

City of SANTEE California



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



Front cover photo of sunrise from the west boundary of Santee overlooking the City
is 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, 2014

Mayor

Randy Voepel

Vice Mayor

Rob McNelis

Council Members

Jack E. Dale

John Minto

John Ryan

Acting City Manager

Pedro Orso-Delgado

Prepared by the Finance Department

Tim K. McDermott

Director of Finance/Treasurer

Website: www.cityofsanteeca.gov

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INTRODUCTORY SECTION

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CITY OF SANTEE

MAYOR
Randy Voepel

CITY COUNCIL
Jack E. Dale
Ronn Hall
Rob McNelis
John W. Minto

ACTING CITY MANAGER
Pedro Orso-Delgado

December 15, 2014

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, 2014. 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 City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. 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.

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, 2014 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, 2014 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 55,806 residents. Santee's 2012 median household income of \$76,261 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 items, 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.

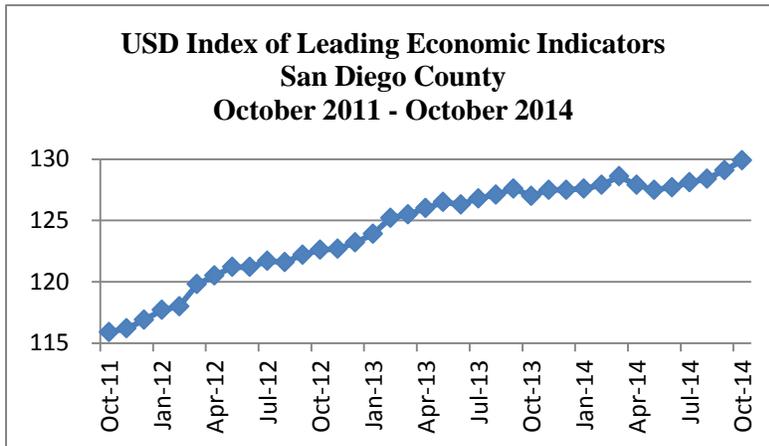
The City is responsible for providing a range of municipal services that includes law enforcement, fire and life safety, street maintenance, traffic circulation, planning and community development, park and landscape maintenance, code enforcement, building inspection and recreation programs for all ages. 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

The University of San Diego (USD) publishes a monthly index of leading economic indicators for San Diego County which provides insight into the health of the local economy. The index is calculated using the following six variables: building permit activity, initial claims for unemployment, stock prices, consumer confidence, help wanted advertising and the strength of the national economy. This index has shown a positive trend over the past several years and improved by 2.3% since October 2013.



Santee's economy is tied closely to that of the San Diego region. The City's primary General Fund revenue sources are property taxes and sales tax, which combined provide two-thirds of the General Fund revenues. Improvement in the housing market over the past couple of years, along with new residential and commercial construction activity resulted in a 2.9% increase in net assessed valuation in fiscal year 2013-14 and a 5.8% increase in net assessed valuation for the fiscal year 2014-15

tax roll. Improvement in general economic conditions including the recent addition of several new local sales tax generating businesses resulted in a 15% increase in sales tax revenue in fiscal year 2013-14, with a 7% increase projected for fiscal year 2014-15. Santee currently has 135 national chain retailers and restaurants, with 11 national chains added since 2012. Overall, General Fund revenues are projected to increase by \$914,000 or 3.2% in fiscal year 2014-15.

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 provides 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.

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 shares a state of the art 77,000 square ft. regional office facility with Hartford Insurance Company.

San Diego Christian College, an accredited 500-enrollment private college, relocated its campus to the RiverView Professional Center adjacent to Santee Trolley Square in January 2014, and has expansion plans to accommodate up to 1,200 students. Parc One, a 172-unit apartment project, is under construction and will be completed in early 2015 on a site adjacent to Santee Trolley Square and the college campus.

With available land for development, a skilled labor force, low crime rate, 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.

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. 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. This policy stated 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. However, based on the most recent forecast this policy goal will continue to be met through the current five-year planning time frame.

A key factor that will affect the City's budget in future years is California Public Employees' Retirement System (CalPERS) pension costs. CalPERS is phasing the implementation of changes to actuarial methods, demographic assumptions and risk pooling in an effort to improve plan funding levels, resulting in substantial increases in required annual pension contributions over the next several years. Fortunately, in December 2011 the City Council took several pension cost reform actions. These actions included the adoption of a second (lower) tier of retirement benefits for new employees and the acceleration of payments being made against a portion of the City's unfunded pension liability. In addition, on January 1, 2013 the California Public Employees' Pension Reform Act took effect, creating a third (even lower) tier of retirement benefits for new members to the retirement system.

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 to ensure that limited resources are allocated in a prudent manner, that under-funded projects are identified in order to develop financial strategies for the future and that necessary investments continue to be made in infrastructure to protect the long-term fiscal health of the City. 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.

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 \$23.8 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 will be completed in early 2015.

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 of the first phase of this \$3.7 million project was completed in December 2014.

In September 2014 the City entered into a debt financing agreement with the San Diego Association of Governments which will provide \$5.3 million to accelerate the investment in street rehabilitation and improvements throughout the City and allow the City to capitalize on the current favorable construction bid pricing environment.

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 multi-use recreation trail along the San Diego River. Construction of improvements along a 1.3 mile stretch of the trail is underway and will be completed in early 2015. These improvements include a 14-foot wide trail, entrance gateway, shade shelter, picnic tables, benches, trail head kiosk, drinking fountain, bike racks, bike repair station, native landscape planting, drip irrigation, nature interpretive signs, trash receptacles and several scenic overlooks along the river. When this segment 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 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 now occupied by the San Diego Christian College. The Parc One apartment project is under construction, and the San Diego Christian College has received City approval for a 128-unit apartment project to serve their students.

City of Santee
Letter of Transmittal
December 15, 2014

Construction of \$3.5 million in infrastructure improvements on Town Center Parkway aimed at encouraging current and future development within RiverView will be completed in December 2014. These improvements include street widening, sidewalk installation, landscaping, utility undergrounding and the installation of a traffic signal. Also included is a raised pedestrian crossing, which will also serve as a traffic calming feature, to provide a seamless pedestrian link between Santee Trolley Square and the Metro Transit trolley station to destinations within RiverView. The pedestrian crossing includes decorative concrete pavement, mosaic stones, colored tiles and ornamental street lighting.

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, 2013. This was the tenth 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.

This report reflects the combined efforts and year-round dedication of the entire Finance Department staff, especially Donna Goldsmith, Finance Manager and Jan Sherar, Administrative Secretary. Additionally 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 and professional manner.

Respectfully submitted,



Pedro Orso-Delgado
Acting City Manager



Tim K. McDermott
Director of Finance/Treasurer



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, 2013

Executive Director/CEO

CITY COUNCIL

Randy Voepel, Mayor

Rob McNelis, Vice Mayor

Jack E. Dale, Council Member

John Minto, Council Member

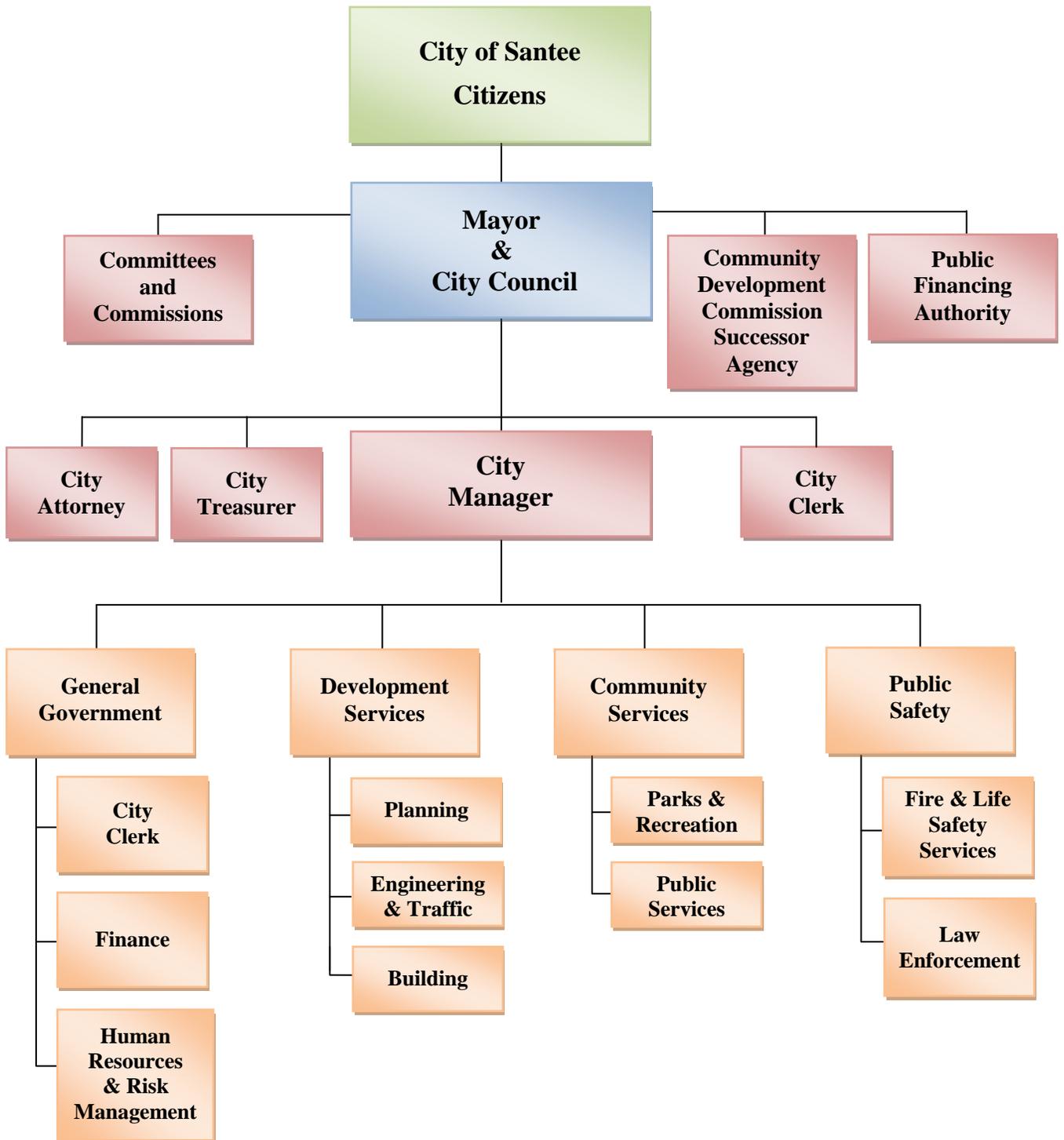
John Ryan, Council Member

EXECUTIVE MANAGEMENT

Acting City Manager.....	Pedro Orso-Delgado
City Attorney.....	Shawn Hagerty
City Clerk.....	Patsy Bell
Acting Director of Development Services	Melanie Kush
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	Richard Mattick
Director of Human Resources & Risk Management.....	Jodene Dunphy
Sheriff Captain	James Bovet

FINANCE DEPARTMENT

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



California



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, 2014, 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, 2014, 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.

