	1,089,368	2,374,947
Materials, services and supplies	1,240,900	38,477	236,147	473,480	7,000	1,996,004
Insurance claims/premiums	-	-	656,323	-	-	656,323
Depreciation	1,468	762,166	-	51,700	-	815,334
Total operating expenses	<u>2,227,400</u>	<u>800,643</u>	<u>1,193,017</u>	<u>525,180</u>	<u>1,096,368</u>	<u>5,842,608</u>
Operating income (loss)	<u>454,600</u>	<u>347,467</u>	<u>(333,017)</u>	<u>224,820</u>	<u>3,632</u>	<u>697,502</u>
Non-operating revenues:						
Other revenue	2,647	-	15,588	-	-	18,235
Gain on disposal of machinery and equipment	-	19,395	-	-	-	19,395
Total non-operating revenues	<u>2,647</u>	<u>19,395</u>	<u>15,588</u>	<u>-</u>	<u>-</u>	<u>37,630</u>
Change in net position (deficit)	457,247	366,862	(317,429)	224,820	3,632	735,132
Net position (deficit), beginning	<u>(1,392,775)</u>	<u>7,360,655</u>	<u>1,504,225</u>	<u>1,552,028</u>	<u>812,197</u>	<u>9,836,330</u>
Net position (deficit), ending	<u>\$ (935,528)</u>	<u>\$ 7,727,517</u>	<u>\$ 1,186,796</u>	<u>\$ 1,776,848</u>	<u>\$ 815,829</u>	<u>\$ 10,571,462</u>

CITY OF EL CAJON
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2016

	Vehicle Maintenance	Vehicle and Equipment Replacement	Self Insurance	IT Replacement	Other Post Employment Benefits	Total
Cash flows from operating activities:						
Receipts from charges to other funds	\$ 2,682,000	\$ 1,148,110	\$ 860,000	\$ 750,000	\$ 1,100,000	\$ 6,540,110
Payments to suppliers	(1,233,801)	(97,596)	(1,153,110)	(484,484)	(7,000)	(2,975,991)
Payments to employees	(731,998)	-	(118,267)	-	(1,089,368)	(1,939,633)
Net cash provided by (used for) operating activities	<u>716,201</u>	<u>1,050,514</u>	<u>(411,377)</u>	<u>265,516</u>	<u>3,632</u>	<u>1,624,486</u>
Cash flows from noncapital financing activities:						
Other revenue	<u>2,647</u>	<u>-</u>	<u>15,588</u>	<u>-</u>	<u>-</u>	<u>18,235</u>
Net cash provided by noncapital financing activities	<u>2,647</u>	<u>-</u>	<u>15,588</u>	<u>-</u>	<u>-</u>	<u>18,235</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of vehicles and equipment	-	25,298	-	-	-	25,298
Acquisitions of vehicles and equipment	-	(581,256)	-	(51,367)	-	(632,623)
Net cash (used for) capital and related financing activities	<u>-</u>	<u>(555,958)</u>	<u>-</u>	<u>(51,367)</u>	<u>-</u>	<u>(607,325)</u>
Net increase (decrease) in cash and cash equivalents	718,848	494,556	(395,789)	214,149	3,632	1,035,396
Cash and cash equivalents, beginning	<u>829,202</u>	<u>4,244,986</u>	<u>3,963,680</u>	<u>1,374,754</u>	<u>812,197</u>	<u>11,224,819</u>
Cash and cash equivalents, ending	<u>\$ 1,548,050</u>	<u>\$ 4,739,542</u>	<u>\$ 3,567,891</u>	<u>\$ 1,588,903</u>	<u>\$ 815,829</u>	<u>\$ 12,260,215</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 454,600	\$ 347,467	\$ (333,017)	\$ 224,820	\$ 3,632	\$ 697,502
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	1,468	762,166	-	51,700	-	815,334
Pension related adjustments	300,806	-	184,229	-	-	485,035
Changes in assets and liabilities						
Increase (decrease) in accounts payable	7,099	(59,119)	(131,499)	(11,004)	-	(194,523)
Increase (decrease) in accrued liabilities	2,043	-	(1,949)	-	-	94
(Decrease) in claims payable	-	-	(129,141)	-	-	(129,141)
(Decrease) in compensated absences payable	(49,815)	-	-	-	-	(49,815)
Total adjustments	<u>261,601</u>	<u>703,047</u>	<u>(78,360)</u>	<u>40,696</u>	<u>-</u>	<u>926,984</u>
Net cash provided by (used for) operating activities	<u>\$ 716,201</u>	<u>\$ 1,050,514</u>	<u>\$ (411,377)</u>	<u>\$ 265,516</u>	<u>\$ 3,632</u>	<u>\$ 1,624,486</u>

**CITY OF EL CAJON
FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the City in a purely custodial capacity for other funds, governments or individuals.

AGENCY FUNDS:

Miscellaneous Deposits - These funds account for various types of deposits.

Heartland Communication Facility Authority - This fund accounts for activities to provide emergency call receiving and dispatching services to participating agencies.

Heartland Fire Training Authority - This fund accounts for activities of fire fighting and training of personnel for the participating agencies.

PRIVATE-PURPOSE TRUST FUND:

Successor Agency to the Former El Cajon Redevelopment Agency - This fund accounts for the operations and timely dissolution of the former Redevelopment Agency.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for this fund are displayed on pages D-8 and D-9 as it is the sole private purpose trust fund.

CITY OF EL CAJON
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	Miscellaneous Deposits	Heartland Communications Facility Authority	Heartland Fire Training Authority	Total
Assets:				
Cash and investments	\$ 169,401	\$ 2,184,735	\$ 888,958	\$ 3,243,094
Receivables:				
Accounts	-	127,596	47,062	174,658
Interest	-	5,070	2,211	7,281
Total assets	\$ 169,401	\$ 2,317,401	\$ 938,231	\$ 3,425,033
Liabilities:				
Accounts payable	\$ 6,935	\$ 50,034	\$ 34,706	\$ 91,675
Accrued liabilities	-	47,229	5,211	52,440
Unearned revenue	-	-	157,835	157,835
Sundry agency liabilities	162,466	2,220,138	740,479	3,123,083
Total liabilities	\$ 169,401	\$ 2,317,401	\$ 938,231	\$ 3,425,033

CITY OF EL CAJON

Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds For the fiscal year ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Miscellaneous Deposits				
Assets:				
Cash and investments	\$ 197,290	\$ 658,310	\$ (686,199)	\$ 169,401
Total assets	<u>\$ 197,290</u>	<u>\$ 658,310</u>	<u>\$ (686,199)</u>	<u>\$ 169,401</u>
Liabilities:				
Accounts payable	\$ 895	\$ 6,935	\$ (895)	\$ 6,935
Sundry agency liabilities	<u>196,395</u>	<u>651,375</u>	<u>(685,304)</u>	<u>162,466</u>
Total liabilities	<u>\$ 197,290</u>	<u>\$ 658,310</u>	<u>\$ (686,199)</u>	<u>\$ 169,401</u>
 Heartland Communications Facility Authority				
Assets:				
Cash and investments	\$ 1,550,637	\$ 2,555,398	\$ (1,921,300)	\$ 2,184,735
Receivables:				
Accounts	36,030	127,596	(36,030)	127,596
Interest	<u>2,322</u>	<u>5,070</u>	<u>(2,322)</u>	<u>5,070</u>
Total assets	<u>\$ 1,588,989</u>	<u>\$ 2,688,064</u>	<u>\$ (1,959,652)</u>	<u>\$ 2,317,401</u>
Liabilities:				
Accounts payable	\$ 13,965	\$ 50,034	\$ (13,965)	\$ 50,034
Accrued liabilities	37,489	47,229	(37,489)	47,229
Sundry agency liabilities	<u>1,537,535</u>	<u>2,590,801</u>	<u>(1,908,198)</u>	<u>2,220,138</u>
Total liabilities	<u>\$ 1,588,989</u>	<u>\$ 2,688,064</u>	<u>\$ (1,959,652)</u>	<u>\$ 2,317,401</u>

