

City of *Santee* California



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013



Front cover photo is of the pedestrian bridge in Town Center Community Park
Courtesy of Terry Rodgers, Special Projects Coordinator
City of Santee Community Services Department



CITY OF SANTEE, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013



MAYOR

Randy Voepel

VICE MAYOR

John Minto

COUNCIL MEMBERS

Jack E. Dale
Rob McNelis
John Ryan

CITY MANAGER

Keith Till

*Prepared by the Finance Department
Tim K. McDermott
Director of Finance/Treasurer*

City of Santee
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION

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CITY OF SANTEE

MAYOR
Randy Voepel

CITY COUNCIL
Jack E. Dale
Rob McNelis
John W. Minto
John Ryan

CITY MANAGER
Keith Till

December 30, 2013

Honorable Mayor, Members of the City Council, and
Citizens of the City of Santee, California

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Santee, California ("City") for the fiscal year ended June 30, 2013. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed independent certified public accountants.

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

The City's financial statements have been audited by Teaman, Ramirez & Smith, Inc., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2013 are 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 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 on the audited governments' internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available 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 City

The City of Santee is located eighteen miles east of downtown San Diego and is nestled in the rolling hills of the San Diego River Valley. The City occupies a land area of 16.6 square miles and is a dynamic community of 55,033 residents. Santee's 2011 median household income of \$75,071 is the highest of all east San Diego County cities. Santee is best described as having family based neighborhoods, award winning schools and parks, and one of the lowest crime rates in the region.

The City of Santee was incorporated in 1980 as a general law city. On November 4, 2008 the voters in Santee approved Proposition P which adopted a city charter. Santee operates under the Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council consisting of the Mayor, Vice Mayor, and three other council members. The City Council, among other things, is responsible for passing ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Attorney, City Clerk, and City Treasurer. 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 hiring the heads of various departments. The four council members are elected at-large to serve a four-year term. The Mayor is directly elected to a four-year term, and serves as the presiding officer of the City Council. The position of Vice Mayor is filled by one of the four council members for a one-year term on a rotating basis.

The City is responsible for providing a range of municipal services that includes law enforcement, fire & life safety, street maintenance, traffic circulation, planning and community development, park and landscape maintenance, code enforcement, building inspection and recreation programs for all ages. Water and sewer service is provided by Padre Dam Municipal Water District. Refuse collection and recycling services are provided through a franchise agreement with Waste Management.

The City is financially accountable for the Santee Public Financing Authority, a legally separate entity, which is reported within the City's financial statements. Additional information regarding the Santee Public Financing Authority can be found in Note 1A in the Notes to the Basic Financial Statements. As further discussed in Note 3G in the Notes to the Basic Financial Statements, in accordance with State law the Santee Community Development Commission ("Commission") was dissolved and ceased to exist as a legal entity as of February 1, 2012. The City serves as the Successor Agency to the Commission, and separate fiduciary fund financial statements and related note disclosures are included in the Financial Section of the report.

The annual budget serves as the foundation for the City's financial planning and control. The appropriated budget is prepared by fund, program and department. The City Manager may authorize transfers of appropriations within a department. Transfers of appropriations between departments, or any increase in fund appropriations require the 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, this comparison is presented in the Required Supplementary Information section of the report.

Local Economy

Santee, like virtually every city in California and across the nation has been adversely affected by the slow pace of economic recovery on the heels of the “Great Recession”. Retail sales, new development and general economic activity are starting to show signs of modest recovery. In response to these challenges the City continues to exercise caution during this period of uncertain economic conditions. However, with available land for development, a skilled labor force, transit linkage to downtown San Diego and San Diego State University by trolley and direct access to three regional freeways, Santee is well positioned with opportunities for economic growth and expansion.

Recent enhancements to the local economy include the March 2011 completion of the final segment of State Route 52, which now links all three freeways serving Santee and which provides direct freeway access into Santee Town Center and to the eastern and western ends of the City. The State Route 52 link gives people living or doing business in Santee a direct connection to most of the major freeway corridors in the region. Santee is now connected to all parts of the region within a 20-25 minute reverse commute.

An important component of the local economy is the Sportsplex USA complex which opened in mid-2010 on 15 acres within the 55-acre Town Center Community Park. This site includes a themed sports complex, top quality athletic fields for soccer and football, an entertainment venue, multi-use trails and playgrounds. The sports complex within the park has three lighted softball/baseball fields with artificial turf outfields, two arena soccer fields, four batting cages and a restaurant with indoor and outdoor seating. It accommodates local and regional sports leagues, tournaments, sports camps, corporate events and other special events, drawing approximately 350,000 visitors annually. The sports complex is operated by Sportsplex USA under a public-private partnership with the City. This \$29 million project was funded with a combination of redevelopment funds, developer impact fees and various grants.

Another major attraction is the Santee Lakes Recreation Preserve and Regional Campground, owned and operated by Padre Dam Municipal Water District, which generates approximately 650,000 visitors annually.

Santee Town Center, located in the heart of the City, includes more than 1.1 million square ft. of retail and commercial space covering 706 acres and provides a strong contribution to the City’s tax base. Major components of Santee Town Center include: a) Santee Trolley Square shopping center which includes over 450,000 square ft. of specialty retail, restaurants, and high volume retail stores, and b) the Santee Plaza/Promenade power center anchored by Costco, Wal-Mart and Home Depot. Just west of Santee Town Center is a 250,000 square ft. shopping center featuring Lowe’s Home Improvement Center and Kohl’s Department Store. Adjacent to Santee Trolley Square, HD Supply Facilities Maintenance recently moved into a state of the art 77,000 square ft. regional office facility that it shares with Hartford Insurance Company.

San Diego Christian College, an accredited 500-enrollment private college, will be relocating its campus to the RiverView Professional Center adjacent to Santee Trolley Square in early 2014, with expansion plans to accommodate up to 1,200 students. Parc One, a 172-unit apartment project, is expected to begin construction in early 2014 on a site adjacent to Santee Trolley Square and the future college campus, with 128 additional units planned as well.

Long Term Financial Planning

The City utilizes a five year financial plan which is updated throughout the year as conditions change. The purpose of this plan is to provide a longer-range view of the impact of budgetary decisions and economic conditions affecting the City and to help ensure that the City’s balanced budget and reserve policies continue to be met into the future.

In December, 2011 the City Council took several pension cost reform actions that will help protect the long-term fiscal health of the City. These actions included the adoption of a second tier of retirement benefits for future employees, and the acceleration of payments to be made against a portion of the City's pension liability. In addition, on January 1, 2013 the California Public Employees' Pension Reform Act took effect, creating a third tier of retirement benefits for new members to the retirement system. Each of these actions will result in a reduction in future pension costs for the City.

State action that dissolved the Santee Community Development Commission and the related loss of redevelopment revenues required the City to take action to reduce expenditures across the organization and to consider other measures to protect the long-term fiscal health of the City. A comprehensive cost allocation plan and cost of services study was completed and in August 2012 a revised consolidated fee schedule took effect that enhances the City's cost recovery for most services provided. In July 2012 the City Council authorized a ballot measure to increase the Transient Occupancy Tax, which was approved by the voters in November 2012.

The City Council adopts a five-year Capital Improvement Program (CIP) budget which serves as a planning tool for identifying the infrastructure and other capital needs of the community, and to coordinate the financing and scheduling of projects. The CIP is important in ensuring that limited resources are allocated in a prudent manner, and that under-funded projects are identified to assist in developing financial strategies for the future. The adopted CIP budget for fiscal years 2013-14 through 2017-18 identifies \$145.6 million in projects, for which \$91.9 million in funding has been identified. The CIP is revised periodically in response to continually evolving needs, priorities and financial conditions.

Relevant Financial Policies

The City's General Fund Reserve Policy states that a reserve of either 20% of annual General Fund operating expenditures or \$7 million be maintained by the end of the five-year financial planning time frame as a contingency for economic uncertainties. On June 26, 2013 with the adoption of the two-year operating budget for fiscal years 2013-14 and 2014-15 the General Fund Reserve Policy was suspended. The City will closely monitor revenues and continue to identify alternatives for addressing budgetary shortfalls that could enable the reserve policy to be met in the future. Necessary investments continue to be made in infrastructure in order to protect the long-term fiscal health of the City.

Major Initiatives

In March 2011 the Santee Community Development Commission issued \$26.8 million in tax allocation bonds to finance major street improvements and streetscape enhancements along a one-mile stretch of the Prospect Avenue industrial corridor. This \$25 million project will expand future development opportunities along Prospect Avenue as well as create collaborative opportunities adjacent to the Gillespie Field Airport which is owned by the County of San Diego. Construction is expected to begin in January 2014 and be completed by the end of the year.

In March 2011 the Santee Community Development Commission issued \$4.7 million in tax allocation bonds to assist in the development of the 44-unit Forester Square Apartments affordable housing development. A total of \$5.5 million in financial assistance was provided by the Commission. Construction was completed in March 2013.

In November 2011 the City received a \$1.4 million loan from the U.S. Department of Housing and Urban Development to provide much needed street reconstruction, sidewalks and drainage improvements in the Buena Vista Avenue and Railroad Avenue neighborhood. Construction on this \$3.7 million project will begin in early 2014.

In December 2012 the City acquired 107 acres of riverfront land using more than \$2.1 million in grant funds in an effort to complete a continuous pedestrian/bike trail along the San Diego River. Construction is expected to begin in 2014 on improvements along a 1.3 mile stretch of the trail. When it is finished, Santee will have completed approximately 3.5 miles or 80 percent of the City's portion of the San Diego River Trail.

The City has committed to an effort to promote energy efficiency and reduce the reliance on costly business practices through energy and water conservation, reduced demand and use of sustainable workplace practices. Following the launch of this effort (known as "The Sustainability Project"), 22 specific goals were identified including the completion of an Energy Roadmap for Santee, and the comprehensive energy assessment of all City facilities. All 1,783 city-owned street lights have been replaced with lower-wattage induction lights, reducing energy use by 30% and saving the City over \$110,000 annually. This project was funded by a federal energy efficiency grant and interest-free loans from San Diego Gas and Electric, with no impact to the General Fund. The City also upgraded 1,600 office lights with more energy efficient ones and installed motion-sensor devices to further reduce power usage, reducing energy use by 25% and saving \$19,000 annually. The City's first photovoltaic energy system was recently installed as part of the Town Center Community Park project. The City is the first in the region to receive County and State regulatory approval to use recycled water for street sweeping and implemented this cost-saving measure in 2013.

The retention and expansion of retail, commercial, and industrial businesses within Santee, as well as the development of both affordable and move-up housing are critical to the long-term financial stability of the City. RiverView at Santee will ultimately be one of the most significant developments in the City's history. RiverView is a 1.9 million square ft. master planned mixed-use project on 104 acres adjacent to Trolley Square designed for high technology, research & development and office uses along with residential units and retail space. The initial completed phases of RiverView include the Hartford Insurance Company facility (now shared with HD Supply Facilities Maintenance) and the RiverView Professional Center. Development of future phases of this project slowed as a result of the economic downturn. However, the relocation of San Diego Christian College and the approval of the Parc One apartment project, both within RiverView, are positive indicators of future economic growth for Santee.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santee for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

City of Santee
Letter of Transmittal
December 30, 2013

This report reflects the combined efforts and year-round dedication of the entire Finance Department staff. We would like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Keith Till
City Manager



Tim K. McDermott
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Santee
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emer'.

Executive Director/CEO

CITY OF SANTEE
LIST OF CITY OFFICIALS

CITY COUNCIL

Randy Voepel, Mayor
John Minto, Vice Mayor
Jack E. Dale, Council Member
Rob McNelis, Council Member
John Ryan, Council Member

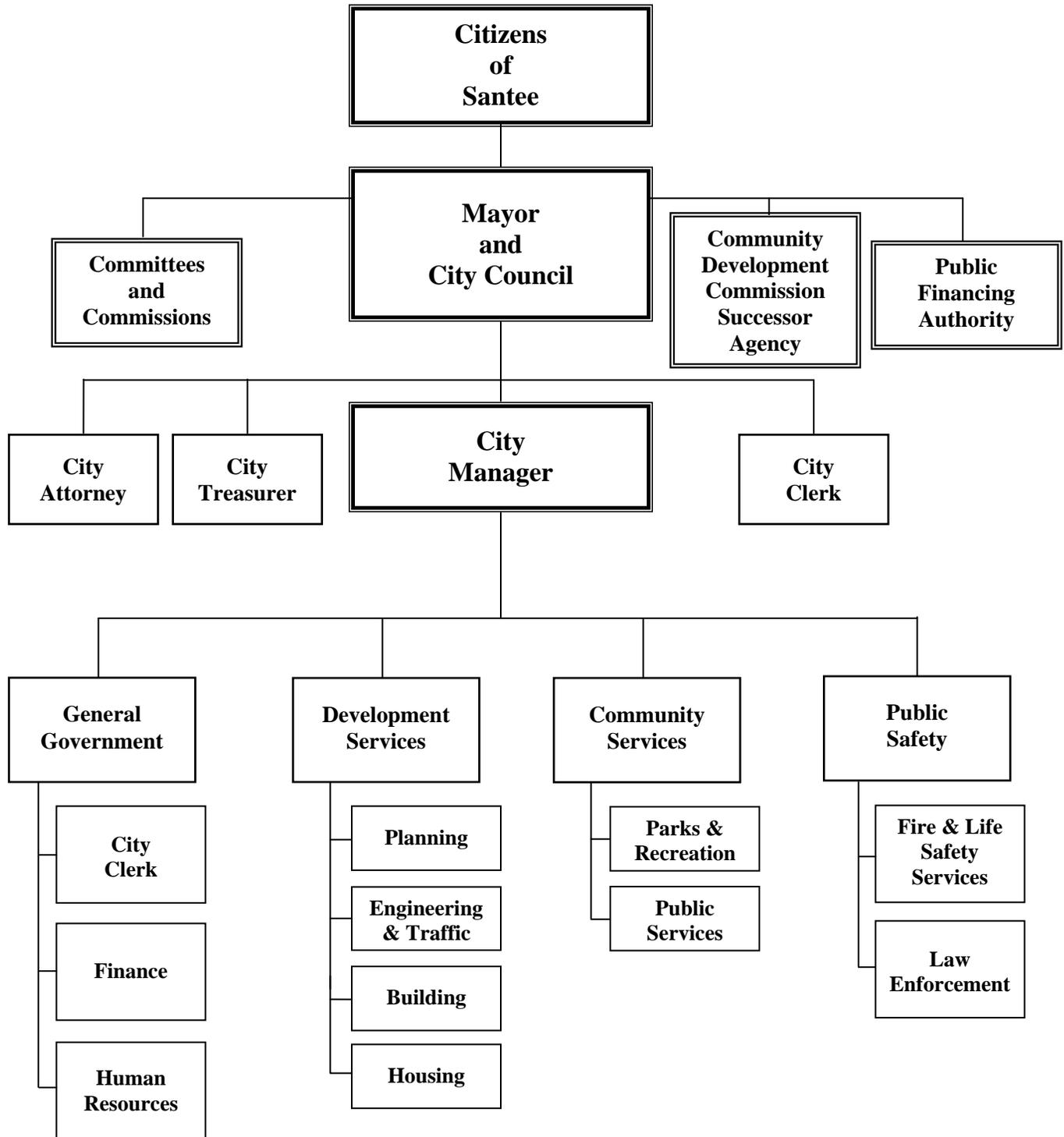
EXECUTIVE MANAGEMENT

City Manager Keith Till
City Attorney Shawn Hagerty
City Clerk..... Patsy Bell
Deputy City Manager/Director of Development Services Pedro Orso-Delgado
Assistant to the City Manager Kathy Valverde
Senior Economic Development Coordinator Pamela A. White
Director of Community Services Bill Maertz
Director of Finance/Treasurer Tim K. McDermott
Director of Fire and Life Safety Robert Leigh
Director of Human Resources Jodene Dunphy
Director of Planning Melanie Kush
Sheriff Captain Lisa Miller

FINANCE DEPARTMENT

Director of Finance Tim K. McDermott
Finance Manager Donna Goldsmith
Senior Buyer Linda Christensen
Accountant Christina Miller
Confidential Senior Account Clerk Karen Ashwill
Account Clerk Janet Fernandez
Administrative Secretary Jan Sherar
Account Clerk Tanya Espinola
Finance Intern Monica Martinez

**CITY OF SANTEE
ORGANIZATIONAL CHART**



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

City Council
City of Santee, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Santee, California (the "City") as of and for the year ended June 30, 2013, 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 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Santee, California, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1C to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Report on Summarized Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2012, from which such summarized information was derived.

We have previously audited the City of Santee's 2012 financial statements, and we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 28, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5-13 and 63-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 supplementary information is 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 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Seaman Ramirez & Smith, Inc.

Riverside, California

December 30, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Santee we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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 assets of the City exceeded its liabilities at June 30, 2013 by \$187.4 million (*net position*). Of this amount, \$6.6 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2.6 million during the fiscal year. In addition a \$768,227 increase is reflected from the amount reported at June 30, 2012 as a result of a prior period adjustment to revise the balance of notes payable previously reported.
- At June 30, 2013 the City's governmental funds reported combined fund balances of \$32.5 million, an increase of \$4.2 million from the prior year. Much of this increase is attributable to developer fees and other revenues received that will be expended for capital improvement projects over the next several years.
- The City's long-term liabilities increased by \$1.2 million during the fiscal year. This was the result of additional proceeds that were received during the year on a note payable to the San Diego Association of Governments for street rehabilitation projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City'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 other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all the City's assets, liabilities and deferred inflows/outflows of resources, with the difference 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 City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events 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 the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to

recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Santee include general government, public safety, public works, community development, and parks and recreation. The City does not have business-type activities.

The government-wide financial statements include not only the City of Santee itself (known as the primary government), but also blended component units. Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Santee Public Financing Authority is reported as part of the City. As discussed in Notes 1A and 3G in the Notes to the Financial Statements, in accordance with State law the Santee Community Development Commission was dissolved and ceased to exist as a legal entity as of February 1, 2012.

The government-wide financial statements can be found in the financial section of this report immediately following this Management's Discussion and Analysis.

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. The funds of the City can be divided into two categories: governmental 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and governmental funds 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 28 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, Traffic Mitigation Fund and Capital Projects Fund, which are considered to be major funds. Data from the other 25 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 in the supplementary information section of this report.

The City adopts a two year appropriated budget for its General Fund, Special Revenue and Debt Service Funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found in the financial section of this report, following the government-wide financial statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The economic resources measurement focus and the accrual basis of accounting are used to account for fiduciary funds.

The City maintains one type of fiduciary fund. The *Private-purpose Trust Fund* is used to report resources held in trust for the Santee Community Development Commission Successor Agency to wind-down the affairs of the former Santee Community Development Commission and to satisfy related enforceable obligations.

The fiduciary fund financial statements can be found in the financial section of this report, following the basic governmental funds financial statements.

Notes to the 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 financial statements can be found in the financial section of this report, following the fund financial statements.

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 Other Post-Employment Benefits (OPEB) to employees, budgetary information and compliance. Required supplementary information can be found in the financial section of this report, following the notes to the financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

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, 2013 assets exceeded liabilities by \$187.4 million, an increase of \$3.4 million from the prior year.