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, 2013, from which such summarized information was derived.

We have previously audited the City of Santee's 2013 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 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 65-68 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 11, 2014, 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.

Teaman Ramirez & Smith, Llc.

Riverside, California
December 11, 2014



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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, 2014. 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, 2014 by \$198.5 million (*net position*). Of this amount, \$7.6 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 \$11.1 million during the fiscal year. This increase is primarily the result of substantial investments in infrastructure made over the past year, much of which was funded by the Santee Community Development Commission Successor Agency.
- At June 30, 2014 the City's governmental funds reported combined fund balances of \$34.2 million, an increase of \$1.7 million from the prior year. This increase is primarily 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 decreased by \$247,571 during the fiscal year.

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 and Special Revenue 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 nonmajor 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, 2014 assets exceeded liabilities by \$198.5 million, an increase of \$11.1 million from the prior year.

**City of Santee
Summary of Net Position
June 30, 2014 and 2013**

	Governmental Activities	
	2014	2013
Current and other assets	\$ 42,841,457	\$ 38,763,770
Capital assets	176,903,561	168,195,740
Total assets	<u>219,745,018</u>	<u>206,959,510</u>
Long-term liabilities	13,359,938	13,607,509
Other liabilities	7,934,455	5,971,646
Total liabilities	<u>21,294,393</u>	<u>19,579,155</u>
Net position:		
Net investment in capital assets	167,953,925	159,505,509
Restricted	22,882,344	21,242,368
Unrestricted	<u>7,614,356</u>	<u>6,632,478</u>
Total net position	<u><u>\$198,450,625</u></u>	<u><u>\$187,380,355</u></u>

CITY OF SANTEE

Management's Discussion and Analysis, continued
 June 30, 2014

The largest portion of the City's net position (\$168.0 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 position (\$22.9 million or 11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7.6 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 \$11.1 million during the fiscal year as a result of the City's governmental activities. Key elements of this increase are as follows:

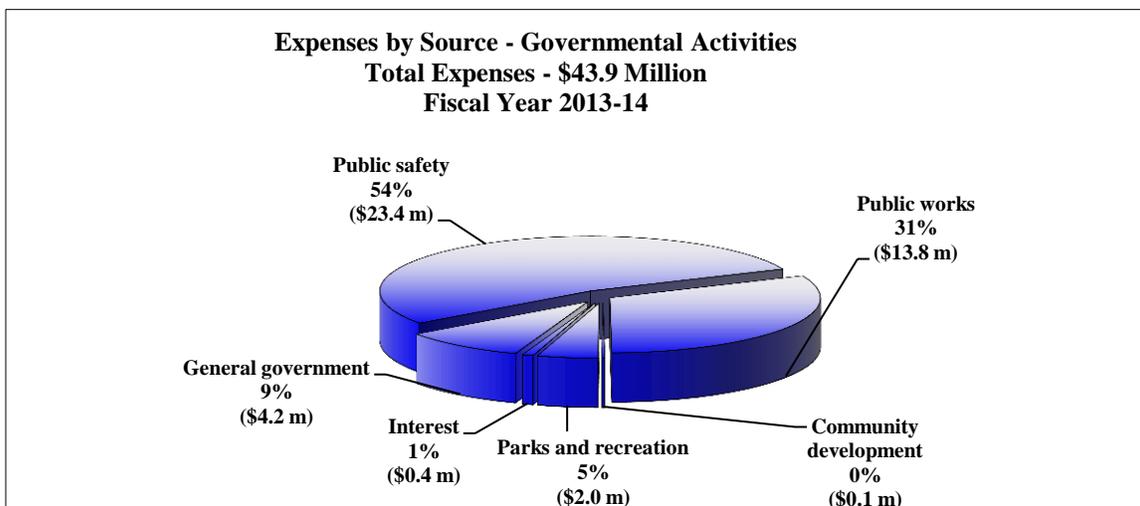
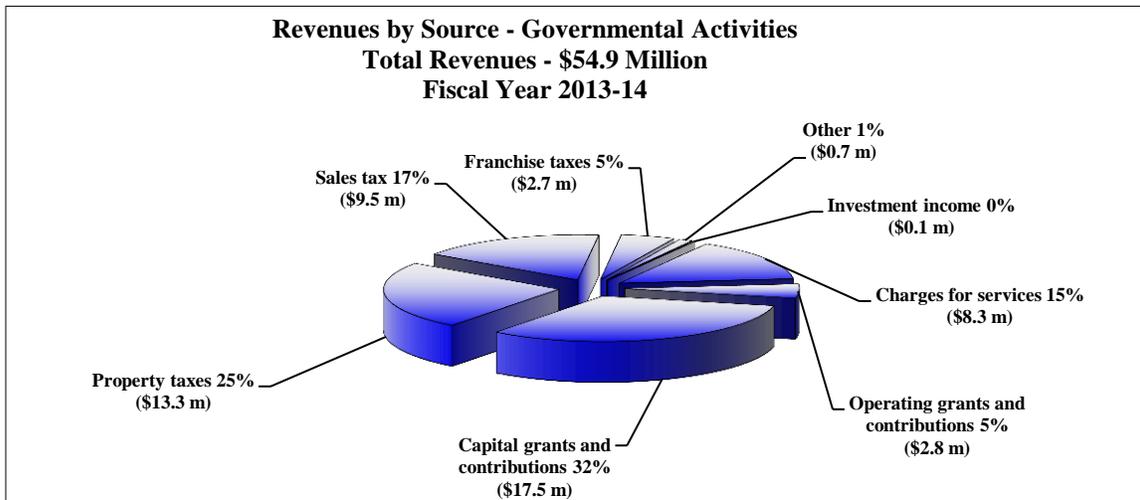
**City of Santee
 Changes in Net Position
 For the Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 8,283,486	\$ 7,667,641
Operating grants and contributions	2,776,841	2,725,883
Capital grants and contributions	17,532,392	6,695,663
General revenues:		
Taxes:		
Property taxes	13,351,823	13,242,248
Sales tax	9,460,428	8,227,675
Franchise taxes	2,753,606	3,922,344
Other taxes	574,132	366,834
Motor vehicle in lieu, unrestricted	24,625	29,755
Investment income	94,421	44,038
Miscellaneous	78,663	298,671
Total revenues	<u>54,930,417</u>	<u>43,220,752</u>
Expenses:		
General government	4,152,628	3,461,397
Public safety	23,416,772	21,912,185
Public works	13,787,911	12,633,715
Community development	96,033	112,300
Parks and recreation	2,036,868	2,081,222
Interest and fiscal charges	369,935	369,970
Total expenses	<u>43,860,147</u>	<u>40,570,789</u>
Increase in net position	11,070,270	2,649,963
Net position, beginning of year	187,380,355	183,962,165
Prior period adjustments	-	768,227
Net position, end of year	<u>\$198,450,625</u>	<u>\$187,380,355</u>

CITY OF SANTEE

Management's Discussion and Analysis, continued
 June 30, 2014

- Capital grants and contributions increased by \$10.8 million from the prior fiscal year. Most of this increase is the result of \$10.0 million in funding received from the Santee Community Development Commission Successor Agency for the Prospect Avenue Enhancements project and the Town Center Parkway Improvements project.
- Sales tax, the City's second largest revenue source, increased by \$1.2 million or 15% from the prior fiscal year, reflecting improving economic conditions and the addition of several new sales tax generating businesses over the past year.
- Franchise fees decreased by \$1.2 million or 30% from the prior fiscal year, the result of a solid waste franchise agreement that included \$1.3 million in one-time revenue in the prior fiscal year.
- General government expenses increased by \$691,231 or 20%. This increase includes the initial payment made to a new major tax generating business under the terms of a location agreement, as well as increased expenses related to liability insurance claims activity.
- Public safety expenses increased by \$1.5 million or 7%. Increases were experienced in Fire Department overtime and workers compensation claims expenses, and three Battalion Chief positions were added in the latter part of the fiscal year. Also reflected is an increase in contract law enforcement services expenses.
- Public works expenses increased by \$1.2 million or 9%, primarily as a result of a substantial investment in street maintenance over the past year.



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, 2014, the City's governmental funds reported combined fund balances of \$34.2 million, an increase of \$1.7 million from the prior year. Approximately 17% of this amount (\$5.9 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 (\$580,563), 2) restricted for particular purposes (\$23.6 million), 3) committed for particular purposes (\$1.3 million), or 4) assigned for particular purposes (\$2.7 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 \$6.1 million, while the total fund balance was \$10.8 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 18% 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 \$577,405 during the past fiscal year. General Fund revenues were \$386,761 more than in the previous fiscal year. As discussed above, sales tax revenues increased by \$1.2 million with improving economic conditions and the addition of several new sales tax generating businesses, and franchise fees decreased by \$1.2 million as a result of nearly \$1.3 million in one-time revenue received in the prior year. Property taxes, the largest General Fund revenue source, increased by \$109,575 from the prior fiscal year. General Fund expenditures were \$2.1 million more than in the previous fiscal year, primarily the result of public safety expenditure increases as discussed above. In addition, vehicle replacement expenditures were \$314,582 more than in the prior fiscal year, reflecting the purchase of a major piece of apparatus for use in cleaning storm drains and the purchase of a paramedic ambulance.

The Traffic Mitigation Fund, a major fund, experienced a \$190,852 decrease in fund balance during the past fiscal year as a result of street improvement expenditures, bringing the fund's total fund balance to \$5.7 million, all of which is legally restricted for street improvement capital projects.

The Capital Projects Fund, a major fund, experienced a \$327,526 decrease in fund balance during the past fiscal year, bringing the fund's total fund balance to \$1.3 million, the majority of which is either legally restricted or committed for capital projects.

The Nonmajor Governmental Funds balance increased by a combined \$1.7 million during the past year, bringing the Nonmajor Governmental Funds total fund balance to \$16.5 million. The primary factor leading to this increase is the accumulation of resources in various 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 \$1.3 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 an appropriation increase for contract building inspection and plan check services.

Actual General Fund revenues were \$325,155 more than budgeted. Sales tax revenues were \$335,528 more than budgeted. Property taxes were \$140,723 more than budgeted. Other taxes were \$115,138 more than budgeted. Intergovernmental revenues were \$141,765 less than budgeted. Charges for services were \$107,465 less than budgeted. Various other revenue categories experienced minor variances.