CITY OF EL CAJON
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds (continued)
For the fiscal year ended June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
Heartland Fire Training Authority				
Assets:				
Cash and investments	\$ 727,750	\$ 494,640	\$ (333,432)	\$ 888,958
Receivables:				
Accounts	66,200	47,062	(66,200)	47,062
Loans	3,500	-	(3,500)	-
Interest	1,121	2,211	(1,121)	2,211
Prepaid expenses	-	-	-	-
	<u>\$ 798,571</u>	<u>\$ 543,913</u>	<u>\$ (404,253)</u>	<u>\$ 938,231</u>
Liabilities:				
Accounts payable	\$ 39,129	\$ 34,706	\$ (39,129)	\$ 34,706
Accrued liabilities	4,126	5,211	(4,126)	5,211
Unearned revenue	268,226	77,835	(188,226)	157,835
Sundry agency liabilities	487,090	426,161	(172,772)	740,479
	<u>\$ 798,571</u>	<u>\$ 543,913</u>	<u>\$ (404,253)</u>	<u>\$ 938,231</u>
Total Agency Funds				
Assets:				
Cash and investments	\$ 2,475,677	\$ 3,708,348	\$ (2,940,931)	\$ 3,243,094
Receivables:				
Accounts	102,230	174,658	(102,230)	174,658
Interest	3,443	7,281	(3,443)	7,281
Intergovernmental	-	-	-	-
Loans	3,500	-	(3,500)	-
Prepaid expenses	-	-	-	-
	<u>\$ 2,584,850</u>	<u>\$ 3,890,287</u>	<u>\$ (3,050,104)</u>	<u>\$ 3,425,033</u>
Liabilities:				
Accounts payable	\$ 53,989	\$ 91,675	\$ (53,989)	\$ 91,675
Accrued liabilities	41,615	52,440	(41,615)	52,440
Unearned revenue	268,226	77,835	(188,226)	157,835
Sundry agency liabilities	2,221,020	3,668,337	(2,766,274)	3,123,083
	<u>\$ 2,584,850</u>	<u>\$ 3,890,287</u>	<u>\$ (3,050,104)</u>	<u>\$ 3,425,033</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012 <i>as restated</i>	2013	2014	2015 ^b	2016
Governmental activities										
Net investment in capital assets	\$ 156,282,116	\$ 161,827,481	\$ 162,657,834	\$ 171,879,175	\$ 184,845,829	\$ 187,945,040	\$ 193,537,908	\$ 210,077,278	\$ 214,159,409	\$ 218,963,053
Restricted	58,098,218	67,921,281	82,298,521	63,263,584	60,158,904	58,728,019 ^a	59,087,555 ^a	61,853,603	65,833,008	58,121,515
Unrestricted	<u>(28,324,073)</u>	<u>(29,726,473)</u>	<u>(32,573,207)</u>	<u>(12,336,332)</u>	<u>(4,176,060)</u>	<u>20,608,443</u>	<u>28,212,027</u>	<u>30,515,904</u>	<u>(104,296,561)</u>	<u>(94,443,051)</u>
Total governmental activities net position	<u>\$ 186,056,261</u>	<u>\$ 200,022,289</u>	<u>\$ 212,383,148</u>	<u>\$ 222,806,427</u>	<u>\$ 240,828,673</u>	<u>\$ 267,281,502</u>	<u>\$ 280,837,490</u>	<u>\$ 302,446,785</u>	<u>\$ 175,695,856</u>	<u>\$ 182,641,517</u>
Business-type activities										
Net investment in capital assets	\$ 38,297,123	\$ 36,149,131	\$ 37,622,872	\$ 36,625,278	\$ 37,372,058	\$ 37,954,007	\$ 37,072,743	\$ 46,121,178	\$ 38,577,875	\$ 36,498,175
Restricted	-	-	-	-	-	-	-	-	261,645	231,764
Unrestricted	<u>30,309,060</u>	<u>30,556,232</u>	<u>28,264,958</u>	<u>26,124,508</u>	<u>21,592,156</u>	<u>19,536,586</u>	<u>18,044,303</u>	<u>6,881,080</u>	<u>14,669,740</u>	<u>21,239,228</u>
Total business-type activities net position	<u>\$ 68,606,183</u>	<u>\$ 66,705,363</u>	<u>\$ 65,887,830</u>	<u>\$ 62,749,786</u>	<u>\$ 58,964,214</u>	<u>\$ 57,490,593</u>	<u>\$ 55,117,046</u>	<u>\$ 53,002,258</u>	<u>\$ 53,509,260</u>	<u>\$ 57,969,167</u>
Primary government										
Invested in capital assets, net of related debt	\$ 194,579,239	\$ 197,976,612	\$ 200,280,706	\$ 208,504,453	\$ 222,217,887	\$ 225,899,047	\$ 230,610,651	\$ 256,198,456	\$ 252,737,284	\$ 255,461,228
Restricted	58,098,218	67,921,281	82,298,521	63,263,584	60,158,904	58,728,019	59,087,555	61,853,603	66,094,653	58,353,279
Unrestricted	<u>1,984,987</u>	<u>829,759</u>	<u>(4,308,249)</u>	<u>13,788,176</u>	<u>17,416,096</u>	<u>40,145,029</u>	<u>46,256,330</u>	<u>37,396,984</u>	<u>(89,626,821)</u>	<u>(73,203,823)</u>
Total primary government net position	<u>\$ 254,662,444</u>	<u>\$ 266,727,652</u>	<u>\$ 278,270,978</u>	<u>\$ 285,556,213</u>	<u>\$ 299,792,887</u>	<u>\$ 324,772,095</u>	<u>\$ 335,954,536</u>	<u>\$ 355,449,043</u>	<u>\$ 229,205,116</u>	<u>\$ 240,610,684</u>

Notes:

^a The El Cajon Redevelopment Agency was dissolved effective 02/01/2012 and its non-housing assets and obligations were transferred to the Successor Agency. See the notes to the financial statements for more information.