**City of Santee
 Summary of Net Position
 June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 38,763,770	\$ 35,403,281
Capital assets	168,195,740	167,612,937
Total assets	<u>206,959,510</u>	<u>203,016,218</u>
Long-term liabilities	13,607,509	12,439,898
Other liabilities	5,971,646	6,614,155
Total liabilities	<u>19,579,155</u>	<u>19,054,053</u>
Net position:		
Net investment in capital assets	159,505,509	160,604,789
Restricted	21,242,368	18,434,571
Unrestricted	<u>6,632,478</u>	<u>4,922,805</u>
Total net position	<u><u>\$187,380,355</u></u>	<u><u>\$183,962,165</u></u>

CITY OF SANTEE

Management's Discussion and Analysis, continued

June 30, 2013

The largest portion of the City's net assets (\$159.5 million or 85%) reflects the investment in capital assets, less any related debt outstanding that was 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 this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (\$21.2 million or 11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6.6 million or 4%) can be used for ongoing operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Governmental Activities

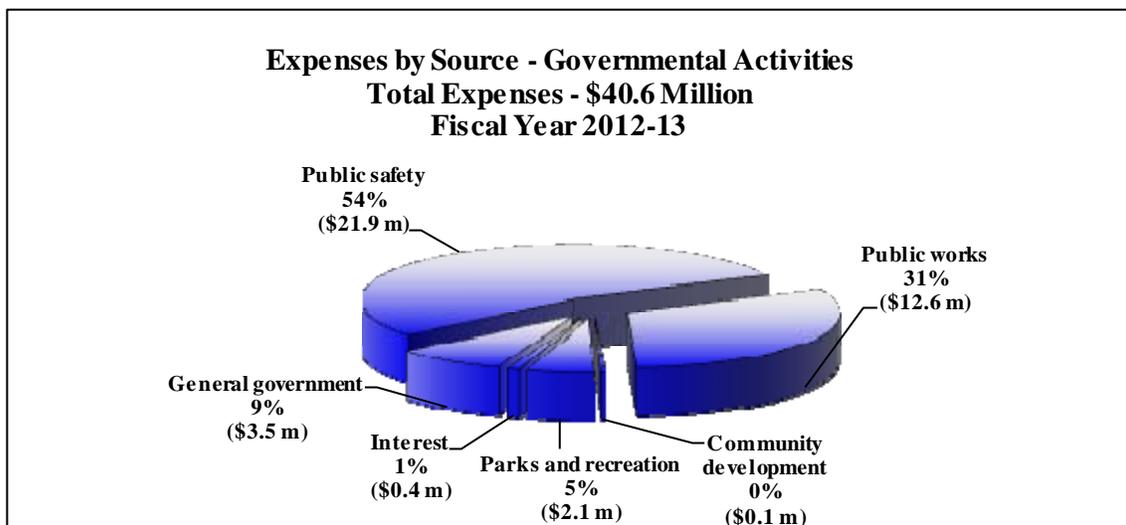
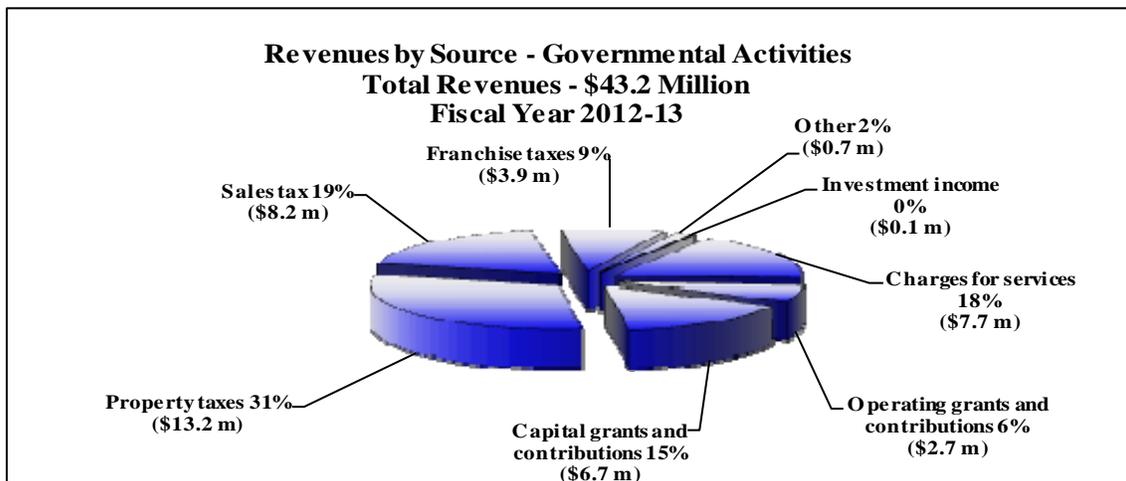
Net position increased by \$2.6 million and a \$768,227 prior period adjustment during the fiscal year as a result of the City's governmental activities. Key elements of this increase are as follows:

City of Santee		Changes in Net Position	
For the Fiscal Years Ended June 30, 2013 and 2012		Governmental Activities	
	2013	2012	
Revenues:			
Program revenues:			
Charges for services	\$ 7,667,641	\$ 7,559,589	
Operating grants and contributions	2,725,883	2,241,007	
Capital grants and contributions	6,695,663	4,288,068	
General revenues:			
Taxes:			
Property taxes	13,242,248	13,610,976	
Sales tax	8,227,675	7,898,623	
Franchise taxes	3,922,344	2,289,425	
Other taxes	366,834	269,764	
Motor vehicle in lieu, unrestricted	29,755	28,716	
Investment income	44,038	80,480	
Miscellaneous	298,671	946,398	
Total revenues	<u>43,220,752</u>	<u>39,213,046</u>	
Expenses:			
General government	3,461,397	3,526,811	
Public safety	21,912,185	22,637,123	
Public works	12,633,715	11,444,433	
Community development	112,300	1,966,844	
Parks and recreation	2,081,222	2,177,699	
Interest and fiscal charges	369,970	2,018,935	
Total expenses	<u>40,570,789</u>	<u>43,771,845</u>	
Extraordinary item	-	3,983,001	
Increase (decrease) in net position	2,649,963	(575,798)	
Net position, beginning of year	183,962,165	188,131,219	
Prior period adjustments	768,227	(3,593,256)	
Net position, end of year	<u>\$187,380,355</u>	<u>\$183,962,165</u>	

CITY OF SANTEE

Management's Discussion and Analysis, continued
 June 30, 2013

- Capital grants and contributions increased by \$2.4 million or 56% from the prior fiscal year, a reflection of the City's success in obtaining federal and state funding for capital improvement projects such as the San Diego River Trail and various street and traffic improvement projects.
- Property taxes, the City's largest revenue source, decreased by \$368,728 or 3% from the prior fiscal year, the result of an initial distribution received in the prior fiscal year after the dissolution of the Santee Community Development Commission. Total assessed valuation actually increased by 0.1% from the prior fiscal year.
- Sales tax, the City's second largest revenue source, increased by \$329,052 or 4% from the prior fiscal year, reflecting moderately improving economic conditions and the addition of several new sales tax-generating businesses over the past year.
- Franchise fees increased by \$1.6 million or 71% from the prior fiscal year, the result of a new solid waste franchise agreement that included \$1.3 million in one-time revenue and increased ongoing revenues.
- Community development expenses decreased by \$1.9 million or 94%, a direct result of the dissolution of the Santee Community Development Commission on February 1, 2012.
- Interest and fiscal charges decreased by \$1.6 million or 82%, a direct result of the dissolution of the Santee Community Development Commission.



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, 2013, the City's governmental funds reported combined fund balances of \$32.5 million, an increase of \$4.2 million from the prior year. Approximately 14% of this amount (\$4.6 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 spendable form (\$20,512), 2) restricted for particular purposes (\$22.3 million), 3) committed for particular purposes (\$1.6 million), or 4) assigned for particular purposes (\$3.9 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.8 million, while the total fund balance was \$10.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 15% of total General Fund expenditures for the year, while total fund balance represents approximately 32% of the total General Fund expenditures for the year.

The General Fund balance increased by \$331,421 during the past fiscal year. General Fund revenues were \$1.6 million more than in the previous fiscal year, which includes nearly \$1.3 million in one-time revenue received from a new solid waste franchise agreement as discussed above. \$820,000 of this one-time revenue was allocated to the capital improvement program to provide funding for certain capital improvement projects. Also as discussed above, property taxes decreased slightly and sales tax revenue increased slightly from the prior fiscal year. General Fund expenditures were \$536,796 more than in the previous fiscal year, much of which is the result of the shift of expenditures to the General Fund that were previously funded by the Santee Community Development Commission prior to its dissolution on February 1, 2012. In addition, vehicle replacement expenditures were \$240,036 more than in the prior fiscal year, reflecting the replacement of a backhoe and the re-chassis of one paramedic ambulance.

The Traffic Mitigation Fund, a major fund, experienced a \$529,810 increase in fund balance during the past fiscal year, bringing the fund's total fund balance to \$5.9 million, all of which is legally restricted for capital projects.

The Capital Projects Fund, a major fund, experienced a \$783,158 increase in fund balance during the past fiscal year, bringing the fund's total fund balance to \$1.6 million, the majority of which is either legally restricted or committed for capital projects.

The Non-Major Governmental Funds balance increased by a combined \$2.6 million during the past year, bringing the Non-Major Governmental Funds total fund balance to \$14.8 million. The primary factor leading to this increase is the accumulation of resources in various Special Revenue and Capital Project Funds for future capital projects.

General Fund Budgetary Highlights

Over the course of the year the budget is revised to reflect encumbrances and appropriations approved for carryover from the prior year, and to address unforeseen events and changes in conditions that occur after the budget is adopted.

General Fund appropriations were increased by \$2.8 million from the originally adopted budget. Supplemental appropriations approved during the year include prior year encumbrances and appropriations that were carried forward and funded from the prior fiscal year's budget. Other supplemental appropriations include the appropriation of various federal, state and local grants received during the year, and adjustments related to the dissolution of the Santee Community Development Commission.

Actual General Fund revenues were \$412,548 more than budgeted. Property taxes were \$563,648 more than budgeted. Intergovernmental revenues were \$111,303 less than budgeted. Charges for services revenues were \$144,615 more than budgeted. Various other revenue categories experienced minor variances.

Actual General Fund expenditures were \$1,519,284 less than budgeted. Capital outlay expenditures (primarily vehicle replacements and grant funded capital expenditures) were \$573,240 less than budgeted. Development Services expenditures were \$216,428 less than budgeted. Fire expenditures were \$177,440 less than budgeted. Community Services expenditures were \$127,678 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2013 was \$168.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, parks, infrastructure, equipment, vehicles, and construction in progress.

**City of Santee
Capital Assets (Net of Accumulated Depreciation)
June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
Land	\$ 11,796,478	\$ 9,651,906
Parks	4,858,872	4,858,872
Construction in progress	3,206,098	3,871,244
Buildings	13,941,405	14,621,085
Improvements other than buildings	4,778,696	5,154,714
Equipment	5,516,383	5,724,281
Vehicles	994,197	964,675
Infrastructure	123,103,611	122,766,160
Totals	<u>\$168,195,740</u>	<u>\$167,612,937</u>

CITY OF SANTEE

Management's Discussion and Analysis, continued
June 30, 2013

Major capital asset activity during the year included the following:

- \$2.5 million was spent for the rehabilitation of numerous streets and related drainage facilities throughout the City.
- \$2.2 million was spent to acquire 107 acres of land in an effort to complete a continuous pedestrian/bike trail along the San Diego River. Construction is expected to begin in 2014 on improvements along a 1.3 mile stretch of the trail.
- \$1.7 million was spent for design work and right of way acquisition for the \$25 million Prospect Avenue Improvements project.
- \$317,704 was spent for design work for the \$3.7 million Buena Vista Avenue/Railroad Avenue Improvements project.

Additional information about the City's capital assets is presented in Note 2B of the Notes to the Financial Statements.

Long-term Debt

At June 30, 2013 the City had \$13.6 million in long-term debt outstanding. Of this amount, \$1.1 million is comprised of lease revenue bonds payable from lease payments made by the City to the Santee Public Financing Authority.

**City of Santee
Long-term Debt
June 30, 2013 and 2012**

	Governmental Activities	
	2013	2012
Bonds payable	\$ 1,055,000	\$ 1,210,000
Notes and loans payable	8,441,947	6,792,181
Capital leases payable	453,284	405,967
Claims and judgments	988,695	1,009,478
Compensated absences	1,144,012	1,076,487
Other post-employment benefits	99,755	98,592
Pension related debt	1,424,816	1,847,193
Totals	<u>\$ 13,607,509</u>	<u>\$ 12,439,898</u>

The City's outstanding debt increased by \$1.2 million during the past fiscal year. During the past fiscal year additional long-term debt totaling \$2.1 million was incurred by the City to finance certain street and related drainage improvements with a note payable to the San Diego Association of Governments. Other new debt incurred during the year included a capital lease to acquire a backhoe (\$125,222) and a no-interest loan from San Diego Gas and Electric for the final phase of upgrading street lights throughout the City to energy efficient induction lighting (\$49,160). Reductions in long-term debt occurred primarily as a result of principal payments made on lease revenue bonds and various notes, loans and capital leases payable. In addition the City made an accelerated payment to reduce its pension related debt. Additional information regarding long-term debt can be found at Note 2D in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Following are some of the economic factors considered by management in the development of next year's budgets.

- The total assessed valuation of property in the City is projected to increase by 2.0%, resulting in a corresponding increase in property tax revenues. Improvement has been seen in the residential real estate market over the past year, allowing for some restoration of valuation that had been temporarily reduced over the past five years. Valuation additions are also expected from changes in ownership and some new construction over the past year.
- With the recent addition of one new major retail sales generator (HD Supply Facilities Maintenance) and several additional new retail sales generators, combined with anticipated modest improvement in general economic conditions, sales tax revenue is projected to increase by 7.7% next fiscal year.
- Voter approval of an increase in City's transient occupancy tax rate from 6% to 10% and the expansion of this tax to include camp sites became effective on January 1, 2013. Next year's budget reflects a full year with this increased revenue.
- A \$1.3 million decrease is expected in franchise fee revenue, reflecting one-time revenue that was received over the past fiscal year. Growth in ongoing franchise fee revenue is expected to be virtually flat over the next year.
- Law enforcement services contract costs are expected to increase by 5.8% over the next year, with additional future increases expected. As a result, the budget reflects the elimination of one sworn officer and two non-sworn officer positions from the law enforcement services contract in order to help mitigate the impacts of current and future cost increases.
- Next year's budget reflects various changes to the Fire Department organizational structure, including the addition of three Battalion Chief positions in March 2014.
- Next year's budget provides for 2% across the board salary increases for all employee groups, the first such pay increases since 2008.
- Actuarial method changes that will be implemented by the California Public Employee Retirement System and anticipated demographic assumption changes are expected to increase retirement costs beginning in July 2015, and have been incorporated into the fiscal year 2015-16 budget and five-year financial projection.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Santee Finance Department, 10601 Magnolia Avenue, Santee, CA 92071. Additional information is also available on the City's web site at www.ci.santee.ca.us.

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**BASIC
FINANCIAL
STATEMENTS**

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City of Santee
Statement of Net Position
June 30, 2013

	Governmental Activities	
	2013	2012
ASSETS		
Cash and Investments	\$ 32,031,753	\$ 27,504,898
Cash and Investments with Fiscal Agent	1,338,508	1,392,575
Accounts Receivable	990,258	673,592
Loans Receivable	1,972,000	2,079,800
Interest Receivable	70,524	74,489
Due From Other Governments	2,340,215	3,659,409
Inventory	3,197	3,685
Prepaid Items	17,315	14,833
Capital Assets, Not Being Depreciated	19,861,448	18,382,022
Capital Assets, Being Depreciated, Net	148,334,292	149,230,915
Total Assets	206,959,510	203,016,218
LIABILITIES		
Accounts Payable	2,923,760	3,783,894
Accrued Salaries and Benefits	395,781	395,735
Interest Payable	15,940	18,039
Deposits Payable	2,260,245	1,990,531
Unearned Revenue	375,920	425,956
Noncurrent Liabilities:		
Due Within One Year	1,855,206	1,763,856
Due in More Than One Year	11,752,303	10,676,042
Total Liabilities	19,579,155	19,054,053
NET POSITION		
Net Investment in Capital Assets	159,505,509	160,604,789
Restricted for:		
Community Development	3,363,112	2,127,185
Debt Service	315,001	350,001
Law Enforcement and SAFE Program	186,386	1,623
Lighting and Landscape Maintenance	898,533	670,922
Streets and Roads	1,405,095	1,100,058
Flood Control	288,059	201,716
Construction	14,762,093	13,977,295
Energy Efficiency	24,089	5,771
Unrestricted	6,632,478	4,922,805
Total Net Position	\$ 187,380,355	\$ 183,962,165

The accompanying notes are an integral part of this statement.

City of Santee
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2013	2012
General Government	\$ 3,461,397	\$ 636,843	\$ 68,797	\$ -	\$ (2,755,757)	\$ (3,019,193)
Public Safety	21,912,185	3,781,291	416,373	-	(17,714,521)	(18,219,305)
Public Works	12,633,715	2,640,602	1,493,099	6,062,195	(2,437,819)	(4,241,582)
Community Development	112,300	-	742,668	-	630,368	(1,243,368)
Parks and Recreation	2,081,222	608,905	4,946	633,468	(833,903)	(940,798)
Interest and Fiscal Charges	369,970	-	-	-	(369,970)	(2,018,935)
Total Governmental Activities	\$40,570,789	\$ 7,667,641	\$ 2,725,883	\$ 6,695,663	(23,481,602)	(29,683,181)
General Revenues:						
Taxes:						
Property Taxes					13,242,248	13,610,976
Sales Taxes					8,227,675	7,898,623
Franchise Taxes					3,922,344	2,289,425
Other Taxes					366,834	269,764
Motor Vehicle in Lieu, Unrestricted					29,755	28,716
Investment Earnings					44,038	80,480
Miscellaneous					298,671	946,398
Total General Revenues					26,131,565	25,124,382
Extraordinary Item					-	3,983,001
Change in Net Position					2,649,963	(575,798)
Net Position - Beginning					183,962,165	188,131,219
Prior Period Adjustments					768,227	(3,593,256)
Net Position - Ending					\$187,380,355	\$ 183,962,165

The accompanying notes are an integral part of this statement.

**City of Santee
Balance Sheet
Governmental Funds
June 30, 2013**

	General	Capital Projects	
		Traffic Mitigation	Capital Projects
ASSETS			
Cash and Investments	\$ 12,682,224	\$ 5,880,312	\$ 1,900,272
Cash and Investments with Fiscal Agents	-	-	-
Receivables:			
Accounts	990,258	-	-
Loans	-	-	-
Interest	29,725	13,221	1,489
Due From Other Funds	8,323	3,466	-
Due From Other Governments	1,824,989	-	138,371
Inventories	3,197	-	-
Prepaid Items	17,315	-	-
Total Assets	\$ 15,556,031	\$ 5,896,999	\$ 2,040,132
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 2,308,150	\$ -	\$ 339,442
Accrued Salaries and Benefits	394,993	-	-
Deposits Payable	2,260,245	-	-
Unearned Revenue	249,625	-	-
Due to Other Funds	-	-	-
Total Liabilities	5,213,013	-	339,442
Deferred Inflows of Resources:			
Unavailable Revenues - Intergovernmental	162,256	-	113,108
Total Deferred Inflows of Resources	162,256	-	113,108
Fund Balances:			
Nonspendable	20,512	-	-
Restricted	1,575,001	5,896,999	54,071
Committed	35,680	-	1,521,186
Assigned	3,770,108	-	12,325
Unassigned	4,779,461	-	-
Total Fund Balances	10,180,762	5,896,999	1,587,582
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 15,556,031	\$ 5,896,999	\$ 2,040,132

Continued

The accompanying notes are an integral part of this statement.

Total Non-Major Governmental Funds	Total Governmental Funds	
	2013	2012
\$ 11,568,945	\$ 32,031,753	\$ 27,504,898
1,338,508	1,338,508	1,392,575
-	990,258	673,592
1,972,000	1,972,000	2,079,800
26,089	70,524	74,489
166,758	178,547	153,808
376,855	2,340,215	3,659,409
-	3,197	3,685
-	17,315	14,833
<u>\$ 15,449,155</u>	<u>\$ 38,942,317</u>	<u>\$ 35,557,089</u>
\$ 276,168	\$ 2,923,760	\$ 3,783,894
788	395,781	395,735
-	2,260,245	1,990,531
126,295	375,920	425,956
178,547	178,547	153,808
<u>581,798</u>	<u>6,134,253</u>	<u>6,749,924</u>
<u>55,666</u>	<u>331,030</u>	<u>561,168</u>
<u>55,666</u>	<u>331,030</u>	<u>561,168</u>
-	20,512	18,518
14,807,524	22,333,595	19,506,124
15,540	1,572,406	304,408
155,385	3,937,818	3,723,567
(166,758)	4,612,703	4,693,380
<u>14,811,691</u>	<u>32,477,034</u>	<u>28,245,997</u>
<u>\$ 15,449,155</u>	<u>\$ 38,942,317</u>	<u>\$ 35,557,089</u>

The accompanying notes are an integral part of this statement.