Actual General Fund expenditures were \$1,039,744 less than budgeted. Capital outlay expenditures (primarily vehicle replacements and grant funded capital expenditures) were \$862,537 less than budgeted. Development Services expenditures were \$450,947 less than budgeted. Community services expenditures were \$112,129 less than budgeted. Fire expenditures were \$526,620 more than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2014 was \$176.9 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, 2014 and 2013**

	Governmental Activities	
	2014	2013
Land	\$ 11,796,478	\$ 11,796,478
Parks	4,858,872	4,858,872
Construction in progress	13,722,162	3,206,098
Buildings	13,287,382	13,941,405
Improvements other than buildings	4,521,949	4,778,696
Equipment	5,223,980	5,516,383
Vehicles	1,206,565	994,197
Infrastructure	122,286,173	123,103,611
Totals	\$176,903,561	\$168,195,740

CITY OF SANTEE

Management's Discussion and Analysis, continued
June 30, 2014

Major capital asset activity during the year included the following:

- \$8.4 million was spent for the design, right of way acquisition and construction of the \$23.8 million Prospect Avenue Enhancements project which will be completed in early 2015.
- \$2.8 million was spent for the rehabilitation of numerous streets and related drainage facilities throughout the City.
- \$1.6 million was spent for the design and construction of improvements to Town Center Parkway which will be completed in November 2014.
- \$1.1 million was spent for the lining and replacement of corrugated metal drainage pipes in various locations throughout the City.
- \$464,721 was spent for the design and construction of the Buena Vista Avenue/Railroad Avenue street and drainage improvement project. Phase 1 of this project will be completed in December 2014.
- \$338,829 was spent for a Vactor Jet Rodder for use in cleaning storm drains.
- \$246,389 was spent for the design of a 1.3 mile multi-use recreation trail along the San Diego River. Construction of this \$4.6 million project is expected to be completed in early 2015.

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, 2014 the City had \$13.4 million in long-term debt outstanding. Of this amount, \$895,000 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, 2014 and 2013**

	Governmental Activities	
	2014	2013
Bonds payable	\$ 895,000	\$ 1,055,000
Notes and loans payable	7,965,871	8,441,947
Capital leases payable	1,208,766	453,284
Claims and judgments	1,021,259	988,695
Compensated absences	1,147,986	1,144,012
Other post-employment benefits	165,731	99,755
Pension related debt	955,325	1,424,816
Totals	<u>\$ 13,359,938</u>	<u>\$ 13,607,509</u>

The City's outstanding debt decreased by \$247,571 during the past fiscal year. During the past fiscal year additional long-term debt totaling \$895,071 was incurred by the City through capital leases to finance the purchase of a major piece of apparatus for use in cleaning storm drains and for the purchase of a fire engine which was delivered in July 2014. 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 budget.

- The total assessed valuation of property in the City is anticipated to increase by 5.8%, 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 new construction over the past year.
- With the recent addition of one new major retail sales generator and several additional new retail sales generators, combined with a prior year adjustment to be received from the State of California, sales tax revenue is projected to increase by \$622,000 or 6.8% next fiscal year.
- Franchise fee revenue is expected to increase by 0.6%, with a decrease expected in the revenues to be received from the City's telecommunications franchisee.
- Law enforcement services contract costs are expected to increase by 3.0% over the next year, with additional future increases expected.
- Next year's budget reflects a full year for three Battalion Chief positions that were added in April 2014.
- Next year's budget provides for 2% across the board salary increases for all employee groups.
- Actuarial method, demographic assumption and risk pooling changes that being implemented by the California Public Employee Retirement System 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.cityofsanteca.gov.



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Basic Financial Statements

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City of Santee
Statement of Net Position
June 30, 2014

	Governmental Activities	
	2014	2013
ASSETS		
Cash and Investments	\$ 35,447,401	\$ 32,031,753
Cash and Investments with Fiscal Agent	888,603	1,338,508
Accounts Receivable	956,401	990,258
Loans Receivable	1,962,000	1,972,000
Interest Receivable	70,565	70,524
Due From Other Governments	2,935,924	2,340,215
Inventory	3,234	3,197
Prepaid Items	577,329	17,315
Capital Assets, Not Being Depreciated	30,377,512	19,861,448
Capital Assets, Being Depreciated, Net	146,526,049	148,334,292
Total Assets	219,745,018	206,959,510
LIABILITIES		
Accounts Payable	4,874,445	2,923,760
Accrued Salaries and Benefits	517,063	395,781
Interest Payable	13,690	15,940
Deposits Payable	2,012,871	2,260,245
Unearned Revenue	516,386	375,920
Noncurrent Liabilities:		
Due Within One Year	1,764,239	1,855,206
Due in More Than One Year	11,595,699	11,752,303
Total Liabilities	21,294,393	19,579,155
NET POSITION		
Net Investment in Capital Assets	167,953,925	159,505,509
Restricted for:		
Community Development	2,941,790	3,351,642
Debt Service	280,001	315,001
Law Enforcement and Traffic Management	165,002	186,386
Lighting and Landscape Maintenance	1,050,793	898,533
Streets and Roads	9,487,359	1,405,095
Storm Drains and Channels	2,243,658	288,059
Construction	6,636,630	14,762,093
Energy Efficiency	24,271	24,089
Mobile Home Park Ordinance Administration	52,840	11,470
Unrestricted	7,614,356	6,632,478
Total Net Position	\$ 198,450,625	\$ 187,380,355

The accompanying notes are an integral part of this statement.

City of Santee
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2014	2013
General Government	\$ 4,152,628	\$ 657,770	\$ 124,312	\$ -	\$ (3,370,546)	\$ (2,755,757)
Public Safety	23,416,772	4,082,952	255,368	-	(19,078,452)	(17,714,521)
Public Works	13,787,911	2,893,212	2,055,975	16,401,397	7,562,673	(2,437,819)
Community Development	96,033	-	338,858	-	242,825	630,368
Parks and Recreation	2,036,868	649,552	2,328	1,130,995	(253,993)	(833,903)
Interest and Fiscal Charges	369,935	-	-	-	(369,935)	(369,970)
Total Governmental Activities	\$ 43,860,147	\$ 8,283,486	\$ 2,776,841	\$ 17,532,392	(15,267,428)	(23,481,602)
General Revenues:						
Taxes:						
Property Taxes					13,351,823	13,242,248
Sales Taxes					9,460,428	8,227,675
Franchise Taxes					2,753,606	3,922,344
Other Taxes					574,132	366,834
Motor Vehicle in Lieu, Unrestricted					24,625	29,755
Investment Earnings					94,421	44,038
Miscellaneous					78,663	298,671
					<u>26,337,698</u>	<u>26,131,565</u>
Change in Net Position					11,070,270	2,649,963
Net Position - Beginning					187,380,355	183,962,165
Prior Period Adjustments					-	768,227
Net Position - Ending					<u>\$ 198,450,625</u>	<u>\$ 187,380,355</u>

The accompanying notes are an integral part of this statement.

**City of Santee
Balance Sheet
Governmental Funds
June 30, 2014**

	Capital Projects		
	General	Traffic Mitigation	Capital Projects
ASSETS			
Cash and Investments	\$ 12,925,971	\$ 5,694,356	\$ 3,198,058
Cash and Investments with Fiscal Agents	-	-	-
Receivables:			
Accounts	956,401	-	-
Loans	-	-	-
Interest	30,700	11,791	-
Due From Other Funds	541	-	-
Due From Other Governments	2,269,523	-	287,042
Inventories	3,234	-	-
Prepaid Items	577,329	-	-
	<u>16,763,699</u>	<u>5,706,147</u>	<u>3,485,100</u>
Total Assets	<u>\$ 16,763,699</u>	<u>\$ 5,706,147</u>	<u>\$ 3,485,100</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 2,786,654	\$ -	\$ 1,925,636
Accrued Salaries and Benefits	516,169	-	-
Deposits Payable	1,999,145	-	13,726
Unearned Revenue	377,256	-	-
Due to Other Funds	-	-	-
	<u>5,679,224</u>	<u>-</u>	<u>1,939,362</u>
Total Liabilities	<u>5,679,224</u>	<u>-</u>	<u>1,939,362</u>
Deferred Inflows of Resources:			
Unavailable Revenues - Intergovernmental	326,308	-	285,682
	<u>326,308</u>	<u>-</u>	<u>285,682</u>
Total Deferred Inflows of Resources	<u>326,308</u>	<u>-</u>	<u>285,682</u>
Fund Balances:			
Nonspendable	580,563	-	-
Restricted	1,400,001	5,706,147	34,031
Committed	117,804	-	1,211,510
Assigned	2,578,208	-	14,515
Unassigned	6,081,591	-	-
	<u>10,758,167</u>	<u>5,706,147</u>	<u>1,260,056</u>
Total Fund Balances	<u>10,758,167</u>	<u>5,706,147</u>	<u>1,260,056</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,763,699</u>	<u>\$ 5,706,147</u>	<u>\$ 3,485,100</u>

Continued

Total Nonmajor Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 13,629,016	\$ 35,447,401	\$ 32,031,753
888,603	888,603	1,338,508
-	956,401	990,258
1,962,000	1,962,000	1,972,000
28,074	70,565	70,524
167,206	167,747	178,547
379,359	2,935,924	2,340,215
-	3,234	3,197
-	577,329	17,315
<u>\$ 17,054,258</u>	<u>\$ 43,009,204</u>	<u>\$ 38,942,317</u>
\$ 162,155	\$ 4,874,445	\$ 2,923,760
894	517,063	395,781
-	2,012,871	2,260,245
139,130	516,386	375,920
167,747	167,747	178,547
<u>469,926</u>	<u>8,088,512</u>	<u>6,134,253</u>
<u>98,798</u>	<u>710,788</u>	<u>331,030</u>
<u>98,798</u>	<u>710,788</u>	<u>331,030</u>
-	580,563	20,512
16,477,685	23,617,864	22,333,595
18,494	1,347,808	1,572,406
156,561	2,749,284	3,937,818
(167,206)	5,914,385	4,612,703
<u>16,485,534</u>	<u>34,209,904</u>	<u>32,477,034</u>
<u>\$ 17,054,258</u>	<u>\$ 43,009,204</u>	<u>\$ 38,942,317</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, 2014

Fund Balances of Governmental Funds		\$ 34,209,904
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, net of \$121,044,753 accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.		176,903,561
Receivables which are not considered to be available to finance current expenditures are reported as unearned revenue in the governmental funds.		710,788
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	\$ (895,000)	
Notes and Loans Payable	(7,965,871)	
Capital Lease Payable	(1,208,766)	
Claims and Judgments Payable	(1,021,259)	
Compensated Absences	(1,147,986)	
OPEB Obligation	(165,731)	
Pension Related Debt	<u>(955,325)</u>	(13,359,938)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		<u>(13,690)</u>
Net Position of Governmental Activities		<u><u>\$ 198,450,625</u></u>