^b The City implemented GASB 68 for the fiscal year ended June 30, 2015. Among other things, GASB 68 requires the net pension liability to be reported on the Statement of Net Position.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012 <i>as restated</i>	2013	2014	2015 ^a	2016
Expenses										
Governmental activities:										
General government	\$ 6,003,403	\$ 7,125,818	\$ 7,033,654	\$ 6,616,137	\$ 6,496,555	\$ 7,696,562	\$ 9,148,684	\$ 11,388,403	\$ 9,344,953	\$ 8,606,868
Public safety	41,376,479	40,313,529	39,346,691	37,384,609	37,649,169	38,633,076	40,578,344	42,919,265	45,235,084	47,292,321
Public works	11,462,970	10,242,033	11,458,980	10,514,171	10,695,592	11,680,268	12,281,575	10,796,564	10,806,104	10,984,725
Parks and recreation	5,416,545	5,424,920	5,222,743	5,011,660	4,811,375	4,697,831	4,622,822	4,958,144	5,526,542	5,526,453
Community development	5,333,452	8,187,798	9,987,043	10,510,062	7,085,610	8,972,209	4,669,220	2,665,013	2,906,824	3,501,648
Interest on long-term debt	3,546,884	3,914,799	3,713,294	4,145,067	4,426,180	2,910,351	987,165	792,604	483,777	174,542
Total governmental activities expenses	<u>73,139,733</u>	<u>75,208,897</u>	<u>76,762,405</u>	<u>74,181,706</u>	<u>71,164,481</u>	<u>74,590,297</u>	<u>72,287,810</u>	<u>73,519,993</u>	<u>74,303,284</u>	<u>76,086,557</u>
Business-type activities:										
Wastewater	12,916,675	15,843,902	14,595,817	15,455,843	15,413,470	16,398,495	17,710,456	17,378,120	15,867,424	16,700,355
Total business-type activities expenses	<u>12,916,675</u>	<u>15,843,902</u>	<u>14,595,817</u>	<u>15,455,843</u>	<u>15,413,470</u>	<u>16,398,495</u>	<u>17,710,456</u>	<u>17,378,120</u>	<u>15,867,424</u>	<u>16,700,355</u>
Total primary government expenses	<u>\$ 86,056,408</u>	<u>\$ 91,052,799</u>	<u>\$ 91,358,222</u>	<u>\$ 89,637,549</u>	<u>\$ 86,577,951</u>	<u>\$ 90,988,792</u>	<u>\$ 89,998,266</u>	<u>\$ 90,898,113</u>	<u>\$ 90,170,708</u>	<u>\$ 92,786,912</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 975,695	\$ 1,092,456	\$ 1,169,914	\$ 1,144,209	\$ 1,124,120	\$ 1,175,685	\$ 2,229,570	\$ 2,416,175	\$ 1,523,652	\$ 1,824,092
Public safety	6,661,314	5,060,425	5,516,765	5,141,582	5,039,668	4,758,621	4,145,824	4,956,285	4,580,713	3,829,943
Public works	855,308	1,500,292	1,621,632	1,346,452	1,477,824	1,303,160	1,184,869	1,270,454	1,067,571	1,198,740
Parks and recreation	533,257	527,238	511,609	693,490	657,618	677,070	696,275	1,153,051	992,221	843,635
Community development	43,335	1,112,047	1,052,738	1,292,549	1,172,847	1,128,417	2,166,733	332,193	1,540,318	1,962,232
Operating grants and contributions	10,704,487	7,977,621	8,179,454	6,744,073	6,827,345	9,264,974	6,811,610	6,717,307	6,970,968	6,049,885
Capital grants and contributions	13,538,092	13,590,499	14,385,324	12,503,710	11,290,298	9,396,184	16,162,285	23,453,340	14,847,109	7,468,431
Total governmental activities revenues	<u>33,311,488</u>	<u>30,860,578</u>	<u>32,437,436</u>	<u>28,866,065</u>	<u>27,589,720</u>	<u>27,704,111</u>	<u>33,397,166</u>	<u>40,298,805</u>	<u>31,522,552</u>	<u>23,176,958</u>
Business-type activities:										
Charges for services:										
Wastewater	12,273,490	12,226,547	12,072,058	11,940,997	11,456,017	13,382,226	15,369,359	15,363,078	20,341,567	19,577,155
Capital grants and contributions	392,100	-	39,100	15,900	-	-	-	-	-	-
Total business-type activities revenues	<u>12,665,590</u>	<u>12,226,547</u>	<u>12,111,158</u>	<u>11,956,897</u>	<u>11,456,017</u>	<u>13,382,226</u>	<u>15,369,359</u>	<u>15,363,078</u>	<u>20,341,567</u>	<u>19,577,155</u>
Total primary government revenues	<u>\$ 45,977,078</u>	<u>\$ 43,087,125</u>	<u>\$ 44,548,594</u>	<u>\$ 40,822,962</u>	<u>\$ 39,045,737</u>	<u>\$ 41,086,337</u>	<u>\$ 48,766,525</u>	<u>\$ 55,661,883</u>	<u>\$ 51,864,119</u>	<u>\$ 42,754,113</u>
Net (expense)/revenue										
Governmental activities	\$ (39,828,245)	\$ (44,348,319)	\$ (44,324,969)	\$ (45,315,641)	\$ (43,574,761)	\$ (46,886,186)	\$ (38,890,644)	\$ (33,221,188)	\$ (42,780,732)	\$ (52,909,599)
Business-type activities	(251,085)	(3,617,355)	(2,484,659)	(3,498,946)	(3,957,453)	(3,016,269)	(2,341,097)	(2,015,042)	4,474,143	2,876,800
Total primary government net expense	<u>\$ (40,079,330)</u>	<u>\$ (47,965,674)</u>	<u>\$ (46,809,628)</u>	<u>\$ (48,814,587)</u>	<u>\$ (47,532,214)</u>	<u>\$ (49,902,455)</u>	<u>\$ (41,231,741)</u>	<u>\$ (35,236,230)</u>	<u>\$ (38,306,589)</u>	<u>\$ (50,032,799)</u>

Note:

^a The City implemented GASB 68 for the fiscal year ended June 30, 2015. Among other things, GASB 68 requires the net pension liability to be reported on the Statement of Net Position.

(Continued on next page)

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012 <i>as restated</i>	2013	2014	2015 ^a	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 31,116,242	\$ 32,680,311	\$ 32,527,556	\$ 28,896,570	\$ 28,873,349	\$ 27,082,113	\$ 20,468,597	\$ 21,692,259	\$ 21,360,064	\$ 21,396,116
Sales taxes	17,761,028	17,127,144	15,602,550	19,148,882	22,278,251	22,466,903	24,328,310	25,367,434	26,056,239	29,493,906
Franchise taxes	3,897,928	4,207,443	4,603,755	4,630,306	5,163,453	4,721,291	4,767,474	4,791,459	5,044,461	5,196,514
Transient lodging taxes	1,119,762	1,127,839	925,865	824,676	900,298	1,046,237	1,057,224	1,138,761	1,330,117	1,378,472
Business license taxes	770,951	786,182	784,047	744,613	751,196	747,522	768,726	766,515	788,397	775,603
Intergovernmental, unrestricted	619,730	536,303	542,808	289,199	502,955	-	51,550	87,385	828,833	40,931
Investment earnings	3,233,882	1,830,475	881,530	374,277	234,385	299,103	179,961	39,032	54,446	599,306
Contribution from Civic Center Authority	-	-	-	-	-	-	-	-	-	-
Other	315,026	18,650	703,767	811,138	646,937	1,531,970	1,352,057	801,775	676,603	703,000
Special item - net gain(loss) on sale	-	-	-	-	2,167,485	-	(597,018)	-	-	-
Special item - payment to Affected Taxing Entities	-	-	-	-	-	-	-	-	(1,234,000)	-
Extraordinary gain - net transfer of assets	-	-	-	-	-	21,677,883	-	-	-	-
Transfer in(out)	-	-	113,950	19,259	78,697	5,682	69,751	145,863	54,944	271,412
Total governmental activities	58,834,549	58,314,347	56,685,828	55,738,920	61,597,006	79,578,704	52,446,632	54,830,483	54,960,104	59,855,260
Business-type activities:										
Investment earnings	1,436,923	1,572,301	877,025	372,139	160,435	82,552	24,511	42,103	69,455	187,377
Other	2,522	144,234	904,051	8,022	90,143	1,465,778	15,015	4,014	5,413,909	1,667,142
Special item - net loss on sale of properties	-	-	-	-	-	-	(2,225)	-	-	-
Transfer in(out)	-	-	(113,950)	(19,259)	(78,697)	(5,682)	(69,751)	(145,863)	(54,944)	(271,412)
Total business-type activities	1,439,445	1,716,535	1,667,126	360,902	171,881	1,542,648	(32,450)	(99,746)	5,428,420	1,583,107
Total primary government	\$ 60,273,994	\$ 60,030,882	\$ 58,352,954	\$ 56,099,822	\$ 61,768,887	\$ 81,121,352	\$ 52,414,182	\$ 54,730,737	\$ 60,388,524	\$ 61,438,367
Changes in Net Position										
Governmental activities	\$ 19,006,304	\$ 13,966,028	\$ 12,360,859	\$ 10,423,279	\$ 18,022,245	\$ 32,692,518	\$ 13,555,988	\$ 21,609,295	\$ 12,179,372	\$ 6,945,661
Business-type activities	1,188,360	(1,900,820)	(817,533)	(3,138,044)	(3,785,572)	(1,473,621)	(2,373,547)	(2,114,788)	9,902,563	4,459,907
Total primary government	\$ 20,194,664	\$ 12,065,208	\$ 11,543,326	\$ 7,285,235	\$ 14,236,673	\$ 31,218,897	\$ 11,182,441	\$ 19,494,507	\$ 22,081,935	\$ 11,405,568

Note:

^a The City implemented GASB 68 for the fiscal year ended June 30, 2015. Among other things, GASB 68 requires the net pension liability to be reported on the Statement of Net Position.