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City of Santee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Fund Balances of Governmental Funds \$ 32,477,034

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of \$114,796,226 accumulated depreciation, are not financial resources and, therefore, are not reported in the funds. 168,195,740

Receivables which are not considered to be available to finance current expenditures are reported as unearned revenue in the governmental funds. 331,030

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds Payable	\$ (1,055,000)	
Notes and Loans Payable	(8,441,947)	
Capital Lease Payable	(453,284)	
Claims and Judgments Payable	(988,695)	
Compensated Absences	(1,144,012)	
OPEB Obligation	(99,755)	
Pension Related Debt	<u>(1,424,816)</u>	(13,607,509)

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. (15,940)

Net Position of Governmental Activities \$ 187,380,355

The accompanying notes are an integral part of this statement.

City of Santee
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	General	Capital Projects	
		Traffic Mitigation	Capital Projects
REVENUES			
Taxes:			
Property	\$ 13,242,248	\$ -	\$ -
Sales	8,227,675	-	-
Other	4,289,178	-	-
Special Assessments	932,458	-	-
Intergovernmental	426,870	-	2,368,450
Licenses and Permits	163,157	-	-
Fines and Forfeitures	157,459	-	-
Developer Fees	-	475,431	31,594
Charges for Services	5,027,855	-	-
Investment Earnings	46,287	47,644	4,390
Other Revenue	487,434	22,375	-
Total Revenues	33,000,621	545,450	2,404,434
EXPENDITURES			
Current:			
General Government	3,374,704	-	-
Public Safety	21,800,709	-	-
Public Works	5,228,164	-	-
Community Development	-	-	-
Parks and Recreation	916,408	-	-
Capital Outlay:			
General Government	132,699	-	130,600
Public Safety	105,094	-	-
Public Works	125,223	-	3,390,712
Parks and Recreation	1,644	-	2,254,864
Debt Service:			
Principal	232,905	-	-
Interest and Fiscal Charges	56,872	-	-
Total Expenditures	31,974,422	-	5,776,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,026,199	545,450	(3,371,742)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	4,154,900
Transfers Out	(820,000)	(15,640)	-
Issuance of Long-term Debt	125,222	-	-
Total Other Financing Sources (Uses)	(694,778)	(15,640)	4,154,900
Extraordinary Loss	-	-	-
Net Change in Fund Balances	331,421	529,810	783,158
Fund Balances - Beginning	9,849,341	5,367,189	804,424
Fund Balances - Ending	\$ 10,180,762	\$ 5,896,999	\$ 1,587,582

The accompanying notes are an integral part of this statement.

Continued

Non-Major Governmental Funds	Total Governmental Funds	
	2013	2012
\$ 516,241	\$ 13,758,489	\$ 14,266,895
-	8,227,675	7,898,623
1,327,764	5,616,942	4,032,606
752,788	1,685,246	1,664,583
1,784,512	4,579,832	2,327,765
-	163,157	97,044
-	157,459	151,965
1,713,066	2,220,091	2,166,434
-	5,027,855	4,741,495
68,832	167,153	550,469
36,076	545,885	1,109,946
<u>6,199,279</u>	<u>42,149,784</u>	<u>39,007,825</u>
150,511	3,525,215	3,495,290
100,000	21,900,709	22,497,381
1,970,054	7,198,218	7,204,615
112,300	112,300	2,147,005
-	916,408	1,083,635
-	263,299	102,527
-	105,094	-
39,395	3,555,330	3,087,639
23,907	2,280,415	316,507
465,012	697,917	1,007,602
315,197	372,069	2,620,760
<u>3,176,376</u>	<u>40,926,974</u>	<u>43,562,961</u>
<u>3,022,903</u>	<u>1,222,810</u>	<u>(4,555,136)</u>
31,542	4,186,442	7,709,261
(3,350,802)	(4,186,442)	(7,709,261)
2,883,005	3,008,227	3,005,840
<u>(436,255)</u>	<u>3,008,227</u>	<u>3,005,840</u>
-	-	(45,600,103)
2,586,648	4,231,037	(47,149,399)
12,225,043	28,245,997	75,395,396
<u>\$ 14,811,691</u>	<u>\$ 32,477,034</u>	<u>\$ 28,245,997</u>

The accompanying notes are an integral part of this statement.

City of Santee
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 4,231,037

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Additions	\$	5,916,188	
Capital Contributions		1,301,107	
Depreciation Expense		<u>(6,634,492)</u>	582,803

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal Payments	\$	697,917	
Payments on Pension Related Debt		422,377	
Issuance of Long-Term Debt		<u>(3,008,227)</u>	(1,887,933)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. 2,099

The net effect of revenues reported in the Statement of Activities which are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds. (230,138)

Expenses were charged to the Statement of Activities for compensated absences, claims payable and OPEB payable. In the governmental funds, these do not require the use of current funds and accordingly are not included.

Claims and judgments	\$	20,783	
Compensated Absences		(67,525)	
OPEB Obligation		<u>(1,163)</u>	<u>(47,905)</u>

Change in Net Position of Governmental Activities \$ 2,649,963

The accompanying notes are an integral part of this statement.

City of Santee
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Successor Agency Private-Purpose Trust Fund
ASSETS	
Cash and Investments	\$ 5,070,512
Cash and Investments with Fiscal Agent	25,871,728
Receivables:	
Accounts	30,000
Loans	16,460,315
Interest	81,375
Land Held for Resale	439,000
Land	129,900
Total Assets	48,082,830
LIABILITIES	
Accounts Payable	504,303
Interest Payable	1,239,155
Bonds Payable	50,022,683
Total Liabilities	51,766,141
NET POSITION	
Net Position (Deficit) Held in Trust for Successor Agency	\$ (3,683,311)

The accompanying notes are an integral part of this statement.

City of Santee
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Taxes	\$ 6,209,155
Interest Earnings	399,697
Total Additions	6,608,852
DEDUCTIONS	
Administrative Costs	287,650
Projects	2,302,628
Interest on Bonds	2,997,513
Total Deductions	5,587,791
Change in Net Position	1,021,061
Net Position - Beginning of Year, As Previously Reported	(4,296,143)
Prior Period Adjustment	(408,229)
Net Position - Beginning of Year, As Restated	(4,704,372)
Net Position - End of Year	\$ (3,683,311)

The accompanying notes are an integral part of this statement.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The City of Santee (City) was incorporated on December 1, 1980 and became a Charter City on January 20, 2009. The City operates under the Council/Manager form of government. As required by generally accepted accounting principles, the financial statements of the City include the financial activities of the City (the primary government) and the Santee Public Financing Authority. The component units discussed below are included in the reporting entity because of the significance of their operational and financial relationship with the City.

Santee Public Financing Authority - The purpose of the Santee Public Financing Authority (Authority) is to facilitate the financing of public improvements for the City and Community Development Commission. The Authority's Board of Directors is the Santee City Council. Separate financial statements for the Santee Public Financing Authority may be obtained at 10601 Magnolia Avenue, Santee, California 92701.

B) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - Used to account for all financial resources except those required to be accounted for in another fund.

Traffic Mitigation Fund - This capital projects fund is used to account for developer fees collected for the provision of traffic related capital facilities.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-wide and Fund Financial Statements - Continued

Capital Projects Fund - This capital projects fund is used to account for the design and construction of various capital projects.

Additionally, the City reports the following fund type:

The *Fiduciary Fund* - is used to account for the balances and transactions of the Successor Agency to the Santee Community Development Commission.

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 60

In November of 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement also provides guidance for governments that are operators in an SCA. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Currently, this statement has no effect on the City’s financial statements.

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Currently, this statement has no effect on the City’s financial statements.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented GASB No. 63 which is reflected on City's financial statements.

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The City has implemented GASB No. 65 which is reflected on the City's financial statements.

Governmental Accounting Standards Board Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*. Statement No. 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal fund type. This statement also amends Statement No. 62, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating*

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 66 - Continued

Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. Statement No. 66 is effective for periods beginning after December 15, 2012. The City has elected not to early implement GASB No. 66 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. This statement was issued to improve the financial reporting by state and local governmental pension plans. The statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trust or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trust covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. Statement No. 67 is effective for periods beginning after June 15, 2013. The City has elected not to early implement GASB No. 67 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement was issued to improve the financial reporting by state and local governments for government combinations and disposals of government operations. The term *government combinations* is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfer of operations may be present in shared service arrangements, reorganizations, redistricting, annexations and arrangements in which an operation is transferred to a new government created to provide those services. In addition to providing guidance for reporting such activity, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for periods beginning after December 15, 2013. The City has elected not to early implement GASB No. 69 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 70

In April of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement was issued to improve the recognition, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. Statement No. 70 is effective for periods beginning after June 15, 2013. The City has elected not to early implement GASB No. 70 and has not determined its effect on the City's financial statements.

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year for which all eligibility requirements have been satisfied.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. One exception to the 60 day test is reimbursement from the County of San Diego for emergency medical services provided to County Service Area 69 which is considered available if collected within 90 days of the end of the current fiscal period. Expenditures are recorded when a 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.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to members, customers, or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Position or Equity

Cash and Investments - Continued

Investments are stated at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, except for 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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

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

Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of San Diego, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 60 days.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax no more than 2% per year. The City receives a share of this basic levy based on complex formulas.

Inventories and Prepaid Items

Inventory consisting of office supplies, is stated at cost on an average cost basis and is adjusted to reflect periodic physical counts. These inventories are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items under the consumption method in both government-wide and fund financial statements.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Position or Equity - Continued

Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value.

Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$25,000 in the case of infrastructure) and an estimated useful life in excess of 3 years. Such assets are recorded at the lower of actual historical cost or fair value. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
System Infrastructure	25 to 50 years
Building Improvements	5 to 25 years
Vehicles	3 to 15 years
Computer Equipment	3 to 10 years
Office Equipment	3 to 7 years

Long-Term Obligations

Long-term obligations reported in the government-wide statements include revenue bonds, notes and loans payable, claims payable, compensated absences and other post employment benefits.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time. The balance of unpaid vacation and compensatory time at June 30, 2013 is recorded as a long-term liability.

Vacation pay is payable to employees at the time used or upon termination of employment. Sick leave accrued but unused is cumulative from year to year and is payable to employees at the time used, or to a maximum amount of \$6,000 upon non-disability retirement for safety employees only.

City of Santee
Notes to Financial Statements
June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Position or Equity - Continued

Compensated Absences - Continued

The maximum compensation for accumulated vacation and sick leave is as follows:

	Vacation	Sick Leave
General and Management Employees	600 hours	\$ -
Safety Employees	768 hours	\$ 6,000

Claims and Judgments

The City accounts for material claims and judgments outstanding at year-end. When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss net of any insurance coverage under its self-insurance program.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. Currently, the City does not report any deferred outflows.

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

Summarized Prior Year Data

Summarized prior year data has been presented for comparative purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts have been reclassified in order to be consistent with the current year's presentation.

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

Cash and investments at June 30, 2013 are classified in the accompanying financial statements as follow:

Governmental Activities:	
Cash and Investments	\$ 32,031,753
Cash and Investments with Fiscal Agent	1,338,508
Fiduciary Funds:	
Cash and Investments	5,070,512
Cash and Investments with Fiscal Agent	<u>25,871,728</u>
Total Cash and Investments	<u><u>\$ 64,312,501</u></u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on Hand	\$ 6,800
Deposits with Financial Institutions	909,820
Investments	<u>63,395,881</u>
Total Cash and Investments	<u><u>\$ 64,312,501</u></u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer*
Local Agency Bonds	Yes	5 years	30%	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	None
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	90 days	10%	None

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

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

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer*
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	15%	10%
Mortgage Pass-through securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
California Asset Management Program	Yes	N/A	None	None
JPA Pools (Other Investment Pools)	No	N/A	N/A	N/A

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investment held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity*	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer*
Local Agency Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Federal Agency Securities	N/A	None	None
Banker's Acceptances	365 days	None	None
Commercial Paper	270 days	None	None
Certificates of Deposit	365 days	None	None
Repurchase Agreements	365 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program	N/A	None	None
Investment Agreements	N/A	None	None

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuation is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 519,219	\$ -	\$ -	\$ 519,219	\$ -
Federal Agency Securities	9,647,852	3,576,414	1,061,815	5,009,623	-
Medium Term Notes	2,661,769	-	1,036,228	1,625,541	-
Local Agency Investment Fund	23,108,290	23,108,290	-	-	-
Money Market Funds	248,515	248,515	-	-	-
Held By Fiscal Agent:					
Federal Agency Securities	2,488,300	2,488,300	-	-	-
Money Market Fund	23,247,742	23,247,742	-	-	-
Investments Contracts	1,474,194	-	-	-	1,474,194
Total	\$ 63,395,881	\$ 52,669,261	\$ 2,098,043	\$ 7,154,383	\$ 1,474,194

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City manages its exposure to credit risk by monitoring the credit rating of its investments. 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 Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Credit Risk - Continued

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	AA	Not Rated
U.S. Treasury Notes	\$ 519,219	N/A	\$ 519,219	\$ -	\$ -	\$ -
Federal Agency Security	9,647,852	N/A	-	-	9,647,852	-
Medium Term Notes	2,661,769	AA	-	-	2,661,769	-
Local Agency Investment Fund	23,108,290	N/A	-	-	-	23,108,290
Money Market Funds	248,515	N/A	-	206,668	-	41,847
Held by Fiscal Agent:						
Federal Agency Securities	2,488,300	N/A	-	-	2,488,300	-
Money Market Funds	23,247,742	AAA	-	23,247,742	-	-
Investment Contracts	1,474,194	N/A	-	-	-	1,474,194
Total	\$63,395,881		\$ 519,219	\$23,454,410	\$ 14,797,921	\$24,624,331

Concentration of Credit Risk

The City's investment policy limits the percentage holdings with any single issuer to a maximum of 10% of the City's surplus funds, except for investments in U.S. Treasury Securities, Federal Agency Securities, California Assets Management Program and LAIF. Investments in any one issuer (other than mutual funds or external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	% of Total Investments
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 4,583,599	7.23%
Federal National Mortgage Association	Federal Agency Securities	\$ 5,064,253	7.99%

Custodial Credit Risk

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

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Custodial Credit Risk - Continued

following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City generally manages its exposure to custodial credit risk by collateralizing deposits and by using an investment custodian other than the broker-dealer.

Investment in Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by 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 on 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.

The City is a voluntary participant in the California Asset Management Program (CAMP), an investment pool managed by Public Financial Management, Inc. CAMP was established under provisions of the California Joint Exercise of Powers Act. 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 for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

B) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents summary information on the changes in governmental funds capital assets for the year ended June 30, 2013.

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

B) Capital Assets - Continued

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 9,651,906	\$ 2,144,572	\$ -	\$ -	\$ 11,796,478
Parks	4,858,872	-	-	-	4,858,872
Construction in Progress	3,871,244	2,349,488	-	(3,014,634)	3,206,098
Total Capital Assets, Not Being Depreciated	<u>18,382,022</u>	<u>4,494,060</u>	<u>-</u>	<u>(3,014,634)</u>	<u>19,861,448</u>
Capital Assets, Being Depreciated					
Buildings	20,191,577	-	-	-	20,191,577
Improvements Other Than Buildings	5,908,358	-	-	-	5,908,358
Equipment	8,576,353	174,996	-	23,247	8,774,596
Vehicles	4,695,306	230,316	(95,650)	-	4,829,972
Infrastructure	218,921,804	2,317,923	(805,099)	2,991,387	223,426,015
Total Capital Assets Being Depreciated	<u>258,293,398</u>	<u>2,723,235</u>	<u>(900,749)</u>	<u>3,014,634</u>	<u>263,130,518</u>
Less Accumulated Depreciated for:					
Buildings	\$ (5,570,492)	\$ (679,680)	\$ -	\$ -	\$ (6,250,172)
Improvements Other Than Buildings	(753,644)	(376,018)	-	-	(1,129,662)
Equipment	(2,852,072)	(406,141)	-	-	(3,258,213)
Vehicles	(3,730,631)	(200,794)	95,650	-	(3,835,775)
Infrastructure	(96,155,644)	(4,971,859)	805,099	-	(100,322,404)
Total Accumulated Depreciation	<u>(109,062,483)</u>	<u>(6,634,492)</u>	<u>900,749</u>	<u>-</u>	<u>(114,796,226)</u>
Total Capital Assets Being Depreciated, Net	<u>149,230,915</u>	<u>(3,911,257)</u>	<u>-</u>	<u>3,014,634</u>	<u>148,334,292</u>
Governmental Activities Capital Assets, Net	<u>\$ 167,612,937</u>	<u>\$ 582,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,195,740</u>

Depreciation expense was charged to the governmental activities as follows:

General Government	\$ 124,730
Public Safety	266,630
Public Works	5,146,134
Park and Recreation	<u>1,096,998</u>
Total Governmental Activities Depreciation Expense	<u>\$ 6,634,492</u>

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2013 is as follows

Due From/Due To

Due From	Due To	
Nonmajor Governmental Funds	General Fund	\$ 8,323
Nonmajor Governmental Funds	Traffic Mitigation	3,466
Nonmajor Governmental Funds	Nonmajor Governmental Funds	166,758
	Total	\$ 178,547

These balances resulted from short-term loans between funds to meet temporary cash flow requirements during the fiscal year.

Transfers In/Out

Transfers In	Transfers Out	
Capital Projects	General Fund	\$ 820,000
Capital Projects	Traffic Mitigation	15,640
Capital Projects	Nonmajor Governmental Funds	3,319,260
Nonmajor Governmental Funds	Nonmajor Governmental Funds	31,542
	Total	\$ 4,186,442

D) Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 1,210,000	\$ -	\$ 155,000	\$ 1,055,000	\$ 160,000
Notes and Loans Payable	6,792,181	2,114,778	465,012	8,441,947	476,076
Capital Lease Payable	405,967	125,222	77,905	453,284	87,107
Claims and Judgments	1,009,478	328,010	348,793	988,695	274,260
Compensated Absences	1,076,487	955,117	887,592	1,144,012	572,006
OPEB Obligation	98,592	245,852	244,689	99,755	-
Pension Related Debt	1,847,193	-	422,377	1,424,816	285,757
Total	\$ 12,439,898	\$ 3,768,979	\$ 2,601,368	\$ 13,607,509	\$ 1,855,206

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Lease Revenue Bonds

On January 25, 2005, the Santee Public Financing Authority issued 2005 Lease Revenue Bonds (Bonds) in the amount of \$2,180,000. The Bonds are capital-related debt, and were issued for the purpose of refunding \$2,065,000 of outstanding 1993 Revenue Bonds issued by the Santee Public Financing Authority and to finance improvements to City Hall.

The Bonds are special obligations of the Authority payable from revenues consisting primarily of lease payments to be made by the City to the Authority pursuant to a lease agreement for the right to use and occupy City Hall facilities.

The Lease Revenue Bonds consist of \$2,180,000 of serial bonds that accrue interest at rates between 3.000% and 3.875% and mature between February 1, 2006 and February 1, 2019. The City has purchased a surety bond to satisfy the reserve requirements.

Lease Revenue Bonds outstanding at June 30, 2013 were \$1,055,000.

Annual debt service requirements to maturity for the Lease Revenue Bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 160,000	\$ 38,255
2015	165,000	32,855
2016	175,000	27,080
2017	180,000	20,780
2018	185,000	14,300
2019	190,000	7,363
Total	<u>\$ 1,055,000</u>	<u>\$ 140,633</u>

Notes and Loans Payable

On November 17, 2010, the City entered into an agreement with the San Diego Association of Governments (SANDAG) under which the City will borrow up to \$8,450,000 through the TransNet debt financing program. Under the agreement, the City is responsible for its proportionate share of SANDAG's bond issuance costs, annual debt service and administrative costs through the maturity date of the note in fiscal year ending 2030. Interest on the note is 3.116%. The repayment of debt will be the first priority on the use of the City's annual TransNet revenues. As of June 30, 2013, the City's total debt outstanding on this note was \$7,068,123.