City of Santee
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General	Capital Projects	
		Traffic Mitigation	Capital Projects
REVENUES			
Taxes:			
Property	\$ 13,351,823	\$ -	\$ -
Sales	9,460,428	-	-
Other	3,327,738	-	-
Special Assessments	919,367	-	-
Intergovernmental	182,617	-	1,965,259
Licenses and Permits	184,984	-	-
Fines and Forfeitures	153,385	-	-
Developer Fees	-	371,262	-
Charges for Services	5,504,980	-	-
Investment Earnings	94,421	40,169	960
Other Revenue	207,639	-	-
Total Revenues	<u>33,387,382</u>	<u>411,431</u>	<u>1,966,219</u>
EXPENDITURES			
Current:			
General Government	4,063,342	-	-
Public Safety	23,112,670	-	-
Public Works	5,033,753	-	-
Community Development	-	-	-
Parks and Recreation	915,083	-	-
Capital Outlay:			
General Government	-	-	36,953
Public Safety	164,720	-	97,601
Public Works	381,112	-	6,455,935
Parks and Recreation	-	-	541,102
Debt Service:			
Principal	299,589	-	-
Interest and Fiscal Charges	64,779	-	-
Total Expenditures	<u>34,035,048</u>	<u>-</u>	<u>7,131,591</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(647,666)</u>	<u>411,431</u>	<u>(5,165,372)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	330,000	-	4,837,846
Transfers Out	-	(602,283)	-
Issuance of Long-term Debt	895,071	-	-
Total Other Financing Sources (Uses)	<u>1,225,071</u>	<u>(602,283)</u>	<u>4,837,846</u>
Extraordinary Loss	-	-	-
Net Change in Fund Balances	577,405	(190,852)	(327,526)
Fund Balances - Beginning	<u>10,180,762</u>	<u>5,896,999</u>	<u>1,587,582</u>
Fund Balances - Ending	<u>\$ 10,758,167</u>	<u>\$ 5,706,147</u>	<u>\$ 1,260,056</u>

Continued

The accompanying notes are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 534,787	\$ 13,886,610	\$ 13,758,489
-	9,460,428	8,227,675
1,826,162	5,153,900	5,616,942
767,813	1,687,180	1,685,246
3,357,620	5,505,496	4,579,832
-	184,984	163,157
-	153,385	157,459
2,777,104	3,148,366	2,220,091
-	5,504,980	5,027,855
78,579	214,129	167,153
117,037	324,676	545,885
<u>9,459,102</u>	<u>45,224,134</u>	<u>42,149,784</u>
77,581	4,140,923	3,525,215
122,674	23,235,344	21,900,709
2,126,983	7,160,736	7,198,218
96,033	96,033	112,300
-	915,083	916,408
-	36,953	263,299
-	262,321	105,094
12,021	6,849,068	3,555,330
922	542,024	2,280,415
476,076	775,665	697,917
307,406	372,185	372,069
<u>3,219,696</u>	<u>44,386,335</u>	<u>40,926,974</u>
<u>6,239,406</u>	<u>837,799</u>	<u>1,222,810</u>
47,339	5,215,185	4,186,442
(4,612,902)	(5,215,185)	(4,186,442)
-	895,071	3,008,227
<u>(4,565,563)</u>	<u>895,071</u>	<u>3,008,227</u>
<u>-</u>	<u>-</u>	<u>(45,600,103)</u>
1,673,843	1,732,870	4,231,037
14,811,691	32,477,034	28,245,997
<u>\$ 16,485,534</u>	<u>\$ 34,209,904</u>	<u>\$ 32,477,034</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 Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 1,732,870

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	\$	6,889,707	
Capital Contributions		9,326,525	
Gain (Loss) on Disposal		(342,312)	
Depreciation Expense		<u>(7,166,099)</u>	8,707,821

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 position. 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	\$	775,665	
Payments on Pension Related Debt		469,491	
Issuance of Long-Term Debt		<u>(895,071)</u>	350,085

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. 2,250

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. 379,758

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	\$	(32,564)	
Compensated Absences		(3,974)	
OPEB Obligation		<u>(65,976)</u>	<u>(102,514)</u>

Change in Net Position of Governmental Activities \$ 11,070,270

City of Santee
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Successor Agency Private-Purpose Trust Fund
ASSETS	
Cash and Investments	\$ 5,103,053
Cash and Investments with Fiscal Agent	17,729,223
Receivables:	
Loans	608,141
Interest	47,174
Land Held for Resale	439,000
Land	129,900
Total Assets	24,056,491
LIABILITIES	
Accounts Payable	664,311
Interest Payable	1,222,939
Bonds Payable	48,893,301
Total Liabilities	50,780,551
NET POSITION	
Net Position (Deficit) Held in Trust for Successor Agency	\$ (26,724,060)

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, 2014

	Successor Agency Private-Purpose Trust Fund
ADDITIONS	
Taxes	\$ 5,964,071
Investment Earnings	115,744
	6,079,815
Total Additions	
DEDUCTIONS	
Administrative Costs	258,160
Projects	10,034,942
Housing Loans Transfers to County	15,868,548
Interest on Bonds	2,958,914
	29,120,564
Total Deductions	
Change in Net Position	(23,040,749)
Net Position - Beginning of Year	(3,683,311)
Net Position - End of Year	\$ (26,724,060)

The accompanying notes are an integral part of this statement.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

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 the Santee Community Development Commission. On February 1, 2012, the Santee Community Development Commission was dissolved by legislation from the California State Legislature and a decision by the California Supreme Court. The City of Santee is the Successor Agency of the Santee Community Development Commission which oversees the remaining activities of the former Santee 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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-wide and Fund Financial Statements - Continued

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.

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. 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 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. Currently, this statement has no effect on the City's financial statements.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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. Currently, this statement has no 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.

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 combination* 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,

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Governmental Accounting Standards Board Statement No. 69 - Continued

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.

Governmental Accounting Standards Board Statement No. 71

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement 68*. This statement was issued to address an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributions entities. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. Statement No. 71 is effective for periods beginning after June 15, 2014 and should be implemented simultaneously with the provisions of GASB Statement No. 68. The City has elected not to early implement GASB No. 68 and 71 and has not determined its effect on the City's financial statements.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Position or Equity

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.

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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, 2014 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.

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

	<u>Vacation</u>	<u>Sick Leave</u>
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.

**City of Santee
Notes to Financial Statements
Year Ended June 30, 2014**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

2) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

Cash and investments at June 30, 2014 are classified in the accompanying financial statements as follow:

Governmental Activities:	
Cash and Investments	\$ 35,447,401
Cash and Investments with Fiscal Agent	888,603
Fiduciary Funds:	
Cash and Investments	5,103,053
Cash and Investments with Fiscal Agent	<u>17,729,223</u>
Total Cash and Investments	<u><u>\$ 59,168,280</u></u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on Hand	\$ 6,100
Deposits with Financial Institutions	790,727
Investments	<u>58,371,453</u>
Total Cash and Investments	<u><u>\$ 59,168,280</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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

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*
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
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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Investments Authorized by Debt Agreements - Continued

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

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:

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Interest Rate Risk - Continued

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	\$ 1,521,329	\$ -	\$ 514,727	\$ 1,006,602	\$ -
Federal Agency Securities	9,361,882	1,505,056	2,038,023	5,818,803	-
Medium Term Notes	3,605,685	508,810	988,727	2,108,148	-
Local Agency Investment Fund	25,001,533	25,001,533	-	-	-
CAMP Investment Fund	20,967	20,967	-	-	-
Money Market Funds	242,129	242,129	-	-	-
Held By Fiscal Agent:					
Federal Agency Securities	2,659,601	-	-	2,659,601	-
Money Market Fund	14,484,133	14,484,133	-	-	-
Investment Contracts	1,474,194	-	-	-	1,474,194
Total	\$ 58,371,453	\$ 41,762,628	\$ 3,541,477	\$ 11,593,154	\$ 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 by Moody's Investor's Service.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	AA	Not Rated
U.S. Treasury Notes	\$ 1,521,329	N/A	\$ 1,521,329	\$ -	\$ -	\$ -
Federal Agency Security	9,361,882	N/A	-	9,361,862	-	-
Medium Term Notes	3,605,685	AA	-	-	3,605,685	-
Local Agency Investment Fund	25,001,533	N/A	-	-	-	25,001,533
CAMP Investment Fund	20,967	N/A	-	-	-	20,967
Money Market Funds	242,129	N/A	-	242,129	-	-
Held by Fiscal Agent:						
Federal Agency Securities	2,659,601	N/A	-	2,659,621	-	-
Money Market Funds	14,484,133	N/A	-	14,484,133	-	-
Investment Contracts	1,474,194	N/A	-	-	-	1,474,194
Total	\$58,371,453		\$1,521,329	\$26,747,745	\$ 3,605,685	\$26,496,694

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

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	\$ 4,536,996	7.77%
Federal National Mortgage Association	Federal Agency Securities	\$ 4,525,097	7.75%

Custodial Credit Risk

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

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS – Continued

A) Cash and Investments - Continued

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, 2014.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

B) Capital Assets - Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 11,796,478	\$ -	\$ -	\$ -	\$ 11,796,478
Parks	4,858,872	-	-	-	4,858,872
Construction in Progress	3,206,098	11,056,516	(97,179)	(443,273)	13,722,162
Total Capital Assets, Not Being Depreciated	<u>19,861,448</u>	<u>11,056,516</u>	<u>(97,179)</u>	<u>(443,273)</u>	<u>30,377,512</u>
Capital Assets, Being Depreciated					
Buildings	20,191,577	-	-	-	20,191,577
Improvements Other Than Buildings	5,908,358	121,265	-	-	6,029,623
Equipment	8,774,596	49,050	-	60,348	8,883,994
Vehicles	4,829,972	471,547	(437,250)	-	4,864,269
Infrastructure	223,426,015	4,517,854	(725,455)	382,925	227,601,339
Total Capital Assets Being Depreciated	<u>263,130,518</u>	<u>5,159,716</u>	<u>(1,162,705)</u>	<u>443,273</u>	<u>267,570,802</u>
Less Accumulated Depreciated for:					
Buildings	\$ (6,250,172)	\$ (654,023)	\$ -	\$ -	\$ (6,904,195)
Improvements Other Than Buildings	(1,129,662)	(378,012)	-	-	(1,507,674)
Equipment	(3,258,213)	(401,801)	-	-	(3,660,014)
Vehicles	(3,835,775)	(259,179)	437,250	-	(3,657,704)
Infrastructure	(100,322,404)	(5,473,084)	480,322	-	(105,315,166)
Total Accumulated Depreciation	<u>(114,796,226)</u>	<u>(7,166,099)</u>	<u>917,572</u>	<u>-</u>	<u>(121,044,753)</u>
Total Capital Assets Being Depreciated, Net	<u>148,334,292</u>	<u>(2,006,383)</u>	<u>(245,133)</u>	<u>443,273</u>	<u>146,526,049</u>
Governmental Activities Capital Assets, Net	<u>\$ 168,195,740</u>	<u>\$ 9,050,133</u>	<u>\$ (342,312)</u>	<u>\$ -</u>	<u>\$ 176,903,561</u>