CITY OF EL CAJON
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011 ^a	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 1,058,476	\$ 476,697	\$ 27,822	\$ 287,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	18,507,286	16,691,900	16,521,049	15,492,150	-	-	-	-	-	-
Nonspendable	-	-	-	-	11,610	-	2,331	2,616	1,769	8,379
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	10,058,304	10,003,509	10,614,730	11,415,896	12,101,021	13,052,990
Assigned	-	-	-	-	-	5,370,474	4,947,648	3,520,000	6,020,000	6,020,000
Unassigned	-	-	-	-	10,009,181	3,401,384	10,969,345	12,987,788	12,430,127	16,573,355
Total general fund	<u>\$ 19,565,762</u>	<u>\$ 17,168,597</u>	<u>\$ 16,548,871</u>	<u>\$ 15,779,171</u>	<u>\$ 20,079,095</u>	<u>\$ 18,775,367</u>	<u>\$ 26,534,054</u>	<u>\$ 27,926,300</u>	<u>\$ 30,552,917</u>	<u>\$ 35,654,724</u>
All other governmental funds										
Reserved	\$ 53,052,832	\$ 50,578,716	\$ 62,695,222	\$ 84,028,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Special revenue funds	4,631,285	2,886,920	4,071,055	2,792,790	-	-	-	-	-	-
Capital projects funds	29,516,819	38,108,095	60,774,373	24,086,294	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	4,219	3,117	1,234,000	-
Restricted	-	-	-	-	60,309,471	32,917,930	31,072,800	31,521,762	33,798,874	31,368,390
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	29,265,577	25,454,019	27,270,420	29,729,317	29,851,850	26,613,467
Unassigned	-	-	-	-	-	-	(16,521)	(42,390)	-	(2,250)
Total all other governmental funds	<u>\$ 87,200,936</u>	<u>\$ 91,573,731</u>	<u>\$ 127,540,650</u>	<u>\$ 110,907,234</u>	<u>\$ 89,575,048</u>	<u>\$ 58,371,949</u>	<u>\$ 58,330,918</u>	<u>\$ 61,211,806</u>	<u>\$ 64,884,724</u>	<u>\$ 57,979,607</u>
Total fund balance	<u>\$ 106,766,698</u>	<u>\$ 108,742,328</u>	<u>\$ 144,089,521</u>	<u>\$ 126,686,405</u>	<u>\$ 109,654,143</u>	<u>\$ 77,147,316</u>	<u>\$ 84,864,972</u>	<u>\$ 89,138,106</u>	<u>\$ 95,437,641</u>	<u>\$ 93,634,331</u>

Note:
^a The City implemented GASB 54 for the fiscal year ended June 30, 2011. The categories of fund balance for governmental funds have been changed as described more fully in the notes to the financial statements. Prior year fund balances reflect the guidance in effect when those financial statements were prepared.

CITY OF EL CAJON
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 68,361,796	\$ 67,870,489	\$ 65,732,725	\$ 68,651,590	\$ 72,117,599	\$ 65,375,715	\$ 62,902,388	\$ 64,611,380	\$ 65,018,702	\$ 60,918,054
Intergovernmental	10,783,152	9,933,670	9,248,805	9,101,752	7,187,549	8,477,915	6,772,809	7,353,362	7,588,943	6,950,884
Licenses and permits	1,202,371	816,696	948,842	1,170,501	873,243	927,820	959,941	1,043,011	1,376,417	1,810,129
Charges for services	5,891,070	6,025,170	6,261,265	6,045,741	5,821,898	6,248,868	5,964,400	6,165,821	5,876,605	5,165,405
Investment earnings	5,980,521	4,034,880	3,046,843	1,086,786	818,018	387,216	317,649	175,953	1,031,176	768,800
Other	3,359,342	4,854,042	8,052,494	2,660,351	5,286,670	5,047,901	6,895,635	4,932,760	7,430,357	7,528,905
Total revenues	<u>95,578,252</u>	<u>93,534,947</u>	<u>93,290,974</u>	<u>88,716,721</u>	<u>92,104,977</u>	<u>86,465,435</u>	<u>83,812,822</u>	<u>84,282,287</u>	<u>88,322,200</u>	<u>83,142,177</u>
Expenditures										
General government	6,493,789	7,120,918	6,830,628	6,578,500	6,554,545	7,446,595	8,943,751	11,158,991	8,490,159	8,720,888
Public safety	41,101,006	42,187,380	39,105,822	37,934,714	38,078,503	38,458,168	39,216,674	41,758,874	44,909,375	45,379,458
Public works	5,935,035	5,961,454	6,085,158	6,201,848	5,940,300	5,553,901	5,523,424	5,196,417	5,161,698	5,695,177
Parks and recreation	5,037,440	5,318,846	5,039,113	4,810,458	4,608,809	4,426,742	4,362,631	4,634,936	5,084,634	5,113,117
Community development	8,267,328	11,706,510	8,993,226	14,380,697	9,685,291	5,906,316	5,013,538	2,970,194	2,958,140	3,236,546
Capital outlay	14,455,898	13,213,187	12,903,731	29,010,180	37,803,738	13,997,614	9,054,501	6,443,922	6,269,915	8,907,171
Debt service: principal	967,269	2,194,227	1,397,167	2,873,736	1,312,000	1,362,000	2,997,000	7,187,000	7,472,000	7,990,000
Debt service: interest & fiscal charges	3,206,498	3,855,980	3,667,869	4,348,963	4,479,711	2,742,813	987,165	792,604	483,777	174,542
Pass-through payments	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>85,464,263</u>	<u>91,558,502</u>	<u>84,022,714</u>	<u>106,139,096</u>	<u>108,462,897</u>	<u>79,894,149</u>	<u>76,098,684</u>	<u>80,142,938</u>	<u>80,829,698</u>	<u>85,216,899</u>
Excess/deficiency of revenues over (under) expenditures	10,113,989	1,976,445	9,268,260	(17,422,375)	(16,357,920)	6,571,286	7,714,138	4,139,349	7,492,502	(2,074,722)
Other financing sources (uses)										
Issuance of long-term debt	15,750,000	-	25,195,000	-	-	-	-	-	-	-
Premium (Discount) on issuance of bonds	(135,550)	-	769,983	-	-	-	-	-	-	-
Transfers in	29,281,591	15,109,639	11,182,389	28,484,035	15,836,395	30,436,534	11,555,208	16,101,370	15,070,867	12,427,065
Transfers out	(29,276,104)	(15,109,639)	(11,068,439)	(28,464,776)	(16,510,737)	(32,542,205)	(11,551,690)	(15,967,585)	(15,029,834)	(12,155,653)
Total other financing sources (uses)	<u>15,619,937</u>	<u>-</u>	<u>26,078,933</u>	<u>19,259</u>	<u>(674,342)</u>	<u>(2,105,671)</u>	<u>3,518</u>	<u>133,785</u>	<u>41,033</u>	<u>271,412</u>
Extraordinary loss	-	-	-	-	-	(36,972,442)	-	-	-	-
Special item - payment to Affected Taxing Entities	-	-	-	-	-	-	-	-	(1,234,000)	-
Net change in fund balances	<u>\$ 25,733,926</u>	<u>\$ 1,976,445</u>	<u>\$ 35,347,193</u>	<u>\$ (17,403,116)</u>	<u>\$ (17,032,262)</u>	<u>\$ (32,506,827)</u>	<u>\$ 7,717,656</u>	<u>\$ 4,273,134</u>	<u>\$ 6,299,535</u>	<u>\$ (1,803,310)</u>
Debt service as percentage of noncapital expenditures	5.9%	7.7%	7.1%	9.4%	8.2%	6.2%	5.9%	10.8%	10.7%	10.7%

CITY OF EL CAJON
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property	\$ 33,209,047	\$ 35,451,016	\$ 35,528,950	\$ 32,056,420	\$ 31,858,255	\$ 26,866,252 ^a	\$ 20,224,259	\$ 21,285,194	\$ 20,987,827	\$ 21,086,961
Sales and use	26,177,608 ^b	25,704,453 ^b	23,302,544 ^b	25,968,174 ^{b c}	29,928,327 ^{b c}	30,141,782 ^{b c}	32,662,638 ^{b c}	33,814,507 ^{b c}	33,584,316 ^{b c}	29,620,061 ^c
Franchise	3,897,928	4,207,443	4,603,755	4,630,306	5,163,453	4,721,291	4,767,474	4,791,459	5,044,461	5,196,514
Occupancy	1,119,762	1,127,839	925,865	824,676	900,298	1,046,237	1,057,224	1,138,761	1,330,117	1,378,472
Property transfer	405,000	211,639	206,897	183,345	193,141	215,861	244,338	407,065	372,237	309,155
Other	3,552,451	1,168,100	1,164,714	4,988,669	4,074,125	2,384,292	3,946,455	3,174,394	3,699,745	3,326,891
	<u>\$ 68,361,796</u>	<u>\$ 67,870,490</u>	<u>\$ 65,732,725</u>	<u>\$ 68,651,590</u>	<u>\$ 72,117,599</u>	<u>\$ 65,375,715</u>	<u>\$ 62,902,388</u>	<u>\$ 64,611,381</u>	<u>\$ 65,018,702</u>	<u>\$ 60,918,054</u>

Notes:

^a The El Cajon Redevelopment Agency was dissolved effective 02/01/2012 and its non-housing assets and obligations were transferred to the Successor Agency.

^b The voters of the City approved Proposition O, a sales tax increase of 1/2% which was in effect from 04/01/2005 through 03/31/2015.

^c The voters of the City approved Proposition J, a sales tax increase of 1/2% which will be in effect from 04/01/2009 through 03/31/2029.