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Notes and Loans Payable - Continued

Annual debt service requirements to maturity on this debt at June 30, 2013 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 304,162	\$ 287,675
2015	317,931	275,509
2016	329,195	262,791
2017	342,961	249,623
2018	354,232	235,905
2019-2023	2,000,892	955,001
2024-2028	2,440,000	514,763
2029-2030	978,750	56,250
Total	<u>\$ 7,068,123</u>	<u>\$ 2,837,517</u>

On November 17, 2011 the City received a \$1,400,000 Section 108 loan from the U.S. Department of Housing and Urban Development. The loan is secured by a pledge of future Community Development Block Grant revenues. The City has also established a debt service reserve fund that is required to be maintained at a minimum amount of 125% of the outstanding principal balance of the loan. The loan will be repaid over a 10 year period with level principal payments plus interest at varying amounts.

Annual debt service requirements to maturity on this debt at June 30, 2013 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 140,000	\$ 18,767
2015	140,000	17,997
2016	140,000	16,877
2017	140,000	15,372
2018	140,000	13,440
2019-2022	560,000	26,663
Total	<u>\$ 1,260,000</u>	<u>\$ 109,116</u>

In August 2010, the City entered into an “On-Bill Financing Loan agreement” with the San Diego Gas & Electric Company (SDG&E) whereby SDG&E will provide no interest loan funding to the City to facilitate the purchase and installation of energy efficiency and demand reduction measures. The loan term to maturity is 53 months and will be paid back on a monthly basis on the City’s SDG&E utility bills.

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Notes and Loans Payable - Continued

The monthly savings from the energy efficiency upgrades is estimated to be approximately \$2,196 and the monthly loan payment to maturity is \$2,067. Imputed interest on the loan is immaterial and has not been included in these financial statements. The total loan balance outstanding at June 30, 2013 is \$68,218.

Annual loan payments to maturity are as follows:

Year Ending June 30,	Principal
2014	\$ 24,807
2015	24,807
2016	18,604
Total	<u>\$ 68,218</u>

In November 2012, the City entered into an “On-Bill Financing Loan agreement” with the San Diego Gas & Electric Company (SDG&E) whereby SDG&E will provide no interest loan funding to the City to facilitate the purchase and installation of energy efficiency and demand reduction measures. The loan term to maturity is 83 months and will be paid back on a monthly basis on the City’s SDG&E utility bills.

The monthly savings from the energy efficiency upgrades is estimated to be approximately \$663 and the monthly loan payment to maturity is \$592. Imputed interest on the loan is immaterial and has not been included in these financial statements. The total loan balance outstanding at June 30, 2013 is \$45,606.

Annual loan payments to maturity are as follows:

Year Ending June 30,	Principal
2014	\$ 7,107
2015	7,107
2016	7,107
2017	7,107
2018	7,107
2019-2020	10,071
Total	<u>\$ 45,606</u>

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Capital Lease Payable

On June 10, 2010, the City entered into a Purchase Agreement with Pierce Manufacturing Incorporated in the amount of \$500,998 for the purchase of a 2010 1500 GPM Triple Combination Pumper. The capital asset has been recorded as of June 30, 2013. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with Oshkosh Capital dated June 18, 2010.

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending June 30,	Governmental Activities
2014	\$ 81,763
2015	81,763
2016	81,763
2017	81,763
2018	40,881
Total Minimum Lease Payments	367,933
Less: Amount Representing Interest	(30,150)
Present Value of Minimum Lease Payments	\$ 337,783

On March 1, 2013, the City entered into a Purchase Agreement with Caterpillar Financial Services Corporation in the amount of \$125,222 for the purchase of a 2013 430F Caterpillar Backhoe Loader. The capital asset has been recorded as of June 30, 2013. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with Caterpillar Financial Services Corporation dated March 21, 2013.

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending June 30,	Governmental Activities
2014	\$ 19,441
2015	19,441
2016	19,441
2017	19,441
2018	19,441
2019-2020	29,163
Total Minimum Lease Payments	126,368
Less: Amount Representing Interest	(10,867)
Present Value of Minimum Lease Payments	\$ 115,501

City of Santee
Notes to Financial Statements
June 30, 2013

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Claims and Judgments

The outstanding liability for claims payable at June 30, 2013 was \$988,695 (see Note 3A). This liability is primarily liquidated from the General Fund.

Compensated Absences

The outstanding liability for compensated absences earned at June 30, 2013 was \$1,144,012. Compensated absences relate to accrued vacation and sick pay for City employees. This liability is primarily liquidated from the General Fund. There is no fixed payment schedule for compensated absences.

Other Post-Employment Benefits (OPEB)

The outstanding liability for other post-employment benefits payable at June 30, 2013 was \$99,755 (see Note 3 D).

Pension-Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the City's multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the City's Miscellaneous and Safety Plans converted from an "agent" multiple-employer plan to a "cost-sharing" multiple-employer plan. Although a portion of the City's annual required contributions are actuarially determined and shared by all employers of the risk pool, the City is also required to make annual payments on a "Side Fund" which was created when the City entered the risk pool. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions of the governmental funds.

**City of Santee
Notes to Financial Statements
June 30, 2013**

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Pension-Related Debt - Continued

The future debt service requirements on the Miscellaneous Plan's and Safety Plan's Side Fund are as follows:

Year Ending June 30,	Pension-related Debt		Total
	Principal	Interest	
2014	\$ 285,757*	\$ 83,070	\$ 368,827
2015	22,832	81,585	104,417
2016	27,793	79,757	107,550
2017	33,222	77,554	110,776
2018	39,159	74,940	114,099
2019-2023	305,685	318,257	623,942
2024-2028	558,036	165,285	723,321
2029	152,332	5,609	157,941
Total	\$ 1,424,816	\$ 886,057	\$ 2,310,873

*The fiscal year 2014 includes \$267,451 for the final payment on the Safety Plan's Side Fund pension-related debt.

E) Stewardship, Compliance and Accountability

The following non-major fund had a deficit fund balance at June 30, 2013:

Deficit Fund Equity

Capital Projects Funds:

Town Center Community Park \$ (166,758)

This deficit will be eliminated when future revenues are received and from contributions from other funds.

The following non-major fund's total expenditures exceeded total appropriations at June 30, 2013:

	Appropriations	Expenditures	Difference
Special Revenue Funds:			
CDBG Section 108 Loan	\$ 0	\$ 2,005	\$ (2,005)

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION

A) Risk Management

The City is a member of the San Diego Pooled Insurance Program Authority (SANDPIPA) which provides general liability insurance. As a member, the City carries a self-insured retention of \$150,000 and is insured through SANDPIPA from \$150,000 to \$2,000,000. In addition, SANDPIPA has purchased excess insurance coverage from \$2,000,000 to \$47,000,000 for all of its members, including the City. For workers' compensation claims, the City carries a self-insured retention of \$350,000 per claim. The City participates in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for coverage up to \$2,000,000 per claim, and purchases insurance for claims in excess of \$2,000,000 up to the California statutory limits.

SANDPIPA is a joint venture of twelve cities located within San Diego County. Each city has equal representation on the Board of Directors, which consists of a city staff member (and an alternate). The Board of Directors has total responsibility for all actions of SANDPIPA.

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

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

- Each city's incurred losses;
- Each city's share of such losses and other expenses as a proportion of all such losses;
- Each city's contribution to reserves, including reserves for incurred-but-not-reported losses;
- Each city's share of costs to purchase excess insurance; and
- Each city's share of costs to purchase any additional coverage.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The ultimate amount of losses incurred is dependent on future developments. The amounts reported in the accompanying financial statements have been determined based upon actuarial analysis and information from the City's legal counsel and claims administrators.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

A) Risk Management - Continued

The changes in the claims liability for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Claims payable, beginning of year	\$ 1,009,478	\$ 1,006,268
Current year claims and changes in estimates	328,010	398,523
Current year claims payments	(348,793)	(395,313)
Claims payable, end of year	\$ 988,695	\$ 1,009,478

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2011-12 to fiscal year 2012-13. Furthermore, there was no settlement which exceeded the insurance coverage for the past three years.

B) Loans Receivable

The City has made various First Time Home Buyer Loans to individuals with Federal HOME and CalHome Program funding to assist them in acquiring a single family residence within the City. These loans are at various low simple interest rates. Assuming all conditions of the loans are met, accrued and unpaid interest is forgiven by the City after ten years of owner occupancy. The principal amounts of the loans are due and payable thirty years from the date of the loan unless the property is sold, rented or transferred. The balance of the loans outstanding at June 30, 2013 was \$1,972,000.

The loans receivable in the Fiduciary Fund represent those loans issued by the former Community Development Commission for low and moderate income housing. The balance of the loans at June 30, 2013 is \$16,460,315, and includes accrued unpaid interest of \$2,007,413.

C) Employee Retirement System and Pension Plans

California Public Employee Retirement System

Plan Description: The City contributes to the California Public Employees Retirement System (PERS) a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. PERS issues a publicly available report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, CA 95814.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

C) Employee Retirement System and Pension Plans - Continued

California Public Employee Retirement System - Continued

Funding Policy: Participants are required to contribute 8% for miscellaneous employees and 9% for safety employees of their annual covered salary. Effective October 1, 2009, miscellaneous and safety employees contribute 4%, which amounted to \$407,025 for 2012-13. The City contributed the remainder for City employees on their behalf which amounted to \$453,595 during the year ended June 30, 2013.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2013 was 17.131% for miscellaneous employees and 31.582% for safety employees. The contribution requirements of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three Year Trend Information for the Miscellaneous and Safety Plans:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Contributed</u>
6/30/11	\$ 2,030,958	100%
6/30/12	\$ 2,384,991	100%
6/30/13	\$ 2,397,590	100%

Public Agency Retirement System

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan, with U.S. Bank serving as trustee. PARS provides a qualified retirement system to all part-time, seasonal and temporary employees in compliance with Section 11332 of the Omnibus Budget Reconciliation Act of 1990 and administers the retirement plan. The minimum contribution level is 3.75% for employees and 3.75% for the employer, for a total of 7.5%. All employees are 100% vested upon entering the system. PARS contributions are invested in fixed income pension contracts. The plan's provisions and all other requirements were established by federal statutes.

For the year ended June 30, 2013, the City's payroll covered by the plan was \$213,444. The City made employer contributions of \$8,004 (3.75% of covered payroll), and employees contributed \$8,004 (3.75% of covered payroll).

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

D) Other Post-Employment Benefits (OPEB)

Plan Description

The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements.

Fire department safety employees hired prior to July 1, 1985 receive lifetime medical insurance benefits, depending on the employee's date of retirement as shown below:

1. Retirement prior to August 1, 1986: The City pays the full medical insurance premium for the employee and one dependent.
2. Retirement on or after August 1, 1986: The City pays a maximum of \$182 per month toward the employee's medical insurance premium.

These benefits are established by City Council action. Expenditures for post-employment benefits are reported on a pay-as-you-go basis, and for fiscal year ended June 30, 2013 were \$127,590. As of June 30, 2013, 40 participants were eligible to receive benefits.

The City provides a retiree health premium assistance program to executive management personnel who retire with at least eight years of service with the City. Expenditures for post-employment benefits are reported on a pay-as-you-go basis, and for fiscal year ended June 30, 2013 were \$9,279. There was one participant in this program as of June 30, 2013.

For eligible City employees and City Council members, they may continue medical insurance coverage through the City's medical insurance plan on a self-pay basis to age 65. Retirees electing this coverage pay the same premium rates as are assessed for active employees. Because retiree claims are expected to exceed those of active employees, the OPEB liability includes the projected amount of the subsidized retiree premiums.

City's Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pre-funding basis (i.e., as medical insurance premiums become due). For fiscal year 2012-13, the City contributed \$244,689 to the plan, including \$245,851 for current premiums. Contributions are typically made from the General Fund.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

D) Other Post-Employment Benefits (OPEB) - Continued

City's Funding Policy - Continued

The City has not established a trust for the purpose of holding assets accumulated for plan benefits. A separate, audited GAAP-basis post employment benefit plan report is not available.

Annual OPEB Cost and Net OPEB Obligation

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 No. 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) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual Required Contribution	\$	244,689
Interest on Net OPEB Obligation		7,394
Adjustment to Annual Required Contribution		(6,231)
Annual OPEB Cost (Expense)		245,852
Contributions Made (Including Premiums Paid)		(244,689)
Increase (Decrease) in Net OPEB Obligation		(1,163)
Net OPEB Obligation - Beginning of Year		98,592
Net OPEB Obligation - End of Year	\$	99,755

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

June 30,	OPEB Cost	Actual Contribution (Net of Adjustments)	Cost Contributed	Obligation
6/30/11	\$ 235,543	\$ 241,706	102.6%	\$ 115,166
6/30/12	\$ 240,997	\$ 257,571	106.9%	\$ 98,592
6/30/13	\$ 245,852	\$ 244,689	99.5%	\$ 99,755

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

D) Other Post-Employment Benefits (OPEB) - Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability (AAL)	\$	3,041,229
Actuarial Value of Plan Assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	3,041,229
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0.00%
Covered Payroll (Active Plan Members)	\$	9,664,728
UAAL as a Percentage of Covered Payroll		31.46%

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actual cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements of 0.5% per year to an ultimate rate of 5 percent after the ninth year. Both rates included a 3.25 percent inflation assumption. The UAAL is being amortized as a level dollar amortization over a closed 30 year period. It is assumed the City's payroll will increase 3.25% per year.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

E) Net Position and Fund Balances

Net Position

In the Government-wide Financial Statements, net position is classified in the following categories:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net position which is not restricted to use.

Fund Balances

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts constrained for a specific purpose by City Council resolution. It would require the same action by City Council to remove the constraint.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

E) Net Position and Fund Balances - Continued

Fund Balances - Continued

Assigned Fund Balance - Amounts that are constrained by the City Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances. For all funds other than the General Fund, amounts expended in excess of resources that are restricted, committed, or assigned, negative unassigned fund balance may be necessary to report.

The details of the fund balances as of June 30, 2013 are presented below:

	General Fund	Traffic Mitigation Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 17,315	\$ -	\$ -	\$ -	\$ 17,315
Inventory	3,197	-	-	-	3,197
Restricted for:					
Community Development	-	-	-	3,356,678	3,356,678
Debt Service	1,575,001	-	-	-	1,575,001
Law Enforcement and SAFE Program	-	-	-	186,386	186,386
Lighting and Landscape Maintenance	-	-	-	898,533	898,533
Streets and Roads	-	-	-	1,355,864	1,355,864
Flood Control	-	-	-	288,059	288,059
Construction	-	5,896,999	54,071	8,697,915	14,648,985
Energy Efficiency	-	-	-	24,089	24,089
Committed to:					
General Government	29,900	-	-	-	29,900
Software Upgrade	-	-	142,069	-	142,069
Equipment	5,780	-	-	15,540	21,320
Construction	-	-	1,379,117	-	1,379,117
Assigned to:					
General Government	93,446	-	-	-	93,446
Public Safety	34,530	-	-	-	34,530
Public Works	29,000	-	-	-	29,000
Parks and Recreation	39,655	-	-	-	39,655
Self Insurance	990,546	-	-	-	990,546
Vehicle Replacement	755,540	-	-	-	755,540
Construction	-	-	12,325	155,385	167,710
Subsequent Budget	1,818,680	-	-	-	1,818,680
Library	8,711	-	-	-	8,711
Unassigned:	4,779,461	-	-	(166,758)	4,612,703
Total Fund Balance	\$ 10,180,762	\$ 5,896,999	\$ 1,587,582	\$ 14,811,691	\$ 32,477,034

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

F) Commitments and Contingencies

The City participates in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2013, the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

The City is defendant in various lawsuits which 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.

G) Successor Agency Long-term Obligations

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

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 4-2012. However, the City Council, on January 25, 2012, designated the San Diego County Housing Authority to assume all housing assets and functions of the former Redevelopment Agency. As of June 30, 2013, no assets have been transferred to the County Housing Authority, and are currently reported in the Successor Agency Private Purpose Trust Fiduciary Fund. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

G) Successor Agency Long-term Obligations - Continued

The following is a summary of changes in the Successor Agency long-term obligations for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Fiduciary Fund:					
Bonds Payable	\$ 51,715,000	\$ -	\$ 1,115,000	\$ 50,600,000	\$ 1,150,000
Discount on Bonds	<u>(597,936)</u>	<u>-</u>	<u>(20,618)</u>	<u>(577,318)</u>	<u>-</u>
Total	<u>\$ 51,117,064</u>	<u>\$ -</u>	<u>\$ 1,094,382</u>	<u>\$ 50,022,683</u>	<u>\$ 1,150,000</u>

Tax Allocation Bonds

2005 Tax Allocation Bonds

On January 25, 2005, the Santee Community Development Commission issued 2005 Tax Allocation Bonds (2005 Bonds) in the amount of \$23,100,000. The 2005 Bonds were issued for the purpose of refunding \$9,320,000 of outstanding 1993 Tax Allocation Bonds and to finance a portion of the Commission's Santee Community Redevelopment Project. The 2005 Bonds are limited obligations of the Commission and are secured by tax revenues consisting of a portion of all taxes levied upon all taxable property within the Santee Community Redevelopment Project Area.

The 2005 Bonds consist of \$13,450,000 of serial bonds and \$9,650,000 of term bonds. The serial bonds accrue interest at rates between 2.125% and 4.400% and, mature between August 1, 2006 and August 1, 2025. The term bonds accrue interest at rates between 4.500% and 4.650% and mature between August 1, 2027 and August 1, 2033. The reserve requirement at June 30, 2013 of \$1,474,194 was fully satisfied.

The 2005 Bonds outstanding at June 30, 2013 were \$19,585,000. Annual debt service requirements to maturity for the 2005 Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 595,000	\$ 837,862
2015	615,000	815,931
2016	640,000	793,183
2017	660,000	768,796
2018	695,000	742,109
2019-2023	3,935,000	3,252,788
2024-2028	4,885,000	2,313,560
2029-2033	6,155,000	1,065,167
2034	<u>1,405,000</u>	<u>32,666</u>
Total	<u>\$ 19,585,000</u>	<u>\$ 10,622,062</u>

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

G) Successor Agency Long-term Obligations - Continued

2011 Tax Allocation Bonds Series A and Series B

On March 4, 2011 the Santee Community Development Commission issued 2011 Tax Allocation Bonds Series A in the amount of \$26,845,000 and 2011 Tax Allocation Bonds Series B in the amount of \$4,710,000 respectively. Proceeds from the 2011 Bonds Series A will be used to finance redevelopment activities within or of benefit to the Redevelopment Project such as the Prospect Avenue Improvements Project. Proceeds from the 2011 Bonds Series B will be used to finance low and moderate income housing activities within or of benefit to the Redevelopment Project such as the Forester Square Apartments affordable housing project. The 2011 Bonds are limited obligations of the Commission and are secured by tax revenues consisting of a portion of all taxes levied upon all taxable property within the Santee Community Redevelopment Project Area.

The 2011 Bonds Series A consist of \$5,611,000 of serial bonds and \$21,234,000 of term bonds. The serial bonds accrue interest at rates between 3.000% and 5.750% and mature between August 1, 2012 and August 1, 2021. The term bonds accrue interest at rates between 6.500% and 7.000% and mature between August 1, 2026 and August 1, 2041. The reserve requirement at June 30, 2013 of \$2,200,925 was fully funded.

The 2011 Bonds Series B consist of \$660,000 of serial bonds and \$4,050,000 of term bonds. The serial bonds accrue interest at rates between 3.250% and 7.500% and mature between August 1, 2012 and August 1, 2019. The term bonds accrue interest at rates between 9.000% and 9.500% and mature between August 1, 2026 and August 1, 2041. The reserve requirement at June 30, 2013 of \$471,000 was fully funded.