Depreciation expense was charged to the governmental activities as follows:

General Government	\$ 123,834
Public Safety	292,689
Public Works	5,671,345
Park and Recreation	<u>1,078,231</u>
Total Governmental Activities Depreciation Expense	<u>\$ 7,166,099</u>

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

C) Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2014 is as follows:

Due From/Due To

Due From	Due To	
Nonmajor Governmental Funds	General Fund	\$ 541
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>167,206</u>
	TOTAL	<u><u>\$ 167,747</u></u>

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	
General Fund	Nonmajor Governmental Funds	\$ 330,000
Capital Projects	Traffic Mitigation	602,283
Capital Projects	Nonmajor Governmental Funds	4,237,670
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>45,232</u>
	TOTAL	<u><u>\$ 5,215,185</u></u>

Transfers are used to provide services and construct assets between funds.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 1,055,000	\$ -	\$ 160,000	\$ 895,000	\$ 165,000
Notes and Loans Payable	8,441,947	-	476,076	7,965,871	489,845
Capital Lease Payable	453,284	895,071	139,589	1,208,766	238,638
Claims and Judgments	988,695	713,297	680,733	1,021,259	261,310
Compensated Absences	1,144,012	996,180	992,206	1,147,986	573,993
OPEB Obligation	99,755	266,606	200,630	165,731	-
Pension Related Debt	1,424,816	-	469,491	955,325	35,453
	<u>\$ 13,607,509</u>	<u>\$ 2,871,154</u>	<u>\$ 3,118,725</u>	<u>\$ 13,359,938</u>	<u>\$ 1,764,239</u>
Total	<u>\$ 13,607,509</u>	<u>\$ 2,871,154</u>	<u>\$ 3,118,725</u>	<u>\$ 13,359,938</u>	<u>\$ 1,764,239</u>

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, 2014 were \$895,000.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Lease Revenue Bonds - Continued

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
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>\$ 895,000</u>	<u>\$ 102,378</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, 2014, the City's total debt outstanding on this note was \$6,763,961.

Annual debt service requirements to maturity on this debt at June 30, 2014 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 317,931	\$ 275,509
2016	329,195	262,791
2017	342,961	249,623
2018	354,232	235,905
2019	369,253	221,736
2020-2024	2,080,389	876,079
2025-2029	2,542,500	411,100
2030	427,500	17,100
Total	<u>\$ 6,763,961</u>	<u>\$ 2,549,843</u>

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Notes and Loans Payable - Continued

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, 2014 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 140,000	\$ 17,997
2016	140,000	16,877
2017	140,000	15,372
2018	140,000	13,440
2019	140,000	11,123
2020-2022	420,000	15,540
Total	\$ 1,120,000	\$ 90,349

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.

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, 2014 is \$43,411.

Annual loan payments to maturity are as follows:

Year Ending June 30,	Principal
2015	\$ 24,807
2016	18,604
Total	\$ 43,411

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Notes and Loans Payable - Continued

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, 2014 is \$38,499.

Annual loan payments to maturity are as follows:

Year Ending June 30,	Principal
2015	\$ 7,107
2016	7,107
2017	7,107
2018	7,107
2019	7,107
2020	2,964
Total	<u>\$ 38,499</u>

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Capital Lease Payable - Continued

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

Year Ending June 30,	Governmental Activities
2015	\$ 81,763
2016	81,763
2017	81,763
2018	40,881
Total Minimum Lease Payments	286,170
Less: Amount Representing Interest	(18,973)
Present Value of Minimum Lease Payments	\$ 267,197

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
2015	\$ 19,441
2016	19,441
2017	19,441
2018	19,441
2019	19,441
2020	9,722
Total Minimum Lease Payments	106,927
Less: Amount Representing Interest	(7,948)
Present Value of Minimum Lease Payments	\$ 98,979

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Capital Lease Payable - Continued

On September 6, 2013, the City entered into a Purchase Agreement with Oshkosh Capital in the amount of \$559,899 for the purchase of a 2014 Pierce Arrow Triple Combination Pumper. The capital asset has been recorded as of June 30, 2014. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with Oshkosh Capital dated September 6, 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
2015	\$ 88,743
2016	88,743
2017	88,743
2018	88,743
2019	88,743
2020-2023	133,115
Total Minimum Lease Payments	576,830
Less: Amount Representing Interest	(50,136)
Present Value of Minimum Lease Payments	\$ 526,694

On December 16, 2013, the City entered into a Purchase Agreement with Caterpillar Financial Services Corporation in the amount of \$335,172 for the purchase of a 2014 Vactor Model 2100 Plus Series Jet Rodder. The capital asset has been recorded as of June 30, 2014. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with Caterpillar Financial Services Corporation dated January 20, 2014.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

Capital Lease Payable - Continued

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

Year Ending June 30,	Governmental Activities
2015	\$ 82,743
2016	32,612
2017	32,612
2018	32,612
2019	32,612
2020-2023	146,754
Total Minimum Lease Payments	359,945
Less: Amount Representing Interest	(44,049)
Present Value of Minimum Lease Payments	\$ 315,896

Claims and Judgments

The outstanding liability for claims payable at June 30, 2014 was \$1,021,259 (see Note 3A). This liability is primarily liquidated from the General Fund.

Compensated Absences

The outstanding liability for compensated absences earned at June 30, 2014 was \$1,147,986. 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, 2014 was \$165,731 (see Note 3 D).

**City of Santee
Notes to Financial Statements
Year Ended June 30, 2014**

2) DETAILED NOTES ON ALL FUNDS - Continued

D) Long-term Liabilities - Continued

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. The Safety Plan's Side Fund was paid off during the 2014 fiscal year. The City intends to accelerate paying off the Miscellaneous Plan's Side Fund by the 2016 fiscal year.

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

Year Ending June 30,	Pension-Related Debt		Total
	Principal	Interest	
2015	\$ 35,453	\$ 67,846	\$ 103,299
2016	41,325	65,073	106,398
2017	47,734	61,856	109,590
2018	54,722	58,155	112,877
2019	62,338	53,926	116,264
2020-2024	451,569	184,208	635,777
2025-2029	262,184	19,630	281,814
Total	<u>\$ 955,325</u>	<u>\$ 510,694</u>	<u>\$ 1,466,019</u>

E) Stewardship, Compliance and Accountability

The following nonmajor fund had a deficit fund balance at June 30, 2014:

Deficit Fund Equity

Capital Projects Funds:

Town Center Community Park \$ (167,206)

This deficit will be eliminated from future contributions from other funds.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

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
Year Ended June 30, 2014

3) OTHER INFORMATION - Continued

A) Risk Management - Continued

The changes in the claims liability for the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
Claims payable, beginning of year	\$ 988,695	\$ 1,009,478
Current year claims and changes in estimates	713,297	328,010
Current year claims payments	(680,733)	(348,793)
Claims payable, end of year	\$ 1,021,259	\$ 988,695

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2012-13 to fiscal year 2013-14. 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, 2014 was \$1,962,000.

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, 2014 is \$608,141.

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
Year Ended June 30, 2014

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 \$464,400 for 2013-14. The City contributed the remainder for City employees on their behalf which amounted to \$387,718 during the year ended June 30, 2014.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required Miscellaneous Plan employer contribution rates for the year ended June 30, 2014 were 17.408% for Tier I, 10.282% for Tier II and 6.25% for Tier III miscellaneous employees. The required Safety Plan employer contribution rates for the year ended June 30, 2014 were 33.093% for Tier I, 22.502% for Tier II and 12.25% for Tier III 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:

Fiscal Year	Required Contributions	Percentage Contributed
6/30/12	\$ 2,384,991	100%
6/30/13	\$ 2,397,590	100%
6/30/14	\$ 2,419,500	100%

Public Agency Retirement System

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. 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, 2014, the City's payroll covered by the plan was \$232,741. The City made employer contributions of \$8,729 (3.75% of covered payroll), and employees contributed \$8,729 (3.75% of covered payroll).

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

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, 2014 were \$104,849. As of June 30, 2014, 45 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, 2014 were \$9,557. There was one participant in this program as of June 30, 2014.

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 2013-14, the City contributed \$266,606 to the plan, including \$200,630 for current premiums. Contributions are typically made from the General Fund.

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

3) OTHER INFORMATION - Continued

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

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	\$	267,136
Interest on Net OPEB Obligation		3,990
Adjustment to Annual Required Contribution		(4,520)
Annual OPEB Cost (Expense)		266,606
Contributions Made (Including Premiums Paid)		(200,630)
Increase (Decrease) in Net OPEB Obligation		65,976
Net OPEB Obligation - Beginning of Year		99,755
Net OPEB Obligation - End of Year	\$	165,731

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

June 30,	OPEB Cost	Actual Contribution (Net of Adjustments)	Cost Contributed	Obligation
6/30/12	\$ 240,997	\$ 257,571	106.9%	\$ 98,592
6/30/13	\$ 245,852	\$ 244,689	99.5%	\$ 99,755
6/30/14	\$ 266,606	\$ 200,630	75.3%	\$ 165,731

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability (AAL)	\$	3,943,315
Actuarial Value of Plan Assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	3,943,315
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0.00%
Covered Payroll (Active Plan Members)	\$	9,469,244
UAAL as a Percentage of Covered Payroll		41.6%

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

3) OTHER INFORMATION - Continued

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

Funded Status and Funding Progress - Continued

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 4.0 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 3.0 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.

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

3) OTHER INFORMATION - Continued

E) Net Position and Fund Balances

Net Position - Continued

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.