City of El Cajon
Principal Sales Tax Producers (alphabetical)
Last Fiscal Year and Nine Years Ago

2015-16		2006-07	
<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxpayer</u>	<u>Business Type</u>
Auto City Sales	Auto Sales - Used	Arco AM/PM Mini Marts	Service Stations
Best Buy Stores	Furniture/Appliance	Auto Finance Specialists	Leasing
BMW Of El Cajon	Auto Sales - New	Best Buy Stores	Furniture/Appliance
Chevron Service Stations	Service Stations	Bob Baker Chevrolet/Subaru	Auto Sales - New
East County Preowned Superstore	Auto Sales - Used	Chevron Service Stations	Service Stations
El Cajon Ford Isuzu	Auto Sales - New	Cunningham BMW	Auto Sales - New
Enterprise Rent-A-Car	Leasing	Dixieline Lumber Company	Bldg.Matls-Retail
Ferguson Enterprises	Bldg.Matls-Whsle	El Cajon Ford Isuzu	Auto Sales - New
Home Depot	Bldg.Matls-Retail	Ferguson Enterprises	Bldg.Matls-Whsle
J & B Materials	Bldg.Matls-Retail	Home Depot	Bldg.Matls-Retail
Jeromes Furniture Warehouse	Furniture/Appliance	J C Penney Company	Department Stores
Lexus El Cajon	Auto Sales - New	Lexus of El Cajon	Auto Sales - New
Macy's Department Store	Department Stores	Macy's Department Store	Department Stores
Mercedes Benz of El Cajon	Auto Sales - New	Mervyn's Department Store	Department Stores
Mossy Nissan	Auto Sales - New	Mor Furniture For Less	Furniture/Appliance
Motoworld of El Cajon	Misc. Vehicle Sales	Mossy Nissan	Auto Sales - New
Sears Roebuck & Company	Department Stores	Motoworld of El Cajon	Misc. Vehicle Sales
Subaru El Cajon	Auto Sales - New	Sears Roebuck & Company	Department Stores
Target Stores	Department Stores	Target Stores	Department Stores
Team Kia Of El Cajon	Auto Sales - New	The Soco Group	Energy Sales
The Soco Group	Energy Sales	Tipton Honda	Auto Sales - New
Tipton Honda	Auto Sales - New	Toyota of El Cajon	Auto Sales - New
Toyota of El Cajon	Auto Sales - New	Vons Grocery Company	Food Markets
USA Service Stations	Service Stations	W.W. Grainger	Bldg.Matls-Whsle
Wal Mart Stores	Department Stores	Wal Mart Stores	Department Stores

Source: SBOE data, MuniServices, LLC

CITY OF EL CAJON
Net Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Property Category	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential	\$ 4,809,681	\$ 5,181,940	\$ 5,146,788	\$ 4,681,464	\$ 4,589,686	\$ 4,625,723	\$ 4,548,093	\$ 4,726,844	\$ 5,053,331	\$ 5,373,394
Commercial	1,156,882	1,250,041	1,306,707	1,332,879	1,315,121	1,320,497	1,339,676	1,363,339	1,399,595	1,444,336
Industrial	542,027	617,180	587,244	605,729	603,660	601,910	624,668	627,606	629,587	657,520
Dry Farm	147	-	-	-	-	-	-	-	-	-
Institutional	19,184	96,520	100,185	102,708	105,071	106,421	19,509	20,376	20,902	20,155
Recreational	8,141	10,621	10,833	11,211	8,683	8,716	7,830	7,449	7,466	7,538
Vacant	95,475	93,673	93,801	88,457	80,688	73,147	76,246	79,358	81,131	82,150
SBE Nonunitary	898	564	1,049	1,049	1,049	1,049	1,049	419	531	531
Unknown	-	-	-	-	-	-	-	-	168	551
Net Secured Assessed Value	<u>6,632,435</u>	<u>7,250,539</u>	<u>7,246,607</u>	<u>6,823,497</u>	<u>6,703,958</u>	<u>6,737,463</u>	<u>6,617,071</u>	<u>6,825,391</u>	<u>7,192,711</u>	<u>7,586,175</u>
Unsecured Property	<u>439,552</u>	<u>486,538</u>	<u>486,778</u>	<u>531,835</u>	<u>506,113</u>	<u>508,860</u>	<u>439,823</u>	<u>425,276</u>	<u>400,064</u>	<u>351,773</u>
Net Taxable Assessed Value	<u>\$ 7,071,987</u>	<u>\$ 7,737,077</u>	<u>\$ 7,733,385</u>	<u>\$ 7,355,332</u>	<u>\$ 7,210,071</u>	<u>\$ 7,246,323</u>	<u>\$ 7,056,894</u>	<u>\$ 7,250,667</u>	<u>\$ 7,592,775</u>	<u>\$ 7,937,948</u>
Direct Tax Rate ^a	0.111700	0.111700	0.111700	0.111700	0.111700	0.111700	0.111700	0.111700	0.111700	0.111700
Estimated Actual Taxable Value ^{b,c}	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,143,319	\$ 9,600,731	\$ 10,513,598	\$ 10,117,713
Factor of Taxable Assessed Value ^c	-	-	-	-	-	-	1.295658	1.324117	1.384782	1.274686

Notes:

^a Total Direct Tax Rate is represented by TRA 003-001.

^b Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations, a factor was extrapolated and applied to current assessed values.

^c Information not computed prior to 2012-13.

City of El Cajon
Direct and Overlapping Property Tax Rates ^a
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic City and County Levy										
City of El Cajon	0.111740	0.111740	0.111740	0.111700	0.111740	0.111700	0.111736	0.111736	0.111736	0.111736
Cajon Valley Union Elementary	0.224910	0.224910	0.224910	0.224900	0.224900	0.224900	0.224913	0.224913	0.224913	0.224913
Cajon Valley Union County Building Aid	0.000020	0.000020	0.000020	0.000020	0.000020	0.000020	0.000020	0.000020	0.000020	0.000020
Children's Institute Tuition	0.001460	0.001460	0.001460	0.001460	0.001460	0.001460	0.001464	0.001464	0.001464	0.001464
Chula Vista Project	0.000180	0.000180	0.000180	0.000180	0.000180	0.000180	0.000179	0.000179	0.000179	0.000179
County General	0.144250	0.144250	0.144250	0.132100	0.132100	0.132100	0.132090	0.132090	0.132090	0.132090
County Library	0.012960	0.012960	0.012960	0.025100	0.025100	0.025100	0.025124	0.025124	0.025124	0.025124
County School Service	0.006860	0.006860	0.006860	0.006860	0.006860	0.006860	0.006862	0.006862	0.006862	0.006862
County School Service Capital Outlay	0.001730	0.001730	0.001730	0.001730	0.001730	0.001730	0.001730	0.001730	0.001730	0.001730
CWA Helix Water District	0.003450	0.003450	0.003450	0.003450	0.003450	0.003450	0.003448	0.003448	0.003448	0.003448
Educational Revenue Augmentation Fund	0.129250	0.129250	0.129250	0.129300	0.129300	0.129300	0.129255	0.129255	0.129255	0.129255
Grossmont-Cuyamaca Community College	0.094190	0.094190	0.094190	0.094200	0.094200	0.094200	0.094191	0.094191	0.094191	0.094191
Grossmont Healthcare District	0.016250	0.016250	0.016250	0.016250	0.016250	0.016250	0.016246	0.016246	0.016246	0.016246
Grossmont Union High School District	0.248370	0.248370	0.248370	0.248400	0.248400	0.248400	0.248366	0.248366	0.248366	0.248366
Regional Occupational Centers	0.004380	0.004380	0.004380	0.004380	0.004380	0.004380	0.004377	0.004377	0.004377	0.004377
TOTAL	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Override Assessments										
Cajon Valley School Bond	0.034280	0.031410	0.049010	0.052240	0.052500	0.060840	0.062740	0.086340	0.082940	0.081450
Grossmont Healthcare District prop G 6-06-06	0.013150	0.013150	0.013150	0.013150	0.013150	0.020050	0.020050	0.020050	0.020050	0.023520
Grossmont Union High Bond	0.021210	0.021770	0.027950	0.058670	0.059430	0.061210	0.061030	0.061670	0.061180	0.060530
Grossmont-Cuyamaca Community College	0.020670	0.007700	0.022570	0.027980	0.029290	0.030820	0.031730	0.047520	0.046500	0.045390
La Mesa Spring Valley Elementary	0.020530	0.019590	0.020230	0.023660	0.024930	0.025560	0.000000	0.000000	0.000000	0.000000
Metropolitan Water District	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500	0.003500
Padre Dam Muni. Water Imp.Dist. C-Debt Service	0.001210	0.001080	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
San Diego Water Authority	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Santee Elementary Bond	0.000000	0.024050	0.028080	0.029160	0.034040	0.033080	0.000000	0.000000	0.000000	0.000000
TOTAL	0.115750	0.123250	0.165290	0.209160	0.217040	0.235260	0.179050	0.219080	0.214170	0.214390
TOTAL TAX RATE	1.115750	1.123250	1.165290	1.209160	1.217040	1.235260	1.179050	1.219080	1.214170	1.214390

Note:

^a TRA 03-001 is represented for this report.