The 2011 Bonds Series A and Series B outstanding at June 30, 2013 were \$31,015,000. Annual debt service requirements to maturity for the 2011 Bonds are as follows:

Year Ending June 30,	2011A		2011B	
	Principal	Interest	Principal	Interest
2014	\$ 485,000	\$ 1,703,200	\$ 70,000	\$ 413,450
2015	505,000	1,686,456	75,000	410,175
2016	520,000	1,665,938	80,000	405,900
2017	545,000	1,642,625	80,000	401,000
2018	560,000	1,617,063	90,000	395,463
2019-2023	3,250,000	7,599,506	550,000	1,859,825
2024-2028	4,335,000	6,421,425	840,000	1,555,309
2029-2033	5,965,000	4,673,375	1,290,000	1,068,528
2034-2038	5,245,000	2,606,625	840,000	509,675
2039-2042	4,965,000	724,325	725,000	145,587
Total	\$ 26,375,000	\$ 30,340,538	\$ 4,640,000	\$ 7,164,912

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

G) Successor Agency Long-term Obligations - Continued

Contingencies

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

H) Joint Powers Authorities

The City is a member in two joint powers authorities at June 30, 2013. Complete financial statements for each joint powers authority may be obtained at the City of El Cajon, Finance Department, 200 Civic Center Way, El Cajon, California 92020. A summary of each joint powers 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, by a Joint Powers Agreement (JPA) between a number of cities and fire protection districts in San Diego County. For fiscal year 2012-13, the JPA members included: Cities of El Cajon, La Mesa, Lemon Grove, and Santee, County of San Diego, and the following fire protection districts, Alpine, Bonita-Sunnyside, Lakeside, and San Miguel. One elected official from each member agency is appointed to the HFTA board. Board members determine an annual budget based on the costs of operating the facility and providing training to member agency personnel. Additionally, the Barona Fire Protection District and Viejas Fire Department contract with HFTA so their personnel can participate in the training offered by HFTA.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2013. Upon dissolution of HTFA, all surplus money and property of HFTA will be conveyed or distributed to each member in proportion to all funds provided by HFTA by that member on behalf of that member during its membership.

City of Santee
Notes to Financial Statements
June 30, 2013

3) OTHER INFORMATION - Continued

H) Joint Powers Authorities - 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. HCFC was created on June 25, 1986, by a Joint Powers Agreement (JPA) between a number of cities and fire protection districts in San Diego County. For fiscal year 2012-13, the JPA members included: Cities of Coronado, El Cajon, La Mesa, Lemon Grove, National City, and Santee, and the following fire protection districts, Alpine, Bonita-Sunnyside, Lakeside, and San Miguel. One elected official from each participating entity is appointed to HCFA as a board member of the commission. The commission approves an annual budget based on the costs of operating the Authority. Additionally, the Barona Fire Protection District, Sycuan Fire Department, and Viejas Fire Department contract with HCFA for emergency call receiving and dispatching.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2013. Upon dissolution of HCFA, all surplus money and property of HCFA will be conveyed or distributed to each member in proportion to all funds provided to HCFA by that member on behalf of that member during its membership.

I) Prior Period Adjustment

Included in the Statement of Net Position is a prior period adjustment of \$768,227. This adjustment is to revise the beginning balance of the note payable to San Diego Association of Governments for prior year debt service payments.

Included in the Statement of Changes in Fiduciary Net Position is a prior period adjustment for \$408,229 that mostly relates to the implementation of GASB 65 for deferred debt issuance costs. According to GASB Statement 65, Items Previously Reported as Assets and Liabilities which was implemented by the City in the 2013 fiscal year, deferred debt issuance cost should be expensed in the period that they are incurred because the costs are related to services that are provided in the current period.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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**City of Santee
Required Supplementary Information
Year Ended June 30, 2013**

SCHEDULE OF FUNDING PROGRESS - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Percentage of Covered Payroll [(B-A)/C]
07/01/08	\$ -	\$ 2,918,518	\$ 2,918,518	0%	\$ 9,751,000	29.9%
07/01/10	\$ -	\$ 3,041,229	\$ 3,041,229	0%	\$ 9,664,728	31.5%

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Taxes	\$ 12,561,000	\$ 12,678,600	\$ 13,242,248	\$ 563,648
Sales	8,216,300	8,161,000	8,227,675	66,675
Other	2,682,800	4,364,300	4,289,178	(75,122)
Special Assessments	927,000	920,100	932,458	12,358
Intergovernmental	355,100	538,173	426,870	(111,303)
Licenses and Permits	133,950	223,400	163,157	(60,243)
Fines and Forfeitures	260,500	194,700	157,459	(37,241)
Charges for Services	4,496,980	4,883,240	5,027,855	144,615
Investment Earnings	273,000	121,500	46,287	(75,213)
Other Revenue	50,000	503,060	487,434	(15,626)
Total Revenues	29,956,630	32,588,073	33,000,621	412,548
EXPENDITURES				
Current:				
City Council	310,343	327,914	309,774	18,140
City Manager	450,422	619,922	605,234	14,688
City Attorney	204,690	387,650	366,990	20,660
City Clerk	237,674	309,006	251,916	57,090
Finance	793,913	1,048,849	985,980	62,869
Human Resources	418,389	471,152	411,849	59,303
Risk Management	313,746	378,860	308,610	70,250
Police	11,936,380	11,724,543	11,645,967	78,576
Fire	10,244,390	10,030,220	9,852,780	177,440
Animal Control	322,460	302,520	301,962	558
Development Services	2,205,421	3,009,570	2,793,142	216,428
Community Services	2,984,471	3,613,459	3,485,781	127,678
Capital Outlay	120,000	937,900	364,660	573,240
Debt Service:				
Principal	155,000	287,741	232,905	54,836
Interest and Fiscal Charges	44,400	44,400	56,872	(12,472)
Total Expenditures	30,741,699	33,493,706	31,974,422	1,519,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	(785,069)	(905,633)	1,026,199	1,931,832

Continued

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund - Continued
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ (900,000)	\$ (820,000)	\$ 80,000
Issuance of Long-term Debt	-	459,773	125,222	(334,551)
Total Other Financing Sources (Uses)	-	(440,227)	(694,778)	(254,551)
Net Change in Fund Balance	(785,069)	(1,345,860)	331,421	1,677,281
Fund Balance, Beginning	9,849,341	9,849,341	9,849,341	-
Fund Balance, End of Year	\$ 9,064,272	\$ 8,503,481	\$ 10,180,762	\$ 1,677,281

City of Santee
Notes to the Required Supplementary Information
Year Ended June 30, 2013

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain public comments.
2. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds, and Debt Service Fund. However, no budget is prepared for the Paramedic Equipment Special Revenue Fund.
3. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary comparisons are not presented for Capital Projects Funds because the adopted budget is primarily a "long-term" budget which emphasized major programs and capital outlay plans extending over a number of years. Because of the long-term nature of projects, "annual" budget comparisons are not considered meaningful, and accordingly, no budgetary information is included in the accompanying financial statements.
4. Budgets are monitored at varying levels of classification detail. However, expenditures cannot legally exceed total appropriations at the fund level. The City Manager is authorized to transfer amounts within departmental budgets. Transfers of appropriations between departments, or any increase in total appropriations of a fund must be approved by the City Council. Budgeted expenditure amounts represent original appropriations adjusted by prior year encumbrances, designated amounts carried forward, and supplemental appropriations approved by City Council during the year. During 2012-13, the City made supplemental appropriations and other appropriation adjustments which increased the original General Fund budget by \$2,772,007. Budget appropriations for the various governmental funds become effective each July 1. Unexpended appropriations lapse at year-end.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in any year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2013, based on the calculations by City management, proceeds of taxes did not exceed the appropriations limit.

SUPPLEMENTARY INFORMATION

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City of Santee
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue Funds	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and Investments	\$ 2,920,229	\$ 8,648,716	\$ 11,568,945
Cash and Investments with Fiscal Agents	1,338,508	-	1,338,508
Loans Receivable	1,972,000	-	1,972,000
Interest Receivable	6,407	19,682	26,089
Due from Other Funds	-	166,758	166,758
Due from Other Governments	223,075	153,780	376,855
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 6,460,219</u>	<u>\$ 8,988,936</u>	<u>\$ 15,449,155</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 270,293	\$ 5,875	\$ 276,168
Accrued Salaries and Benefits	788	-	788
Unearned Revenue	-	126,295	126,295
Due to Other Funds	8,323	170,224	178,547
	<hr/>	<hr/>	<hr/>
Total Liabilities	279,404	302,394	581,798
Deferred Inflows of Resources:			
Unavailable Revenue - Intergovernmental	55,666	-	55,666
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	55,666	-	55,666
Fund Balances:			
Restricted	6,109,609	8,697,915	14,807,524
Committed	15,540	-	15,540
Assigned	-	155,385	155,385
Unassigned	-	(166,758)	(166,758)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	6,125,149	8,686,542	14,811,691
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,460,219</u>	<u>\$ 8,988,936</u>	<u>\$ 15,449,155</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2013

	Special Revenue Funds	Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES			
Property Taxes	\$ 516,241	\$ -	\$ 516,241
Other Taxes	1,327,764	-	1,327,764
Special Assessments	752,788	-	752,788
Intergovernmental	973,734	810,778	1,784,512
Developer Fees	-	1,713,066	1,713,066
Investment Earnings	14,989	53,843	68,832
Other Revenue	35,645	431	36,076
	<hr/>	<hr/>	<hr/>
Total Revenues	3,621,161	2,578,118	6,199,279
EXPENDITURES			
Current:			
General Government	150,511	-	150,511
Public Safety	100,000	-	100,000
Public Works	1,970,054	-	1,970,054
Community Development	112,300	-	112,300
Capital Outlay:			
Public Works	14,190	25,205	39,395
Parks and Recreation	-	23,907	23,907
Debt Service:			
Principal	168,361	296,651	465,012
Interest and Fiscal Charges	19,230	295,967	315,197
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,534,646	641,730	3,176,376
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<hr/>	<hr/>	<hr/>
	1,086,515	1,936,388	3,022,903
OTHER FINANCING SOURCES (USES)			
Transfers In	31,542	-	31,542
Transfers Out	(399,817)	(2,950,985)	(3,350,802)
Issuance of Long-term Debt	49,160	2,833,845	2,883,005
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(319,115)	(117,140)	(436,255)
Net Change in Fund Balances			
	767,400	1,819,248	2,586,648
Fund Balances, Beginning of Year			
	<hr/>	<hr/>	<hr/>
	5,357,749	6,867,294	12,225,043
Fund Balances, End of Year			
	<hr/>	<hr/>	<hr/>
	\$ 6,125,149	\$ 8,686,542	\$ 14,811,691

City of Santee
Non-Major Governmental Funds
June 30, 2013

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Supplemental Law Enforcement Fund - is used to account for State of California allocations required by law to supplement front line law enforcement services.

Asset Seizure Fund - is used to account for forfeited property and asset revenue which must be use for law enforcement purposes.

Gas Tax Fund - is used to account for receipts and expenditures of monies apportioned to the City under the Streets and Highways Code Section 2103, 2105, 2106, 2107, and 2107.5 of the State of California.

HOME Investment Partnership Fund - is used to account for Federal HOME loan grants received from the U.S. Department of Housing and Urban Development restricted for low income housing loans.

Energy Efficiency Block Grant - is used to account for grant revenue received from the U.S. Department of Energy restricted for energy efficiency retrofit projects.

Zone 2 Flood Control District - is used to account for property tax allocations for the maintenance of the City's storm drain system.

Community Development Block Grant Fund - is used to account for Federal grant allocations for development of viable urban communities.

CDBG Section 108 Loan Fund - is used to account for a Federal grant loan used for improvements at Shadow Hills Park.

Town Center Landscape Maintenance Fund - is used to account for property tax assessments utilized for maintenance of landscape improvements with the Santee Town Center.

Santee Landscape Maintenance Fund - is used to account for property tax assessments utilized for maintenance of landscape improvements within various special districts.

Mobile Home Park Assessment Fund - is used to account for mobile home park assessments utilized to support the Santee Manufactured Home Fair Practices Ordinance.

Street Lighting Tax Fund - is used to account for property taxes to provide and maintain general benefit street light services.

Roadway Lighting District Fund - is used to account for property tax assessments to provide and maintain special benefit street light services.

Paramedic Equipment Fund - is used to account for donations to be utilized specifically for paramedic equipment purchases.

SAFE Program Fund – is used to account for Santee’s share of excess Service Authority for Freeway Emergencies program reserve funds that were distributed to all cities and the county in accordance with Assembly Bill 1572. This funding is used to support traffic management and traffic operations center activities.

City of Santee
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013

	Supplemental Law Enforcement	Asset Seizure	Gas Tax	HOME Investment Partnership
ASSETS				
Cash and Investments	\$ -	\$ 1,631	\$ 1,328,889	\$ 30,591
Cash and Investments with Fiscal Agents	-	-	-	-
Loans Receivable	-	-	-	1,972,000
Interest Receivable	6	4	3,043	75
Due from Other Governments	25,000	-	165,109	3,573
	<u>25,000</u>	<u>-</u>	<u>165,109</u>	<u>3,573</u>
Total Assets	<u>\$ 25,006</u>	<u>\$ 1,635</u>	<u>\$ 1,497,041</u>	<u>\$ 2,006,239</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 16,667	\$ -	\$ 92,005	\$ -
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	8,323	-	-	-
	<u>8,323</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>24,990</u>	<u>-</u>	<u>92,005</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	-	-	49,172	3,573
	<u>-</u>	<u>-</u>	<u>49,172</u>	<u>3,573</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>49,172</u>	<u>3,573</u>
Fund Balances:				
Restricted	16	1,635	1,355,864	2,002,666
Committed	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>16</u>	<u>1,635</u>	<u>1,355,864</u>	<u>2,002,666</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 25,006</u>	<u>\$ 1,635</u>	<u>\$ 1,497,041</u>	<u>\$ 2,006,239</u>

Continued

<u>Energy Efficiency Block Grant</u>	<u>Zone 2 Flood Control District</u>	<u>Community Development Block Grant</u>	<u>CDBG Section 108 Loan</u>	<u>Town Center Landscape Maintenance</u>	<u>Santee Landscape Maintenance</u>
\$ 24,034	\$ 290,400	\$ 1,524	\$ -	\$ 208,803	\$ 82,262
-	-	-	1,338,508	-	-
-	-	-	-	-	-
55	657	1	11	399	173
-	4,113	19,152	-	824	742
<u>\$ 24,089</u>	<u>\$ 295,170</u>	<u>\$ 20,677</u>	<u>\$ 1,338,519</u>	<u>\$ 210,026</u>	<u>\$ 83,177</u>
\$ -	\$ 7,052	\$ 13,792	\$ -	\$ 28,000	\$ 10,197
-	-	-	-	-	-
-	-	-	-	-	-
-	7,052	13,792	-	28,000	10,197
-	59	2,862	-	-	-
-	59	2,862	-	-	-
24,089	288,059	4,023	1,338,519	182,026	72,980
-	-	-	-	-	-
<u>24,089</u>	<u>288,059</u>	<u>4,023</u>	<u>1,338,519</u>	<u>182,026</u>	<u>72,980</u>
<u>\$ 24,089</u>	<u>\$ 295,170</u>	<u>\$ 20,677</u>	<u>\$ 1,338,519</u>	<u>\$ 210,026</u>	<u>\$ 83,177</u>

Continued

City of Santee
Combining Balance Sheet
Non-Major Special Revenue Funds - Continued
June 30, 2013

	Mobile Home Park Assessment	Street Lighting Tax	Roadway Lighting District	Paramedic Equipment
ASSETS				
Cash and Investments	\$ 42,590	\$ 243,058	\$ 466,483	\$ 15,506
Cash and Investments with Fiscal Agents	-	-	-	-
Loans Receivable	-	-	-	-
Interest Receivable	101	558	1,013	34
Due from Other Governments	-	1,723	2,839	-
	<u>-</u>	<u>1,723</u>	<u>2,839</u>	<u>-</u>
Total Assets	<u>\$ 42,691</u>	<u>\$ 245,339</u>	<u>\$ 470,335</u>	<u>\$ 15,540</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 30,433	\$ 22,080	\$ 50,067	\$ -
Accrued Salaries and Benefits	788	-	-	-
Due to Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>31,221</u>	<u>22,080</u>	<u>50,067</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total of Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	11,470	223,259	420,268	-
Committed	-	-	-	15,540
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,540</u>
Total Fund Balances	<u>11,470</u>	<u>223,259</u>	<u>420,268</u>	<u>15,540</u>
Total Liabilities and Fund Balances	<u>\$ 42,691</u>	<u>\$ 245,339</u>	<u>\$ 470,335</u>	<u>\$ 15,540</u>

Continued

<u>SAFE Program</u>	<u>Total Non-Major Special Revenue Funds</u>
\$ 184,458	\$ 2,920,229
-	1,338,508
-	1,972,000
277	6,407
-	223,075
<u>\$ 184,735</u>	<u>\$ 6,460,219</u>
\$ -	\$ 270,293
-	788
-	8,323
-	279,404
-	55,666
-	55,666
184,735	6,109,609
-	15,540
184,735	6,125,149
<u>\$ 184,735</u>	<u>\$ 6,460,219</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2013

	Supplemental Law Enforcement	Asset Seizure	Gas Tax	HOME Investment Partnership
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	1,327,764	-
Special Assessments	-	-	-	-
Intergovernmental	100,000	-	83,780	-
Investment Earnings	16	12	7,397	318
Other Revenue	-	-	-	-
	<u>100,016</u>	<u>12</u>	<u>1,418,941</u>	<u>318</u>
EXPENDITURES				
Current:				
General Government	-	-	-	110,572
Public Safety	100,000	-	-	-
Public Works	-	-	958,925	-
Community Development	-	-	-	-
Capital Outlay:				
Public Works	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
	<u>100,000</u>	<u>-</u>	<u>958,925</u>	<u>110,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16</u>	<u>12</u>	<u>460,016</u>	<u>(110,254)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(55,609)	-
Issuance of Long-term Debt	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(55,609)</u>	<u>-</u>
Net Change in Fund Balances	16	12	404,407	(110,254)
Fund Balances, Beginning of Year	<u>-</u>	<u>1,623</u>	<u>951,457</u>	<u>2,112,920</u>
Fund Balances, End of Year	<u>\$ 16</u>	<u>\$ 1,635</u>	<u>\$ 1,355,864</u>	<u>\$ 2,002,666</u>

Continued

<u>Energy Efficiency Block Grant</u>	<u>Zone 2 Flood Control District</u>	<u>Community Development Block Grant</u>	<u>CDBG Section 108 Loan</u>	<u>Town Center Landscape Maintenance</u>	<u>Santee Landscape Maintenance</u>
\$ -	\$ 282,902	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	316,006	105,436
5,771	43,853	554,905	-	-	-
138	1,235	28	139	1,258	343
<u>23,951</u>	<u>1,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>29,860</u>	<u>329,678</u>	<u>554,933</u>	<u>139</u>	<u>317,264</u>	<u>105,779</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	243,276	-	-	313,017	86,219
-	-	112,300	-	-	-
-	-	-	2,005	-	-
-	-	140,000	-	-	-
<u>-</u>	<u>-</u>	<u>19,230</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>243,276</u>	<u>271,530</u>	<u>2,005</u>	<u>313,017</u>	<u>86,219</u>
<u>29,860</u>	<u>86,402</u>	<u>283,403</u>	<u>(1,866)</u>	<u>4,247</u>	<u>19,560</u>
-	-	-	-	25,771	-
(5,771)	-	(286,237)	(52,200)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(5,771)</u>	<u>-</u>	<u>(286,237)</u>	<u>(52,200)</u>	<u>25,771</u>	<u>-</u>
24,089	86,402	(2,834)	(54,066)	30,018	19,560
<u>-</u>	<u>201,657</u>	<u>6,857</u>	<u>1,392,585</u>	<u>152,008</u>	<u>53,420</u>
<u>\$ 24,089</u>	<u>\$ 288,059</u>	<u>\$ 4,023</u>	<u>\$ 1,338,519</u>	<u>\$ 182,026</u>	<u>\$ 72,980</u>

Continued

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds - Continued
Year Ended June 30, 2013