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.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

3) OTHER INFORMATION - Continued

E) Net Position and Fund Balances - Continued

Fund Balances - Continued

The details of the fund balances as of June 30, 2014 are presented below:

	General Fund	Traffic Mitigation Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 577,329	\$ -	\$ -	\$ -	\$ 577,329
Inventory	3,234	-	-	-	3,234
Restricted for:					
Community Development	-	-	-	2,941,790	2,941,790
Debt Service	1,400,001	-	-	-	1,400,001
Law Enforcement	-	-	-	1,673	1,673
Traffic Management	-	-	-	163,329	163,329
Lighting and Landscape Maintenance	-	-	-	1,050,793	1,050,793
Streets and Roads	-	5,706,147	-	3,682,414	9,388,561
Storm Drains and Channels	-	-	-	2,243,658	2,243,658
Construction	-	-	34,031	6,316,917	6,350,948
Energy Efficiency	-	-	-	24,271	24,271
Mobile Home Park Ordinance Administration	-	-	-	52,840	52,840
Committed to:					
General Contracts	25,159	-	-	-	25,159
Software Upgrade	-	-	102,119	-	102,119
Community Development	92,645	-	-	-	92,645
Fire Equipment and Supplies	-	-	-	18,494	18,494
Construction	-	-	1,109,391	-	1,109,391
Assigned to:					
General Contracts	15,121	-	-	-	15,121
Fire Equipment and Supplies	7,984	-	-	-	7,984
Employee Development	15,440	-	-	-	15,440
Fire Station Improvements	26,007	-	-	-	26,007
Equipment Purchases	32,097	-	-	-	32,097
Recreation Programs	39,008	-	-	-	39,008
Self Insurance	998,041	-	-	-	998,041
Vehicle Replacement	648,720	-	-	-	648,720
Construction	-	-	14,515	156,561	171,076
Subsequent Budget	763,110	-	-	-	763,110
Library	8,711	-	-	-	8,711
Other Purposes	23,969	-	-	-	23,969
Unassigned:	6,081,591	-	-	(167,206)	5,914,385
Total Fund Balances	<u>\$10,758,167</u>	<u>\$5,706,147</u>	<u>\$1,260,056</u>	<u>\$ 16,485,534</u>	<u>\$ 34,209,904</u>

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

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, 2014, 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, 2014, a portion of the assets have been accepted and transferred to the County Housing Authority. The remaining assets 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
Year Ended June 30, 2014

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:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Fiduciary Fund:					
Bonds Payable	\$ 50,600,000	\$ -	\$ 1,150,000	\$ 49,450,000	\$ 1,195,000
Discount on Bonds	(577,317)	-	(20,618)	(556,699)	-
Total	\$ 50,022,683	\$ -	\$ 1,129,382	\$ 48,893,301	\$ 1,195,000

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, 2014 of \$1,474,194 was fully satisfied.

The 2005 Bonds outstanding at June 30, 2014 were \$18,990,000. Annual debt service requirements to maturity for the 2005 Bonds are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 615,000	\$ 815,931
2016	640,000	793,183
2017	660,000	768,796
2018	695,000	742,109
2019	730,000	713,609
2020-2024	4,095,000	3,085,715
2025-2029	5,115,000	2,091,028
2030-2034	6,440,000	773,829
Total	\$ 18,990,000	\$ 9,784,200

**City of Santee
Notes to Financial Statements
Year Ended June 30, 2014**

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, 2014 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, 2014 of \$471,000 was fully funded.

The 2011 Bonds Series A and Series B outstanding at June 30, 2014 were \$30,460,000. Annual debt service requirements to maturity for the 2011 Bonds are as follows:

Year Ending June 30,	2011A		2011B	
	Principal	Interest	Principal	Interest
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	580,000	1,589,263	95,000	389,100
2020-2024	3,435,000	7,404,281	595,000	1,810,750
2025-2029	4,610,000	6,123,238	915,000	1,475,200
2030-2034	6,380,000	4,241,300	1,410,000	941,375
2035-2039	4,910,000	2,251,200	660,000	438,425
2040-2042	3,845,000	415,975	570,000	84,075
Total	\$ 25,890,000	\$ 28,637,339	\$ 4,570,000	\$ 6,751,463

City of Santee
Notes to Financial Statements
Year Ended June 30, 2014

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, 2014. 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 2013-14, 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, 2014. 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
Year Ended June 30, 2014

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 2013-14, 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, 2014. 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) Subsequent Events

On September 10, 2014, the City entered into an agreement with the San Diego Association of Governments (SANDAG) under which the City will borrow up to \$4,500,000 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 2034. Interest on the note is 3.85%. The repayment of debt will be the first priority on the use of the City's annual TransNet revenues.



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Required Supplementary Information

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City of Santee
Required Supplementary Information
Year Ended June 30, 2014

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%
06/30/14	\$ -	\$ 3,943,315	\$ 3,943,315	0%	\$ 9,469,244	41.6%

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Taxes	\$ 12,933,000	\$ 13,211,100	\$ 13,351,823	\$ 140,723
Sales	9,046,300	9,124,900	9,460,428	335,528
Other	3,164,900	3,212,600	3,327,738	115,138
Special Assessments	940,000	930,000	919,367	(10,633)
Intergovernmental	125,000	324,382	182,617	(141,765)
Licenses and Permits	178,800	177,000	184,984	7,984
Fines and Forfeitures	154,200	148,900	153,385	4,485
Charges for Services	5,429,620	5,612,445	5,504,980	(107,465)
Investment Earnings	153,600	122,500	94,421	(28,079)
Other Revenue	124,600	198,400	207,639	9,239
	<u>32,250,020</u>	<u>33,062,227</u>	<u>33,387,382</u>	<u>325,155</u>
Total Revenues				
EXPENDITURES				
Current:				
City Council	327,870	334,721	326,406	8,315
City Manager	638,588	642,295	635,534	6,761
City Attorney	441,151	356,643	355,669	974
City Clerk	264,831	264,101	221,915	42,186
Finance	1,033,171	1,044,788	985,426	59,362
Human Resources	448,911	505,814	455,314	50,500
Risk Management	308,358	361,849	395,686	(33,837)
Police	12,035,265	11,929,720	11,919,305	10,415
Fire	10,399,490	10,346,780	10,873,400	(526,620)
Animal Control	319,965	319,960	319,965	(5)
Development Services	3,016,860	3,177,251	2,726,304	450,947
Community Services	3,626,390	3,736,921	3,624,792	112,129
Non-Departmental	253,100	258,300	285,132	(26,832)
Capital Outlay	286,800	1,408,369	545,832	862,537
Debt Service:				
Principal	316,540	316,540	299,589	16,951
Interest and Fiscal Charges	70,740	70,740	64,779	5,961
	<u>33,788,030</u>	<u>35,074,792</u>	<u>34,035,048</u>	<u>1,039,744</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,538,010)</u>	<u>(2,012,565)</u>	<u>(647,666)</u>	<u>1,364,899</u>

Continued

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund - Continued
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 340,000	\$ 330,000	\$ 330,000	\$ -
Issuance of Long-term Debt	-	895,071	895,071	-
	<u>340,000</u>	<u>1,225,071</u>	<u>1,225,071</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(1,198,010)	(787,494)	577,405	1,364,899
Fund Balance, Beginning	<u>10,180,762</u>	<u>10,180,762</u>	<u>10,180,762</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,982,752</u>	<u>\$ 9,393,268</u>	<u>\$ 10,758,167</u>	<u>\$ 1,364,899</u>

City of Santee
Notes to the Required Supplementary Information
Year Ended June 30, 2014

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 2013-14, the City made supplemental appropriations and other appropriation adjustments which increased the original General Fund budget by \$1,282,762. 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, 2014, 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
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 3,371,000	\$ 10,258,016	\$ 13,629,016
Cash and Investments with Fiscal Agents	888,603	-	888,603
Loans Receivable	1,962,000	-	1,962,000
Interest Receivable	6,813	21,261	28,074
Due from Other Funds	-	167,206	167,206
Due from Other Governments	266,004	113,355	379,359
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,494,420</u>	<u>\$ 10,559,838</u>	<u>\$ 17,054,258</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 162,155	\$ -	\$ 162,155
Accrued Salaries and Benefits	894	-	894
Unearned Revenue	-	139,130	139,130
Due to Other Funds	541	167,206	167,747
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>163,590</u>	<u>306,336</u>	<u>469,926</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Intergovernmental	49,231	49,567	98,798
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>49,231</u>	<u>49,567</u>	<u>98,798</u>
Fund Balances:			
Restricted	6,263,105	10,214,580	16,477,685
Committed	18,494	-	18,494
Assigned	-	156,561	156,561
Unassigned	-	(167,206)	(167,206)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>6,281,599</u>	<u>10,203,935</u>	<u>16,485,534</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,494,420</u>	<u>\$ 10,559,838</u>	<u>\$ 17,054,258</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Property Taxes	\$ 534,787	\$ -	\$ 534,787
Other Taxes	1,826,162	-	1,826,162
Special Assessments	767,813	-	767,813
Intergovernmental	445,595	2,912,025	3,357,620
Developer Fees	-	2,777,104	2,777,104
Investment Earnings	19,239	59,340	78,579
Other Revenue	39,272	77,765	117,037
	<u>3,632,868</u>	<u>5,826,234</u>	<u>9,459,102</u>
EXPENDITURES			
Current:			
General Government	77,581	-	77,581
Public Safety	122,674	-	122,674
Public Works	2,126,983	-	2,126,983
Community Development	96,033	-	96,033
Capital Outlay:			
Public Works	11,573	448	12,021
Parks and Recreation	-	922	922
Debt Service:			
Principal	171,914	304,162	476,076
Interest and Fiscal Charges	18,767	288,639	307,406
	<u>2,625,525</u>	<u>594,171</u>	<u>3,219,696</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,007,343</u>	<u>5,232,063</u>	<u>6,239,406</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	47,339	-	47,339
Transfers Out	(898,232)	(3,714,670)	(4,612,902)
	<u>(850,893)</u>	<u>(3,714,670)</u>	<u>(4,565,563)</u>
Net Change in Fund Balances	156,450	1,517,393	1,673,843
Fund Balances, Beginning of Year	<u>6,125,149</u>	<u>8,686,542</u>	<u>14,811,691</u>
Fund Balances, End of Year	<u>\$ 6,281,599</u>	<u>\$ 10,203,935</u>	<u>\$ 16,485,534</u>

City of Santee
Nonmajor Governmental Funds
June 30, 2014

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 Fund - 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 Fund - 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 - The SAFE (Service Authority for Freeway Emergencies) program fund provides for the expenditure of Santee's share of excess 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
Nonmajor Special Revenue Funds
June 30, 2014**

	Supplemental Law Enforcement	Asset Seizure	Gas Tax	HOME Investment Partnership
ASSETS				
Cash and Investments	\$ 546	\$ 1,644	\$ 1,594,760	\$ 77,998
Cash and Investments with Fiscal Agents	-	-	-	-
Loans Receivable	-	-	-	1,962,000
Interest Receivable	-	4	3,208	161
Due from Other Governments	16,145	-	223,435	-
	<u>16,691</u>	<u>-</u>	<u>223,435</u>	<u>-</u>
Total Assets	<u>\$ 16,691</u>	<u>\$ 1,648</u>	<u>\$ 1,821,403</u>	<u>\$ 2,040,159</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 16,666	\$ -	\$ 73,550	\$ -
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>16,666</u>	<u>-</u>	<u>73,550</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	-	-	49,172	-
	<u>-</u>	<u>-</u>	<u>49,172</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>49,172</u>	<u>-</u>
Fund Balances:				
Restricted	25	1,648	1,698,681	2,040,159
Committed	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>25</u>	<u>1,648</u>	<u>1,698,681</u>	<u>2,040,159</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,691</u>	<u>\$ 1,648</u>	<u>\$ 1,821,403</u>	<u>\$ 2,040,159</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>
\$ 24,221	\$ 343,735	\$ -	\$ 6,086	\$ 229,199	\$ 83,332
-	-	-	888,603	-	-
-	-	-	-	-	-
50	739	3	49	410	163
-	2,576	19,345	-	956	799
<u>\$ 24,271</u>	<u>\$ 347,050</u>	<u>\$ 19,348</u>	<u>\$ 894,738</u>	<u>\$ 230,565</u>	<u>\$ 84,294</u>
\$ -	\$ 17,263	\$ 11,914	\$ -	\$ 26,532	\$ 5,944
-	-	-	-	-	-
-	-	541	-	-	-
-	17,263	12,455	-	26,532	5,944
-	59	-	-	-	-
-	59	-	-	-	-
24,271	329,728	6,893	894,738	204,033	78,350
-	-	-	-	-	-
24,271	329,728	6,893	894,738	204,033	78,350
<u>\$ 24,271</u>	<u>\$ 347,050</u>	<u>\$ 19,348</u>	<u>\$ 894,738</u>	<u>\$ 230,565</u>	<u>\$ 84,294</u>