CITY OF EL CAJON
Property Tax Levies and Collections
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxes levied	\$ 5,949,579	\$ 6,381,328	\$ 6,443,062	\$ 6,046,006	\$ 5,934,509	\$ 5,728,872	\$ 5,826,697	\$ 5,989,319	\$ 6,290,870	\$ 6,427,104
Collected within the fiscal year of levy	5,780,276	6,133,651	6,207,282	5,857,518	5,817,912	5,639,401	5,759,311	5,933,018	6,245,171	6,372,197
Delinquent collections	85,625	129,327	207,027	206,041	169,164	93,608	84,688	69,581	61,236	72,479
Total collections	<u>\$ 5,865,901</u>	<u>\$ 6,262,978</u>	<u>\$ 6,414,309</u>	<u>\$ 6,063,559</u>	<u>\$ 5,987,076</u>	<u>\$ 5,733,009</u>	<u>\$ 5,843,999</u>	<u>\$ 6,002,599</u>	<u>\$ 6,306,407</u>	<u>\$ 6,444,676</u>
 Percentage of taxes collected within fiscal year of levy	97.2%	96.1%	96.3%	96.9%	98.0%	98.4%	98.8%	99.1%	99.3%	99.1%

City of El Cajon
Principal Property Tax Payers
Last Fiscal Year and Nine Years Ago

2015-16			2006-07		
<u>Taxpayer</u>	<u>Taxable Value (\$)</u>	<u>Percent of Total City Taxable Value (%)</u>	<u>Taxpayer</u>	<u>Taxable Value (\$)</u>	<u>Percent of Total City Taxable Value (%)</u>
Star West Parkway Mall L P	245,741,659	3.10%	Parkway Plaza L P	193,089,229	2.83%
Prebys Conrad Trust 12 17 82	98,874,858	1.25%	Gkn Aerospace Chem Tronics Inc	50,735,465	0.74%
Gkn Aerospace Chem Tronics Inc	61,301,770	0.77%	Kaiser Foundation Hospitals	41,612,973	0.61%
Kaiser Foundation Hospitals	50,809,118	0.64%	Cumberland Club Apts Lp	37,501,847	0.55%
San Diego Forest Park L L C	46,507,075	0.59%	Prebys Conrad Trust 12 17 82	35,280,544	0.52%
Senior Aerospace Ketema Inc.	43,707,445	0.55%	Pacific Gillespie Partners Lot	32,848,257	0.48%
El Cajon Energy Llc	33,744,552	0.43%	Senior Flexonics Inc	30,930,816	0.45%
Cox Communications California	29,291,575	0.37%	Las Brisas Developmnet L L C	30,400,922	0.45%
Helf Properties Inc.	27,517,201	0.35%	Signs Pinnick Inc.	29,109,398	0.43%
Sears Roebuck Co	26,773,803	0.34%	J M S Acquisition L L C	25,524,247	0.37%
Wal Mart Real Estate Business	26,490,936	0.33%	Sears Roebuck Co	25,113,143	0.37%
Toro Company	22,493,929	0.28%	Wal Mart Real Estate Business	22,661,511	0.33%
Fletcher Hills Colonnade L L C	22,266,495	0.28%	Calpeak Power El Cajon Llc	22,600,000	0.33%
Ynez Two Llc	21,972,400	0.28%	Cox Communications California	18,726,054	0.27%
North Johnson Vernon Property	21,960,132	0.28%	Fletcher Hills Town Country Sh	18,224,125	0.27%
505 W Madison Apts L L C	19,168,376	0.24%	Toro Company	16,626,685	0.24%
R S Partners L P	19,054,834	0.24%	Ddr Mdt Mv El Cajon Lp <Lf> Pa	15,961,000	0.23%
Ivanhoe El Cajon Apts L L C	17,696,376	0.22%	Ivanhoe El Cajon Apts L L C	15,313,207	0.22%
Home Depot Usa Inc. <Lf> SD	16,226,520	0.20%	American Stores Properties Inc	14,515,071	0.21%
W N Carroll Llc	15,446,605	0.19%	Madison Square Shopping Center	13,770,000	0.20%
Fletcher Hills Town Country Sh	15,294,361	0.19%	Dayton Hudson Corp	13,298,427	0.20%
Target Stores	15,121,215	0.19%	Lexington 800 Llc	13,000,000	0.19%
Sporer Ray E Trust	14,498,239	0.18%	Cre Di El Cajon L L C	12,940,690	0.19%
Elcajon Condo Holdings L L C	13,964,782	0.18%	Home Depot Usa Inc. <Lf> San D	12,246,916	0.18%
Gillespie Gh Llc	13,500,000	0.17%	Newport Diversified Inc	11,537,780	0.17%
Total Top 25 Taxpayers	939,424,256	11.84%		753,568,307	11.06%
Total Taxable Value*	7,937,416,985	100.00%		6,812,570,867	100.00%

Source: San Diego County Assessor data, MuniServices, LLC

*Total Taxable Value does not include SBOE unitary

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
General Bonded Debt										
Sales tax supported revenue bonds	\$ -	\$ -	\$ 25,195,000	\$ 25,195,000	\$ 25,195,000	\$ 25,195,000	\$ 22,255,000	\$ 15,125,000	\$ 7,710,000	\$ -
Tax allocation refunding bonds	71,075,000	69,950,000	68,780,000	67,575,000	66,320,000	- ^c	-	-	-	-
Total Bonded Debt	71,075,000	69,950,000	93,975,000	92,770,000	91,515,000	25,195,000	22,255,000	15,125,000	7,710,000	-
Percentage of taxable assessed values (redevelopment areas only)	0	0	0	0	0	n/a ^c	n/a	n/a	n/a	n/a
Per capita ^b	733	716	955	933	920	251	222	151	77	-
Other Governmental Activities Debt										
Capital leases	141,130	86,903	29,736	-	-	-	-	-	-	-
Notes payable	3,389,000	2,374,000	2,204,000	565,000	508,000	451,000	394,000	337,000	280,000	-
Total Other Governmental Activities Debt	3,530,130	2,460,903	2,233,736	565,000	508,000	451,000	394,000	337,000	280,000	-
Business-type Activities										
Other Business-type Activities Debt										
Obligation due to SD Metro Wastewater	11,038,654	11,038,654	11,038,654	11,038,654	11,038,654	9,858,817	9,858,817	9,858,817	9,858,817	9,858,817
State Water Board loan	-	-	-	-	-	-	-	-	2,616,451	5,768,749
Total Primary Government^a	\$ 85,643,784	\$ 83,449,557	\$ 107,247,390	\$ 104,373,654	\$ 103,061,654	\$ 35,504,817	\$ 32,507,817	\$ 25,600,817	\$ 20,465,268	\$ 15,627,566
Percentage of personal income	2.39%	2.37%	3.24%	3.12%	3.11%	n/a	n/a	n/a	n/a	n/a
Per capita ^b	\$883	\$854	\$1,090	\$1,049	\$1,036	\$353	\$323	\$255	\$204	\$155

Notes:

^a Includes general bonded debt, other governmental activities

^b See Demographic and Economic Statistics on page O-16 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

^c The El Cajon Redevelopment Agency was dissolved effective 02/01/2012 and its non-housing assets and obligations were transferred to the Successor Agency.