	Mobile Home Park Assessment	Street Lighting Tax	Roadway Lighting District	Paramedic Equipment
REVENUES				
Property Taxes	\$ -	\$ 233,339	\$ -	\$ -
Other Taxes	-	-	-	-
Special Assessments	43,038	-	288,308	-
Intergovernmental	655	-	-	-
Investment Earnings	311	1,257	2,470	102
Other Revenue	-	-	6,891	3,115
	<u>44,004</u>	<u>234,596</u>	<u>297,669</u>	<u>3,217</u>
EXPENDITURES				
Current:				
General Government	39,939	-	-	-
Public Safety	-	-	-	-
Public Works	-	137,125	231,492	-
Community Development	-	-	-	-
Capital Outlay:				
Public Works	-	9,330	2,855	-
Debt Service:				
Principal	-	24,807	3,554	-
Interest and Fiscal Charges	-	-	-	-
	<u>39,939</u>	<u>171,262</u>	<u>237,901</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,065</u>	<u>63,334</u>	<u>59,768</u>	<u>3,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	5,771	-	-
Transfers Out	-	-	-	-
Issuance of Long-term Debt	-	-	49,160	-
	<u>-</u>	<u>5,771</u>	<u>49,160</u>	<u>-</u>
Net Change in Fund Balances	4,065	69,105	108,928	3,217
Fund Balances, Beginning of Year	<u>7,405</u>	<u>154,154</u>	<u>311,340</u>	<u>12,323</u>
Fund Balances, End of Year	<u>\$ 11,470</u>	<u>\$ 223,259</u>	<u>\$ 420,268</u>	<u>\$ 15,540</u>

Continued

<u>SAFE Program</u>	<u>Total Non-Major Special Revenue Funds</u>
\$ -	\$ 516,241
-	1,327,764
-	752,788
184,770	973,734
(35)	14,989
-	35,645
184,735	3,621,161
-	150,511
-	100,000
-	1,970,054
-	112,300
-	14,190
-	168,361
-	19,230
-	2,534,646
184,735	1,086,515
-	31,542
-	(399,817)
-	49,160
-	(319,115)
184,735	767,400
-	5,357,749
\$ 184,735	\$ 6,125,149

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Supplemental Law Enforcement Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Investment Earnings	-	16	16
Total Revenues	100,000	100,016	16
EXPENDITURES			
Current:			
Public Safety	100,000	100,000	-
Total Expenditures	100,000	100,000	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	16	16
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ 16	\$ 16

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Asset Seizure Special Revenue Fund
Year Ended June 30, 2013

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Earnings	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 12</u>
Total Revenues	<u>-</u>	<u>12</u>	<u>12</u>
EXPENDITURES			
Current:			
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	12	12
Fund Balance, Beginning of Year	<u>1,623</u>	<u>1,623</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,623</u></u>	<u><u>\$ 1,635</u></u>	<u><u>\$ 12</u></u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Other Taxes	\$ 1,588,140	\$ 1,327,764	\$ (260,376)
Intergovernmental	-	83,780	83,780
Investment Earnings	-	7,397	7,397
Total Revenues	<u>1,588,140</u>	<u>1,418,941</u>	<u>(169,199)</u>
EXPENDITURES			
Current:			
Public Works	<u>1,186,060</u>	<u>958,925</u>	<u>227,135</u>
Total Expenditures	<u>1,186,060</u>	<u>958,925</u>	<u>227,135</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>402,080</u>	<u>460,016</u>	<u>57,936</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(429,640)</u>	<u>(55,609)</u>	<u>374,031</u>
Total Other Financing Sources (Uses)	<u>(429,640)</u>	<u>(55,609)</u>	<u>374,031</u>
Net Change in Fund Balance	(27,560)	404,407	431,967
Fund Balance, Beginning of Year	<u>951,457</u>	<u>951,457</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 923,897</u>	<u>\$ 1,355,864</u>	<u>\$ 431,967</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - HOME Investment Partnership Special Revenue Fund
Year Ended June 30, 2013

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 471,427	\$ -	\$ (471,427)
Investment Earnings	<u>-</u>	<u>318</u>	<u>318</u>
Total Revenues	<u>471,427</u>	<u>318</u>	<u>(471,109)</u>
EXPENDITURES			
Current:			
General Government	<u>471,427</u>	<u>110,572</u>	<u>360,855</u>
Total Expenditures	<u>471,427</u>	<u>110,572</u>	<u>360,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(110,254)	(110,254)
Fund Balance, Beginning of Year	<u>2,112,920</u>	<u>2,112,920</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,112,920</u>	<u>\$ 2,002,666</u>	<u>\$ (110,254)</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Energy Efficiency Block Grant Special Revenue Fund
Year Ended June 30, 2013

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 5,771	\$ 5,771	\$ -
Investment Earnings	-	138	138
Other Revenue	<u>24,089</u>	<u>23,951</u>	<u>(138)</u>
Total Revenues	<u>29,860</u>	<u>29,860</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	<u>24,089</u>	<u>-</u>	<u>24,089</u>
Total Expenditures	<u>24,089</u>	<u>-</u>	<u>24,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,771</u>	<u>29,860</u>	<u>24,089</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(5,771)</u>	<u>(5,771)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(5,771)</u>	<u>(5,771)</u>	<u>-</u>
Net Change in Fund Balance	-	24,089	24,089
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 24,089</u>	<u>\$ 24,089</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Zone 2 Flood Control District Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 283,760	\$ 282,902	\$ (858)
Intergovernmental	48,995	43,853	(5,142)
Investment Earnings	200	1,235	1,035
Other Revenue	-	1,688	1,688
	<u>332,955</u>	<u>329,678</u>	<u>(3,277)</u>
EXPENDITURES			
Current:			
Public Works	<u>386,035</u>	<u>243,276</u>	<u>142,759</u>
	<u>386,035</u>	<u>243,276</u>	<u>142,759</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,080)	86,402	139,482
Fund Balance, Beginning of Year	<u>201,657</u>	<u>201,657</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 148,577</u>	<u>\$ 288,059</u>	<u>\$ 139,482</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Community Development Block Grant Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 590,312	\$ 554,905	\$ (35,407)
Investment Earnings	-	28	28
Total Revenues	<u>590,312</u>	<u>554,933</u>	<u>(35,379)</u>
EXPENDITURES			
Current:			
Community Development	121,251	112,300	8,951
Debt Service:			
Principal	159,068	140,000	19,068
Interest and Fiscal Charges	-	19,230	(19,230)
Total Expenditures	<u>280,319</u>	<u>271,530</u>	<u>8,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>309,993</u>	<u>283,403</u>	<u>(26,590)</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	<u>(309,993)</u>	<u>(286,237)</u>	<u>23,756</u>
Total Other Financing Sources (Uses)	<u>(309,993)</u>	<u>(286,237)</u>	<u>(23,756)</u>
Net Change in Fund Balance	-	(2,834)	(2,834)
Fund Balance, Beginning of Year	<u>6,857</u>	<u>6,857</u>	-
Fund Balance, End of Year	<u>\$ 6,857</u>	<u>\$ 4,023</u>	<u>\$ (2,834)</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - CDBG Section 108 Loan Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 139	\$ 139
Total Revenues	-	139	139
EXPENDITURES			
Capital Outlay:			
Public Works	-	2,005	(2,005)
Total Expenditures	-	2,005	(2,005)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,866)	(1,866)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(750,000)	(52,200)	697,800
Total Other Financing Sources (Uses)	(750,000)	(52,200)	697,800
Net Change in Fund Balance	(750,000)	(54,066)	695,934
Fund Balance, Beginning of Year	1,392,585	1,392,585	-
Fund Balance, End of Year	\$ 642,585	\$ 1,338,519	\$ 695,934

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Town Center Landscape Maintenance Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Special Assessments	\$ 316,799	\$ 316,006	\$ (793)
Investment Earnings	-	1,258	1,258
Total Revenues	<u>316,799</u>	<u>317,264</u>	<u>465</u>
EXPENDITURES			
Current:			
Public Works	<u>345,450</u>	<u>313,017</u>	<u>32,433</u>
Total Expenditures	<u>345,450</u>	<u>313,017</u>	<u>32,433</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,651)</u>	<u>4,247</u>	<u>32,898</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>29,640</u>	<u>25,771</u>	<u>(3,869)</u>
Total Other Financing Sources (Uses)	<u>29,640</u>	<u>25,771</u>	<u>(3,869)</u>
Net Changes in Fund Balance	989	30,018	29,029
Fund Balance, Beginning of Year	<u>152,008</u>	<u>152,008</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 152,997</u>	<u>\$ 182,026</u>	<u>\$ 29,029</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Santee Landscape Maintenance Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Special Assessments	\$ 104,504	\$ 105,436	\$ 932
Investment Earnings	-	343	343
Total Revenues	<u>104,504</u>	<u>105,779</u>	<u>1,275</u>
EXPENDITURES			
Current:			
Public Works	<u>104,295</u>	<u>86,219</u>	<u>18,076</u>
Total Expenditures	<u>104,295</u>	<u>86,219</u>	<u>18,076</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	209	19,560	19,351
Fund Balance, Beginning of Year	<u>53,420</u>	<u>53,420</u>	-
Fund Balance, End of Year	<u>\$ 53,629</u>	<u>\$ 72,980</u>	<u>\$ 19,351</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Mobile Home Park Assessment Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Special Assessments	\$ 42,000	\$ 43,038	\$ 1,038
Intergovernmental	-	655	655
Investment Earnings	-	311	311
Total Revenues	<u>42,000</u>	<u>44,004</u>	<u>2,004</u>
EXPENDITURES			
Current:			
General Government	<u>53,240</u>	<u>39,939</u>	<u>13,301</u>
Total Expenditures	<u>53,240</u>	<u>39,939</u>	<u>13,301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,240)	4,065	15,305
Fund Balance, Beginning of Year	<u>7,405</u>	<u>7,405</u>	-
Fund Balance, End of Year	<u><u>(3,835)</u></u>	<u><u>\$ 11,470</u></u>	<u><u>\$ 15,305</u></u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Street Lighting Tax Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 230,000	\$ 233,339	\$ 3,339
Investment Earnings	400	1,257	857
Total Revenues	<u>230,400</u>	<u>234,596</u>	<u>4,196</u>
EXPENDITURES			
Current:			
Public Works	177,000	137,125	39,875
Capital Outlay:			
Public Works	37,800	9,330	28,470
Debt Service:			
Principal	<u>24,810</u>	<u>24,807</u>	<u>3</u>
Total Expenditures	<u>239,610</u>	<u>171,262</u>	<u>68,348</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,210)</u>	<u>63,334</u>	<u>72,544</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>5,771</u>	<u>5,771</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,771</u>	<u>5,771</u>	<u>-</u>
Net Changes in Fund Balance	(3,439)	69,105	72,544
Fund Balance, Beginning of Year	<u>154,154</u>	<u>154,154</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 150,715</u>	<u>\$ 223,259</u>	<u>\$ 72,544</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Roadway Lighting District Special Revenue Fund
Year Ended June 30, 2013

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Special Assessments	\$ 285,810	\$ 288,308	\$ 2,498
Investment Earnings	1,100	2,470	1,370
Other Revenue	-	6,891	6,891
Total Revenues	<u>286,910</u>	<u>297,669</u>	<u>10,759</u>
EXPENDITURES			
Current:			
Public Works	261,750	231,492	30,258
Capital Outlay:			
Public Works	70,200	2,855	67,345
Debt Service:			
Principal	7,140	3,554	3,586
Total Expenditures	<u>339,090</u>	<u>237,901</u>	<u>101,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52,180)</u>	<u>59,768</u>	<u>111,948</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Long-Term Debt	49,160	49,160	-
Total Other Financing Sources (Uses)	<u>49,160</u>	<u>49,160</u>	<u>-</u>
Net Changes in Fund Balance	(3,020)	108,928	111,948
Fund Balance, Beginning of Year	<u>311,340</u>	<u>311,340</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 308,320</u>	<u>\$ 420,268</u>	<u>\$ 111,948</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Paramedic Equipment Special Revenue Fund
Year Ended June 30, 2013

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ -	\$ 102	\$ 102
Other Revenues	<u>-</u>	<u>3,115</u>	<u>3,115</u>
Total Revenues	<u>-</u>	<u>3,217</u>	<u>3,217</u>
EXPENDITURES			
Capital Outlay:			
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	3,217	3,217
Fund Balance, Beginning of Year	<u>12,323</u>	<u>12,323</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 12,323</u>	<u>\$ 15,540</u>	<u>\$ 3,217</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - SAFE Program Special Revenue Fund
Year Ended June 30, 2013

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ -	\$ 184,770	\$ 184,770
Investment Earnings	<u>-</u>	<u>(35)</u>	<u>(35)</u>
Total Revenues	<u>-</u>	<u>184,735</u>	<u>184,735</u>
EXPENDITURES			
Current:			
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	184,735	184,735
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 184,735</u>	<u>\$ 184,735</u>

City of Santee
Non-Major Governmental Funds
June 30, 2013

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Transportation Improvements Prop A Fund - is used to account for allocations received from the San Diego Association of Governments (SANDAG) for transportation improvement projects.

Town Center Community Park - is used to account for the design and construction of a 55-acre park in the City's town center.

Regional Transportation Congestion Improvements Fund - is used to account for developer fees collected to pay for regional arterial and related transportation facility improvements.

Public Facilities Fund - is used to account for developer fees collected for the construction of park facilities and community buildings.

Traffic Signal Fund - is used to account for developer fees collected for the provision of traffic signal design, modification and installation.

Drainage Fund - is used to account for developer fees collected for the construction of drainage facilities.

Forester Creek Development - is used to account for improvements in the Forester Creek drainage channel and affected roadways and utilities.

Park Development Fund - is used to account for developer fees collected for the acquisition and development of park facilities.

TDA Transit Fund - is used to account for the City's share of Transportation Development Act monies.

Utility Undergrounding Fund - is used to account for the installation of underground utility services.

City of Santee
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2013

	Transportation Improvements Prop A	Town Center Community Park	Regional Transportation Congestion Improvements	Public Facilities
ASSETS				
Cash and Investments	\$ -	\$ -	\$ 987,013	\$ 2,528,148
Interest Receivable	-	-	2,184	5,590
Due from Other Funds	-	-	-	-
Due from Other Governments	153,780	-	-	-
	<u>153,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 153,780</u>	<u>\$ -</u>	<u>\$ 989,197</u>	<u>\$ 2,533,738</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-	-
Due to Other Funds	3,466	166,758	-	-
	<u>3,466</u>	<u>166,758</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,466</u>	<u>166,758</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	150,314	-	989,197	2,533,738
Assigned	-	-	-	-
Unassigned	-	(166,758)	-	-
	<u>-</u>	<u>(166,758)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>150,314</u>	<u>(166,758)</u>	<u>989,197</u>	<u>2,533,738</u>
Total Liabilities and Fund Balances	<u>\$ 153,780</u>	<u>\$ -</u>	<u>\$ 989,197</u>	<u>\$ 2,533,738</u>

Continued

<u>Traffic Signal</u>	<u>Drainage</u>	<u>Forester Creek Development</u>	<u>Park Development</u>	<u>TDA Transit</u>	<u>Utility Undergrounding</u>	<u>Total Non-Major Capital Projects Funds</u>
\$ 376,834	\$ 2,081,203	\$ 358,806	\$ 2,035,808	\$ 125,868	\$ 155,036	\$ 8,648,716
854	4,873	817	4,588	427	349	19,682
-	-	-	166,758	-	-	166,758
-	-	-	-	-	-	153,780
<u>\$ 377,688</u>	<u>\$ 2,086,076</u>	<u>\$ 359,623</u>	<u>\$ 2,207,154</u>	<u>\$ 126,295</u>	<u>\$ 155,385</u>	<u>\$ 8,988,936</u>
\$ -	\$ -	\$ 5,875	\$ -	\$ -	\$ -	\$ 5,875
-	-	-	-	126,295	-	126,295
-	-	-	-	-	-	170,224
-	-	5,875	-	126,295	-	302,394
377,688	2,086,076	353,748	2,207,154	-	-	8,697,915
-	-	-	-	-	155,385	155,385
-	-	-	-	-	-	(166,758)
<u>377,688</u>	<u>2,086,076</u>	<u>353,748</u>	<u>2,207,154</u>	<u>-</u>	<u>155,385</u>	<u>8,686,542</u>
<u>\$ 377,688</u>	<u>\$ 2,086,076</u>	<u>\$ 359,623</u>	<u>\$ 2,207,154</u>	<u>\$ 126,295</u>	<u>\$ 155,385</u>	<u>\$ 8,988,936</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Projects Funds
Year Ended June 30, 2013

	Transportation Improvements Prop A	Town Center Community Park	Regional Transportation Congestion Improvements	Public Facilities
REVENUES				
Intergovernmental	\$ 694,420	\$ -	\$ -	\$ -
Developer Fees	-	-	204,965	507,736
Investment Earnings	898	-	5,977	7,027
Other Revenue	-	-	-	-
Total Revenues	<u>695,318</u>	<u>-</u>	<u>210,942</u>	<u>514,763</u>
EXPENDITURES				
Capital Outlay:				
Public Works	-	19,195	-	-
Parks and Recreation	-	-	-	-
Debt Service:				
Principal	296,651	-	-	-
Interest and Fiscal Charges	295,967	-	-	-
Total Expenditures	<u>592,618</u>	<u>19,195</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>102,700</u>	<u>(19,195)</u>	<u>210,942</u>	<u>514,763</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,619,032)	-	-	-
Issuance of Long-term Debt	2,833,845	-	-	-
Total Other Financing Sources (Uses)	<u>214,813</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	317,513	(19,195)	210,942	514,763
Fund Balances, Beginning of Year	<u>(167,199)</u>	<u>(147,563)</u>	<u>778,255</u>	<u>2,018,975</u>
Fund Balances, End of Year	<u>\$ 150,314</u>	<u>\$ (166,758)</u>	<u>\$ 989,197</u>	<u>\$ 2,533,738</u>

Continued

<u>Traffic Signal</u>	<u>Drainage</u>	<u>Forester Creek Development</u>	<u>Park Development</u>	<u>TDA Transit</u>	<u>Utility Undergrounding</u>	<u>Total Non-Major Capital Projects Funds</u>
\$ 23,341	\$ -	\$ -	\$ -	\$ 93,017	\$ -	\$ 810,778
51,139	334,014	-	615,212	-	-	1,713,066
2,708	13,679	2,793	17,825	1,776	1,160	53,843
-	-	-	431	-	-	431
<u>77,188</u>	<u>347,693</u>	<u>2,793</u>	<u>633,468</u>	<u>94,793</u>	<u>1,160</u>	<u>2,578,118</u>
6,010	-	-	-	-	-	25,205
-	-	23,907	-	-	-	23,907
-	-	-	-	-	-	296,651
-	-	-	-	-	-	295,967
<u>6,010</u>	<u>-</u>	<u>23,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,730</u>
<u>71,178</u>	<u>347,693</u>	<u>(21,114)</u>	<u>633,468</u>	<u>94,793</u>	<u>1,160</u>	<u>1,936,388</u>
(3,028)	(155,211)	-	(78,921)	(94,793)	-	(2,950,985)
-	-	-	-	-	-	2,833,845
<u>(3,028)</u>	<u>(155,211)</u>	<u>-</u>	<u>(78,921)</u>	<u>(94,793)</u>	<u>-</u>	<u>(117,140)</u>
68,150	192,482	(21,114)	554,547	-	1,160	1,819,248
<u>309,538</u>	<u>1,893,594</u>	<u>374,862</u>	<u>1,652,607</u>	<u>-</u>	<u>154,225</u>	<u>6,867,294</u>
<u>\$ 377,688</u>	<u>\$ 2,086,076</u>	<u>\$ 353,748</u>	<u>\$ 2,207,154</u>	<u>\$ -</u>	<u>\$ 155,385</u>	<u>\$ 8,686,542</u>

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STATISTICAL SECTION

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City of Santee
Description of Statistical Section Contents
June 30, 2013

This part of the City of Santee’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the City’s overall financial health.