Continued

City of Santee
Combining Balance Sheet
Nonmajor Special Revenue Funds - Continued
June 30, 2014

	<u>Mobile Home Park Assessment</u>	<u>Street Lighting Tax</u>	<u>Roadway Lighting District</u>	<u>Paramedic Equipment</u>
ASSETS				
Cash and Investments	\$ 53,857	\$ 326,844	\$ 447,332	\$ 18,457
Cash and Investments with Fiscal Agents	-	-	-	-
Loans Receivable	-	-	-	-
Interest Receivable	117	687	845	37
Due from Other Governments	-	1,769	979	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 53,974</u>	<u>\$ 329,300</u>	<u>\$ 449,156</u>	<u>\$ 18,494</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 240	\$ 3,964	\$ 6,082	\$ -
Accrued Salaries and Benefits	894	-	-	-
Due to Other Funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,134</u>	<u>3,964</u>	<u>6,082</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	52,840	325,336	443,074	-
Committed	-	-	-	18,494
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>52,840</u>	<u>325,336</u>	<u>443,074</u>	<u>18,494</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 53,974</u>	<u>\$ 329,300</u>	<u>\$ 449,156</u>	<u>\$ 18,494</u>

Continued

<u>SAFE Program</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 162,989	\$ 3,371,000
-	888,603
-	1,962,000
340	6,813
-	266,004
\$ 163,329	\$ 6,494,420
\$ -	\$ 162,155
-	894
-	541
-	163,590
-	49,231
-	49,231
163,329	6,263,105
-	18,494
163,329	6,281,599
\$ 163,329	\$ 6,494,420

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

	Supplemental Law Enforcement	Asset Seizure	Gas Tax	HOME Investment Partnership
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	1,826,162	-
Special Assessments	-	-	-	-
Intergovernmental	100,000	-	-	82,427
Investment Earnings	9	13	9,186	146
Other Revenue	-	-	3,794	-
Total Revenues	100,009	13	1,839,142	82,573
EXPENDITURES				
Current:				
General Government	-	-	-	45,080
Public Safety	100,000	-	-	-
Public Works	-	-	1,042,082	-
Community Development	-	-	-	-
Capital Outlay:				
Public Works	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	100,000	-	1,042,082	45,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	9	13	797,060	37,493
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(454,243)	-
Total Other Financing Sources (Uses)	-	-	(454,243)	-
Net Change in Fund Balances	9	13	342,817	37,493
Fund Balances, Beginning of Year	16	1,635	1,355,864	2,002,666
Fund Balances, End of Year	\$ 25	\$ 1,648	\$ 1,698,681	\$ 2,040,159

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>
\$ -	\$ 293,105	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	321,140	105,118
-	5,141	257,662	-	-	-
182	1,963	8	208	931	418
-	-	-	-	-	-
<u>182</u>	<u>300,209</u>	<u>257,670</u>	<u>208</u>	<u>322,071</u>	<u>105,536</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	246,967	-	-	321,180	100,166
-	-	96,033	-	-	-
-	11,573	-	-	-	-
-	-	140,000	-	-	-
-	-	18,767	-	-	-
<u>-</u>	<u>258,540</u>	<u>254,800</u>	<u>-</u>	<u>321,180</u>	<u>100,166</u>
<u>182</u>	<u>41,669</u>	<u>2,870</u>	<u>208</u>	<u>891</u>	<u>5,370</u>
-	-	-	-	21,116	-
-	-	-	(443,989)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(443,989)</u>	<u>21,116</u>	<u>-</u>
182	41,669	2,870	(443,781)	22,007	5,370
<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>\$ 24,271</u>	<u>\$ 329,728</u>	<u>\$ 6,893</u>	<u>\$ 894,738</u>	<u>\$ 204,033</u>	<u>\$ 78,350</u>

Continued

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds - Continued
Year Ended June 30, 2014

	Mobile Home Park Assessment	Street Lighting Tax	Roadway Lighting District	Paramedic Equipment
REVENUES				
Property Taxes	\$ -	\$ 241,682	\$ -	\$ -
Other Taxes	-	-	-	-
Special Assessments	43,506	-	298,049	-
Intergovernmental	365	-	-	-
Investment Earnings	-	1,767	3,021	119
Other Revenue	30,000	2,259	384	2,835
Total Revenues	73,871	245,708	301,454	2,954
EXPENDITURES				
Current:				
General Government	32,501	-	-	-
Public Safety	-	-	-	-
Public Works	-	118,824	297,764	-
Community Development	-	-	-	-
Capital Outlay:				
Public Works	-	-	-	-
Debt Service:				
Principal	-	24,807	7,107	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	32,501	143,631	304,871	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	41,370	102,077	(3,417)	2,954
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	26,223	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	26,223	-
Net Change in Fund Balances	41,370	102,077	22,806	2,954
Fund Balances, Beginning of Year	11,470	223,259	420,268	15,540
Fund Balances, End of Year	\$ 52,840	\$ 325,336	\$ 443,074	\$ 18,494

Continued

<u>SAFE Program</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 534,787
-	1,826,162
-	767,813
-	445,595
1,268	19,239
-	39,272
1,268	3,632,868
-	77,581
22,674	122,674
-	2,126,983
-	96,033
-	11,573
-	171,914
-	18,767
22,674	2,625,525
(21,406)	1,007,343
-	47,339
-	(898,232)
-	(850,893)
(21,406)	156,450
184,735	6,125,149
\$ 163,329	\$ 6,281,599

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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Investment Earnings	-	9	9
	<u>100,000</u>	<u>100,009</u>	<u>9</u>
EXPENDITURES			
Current:			
Public Safety	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	9	9
Fund Balance, Beginning of Year	<u>16</u>	<u>16</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 16</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 9</u></u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Asset Seizure Special Revenue Fund
Year Ended June 30, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ -	\$ 13	\$ 13
Total Revenues	<u>-</u>	<u>13</u>	<u>13</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	-	13	13
Fund Balance, Beginning of Year	<u>1,635</u>	<u>1,635</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,635</u></u>	<u><u>\$ 1,648</u></u>	<u><u>\$ 13</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, 2014

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Other Taxes	\$ 1,566,800	\$ 1,826,162	\$ 259,362
Investment Earnings	5,000	9,186	4,186
Other Revenue	-	3,794	3,794
	<u>1,571,800</u>	<u>1,839,142</u>	<u>267,342</u>
EXPENDITURES			
Current:			
Public Works	1,234,512	1,042,082	192,430
	<u>1,234,512</u>	<u>1,042,082</u>	<u>192,430</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>337,288</u>	<u>797,060</u>	<u>459,772</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(955,120)	(454,243)	500,877
	<u>(955,120)</u>	<u>(454,243)</u>	<u>500,877</u>
Net Change in Fund Balance	(617,832)	342,817	960,649
Fund Balance, Beginning of Year	<u>1,355,864</u>	<u>1,355,864</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 738,032</u>	<u>\$ 1,698,681</u>	<u>\$ 960,649</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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 323,200	\$ 82,427	\$ (240,773)
Investment Earnings	-	146	146
	<u>323,200</u>	<u>82,573</u>	<u>(240,627)</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	<u>323,200</u>	<u>45,080</u>	<u>278,120</u>
	<u>323,200</u>	<u>45,080</u>	<u>278,120</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	37,493	37,493
Fund Balance, Beginning of Year	<u>2,002,666</u>	<u>2,002,666</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,002,666</u></u>	<u><u>\$ 2,040,159</u></u>	<u><u>\$ 37,493</u></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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ -	\$ 182	\$ 182
Total Revenues	<u>-</u>	<u>182</u>	<u>182</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	(24,089)	182	24,271
Fund Balance, Beginning of Year	<u>24,089</u>	<u>24,089</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 24,271</u></u>	<u><u>\$ 24,271</u></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, 2014

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 285,600	\$ 293,105	\$ 7,505
Intergovernmental	-	5,141	5,141
Investment Earnings	1,500	1,963	463
	<u>287,100</u>	<u>300,209</u>	<u>13,109</u>
Total Revenues			
EXPENDITURES			
Current:			
Public Works	342,097	246,967	95,130
Capital Outlay:			
Public Works	11,573	11,573	-
	<u>353,670</u>	<u>258,540</u>	<u>95,130</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,570)	41,669	108,239
Fund Balance, Beginning of Year	<u>288,059</u>	<u>288,059</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 221,489</u>	<u>\$ 329,728</u>	<u>\$ 108,239</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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 254,670	\$ 257,662	\$ 2,992
Investment Earnings	-	8	8
	<u>254,670</u>	<u>257,670</u>	<u>3,000</u>
EXPENDITURES			
Current:			
Community Development	97,180	96,033	1,147
Debt Service:			
Principal	140,000	140,000	-
Interest and Fiscal Charges	18,460	18,767	(307)
	<u>255,640</u>	<u>254,800</u>	<u>840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(970)	2,870	3,840
Fund Balance, Beginning of Year	<u>4,023</u>	<u>4,023</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,053</u>	<u>\$ 6,893</u>	<u>\$ 3,840</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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ -	\$ 208	\$ 208
Total Revenues	<u>-</u>	<u>208</u>	<u>208</u>
EXPENDITURES			
Capital Outlay:			
Public Works	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>208</u>	<u>208</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(1,392,850)</u>	<u>(443,989)</u>	<u>948,861</u>
Total Other Financing Sources (Uses)	<u>(1,392,850)</u>	<u>(443,989)</u>	<u>948,861</u>
Net Change in Fund Balance	(1,392,850)	(443,781)	949,069
Fund Balance, Beginning of Year	<u>1,338,519</u>	<u>1,338,519</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (54,331)</u>	<u>\$ 894,738</u>	<u>\$ 949,069</u>