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

CITY OF EL CAJON
Ratios of Bonded Debt Outstanding and Legal Debt Margin
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Citywide Bonded Debt										
Sales Tax supported revenue bonds	\$ -	\$ -	\$ 25,195,000	\$ 25,195,000	\$ 25,195,000	\$ 25,195,000	\$ 22,255,000	\$ 15,125,000	\$ 7,710,000	\$ -
Tax allocation refunding bonds ^e	71,075,000	69,950,000	68,780,000	67,575,000	66,320,000	-	-	-	-	-
Total bonded debt outstanding	\$ 71,075,000	\$ 69,950,000	\$ 93,975,000	\$ 92,770,000	\$ 91,515,000	\$ 25,195,000	\$ 22,255,000	\$ 15,125,000	\$ 7,710,000	\$ -
State legal debt limit ^a	\$ 1,060,798,050	\$ 1,160,561,550	\$ 1,160,007,750	\$ 1,103,299,800	\$ 1,081,510,650	\$ 1,086,948,450	\$ 1,058,534,100	\$ 1,087,600,050	\$ 1,138,836,465	\$ 1,190,612,550
Legal debt margin within limit	\$ 989,723,050	\$ 1,090,611,550	\$ 1,066,032,750	\$ 1,010,529,800	\$ 989,995,650	\$ 1,061,753,450	\$ 1,036,279,100	\$ 1,072,475,050	\$ 1,131,126,465	\$ 1,190,612,550
Legal debt margin as a percentage of the debt limit	93.30%	93.97%	91.90%	91.59%	91.54%	97.68%	97.90%	98.61%	99.32%	100.00%
Percentage of Assessed Valuation of property ^b	1.01%	0.90%	1.22%	1.26%	1.27%	0.35%	0.32%	0.21%	0.11%	0.00%
Per Capita ^c	\$733	\$716	\$955	\$933	\$915	\$251	\$222	\$149	\$76	\$0
Redevelopment Agency Bonded Debt^d										
Tax allocation refunding bonds ^e	\$ 71,075,000	\$ 69,950,000	\$ 68,780,000	\$ 67,575,000	\$ 66,320,000	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment Agency debt limit ^d	\$ 183,570,044	\$ 192,788,546	\$ 190,037,885	\$ 191,801,762	\$ 191,801,762	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin within limit	\$ 112,495,044	\$ 122,838,546	\$ 121,257,885	\$ 124,226,762	\$ 125,481,762	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin as a percentage of the debt limit	61.28%	63.72%	63.81%	64.77%	65.42%	-	-	-	-	-
Percentage of Assessed Valuation of property located within the Redevelopment Area ^b	3.79%	3.42%	3.25%	3.29%	3.30%	-	-	-	-	-
Per Capita ^c	\$733	\$716	\$699	\$679	\$667	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

^aState law limits indebtedness for California cities to 15% of the assessed value of all real and personal property of the City.

^bSee Assessed Value and Net Taxable Assessed Value on page O-8 for property value data.

^cPopulation data can be found in Demographic and Economic Statistics on page O-16.

^dThe El Cajon Redevelopment Agency was dissolved effective 02/01/2012 and its non-housing assets and obligations were transferred to the Successor Agency.

^eUnder the Redevelopment Plan adopted July 14, 1987, the Agency's "amount of bonded indebtedness, to be repaid in whole or in part from such allocation of taxes, which can be outstanding at one time shall not exceed \$100 million adusted annually in accordance with the Consumer Price Index (CPI), or an acceptable replacement index in the event the CPI ceases to be published, without an amendment of this Plan."

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

CITY OF EL CAJON
Pledged-Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TAX ALLOCATION BONDS										
Property Tax Incremental Revenues	\$ 13,884,949	\$ 15,089,353	\$ 12,495,350	\$ 11,897,087	\$ 11,514,535	\$ 6,313,512 ^a	\$ -	\$ -	\$ -	\$ -
Principal	\$ 675,000	\$ 1,125,000	\$ 1,170,000	\$ 1,205,000	\$ 1,255,000	\$ 1,305,000 ^a	\$ -	\$ -	\$ -	\$ -
Interest	2,994,828	3,613,372	3,541,815	3,492,829	3,442,999	1,708,769 ^a	-	-	-	-
Pass-through payments	2,497,808	2,982,343	3,208,290	3,343,196	3,204,850	1,555,164 ^a	-	-	-	-
Total debt service	<u>\$ 6,167,636</u>	<u>\$ 7,720,715</u>	<u>\$ 7,920,105</u>	<u>\$ 8,041,025</u>	<u>\$ 7,902,849</u>	<u>\$ 4,568,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	2.25	1.95	1.58	1.48	1.46	1.38	-	-	-	-
	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
REVENUE BONDS										
Sales Tax Revenues	\$ -	\$ -	\$ -	\$ 6,819,290	\$ 7,650,075	\$ 7,674,879	\$ 8,334,328	\$ 8,447,073	\$ 7,528,077	\$ 126,155
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,940,000	\$ 7,130,000	\$ 7,415,000	\$ - ^b
Interest	-	-	-	591,034	1,008,400	1,008,400	964,300	772,600	466,700	-
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591,034</u>	<u>\$ 1,008,400</u>	<u>\$ 1,008,400</u>	<u>\$ 3,904,300</u>	<u>\$ 7,902,600</u>	<u>\$ 7,881,700</u>	<u>\$ -</u>
Coverage	0.00	0.00	0.00	11.54	7.59	7.61	2.13	1.07	0.96	n/a

Notes:

^a The El Cajon Redevelopment Agency was dissolved effective February 1, 2012, and its non-housing assets and obligations were transferred to the Successor Agency. The numbers reported here are for the period July 1, 2011, through January 31, 2012.

^b The Proposition O - Public Safety Building Bonds were paid in full in fiscal year 2016.

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

CITY OF EL CAJON
Direct and Overlapping Governmental Activities Debt

2015-16 Assessed Valuation: \$8,014,961,839

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2016	Percent (%) Applicable ^a	City's Share of Debt 6/30/16
Metropolitan Water District	\$92,865,000	0.326 %	\$302,740
Grossmont-Cuyamaca Community College District	328,589,230	18.598	44,372,825
Grossmont Union High School District	496,551,773	19.079	94,737,113
Cajon Valley Union School District	179,612,088	46.030	82,675,444
La Mesa-Spring Valley School District	30,424,849	8.995	2,736,715
Santee School District	55,141,606	3.508	1,934,368
Grossmont Healthcare District	266,188,330	17.499	46,580,296
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$273,339,501
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$307,830,000	1.811 %	\$5,574,801
San Diego County Pension Obligation Bonds	649,860,000	1.811	11,768,965
San Diego County Superintendent of Schools Certificates of Participation	13,295,000	1.811	240,772
Grossmont-Cuyamaca Community College District General Fund Obligations	960,000	18.598	178,541
Grossmont Union High School District Certificates of Participation	500,000	19.079	95,395
Cajon Valley Union School District Certificates of Participation	4,865,000	46.030	2,239,360
Santee School District Certificates of Participation	30,904,849	3.508	1,084,142
City of El Cajon General Fund Obligations	0	100.000	0
San Miguel Consolidated Fire Protection District Certificates of Participation	3,180,000	0.001	32
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$21,182,008
Less: City of El Cajon sales tax supported obligations			0
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$21,182,008
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	 \$71,460,000	 91.185-100.0 %	 \$66,237,113
 TOTAL GROSS DIRECT DEBT			 \$0
TOTAL NET DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$360,758,622
 COMBINED TOTAL DEBT			 \$360,758,622 ^b

^a 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.