Contents	Pages
<u>Financial Trends</u> - these schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	100-108
<u>Revenue Capacity</u> – these schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	109-112
<u>Debt Capacity</u> – these schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	113-118
<u>Demographic and Economic Information</u> – these schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	119-121
<u>Operating Information</u> - these schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	122-124

City of Santee
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
GOVERNMENTAL ACTIVITIES				
Invested in Capital Assets,				
Net of Related Debt	\$ 78,917,774	\$ 79,994,773	\$ 87,732,308	\$ 100,236,132
Restricted	23,040,053	26,702,487	30,672,858	35,192,868
Unrestricted	12,216,284	11,867,231	8,713,169	7,769,328
Total Governmental Activities	\$ 114,174,111	\$ 118,564,491	\$ 127,118,335	\$ 143,198,328
Net Assets				

Continued

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 102,221,753	\$ 107,177,454	\$ 110,906,766	\$ 147,929,745	\$ 160,604,789	\$ 159,505,509
38,254,452	36,161,243	29,617,019	33,791,161	18,434,571	21,242,368
8,026,545	6,680,429	9,339,445	6,410,313	4,922,805	6,632,478
<u>\$ 148,502,750</u>	<u>\$ 150,019,126</u>	<u>\$ 149,863,230</u>	<u>\$ 188,131,219</u>	<u>\$ 183,962,165</u>	<u>\$ 187,380,355</u>

City of Santee
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
EXPENSES				
Governmental Activities:				
General Government	\$ 3,261,481	\$ 3,984,220	\$ 4,380,611	\$ 4,956,159
Public Safety	15,783,611	17,750,816	19,288,776	20,317,027
Public Works	10,444,876	10,342,440	11,072,024	11,435,058
Community Development	2,964,058	3,529,287	3,906,239	4,026,358
Parks and Recreation	1,580,081	1,850,738	1,986,291	2,013,700
Interest and Fiscal Charges	717,151	2,047,768	1,212,220	1,179,941
Loss from Retirement of Assets	-	-	-	-
Total Governmental Activities Expenses	34,751,258	39,505,269	41,846,161	43,928,243
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	181,061	159,503	163,479	180,970
Public Safety	2,566,327	2,808,450	3,285,418	3,615,837
Public Works	2,059,787	3,256,925	2,283,173	3,109,333
Community Development	1,671,511	1,602,328	1,435,092	1,614,625
Parks and Recreation	348,436	310,727	463,045	434,941
Operating Grants and Contributions	1,935,672	2,574,472	2,264,595	2,012,532
Capital Grants and Contributions	7,076,791	6,732,280	9,981,792	15,642,995
Total Governmental Activities Program Revenues	15,839,585	17,444,685	19,876,594	26,611,233
Net Revenues (Expenses) From Governmental Activities	(18,911,673)	(22,060,584)	(21,969,567)	(17,317,010)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental Activities:				
Taxes:				
Property Taxes (1)	10,687,618	11,759,431	18,097,285	20,999,209
Sales Taxes	6,811,327	7,370,893	7,945,067	8,215,910
Franchise Taxes	1,358,884	1,613,081	1,928,092	2,067,216
Other Taxes	398,608	429,999	438,603	334,935
Motor Vehicle In Lieu, Unrestricted (1)	2,454,900	4,151,932	376,525	295,537
Investment Income	588,373	1,028,426	1,671,110	1,644,754
Miscellaneous	373,144	97,202	66,729	256,353
Total Governmental Activities	22,672,854	26,450,964	30,523,411	33,813,914
Extraordinary Item (2)	-	-	-	-
Changes in Net Assets From Governmental Activities	\$ 3,761,181	\$ 4,390,380	\$ 8,553,844	\$ 16,496,904

Continued

(1) As of fiscal year ended June 30, 2006, property tax revenue includes revenue that was reported as "motor vehicle in lieu" revenue in prior years. It is now required to be reported as property tax revenue because the growth in this revenue is based on the growth in assessed valuation.

(2) Extraordinary item as a result of the dissolution of the Santee Community Development Commission.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 5,037,009	\$ 5,501,610	\$ 8,542,271	\$ 4,682,937	\$ 3,526,811	\$ 3,461,397
22,245,716	23,178,880	22,545,498	21,861,690	22,637,123	21,912,185
12,657,171	11,590,092	11,020,154	13,079,415	11,444,433	12,633,715
4,707,476	5,255,186	3,858,262	3,770,231	1,966,844	112,300
2,896,643	2,229,089	1,623,225	2,343,298	2,177,699	2,081,222
1,159,472	1,100,391	1,007,602	1,775,353	2,018,935	369,970
-	-	-	-	-	-
48,703,487	48,855,248	48,597,012	47,512,924	43,771,845	40,570,789
195,678	310,270	196,858	199,368	507,618	636,843
3,858,281	4,178,966	4,015,758	3,848,784	4,065,732	3,781,291
2,452,759	1,206,380	1,874,517	1,978,691	2,075,855	2,640,602
1,670,450	1,282,335	1,025,890	609,272	501,688	-
382,628	403,240	365,291	374,573	408,696	608,905
2,211,325	2,370,810	1,971,632	2,390,589	2,241,007	2,725,883
7,976,306	5,982,114	5,887,508	4,026,070	4,288,068	6,695,663
18,747,427	15,734,115	15,337,454	13,427,347	14,088,664	17,089,187
(29,956,060)	(33,121,133)	(33,259,558)	(34,085,577)	(29,683,181)	(23,481,602)
22,487,877	22,960,655	22,593,962	21,610,723	13,610,976	13,242,248
8,267,858	7,305,578	7,123,397	7,984,974	7,898,623	8,227,675
2,067,948	2,390,366	280,549	2,681,909	2,289,425	3,922,344
307,802	288,283	2,253,092	106,357	269,764	366,834
244,687	192,047	167,621	262,529	28,716	29,755
1,807,671	1,412,129	496,415	417,358	80,480	44,038
76,639	88,451	188,626	280,286	946,398	298,671
35,260,482	34,637,509	33,103,662	33,344,136	25,124,382	26,131,565
-	-	-	-	3,983,001	-
\$ 5,304,422	\$ 1,516,376	\$ (155,896)	\$ (741,441)	\$ (575,798)	\$ 2,649,963

City of Santee
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
GENERAL FUND				
Reserved	\$ 928,074	\$ 766,274	\$ 2,445,837	\$ 119,436
Unreserved	12,143,866	12,089,663	10,529,825	12,868,231
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 13,071,940</u>	<u>\$ 12,855,937</u>	<u>\$ 12,975,662</u>	<u>\$ 12,987,667</u>
ALL OTHER GOVERNMENT FUNDS				
Reserved	\$ 10,292,612	\$ 12,572,415	\$ 34,036,302	\$ 18,808,461
Unreserved, Reported In:				
Special Revenue Funds	3,490,927	3,707,955	3,325,949	3,534,651
Debt Service Fund	(50,918)	1,738,749	5,524,168	9,273,803
Capital Projects Funds	10,660,194	24,281,816	(2,801,438)	9,204,070
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 24,392,815</u>	<u>\$ 42,300,935</u>	<u>\$ 40,084,981</u>	<u>\$ 40,820,985</u>

Continued

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 202,645	\$ 86,142	\$ 552,035	\$ -	\$ -	\$ -
13,010,501	10,779,715	10,157,084	-	-	-
-	-	-	14,252	18,518	20,512
-	-	-	6	1,750,001	1,575,001
-	-	-	31,002	23,750	35,680
-	-	-	2,945,718	3,048,930	3,770,108
-	-	-	6,903,668	5,008,142	4,779,461
<u>\$ 13,213,146</u>	<u>\$ 10,865,857</u>	<u>\$ 10,709,119</u>	<u>\$ 9,894,646</u>	<u>\$ 9,849,341</u>	<u>\$ 10,180,762</u>
\$ 12,575,467	\$ 22,443,286	\$ 12,009,265	\$ -	\$ -	\$ -
2,426,350	2,035,375	2,292,415	-	-	-
9,989,178	8,157,255	5,849,173	-	-	-
18,260,212	3,238,070	10,795,318	-	-	-
-	-	-	71,400	-	-
-	-	-	64,671,520	17,756,123	20,758,594
-	-	-	375,324	280,658	1,536,726
-	-	-	737,258	674,637	167,710
-	-	-	(354,752)	(314,762)	(166,758)
<u>\$ 43,251,207</u>	<u>\$ 35,873,986</u>	<u>\$ 30,946,171</u>	<u>\$ 65,500,750</u>	<u>\$ 18,396,656</u>	<u>\$ 22,296,272</u>

City of Santee
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
REVENUES				
Taxes:				
Property	\$ 10,687,618	\$ 11,759,431	\$ 18,097,285	\$ 21,235,364
Sales	6,811,327	7,370,893	7,945,067	8,215,910
Other	2,862,487	3,061,203	3,614,190	3,792,037
Special Assessments	780,579	822,528	820,204	640,116
Intergovernmental	7,857,062	9,215,721	7,441,472	16,640,225
Licenses and Permits	1,070,782	1,191,742	1,035,264	1,419,902
Fines and Forfeitures	296,077	257,352	306,879	297,438
Developer Fees	2,884,339	3,188,522	734,743	3,533,514
Charges for Services	4,837,403	6,584,262	6,226,223	8,633,920
Use of Money and Property	672,493	1,141,187	1,994,071	2,916,732
Other Revenue	518,127	339,113	270,146	550,999
Total Revenues	39,278,294	44,931,954	48,485,544	67,876,157
EXPENDITURES				
Current:				
General Government	3,110,912	3,809,113	4,405,551	4,943,009
Public Safety	14,996,378	17,413,619	18,928,342	20,232,393
Public Works	6,764,988	7,850,476	8,426,579	8,436,459
Community Development	2,950,441	3,662,740	4,036,982	4,009,043
Parks and Recreation	1,443,974	1,464,330	1,539,560	1,542,970
Capital Outlay	9,480,641	4,658,135	11,529,212	26,092,494
Debt Service:				
Principal Retirement	1,144,937	413,858	488,559	798,159
Interest and Fiscal Charges	725,373	1,433,313	1,226,988	1,183,453
Bond Issuance Costs	-	-	-	-
Total Expenditures	40,617,644	40,705,584	50,581,773	67,237,980
Excess (deficiency) of Revenues Over (under) Expenditures	(1,339,350)	4,226,370	(2,096,229)	638,177
OTHER FINANCING SOURCES (USES)				
Gain on Sale of Property	81,902	-	-	-
Transfers In	4,510,574	1,382,242	250,641	1,415,965
Transfers Out	(4,510,574)	(1,382,242)	(250,641)	(1,415,965)
Issuance of Long-term Debt	-	25,280,000	-	-
Payment to Bond Escrow Agent	-	(11,814,253)	-	-
Discount on Bonds	-	-	-	-
Total Other Financing Sources (uses)	81,902	13,465,747	-	-
Extraordinary Item (1)	-	-	-	-
Net Change in Fund Balances	\$ (1,257,448)	\$ 17,692,117	\$ (2,096,229)	\$ 638,177
Debt Service as a Percentage of Noncapital Expenditures (2)	6.0%	5.1%	4.4%	4.8%

Continued

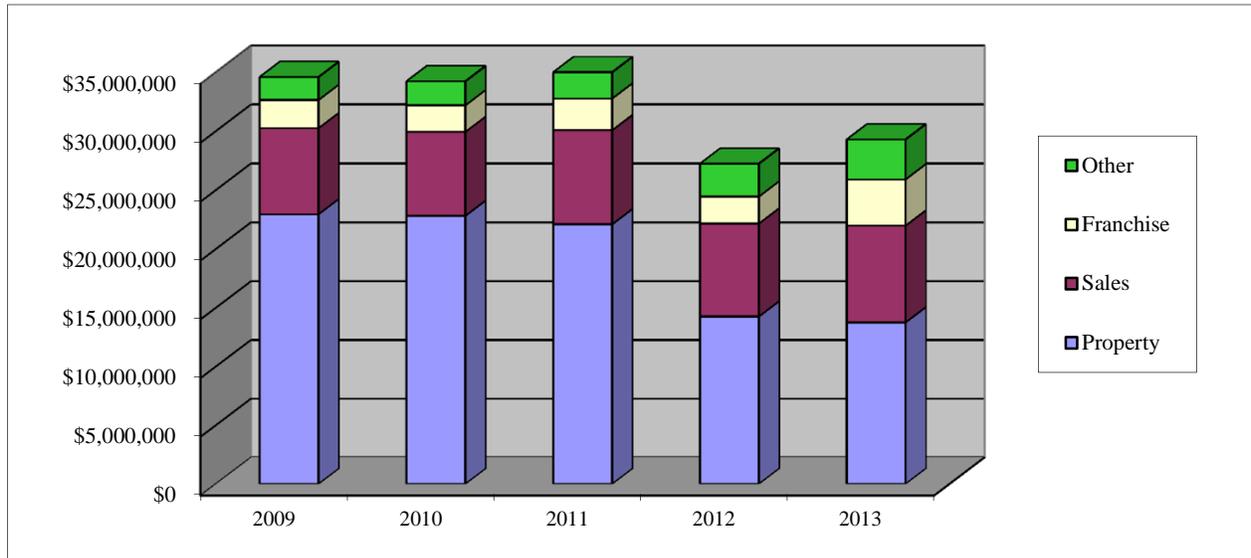
(1) Extraordinary item as a result of the dissolution of the Santee Community Development Corporation.

(2) For purposes of this calculation, capital expenditures are defined as capital asset additions as presented in Note 2B to the financial statements.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 22,487,877	\$ 22,960,655	\$ 22,823,768	\$ 22,107,239	\$ 14,266,895	\$ 13,758,489
8,267,858	7,305,578	7,123,397	7,984,974	7,898,623	8,227,675
3,362,316	3,513,140	3,507,045	4,242,582	4,032,606	5,616,942
710,901	811,593	729,894	1,649,594	1,664,583	1,685,246
6,249,006	4,194,836	4,192,870	3,424,883	2,327,765	4,579,832
1,442,945	1,047,037	913,222	817,009	97,044	163,157
283,595	275,462	255,907	234,620	151,965	157,459
3,204,197	2,338,126	2,724,653	1,460,682	2,166,434	2,220,091
6,165,867	6,297,619	6,677,290	3,512,338	4,741,495	5,027,855
2,976,899	1,980,121	746,071	542,125	550,469	167,153
455,795	1,289,798	369,209	572,394	1,109,946	545,885
<u>55,607,256</u>	<u>52,013,965</u>	<u>50,063,326</u>	<u>46,548,440</u>	<u>39,007,825</u>	<u>42,149,784</u>
5,018,476	5,304,489	8,396,467	4,440,352	3,495,290	3,525,215
21,491,194	22,786,561	22,235,349	21,583,805	22,497,381	21,900,709
8,985,782	7,659,637	7,330,871	7,540,299	7,204,615	7,198,218
5,036,315	5,575,680	4,280,822	3,737,357	2,147,005	112,300
1,562,736	1,596,155	1,260,720	1,262,766	1,083,635	916,408
8,418,623	16,942,014	14,411,741	4,325,397	3,506,673	6,204,138
752,964	772,982	670,000	5,137,178	1,007,602	697,917
1,158,722	1,100,957	1,012,907	1,084,293	2,620,760	372,069
-	-	-	430,582	-	-
<u>52,424,812</u>	<u>61,738,475</u>	<u>59,598,877</u>	<u>49,542,029</u>	<u>43,562,961</u>	<u>40,926,974</u>
<u>3,182,444</u>	<u>(9,724,510)</u>	<u>(9,535,551)</u>	<u>(2,993,589)</u>	<u>(4,555,136)</u>	<u>1,222,810</u>
-	-	-	-	-	-
4,129,554	13,855,417	24,379,163	3,001,510	7,709,261	4,186,442
(4,129,554)	(13,855,417)	(24,379,163)	(3,001,510)	(7,709,261)	(4,186,442)
-	-	4,450,998	35,666,957	3,005,840	3,008,227
-	-	-	-	-	-
-	-	-	(618,555)	-	-
-	-	4,450,998	35,048,402	3,005,840	3,008,227
-	-	-	-	(45,600,103)	-
<u>\$ 3,182,444</u>	<u>\$ (9,724,510)</u>	<u>\$ (5,084,553)</u>	<u>\$ 32,054,813</u>	<u>\$ (47,149,399)</u>	<u>\$ 4,231,037</u>
4.3%	4.2%	3.7%	13.6%	9.3%	2.9%

**City of Santee
Tax Revenues by Source
Last Ten Fiscal Years
(in thousands of dollars)**

Fiscal Year	Property Taxes (1)	Real Property			Franchise Taxes	Transient Occupancy Tax	Gas Tax	Total
		Transfer Tax	Special Assessments	Sales Tax				
2004	10,687,618	281,699	780,579	6,811,327	1,358,884	116,909	1,011,806	21,048,822
2005	11,759,431	306,022	822,528	7,370,893	1,613,081	123,976	1,018,124	23,014,055
2006	18,097,285	319,934	820,204	7,945,067	1,928,092	118,669	1,004,329	30,233,580
2007	21,235,364	218,853	640,116	8,215,910	2,067,216	116,081	1,005,657	33,499,197
2008	22,487,877	172,317	710,901	8,267,859	2,067,948	135,485	986,566	34,828,953
2009	22,960,655	172,957	811,593	7,305,577	2,390,367	115,327	834,490	34,590,966
2010	22,823,768	180,275	729,894	7,123,397	2,253,092	100,274	1,019,995	34,230,695
2011	22,107,239	152,170	1,649,106	7,984,974	2,681,908	106,357	904,765	35,586,519
2012	14,266,895	155,341	1,664,583	7,898,623	2,289,425	112,493	848,229	27,235,590
2013	13,758,489	159,920	1,685,246	8,227,675	3,922,344	206,914	1,327,764	29,288,352



Note:

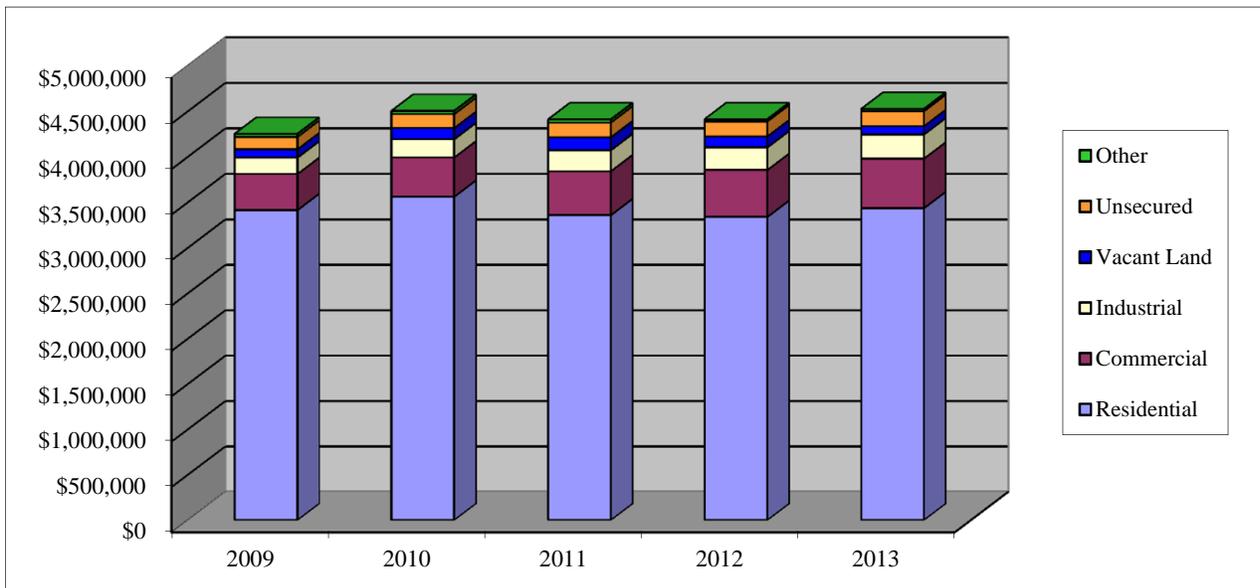
(1) As of fiscal year ended June 30, 2006, property tax revenue includes revenue that was reported as "motor vehicle in lieu" revenue in prior years. It is now required to be reported as property tax revenue because the growth in this revenue is based on the growth in assessed valuation.

As of fiscal year ended June 30, 2012, the decrease in property tax revenue reflects the dissolution of the Santee Community Development Commission and related loss of property tax increment revenue.

Source: City of Santee Finance Department

City of Santee
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Residential	Commercial	Industrial	Vacant Land	Unsecured	Other	Total	Total Direct Tax Rate
2004	\$ 2,236,235	\$ 312,717	\$ 150,704	\$ 63,915	\$ 111,656	\$ 25,310	\$ 2,900,537	0.293%
2005	2,451,718	357,471	170,127	73,494	117,338	22,337	3,192,485	0.302%
2006	2,792,539	396,437	179,398	92,246	135,851	32,727	3,629,198	0.337%
2007	3,191,407	431,721	199,486	124,157	152,656	34,210	4,133,637	0.351%
2008	3,415,528	482,362	230,366	142,738	161,660	33,403	4,466,057	0.359%
2009	3,561,950	515,710	247,445	121,047	165,011	22,870	4,634,033	0.365%
2010	3,360,411	544,219	265,789	91,253	164,635	23,634	4,449,941	0.370%
2011	3,341,134	552,502	268,405	83,098	154,831	23,683	4,423,653	0.380%
2012	3,436,359	534,663	259,526	79,447	141,332	24,656	4,475,983	0.385%
2013	3,447,383	549,049	263,455	60,273	138,053	22,911	4,481,124	0.387%



Notes:

Exempt values are not included in total.

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

Sources: HdL Coren & Cone
San Diego County Assessor

City of Santee
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Current Year

	Fiscal Year 2013
City Direct Rates:	
City Basic Rate	0.387 %
Total City Direct Rate	0.387
Overlapping Rates:	
Santee Elementary School District	0.164
County of San Diego	0.177
Grossmont Union High School District	0.121
Educational Revenue Augmentation Fund	0.081
Grossmont-Cuyamaca Community College District	0.046
Padre Dam Municipal Water District	0.010
Grossmont Hospital District	0.008
Other	0.005
Total Overlapping Rates	0.613
Total Direct Rate	1.000
Voter Approved Rates:	
General Bond Santee Elementary Prop R	0.034
Grossmont Healthcare District Bonds	0.020
Grossmont-Cuyamaca Community College District Bonds	0.032
Grossmont Union High School District Bonds	0.061
Other	0.109
Total Voter Approved Rates	0.256
Total Tax Rate	1.255 %

Notes:

Tax Rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate are (TRA) by net taxable value.

In 1978, California votes passed Proposition 13 which set the property tax rate a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes at a percentage of assessed property values for the payment of any voter approved bonds.

Source: HdL Coren & Cone

**City of Santee
Principal Property Tax Payers
Current Year And Nine Years Ago**

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Vestar Kimco Santee LP	\$ 64,335,671	1.44%	\$ 33,944,800	1.17%
Santee Partners LP	27,787,505	0.62%	26,499,600	0.91%
HCA Arbors Apartments LLC	27,079,882	0.60%	23,431,066	0.81%
MB BP Portfolio LLC	25,850,193	0.58%		
Alcott Estates LP	21,965,902	0.49%		
Pacific Castle Santee LP	21,517,242	0.48%		
Santee Retail LP	20,525,684	0.46%		
MHC Financing LP Two	20,319,146	0.45%	17,551,097	0.61%
Cameron Brothers Construction Co	20,249,202	0.45%		
Wal Mart Stores East LP	18,507,835	0.41%	15,084,939	0.52%
Target Corporation			14,630,836	0.50%
Cox Communications San Diego			14,310,617	0.49%
KIMCO Santee 705 Inc			13,803,493	0.48%
Costco Wholesale Corporation			13,745,514	0.47%
Sunridge Apartments LP			13,546,406	0.47%
	<u>\$ 268,138,262</u>	<u>5.98%</u>	<u>\$ 186,548,368</u>	<u>6.43%</u>

Source: HdL Coren & Cone

**City of Santee
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Within the Year of Levy			Collections From Prior Years Levies	Total Collections To Date	Total Collections as a Percent of Levy
	Current Secured Tax Levy	Current Secured Collected	Percent of Levy Collected			
2004	\$ 10,975,938	\$ 10,447,332	95.2%	\$ 165,322	\$ 10,612,654	96.69%
2005	12,784,950	12,077,253	94.5%	163,323	12,240,576	95.74%
2006	17,134,297	16,214,609	94.6%	254,230	16,468,839	96.12%
2007	19,256,855	18,098,201	94.0%	339,648	18,437,849	95.75%
2008	20,188,926	18,718,002	92.7%	502,495	19,220,497	95.20%
2009	20,648,960	18,921,417	91.6%	760,598	19,682,015	95.32%
2010	20,688,236	18,949,178	91.6%	777,368	19,726,546	95.35%
2011	20,065,820	18,449,152	91.9%	680,468	19,129,620	95.33%
2012	10,552,974	9,666,064	91.6%	205,818	9,871,882	93.55%
2013	8,929,356	8,317,613	93.1%	176,644	8,494,257	95.13%

Note:

The amounts presented include City property taxes and Santee Community Development Commission property tax increment, as well as amounts collected that were passed-through to other agencies. The decline in fiscal year ending June 30, 2012 reflects the dissolution of the Santee Community Development Commission and related loss of property tax increment revenue.

Source: San Diego County Auditor and Controller "Combined Assessed Valuations" Report

City of Santee
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities						Percentage of Personal Income (2)	Debt Per Capita (2)
	Tax Allocation Bonds (1)	Lease Revenue Bonds	Certificates of Participation	Notes & Loans	Capital Lease Obligations	Total Governmental Activities		
2004	\$ 9,320,000	\$ -	\$ 2,065,000	\$ 1,658,701	\$ 54,704	\$13,098,405	0.47%	\$ 251
2005	23,100,000	2,180,000	-	1,308,547	-	26,588,547	0.96%	510
2006	23,100,000	2,055,000	-	953,988	-	26,108,988	0.92%	502
2007	22,800,000	1,925,000	-	594,829	-	25,319,829	0.88%	488
2008	22,295,000	1,790,000	-	481,865	-	24,566,865	0.89%	469
2009	21,780,000	1,650,000	-	381,883	-	23,811,883	0.93%	450
2010	21,255,000	1,505,000	-	4,334,133	500,998	27,595,131	1.06%	517
2011	52,270,000	1,360,000	-	3,913,515	471,832	58,015,347	2.18%	1,072
2012	-	1,210,000	-	6,792,181	405,966	8,408,147	0.32%	155
2013	-	1,055,000	-	8,441,947	453,284	9,950,231	0.36%	182

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements: N/A - data not available

(1) Tax allocation bonds issued by the Santee Community Development Commission are no longer reported as a result of the dissolution of the Santee Community Development Commission on February 1, 2012.

(2) These ratios are calculated using personal income and population for the prior calendar year.

City of Santee
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Outstanding General Bonded Debt				Percent of Assessed Value (3)	Debt Per Capita
	Tax Allocation Bonds (1)	Lease Revenue Bonds (2)	Certificates of Participation	Total		
2004	\$ 9,320,000	\$ -	\$ 2,065,000	\$ 11,385,000	0.39%	\$ 217
2005	23,100,000	2,180,000	-	25,280,000	0.79%	485
2006	23,100,000	2,055,000	-	25,155,000	0.69%	483
2007	22,800,000	1,925,000	-	24,725,000	0.60%	476
2008	22,295,000	1,790,000	-	24,085,000	0.54%	464
2009	21,780,000	1,650,000	-	23,430,000	0.51%	447
2010	21,255,000	1,505,000	-	22,760,000	0.51%	430
2011	52,270,000	1,360,000	-	53,630,000	1.21%	1,004
2012	-	1,210,000	-	1,210,000	0.03%	22
2013	-	1,055,000	-	1,055,000	0.02%	19

Notes:

General bonded debt is debt payable with governmental fund resources.

(1) Tax allocation bonds issued by the Santee Community Development Commission are no longer reported as a result of the dissolution of the Santee Community Development Commission on February 1, 2012.

(2) Lease Revenue Bonds are repaid with general governmental resources.

(3) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

**City of Santee
Direct and Overlapping Debt
June 30, 2013**

Total Assessed Valuation		\$ 4,482,003,598	
	Percentage Applicable (1)	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES			
Grossmont-Cuyamaca Community College District	11.770%	\$ 182,648,154	\$ 21,497,688
Grossmont Union High School District	12.096%	406,100,095	49,121,867
Poway Unified School District Facilities Improvement Districts	0.001%	347,663,406	3,477
Lakeside Union School District	0.314%	34,685,358	108,912
Santee School District	90.023%	43,549,530	39,204,593
Metropolitan Water District	0.211%	165,085,000	348,329
Grossmont Healthcare District	11.112%	221,337,076	24,594,976
Total Overlapping Debt Repaid with Property Taxes		1,401,068,619	134,879,842
OVERLAPPING OTHER DEBT			
San Diego County General Fund Obligations	1.173%	399,780,000	4,689,419
San Diego County Pension Obligations	1.173%	753,897,748	8,843,221
San Diego County Superintendent of Schools Obligations	1.173%	17,462,500	204,835
Grossmont Cuyamaca Community College Dist. Gen. Fd. Obligations	11.770%	1,410,000	165,957
Grossmont Union High School General Fund Obligations	12.096%	942,500	114,005
Poway Unified School District General Fund Obligations	0.001%	34,783,991	348
Santee School District Certificates of Participation	90.023%	30,509,849	27,465,881
Total Overlapping Other Debt		1,238,786,588	41,483,666
Total Overlapping Debt		\$ 2,639,855,207	176,363,508
City Direct Debt			9,950,231
Overlapping Tax Increment Debt (Successor Agency)			50,600,000
Total Direct and Overlapping Debt			\$ 236,913,739

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: California Municipal Statistics, Inc.

City of Santee
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands of dollars)

	Fiscal Year			
	2004	2005	2006	2007
Assessed Valuation	\$ 2,900,537	\$ 3,192,485	\$ 3,629,198	\$ 4,133,637
Conversion Percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted Assessed Valuation	725,134	798,121	907,300	1,033,409
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit Percentage	108,770	119,718	136,095	155,011
Total Net Debt Applicable to Limit: General Obligation Bonds	-	-	-	-
Legal Debt Margin	<u>\$ 108,770</u>	<u>\$ 119,718</u>	<u>\$ 136,095</u>	<u>\$ 155,011</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0.0%	0.0%	0.0%	0.0%

Continued

Notes:

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

Sources: HdL Coren & Cone

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 4,466,057	\$ 4,634,033	\$ 4,449,941	\$ 4,423,653	\$ 4,475,983	\$ 4,481,124
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,116,514	1,158,508	1,112,485	1,105,913	1,118,996	1,120,281
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
167,477	173,776	166,873	165,887	167,849	168,042
-	-	-	-	-	-
<u>\$ 167,477</u>	<u>\$ 173,776</u>	<u>\$ 166,873</u>	<u>\$ 165,887</u>	<u>\$ 167,849</u>	<u>\$ 168,042</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**City of Santee
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Tax Allocation Bonds				Coverage
	Tax Revenues	Debt Service			
		Principal	Interest		
2004	\$ 3,437,559	\$ 700,000	\$ 529,925		2.79
2005	4,094,672	-	248,163		16.50
2006	5,075,458	-	961,744		5.28
2007	5,920,383	300,000	942,790		4.76
2008	6,038,060	505,000	934,237		4.20
2009	6,337,623	515,000	922,112		4.41
2010	6,779,176	525,000	908,462		4.73
2011	6,374,690	540,000	893,471		4.45
2012	-	-	-		-
2013	-	-	-		-

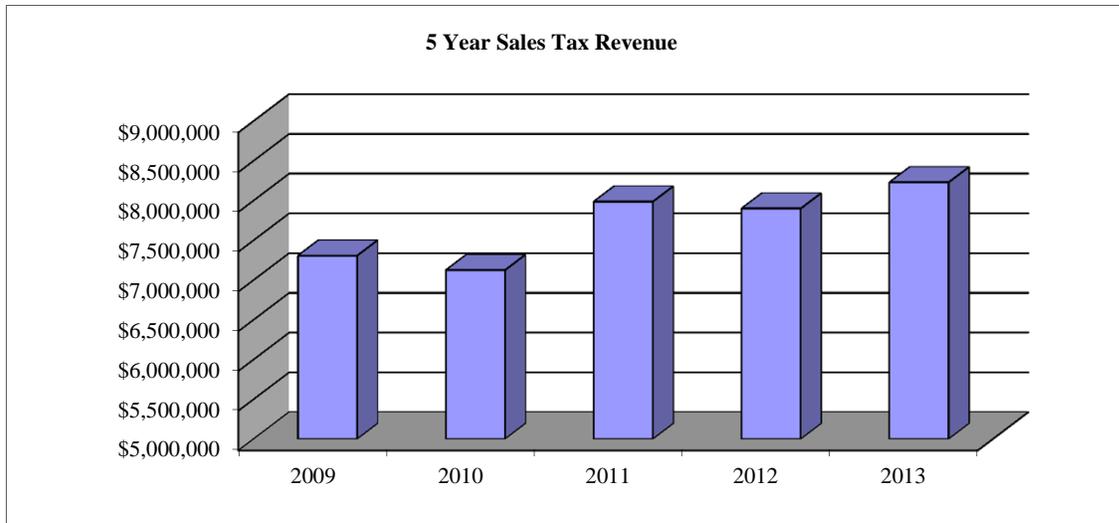
Note:

Tax allocation bonds issued by the Santee Community Development Commission are no longer reported as a result of the dissolution of the Santee Community Development Commission on February 1, 2012. Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**City of Santee
Top 25 Principal Sales Tax Producers
Fiscal Year Ended June 30, 2013**

Firm	Business Description
7 Eleven	Service Stations
Albertsons	Grocery Store
Bed Bath & Beyond	Home Furnishings
Best Buy	Electronics/Appliance Store
Chevron	Service Stations
Circle K	Service Stations
Consolidated Electrical Distributors	Electrical Equipment
Costco	Discount Dept Store
El Cajon Ford Used Cars	Used Automotive Dealers
GTM Wholesale Liquidators	Discount Dept Store
Home Depot	Lumber/Building Materials
Kalasho	Service Stations
Kohl's	Family Apparel
Lowe's	Lumber/Building Materials
Rayo Wholesale Floor	Contractor
RCP Block & Brick	Contractor
Ross	Family Apparel
Target	Discount Dept Store
Teal Pipe & Supply	Contractor
Tesoro Refining & Marketing Co	Service Stations
Toyota Certified of Santee	Used Automotive Dealers
TJ Maxx	Family Apparel
Verizon Wireless	Electronics/Appliance Store
Vons	Grocery Store
Wal Mart	Discount Dept Store

Percent of fiscal year total paid by top 25 accounts = 60.13%



Sources: Hinderliter, de Llamas & Associates
State Board of Equalization
City of Santee Finance Department

City of Santee
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in millions) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2003	52,474	\$ 2,704	\$ 51,540	4.3%
2004	52,142	2,767	53,080	3.9%
2005	52,110	2,779	53,330	3.6%
2006	51,983	2,838	54,590	3.3%
2007	51,936	2,892	55,680	3.8%
2008	52,367	2,769	52,880	5.0%
2009	52,963	2,552	48,180	8.1%
2010	53,413	2,611	48,880	8.9%
2011	54,102	2,661	49,190	8.4%
2012	54,643	2,750	50,320	7.5%

Sources:

- (1) State Department of Finance and San Diego Association of Governments
- (2) Bureau of Economic Analysis, U.S. Census Bureau Census 2000, Census 210 and San Diego Association of Governments
Note: Dollar Values are inflation -adjusted to 2012
- (3) State of California Employment Development Department

**City of Santee
Full-Time City Employees
by Function
Last Ten Fiscal Years**

Function	Full-Time Employees as of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	23.00	21.50	22.95	23.75	22.75	22.75	21.75	21.75	24.05	24.05
Public Safety	59.75	60.00	60.40	63.40	63.40	63.40	60.40	60.40	54.00	54.00
Public Works	29.00	28.00	27.00	28.50	27.35	27.35	24.15	23.65	32.20	31.70
Community Development	12.50	12.50	13.55	12.75	16.35	16.35	17.00	16.50	-	-
Parks and Recreation	8.00	7.00	7.00	7.00	7.55	7.55	6.35	6.35	7.00	7.00
Total	132.25	129.00	130.90	135.40	137.40	137.40	129.65	128.65	117.25	116.75

Source: City of Santee

**City of Santee
Principal Employers
Current Year and Nine Years Ago**

Employer	2013			2004		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Santee Elementary School District	713	1	2.85%	825	1	5.61%
Hartford Financial Services	520	2	2.08%	500	2	3.40%
Edgemoor Skilled Nursing Facility	350	3	1.40%	350	3	2.38%
Wal-Mart	275	4	1.10%	344	4	2.34%
Costco Wholesale	235	5	0.94%	235	6	1.60%
HD Supply Facility Maintenance	230	6	0.92%			
Scantibodies Laboratory	215	7	0.86%	215	7	1.46%
Home Depot	200	8	0.80%	200	8	1.36%
Target	190	9	0.76%	150	13	1.02%
Grossmont Union High School District	188	10	0.75%	250	5	1.70%
Lowe's	172	11	0.69%	172	11	1.17%
Kohl's Department Store	165	12	0.66%	165	12	1.12%
European Natural Stone	160	13	0.64%	150	13	1.02%
Vons Stores	150	14	0.60%	200	8	1.36%
Pure Flo Water Company	150	14	0.60%	150	13	1.02%
Bardon Enterprises				198	10	1.35%
Total	3,913		15.64%	4,104		27.93%

Notes:

This schedule presents data for the fifteen principal employers as of June 30, 2013 and June 30, 2004.

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

Source: City of Santee

**City of Santee
Operating Indicators
by Department
Last Eight Fiscal Years**

	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
DEVELOPMENT SERVICES								
Building Permits Issued	1,749	2,597	1,880	752	752	868	938	909
Building Inspections Completed	12,924	10,395	10,885	9,470	5,755	5,310	4,347	4,661
Development Applications Processed	111	92	63	121	78	99	161	151
Street Resurfacing (miles)	14.0	14.8	0.1	23.8	5.9	4.7	5.9	9.9
COMMUNITY SERVICES								
Number of Recreation Classes Offered	244	332	361	350	419	269	202	347
Number of Recreation Class Participants	2,230	2,490	3,842	2,719	3,454	2,141	1,912	1,859
Attendance at City-Wide Special Events	27,600	29,250	29,500	29,250	29,230	30,050	30,509	35,599
Number of Facility Rentals	694	789	605	645	836	1,016	983	1,302
FIRE								
Emergency Responses	5,130	4,211	4,438	4,670	4,764	4,944	4,722	4,967
Fire Prevention & Safety Inspections	633	933	432	488	449	525	730	572
SHERIFF								
Arrests	1,899	2,125	1,851	2,243	2,036	1,889	1,999	2,059
Parking Citations Issued	2,104	2,312	1,837	1,798	1,282	1,367	937	920
Traffic Citations Issued	4,262	4,245	4,391	4,486	5,085	4,244	2,916	3,504
Calls for Service	18,821	18,794	17,913	18,353	19,034	19,974	20,591	21,667

Note: 10 Years of information is not available. The City will be adding data until ten years are presented.

Source: City of Santee

**City of Santee
Capital Asset Statistics
by Function
Last Ten Fiscal Years**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FIRE										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Apparatus	6	6	6	6	6	6	6	6	6	6
Paramedic Vehicles (1)	-	2	2	3	4	4	4	4	4	4
PUBLIC WORKS										
Streets (miles)	131.76	131.76	133.10	133.98	134.09	134.09	134.09	134.47	134.79	134.79
Street Lights	2,686	2,713	2,731	2,739	2,747	2,747	2,799	2,800	3,171	3070
Traffic Signals	49	53	54	55	55	56	56	57	57	57
PARKS & RECREATION										
Parks	7	7	7	7	7	7	8	8	8	8

Note:

(1) Previous to fiscal year ended June, 2005, paramedic vehicles were owned by the County of San Diego.

Source: City of Santee

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