^b Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.41%
Gross Total Direct Debt (\$0)	0.00%
Net Total Direct Debt (\$0)	0.00%
Gross Combined Total Debt	4.50%
Net Combined Total Debt	4.50%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,679,483,657):

Total Overlapping Tax Increment Debt	3.94%
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CITY OF EL CAJON
Demographic and Economic Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City Population	97,027	97,684	98,363	99,478	99,981	100,562	100,460	101,256	101,444	102,337
Personal Income (in Thousands)	\$3,585,800	\$3,527,100	\$3,314,900	\$3,342,800	\$3,309,400	\$2,275,617	\$2,273,317	\$3,194,362	\$2,050,702	\$2,121,656
Per Capita Personal Income	\$37,000	\$36,100	\$33,700	\$33,600	\$33,100	\$22,629	\$22,629	\$23,109	\$23,295	\$23,611
Median Age	33.4	33.4	33.3	34.0	34.3	34.3	33.7	33.5	32.4	32.8
Average Household Size	2.79	2.80	2.83	2.84	2.84	2.84	2.84	2.99	3.02	3.08
% High School Graduate	81.4%	78.5%	75.2%	77.4%	78.3%	78.8%	78.8%	78.6%	78.4%	79.2%
% Bachelor's Degree or Higher	17.1%	14.9%	17.0%	14.2%	18.8%	17.1%	17.1%	17.9%	17.5%	18.2%
% Below Poverty	20.6%	21.0%	22.4%	29.7%	23.5%	23.3%	23.3%	24.8%	29.7%	30.8%
City Unemployment Rate	6.3%	8.2%	13.1%	14.2%	13.5%	12.2%	12.2%	10.3%	6.9%	5.2%

City of El Cajon
Top Ten Employers
Last Fiscal Year and Nine Years Ago

Business Name	2015-16		2006-07	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Cajon Valley Union School District ^a	1,356	2.93%	0	0.00%
GKN Aerospace Chem-Tronics Inc	710	1.53%	873	2.08%
Grossmont Unified High School District ^{b c}	517	1.12%	519	1.23%
Taylor-Listug Inc	436	0.94%	320	0.76%
Grossmont-Cuyamaca Community College District ^b	417	0.90%	1,490	3.54%
City of El Cajon	397	0.86%	280	0.67%
Wal-Mart Stores	384	0.83%		
University Mechanical & Engineering	377	0.81%		
Country Hills Health Care	350	0.76%		
Eldorado Care Center	340	0.73%	298	0.71%
Sears, Roebuck & Co.			300	0.71%
Home of Guiding Hands			266	0.63%
Windowmaster Products			370	0.88%
Cass Construction			350	0.83%
Total Top 10 Employers	5,284	11.41%	4,716	12.04%
Total City Labor Force ^d	46,300		42,060	

Source: 2015-16 results based on direct correspondence with city's local businesses conducted by MuniServices, LLC.

Notes applicable to 2015-16 data:

- ^a Includes full-time classified employees, full-time certificated employees, certificated administrators, management and supervisory employees.
- ^b Includes full-time classified and certificated employees at school sites in El Cajon only and the district office.
- ^c Includes 4 high schools in El Cajon only.
- ^d Total City Labor Force provided by EDD Labor Force Data.

CITY OF EL CAJON
Full-time Equivalent City Government Employees
By Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	As of June 30									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>General Government</u>										
City Manager	11.30	10.45	11.55	11.55	6.55	4.50	9.35	9.35	14.20	14.75
City Clerk	4.00	3.75	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City Attorney	3.00	1.50	3.00	2.00	1.50	2.00	2.00	2.00	2.00	2.00
Finance	14.50	11.40	12.00	12.00	12.00	9.45	11.45	14.00	11.30	11.50
Human Resources	4.00	3.80	4.00	3.50	2.80	4.40	4.00	4.00	4.00	3.80
<u>Police</u>										
Officers ^a	139.00	131.00	130.50	124.00	120.00	120.00	122.00	122.00	122.00	122.00
Civilians ^a	72.70	70.20	70.70	70.70	68.70	68.70	69.20	69.20	70.20	66.20
Animal Control	8.00	8.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
<u>Fire</u>										
Firefighters and Officers	70.00	67.00	70.00	70.00	68.00	73.00	72.00	72.00	72.00	73.00
Civilians	2.20	2.00	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
<u>Public Works</u>										
Engineering	17.55	10.60	17.60	17.60	11.90	15.25	12.35	17.00	15.30	13.15
Wastewater	28.45	30.40	28.90	28.80	29.10	34.35	31.80	31.80	32.40	32.00
Other	77.80	73.30	76.30	71.90	74.70	66.80	68.90	61.70	62.10	54.75
<u>Recreation</u>										
	16.00	20.00	15.00	14.00	15.00	14.45	15.00	15.00	16.00	16.00
<u>Community Development</u>										
	23.00	26.35	26.25	26.45	26.05	20.25	20.50	20.50	18.80	18.90
Total	491.50	469.75	478.00	463.70	446.50	443.35	448.75	448.75	450.50	438.25

Notes:

^a Data restated for 2005 - 2009.

CITY OF EL CAJON
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building permits issued	1,762	1,364	1,188	1,101	1,245	1,238	1,376	1,534	1,971	2,016
Building inspections conducted ^a	19,181	8,029	5,263	7,859	4,279	4,337	5,340	2,522	9,529	9,608
Police										
Physical arrests ^b	5,780	5,119	5,300	5,321	4,605	4,513	5,015	5,088	6,589	5,121
Traffic violations	13,931	16,953	13,955	13,354	12,235	9,968	10,915	3,653	3,100	2,953
Parking violations	2,956	3,098	2,550	3,282	3,248	4,049	3,085	2,764	3,191	2,498
Animal Control ^a										
Licenses issued	2,386	2,345	2,431	2,439	2,731	2,290	2,254	2,025	1,985	1,978
Adoptions	1,201	1,150	1,146	1,191	1,234	1,106	1,112	951	971	816
Fire ^a										
Emergency responses	17,000	9,607	10,543	12,122	12,829	13,177	11,549	12,087	12,833	13,616
Fires extinguished	53	120	126	469	253	752 ^c	410 ^d	368 ^d	348 ^d	409
Fires investigated	53	120	126	469	253	318	410 ^d	368 ^d	96 ^d	165
Inspections	1,600	403	4,108	2,657	3,058	3,684	3,921	535	813	632
Abatement compliance	82	360	294	298	288	580	407	418	2,770	88
CERT Academy citizen attendance	120	29	39	38	42	59	58	57	55	67
Public works										
Street resurfacing (miles)	4	7	2	18	10	3	11	6	5	9
Recreation										
Rentals	600	648	615	467	385	346	362	367	334	348
Bookings	3,341	4,196	3,430	2,852	2,463	2,156	1,799	1,704	1,596	1,134
Attendance	146,124	124,757	136,540	149,990	91,572	195,677	85,574	88,875	113,924	92,871
Wastewater										
Average daily sewage transportation (thousands of gallons)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000

Sources: Various city departments

Notes:

^a 2007 data was compiled by calendar years; fiscal year amounts represented here are averages of the two calendar years each fiscal year crosses.

^b Data restated for years 2008 - 2009.

^c Now part of Heartland Fire and Rescue JPA, El Cajon Fire Department responds to fires in the La Mesa, Lemon Grove, and San Miguel fire districts.

^d This data is for fires within El Cajon city limits.

CITY OF EL CAJON
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Police										
Headquarters	1	1	1	1	1	1	1	1	1	1
Satellite Police Facilities	2	2	1	1	1	0 ^a	0	0	0	0
Animal Shelter	1	1	1	1	1	1	1	1	1	1
Patrol units	54	54	53	56	56	56	56	56	56	56
Undercover units	31	31	29	30	30	30	30	30	34	34
Tactical units	4	4	6	5	5	5	5	5	5	5
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Engines/Pumper trucks	8	8	7	7	7	7	7	7	7	7
Ladder truck	1	1	1	1	1	1	1	1	1	1
Battalion Chief units	2	2	2	2	2	2	2	2	2	2
Ambulances	5	5	5	6	6	7	7	7	7	4 ^b
Public works										
Streets (miles)	196	196	196	196	196	196	196	196	196	196
Streetlights	2,207	2,219	2,219	2,204	2,334	2,331	2,352	2,356	2360	2360
Traffic signals	112	112	112	112	112	112	112	112	112	112

CITY OF EL CAJON
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Parks and recreation										
Acreage	120	120	120	120	120	120	120	120	120	120
Community centers	7	7	7	7	7	7	7	7	7	7
Playing fields	5	5	5	5	5	5	5	5	5	5
Playing courts	5	5	5	5	5	5	5	5	5	5
Playgrounds	5	5	5	5	6	6	6	6	6	6
Tennis courts	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Outdoor basketball courts	3	3	3	3	3	3	3	3	3	3
Gymnasiums	4	4	4	4	4	4	4	4	4	4
Amphitheaters	3	3	3	3	3	3	3	3	3	3
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog park	1	1	1	1	1	1	1	1	1	1
Wastewater										
Sanitary sewers (miles)	195	195	195	195	195	195	195	195	195	195
Storm sewers (miles)	72	72	72	72	72	72	72	72	72	72

Sources: Various city departments

Notes :

^a All divisions moved into the new Public Safety Center in August 2011.

^b Three ambulances were sold in 2015-2016.

CITY OF EL CAJON

ACKNOWLEDGEMENTS

Finance Department

(in alphabetical order)

Lori Bogan

Lilia Calip

Victoria Danganan

Merce Edwards

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