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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Special Assessments	\$ 319,320	\$ 321,140	\$ 1,820
Investment Earnings	-	931	931
	<u>319,320</u>	<u>322,071</u>	<u>2,751</u>
EXPENDITURES			
Current:			
Public Works	349,060	321,180	27,880
	<u>349,060</u>	<u>321,180</u>	<u>27,880</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,740)</u>	<u>891</u>	<u>30,631</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	25,580	21,116	(4,464)
	<u>25,580</u>	<u>21,116</u>	<u>(4,464)</u>
Net Changes in Fund Balance	(4,160)	22,007	26,167
Fund Balance, Beginning of Year	<u>182,026</u>	<u>182,026</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 177,866</u>	<u>\$ 204,033</u>	<u>\$ 26,167</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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Special Assessments	\$ 105,070	\$ 105,118	\$ 48
Investment Earnings	-	418	418
	<u>105,070</u>	<u>105,536</u>	<u>466</u>
EXPENDITURES			
Current:			
Public Works	<u>104,235</u>	<u>100,166</u>	<u>4,069</u>
	<u>104,235</u>	<u>100,166</u>	<u>4,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	835	5,370	4,535
Fund Balance, Beginning of Year	<u>72,980</u>	<u>72,980</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 73,815</u></u>	<u><u>\$ 78,350</u></u>	<u><u>\$ 4,535</u></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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Special Assessments	\$ 43,000	\$ 43,506	\$ 506
Investment Earnings	200	365	165
Other Revenue	-	30,000	30,000
	<u>43,200</u>	<u>73,871</u>	<u>30,671</u>
EXPENDITURES			
Current:			
General Government	<u>43,270</u>	<u>32,501</u>	<u>10,769</u>
Total Expenditures	<u>43,270</u>	<u>32,501</u>	<u>10,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70)	41,370	41,440
Fund Balance, Beginning of Year	<u>11,470</u>	<u>11,470</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 11,400</u></u>	<u><u>\$ 52,840</u></u>	<u><u>\$ 41,440</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, 2014

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 237,970	\$ 241,682	\$ 3,712
Investment Earnings	1,750	1,767	17
Other Revenue	-	2,259	2,259
	<u>239,720</u>	<u>245,708</u>	<u>5,988</u>
EXPENDITURES			
Current:			
Public Works	135,297	118,824	16,473
Debt Service:			
Principal	24,810	24,807	3
	<u>160,107</u>	<u>143,631</u>	<u>16,476</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,613	102,077	22,464
Fund Balance, Beginning of Year	<u>223,259</u>	<u>223,259</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 302,872</u>	<u>\$ 325,336</u>	<u>\$ 22,464</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, 2014

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Special Assessments	\$ 297,700	\$ 298,049	\$ 349
Investment Earnings	3,500	3,021	(479)
Other Revenue	-	384	384
	<u>301,200</u>	<u>301,454</u>	<u>254</u>
EXPENDITURES			
Current:			
Public Works	302,787	297,764	5,023
Debt Service:			
Principal	7,140	7,107	33
	<u>309,927</u>	<u>304,871</u>	<u>5,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,727)</u>	<u>(3,417)</u>	<u>5,310</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	26,223	26,223
	<u>-</u>	<u>26,223</u>	<u>26,223</u>
Net Changes in Fund Balance	(8,727)	22,806	31,533
Fund Balance, Beginning of Year	<u>420,268</u>	<u>420,268</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 411,541</u>	<u>\$ 443,074</u>	<u>\$ 31,533</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, 2014

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 119	\$ 119
Other Revenues	-	2,835	2,835
Total Revenues	-	2,954	2,954
EXPENDITURES			
Capital Outlay:			
Public Safety	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,954	2,954
Fund Balance, Beginning of Year	15,540	15,540	-
Fund Balance, End of Year	<u>\$ 15,540</u>	<u>\$ 18,494</u>	<u>\$ 2,954</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, 2014

	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ 900	\$ 1,268	\$ 368
Total Revenues	<u>900</u>	<u>1,268</u>	<u>368</u>
EXPENDITURES			
Current:			
Public Safety	50,000	22,674	27,326
Capital Outlay:			
Public Safety	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures	<u>70,000</u>	<u>22,674</u>	<u>47,326</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,100)	(21,406)	47,694
Fund Balance, Beginning of Year	<u>184,735</u>	<u>184,735</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 115,635</u></u>	<u><u>\$ 163,329</u></u>	<u><u>\$ 47,694</u></u>

City of Santee
Nonmajor Governmental Funds
June 30, 2014

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

Park In-Lieu 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
Nonmajor Capital Projects Funds
June 30, 2014**

	<u>Transportation Improvements Prop A</u>	<u>Town Center Community Park</u>	<u>Regional Transportation Congestion Improvements</u>	<u>Public Facilities</u>
ASSETS				
Cash and Investments	\$ 112,043	\$ -	\$ 1,377,804	\$ 3,462,563
Interest Receivable	224	-	2,843	7,143
Due from Other Funds	-	-	-	-
Due from Other Governments	113,355	-	-	-
	<u>113,355</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 225,622</u>	<u>\$ -</u>	<u>\$ 1,380,647</u>	<u>\$ 3,469,706</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Unearned Revenue	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	167,206	-	-
	<u>-</u>	<u>167,206</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>167,206</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenues - Intergovernmental	49,567	-	-	-
	<u>49,567</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	176,055	-	1,380,647	3,469,706
Assigned	-	-	-	-
Unassigned	-	(167,206)	-	-
	<u>-</u>	<u>(167,206)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>176,055</u>	<u>(167,206)</u>	<u>1,380,647</u>	<u>3,469,706</u>
Total Liabilities Deferred Inflows of Resources and Fund Balances	<u>\$ 225,622</u>	<u>\$ -</u>	<u>\$ 1,380,647</u>	<u>\$ 3,469,706</u>

Continued

<u>Traffic Signal</u>	<u>Drainage</u>	<u>Forester Creek Development</u>	<u>Park In-Lieu</u>	<u>TDA Transit</u>	<u>Utility Undergrounding</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 426,151	\$ 1,886,514	\$ 23,447	\$ 2,673,316	\$ 139,939	\$ 156,239	\$ 10,258,016
880	3,920	49	5,616	264	322	21,261
-	-	-	167,206	-	-	167,206
-	-	-	-	-	-	113,355
<u>\$ 427,031</u>	<u>\$ 1,890,434</u>	<u>\$ 23,496</u>	<u>\$ 2,846,138</u>	<u>\$ 140,203</u>	<u>\$ 156,561</u>	<u>\$ 10,559,838</u>
\$ -	\$ -	\$ -	\$ -	\$ 139,130	\$ -	\$ 139,130
-	-	-	-	-	-	167,206
-	-	-	-	139,130	-	306,336
-	-	-	-	-	-	49,567
427,031	1,890,434	23,496	2,846,138	1,073	-	10,214,580
-	-	-	-	-	156,561	156,561
-	-	-	-	-	-	(167,206)
<u>427,031</u>	<u>1,890,434</u>	<u>23,496</u>	<u>2,846,138</u>	<u>1,073</u>	<u>156,561</u>	<u>10,203,935</u>
<u>\$ 427,031</u>	<u>\$ 1,890,434</u>	<u>\$ 23,496</u>	<u>\$ 2,846,138</u>	<u>\$ 140,203</u>	<u>\$ 156,561</u>	<u>\$ 10,559,838</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2014

	Transportation Improvements Prop A	Town Center Community Park	Regional Transportation Congestion Improvements	Public Facilities
REVENUES				
Intergovernmental	\$ 2,894,860	\$ -	\$ -	\$ -
Developer Fees	-	-	384,278	917,552
Investment Earnings	18	-	7,172	18,416
Other Revenue	77,765	-	-	-
	<u>2,972,643</u>	<u>-</u>	<u>391,450</u>	<u>935,968</u>
Total Revenues				
EXPENDITURES				
Capital Outlay:				
Public Works	-	448	-	-
Parks and Recreation	-	-	-	-
Debt Service:				
Principal	304,162	-	-	-
Interest and Fiscal Charges	288,639	-	-	-
	<u>592,801</u>	<u>448</u>	<u>-</u>	<u>-</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,379,842</u>	<u>(448)</u>	<u>391,450</u>	<u>935,968</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(2,354,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,354,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	25,741	(448)	391,450	935,968
Fund Balances, Beginning of Year	<u>150,314</u>	<u>(166,758)</u>	<u>989,197</u>	<u>2,533,738</u>
Fund Balances, End of Year	<u>\$ 176,055</u>	<u>\$ (167,206)</u>	<u>\$ 1,380,647</u>	<u>\$ 3,469,706</u>

Continued

<u>Traffic Signal</u>	<u>Drainage</u>	<u>Forester Creek Development</u>	<u>Park In-Lieu</u>	<u>TDA Transit</u>	<u>Utility Undergrounding</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 17,165	\$ -	\$ 2,912,025
46,480	312,138	-	1,116,656	-	-	2,777,104
2,863	13,614	670	14,338	1,073	1,176	59,340
-	-	-	-	-	-	77,765
<u>49,343</u>	<u>325,752</u>	<u>670</u>	<u>1,130,994</u>	<u>18,238</u>	<u>1,176</u>	<u>5,826,234</u>
-	-	-	-	-	-	448
-	-	922	-	-	-	922
-	-	-	-	-	-	304,162
-	-	-	-	-	-	288,639
<u>-</u>	<u>-</u>	<u>922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,171</u>
<u>49,343</u>	<u>325,752</u>	<u>(252)</u>	<u>1,130,994</u>	<u>18,238</u>	<u>1,176</u>	<u>5,232,063</u>
<u>-</u>	<u>(521,394)</u>	<u>(330,000)</u>	<u>(492,010)</u>	<u>(17,165)</u>	<u>-</u>	<u>(3,714,670)</u>
<u>-</u>	<u>(521,394)</u>	<u>(330,000)</u>	<u>(492,010)</u>	<u>(17,165)</u>	<u>-</u>	<u>(3,714,670)</u>
49,343	(195,642)	(330,252)	638,984	1,073	1,176	1,517,393
<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>\$ 427,031</u>	<u>\$ 1,890,434</u>	<u>\$ 23,496</u>	<u>\$ 2,846,138</u>	<u>\$ 1,073</u>	<u>\$ 156,561</u>	<u>\$ 10,203,935</u>



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STATISTICAL SECTION

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City of Santee
Description of Statistical Section Contents
June 30, 2014

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.

<u>Contents</u>	<u>Pages</u>
<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.	102-110
<u>Revenue Capacity</u> – these schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	111-114
<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.	115-120
<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.	121-123
<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.	124-126

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

	Fiscal Year			
	2005	2006	2007	2008
GOVERNMENTAL ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 79,994,773	\$ 87,732,308	\$ 100,236,132	\$ 102,221,753
Restricted	26,702,487	30,672,858	35,192,868	38,254,452
Unrestricted	11,867,231	8,713,169	7,769,328	8,026,545
Total Governmental Activities Net Assets	<u>\$ 118,564,491</u>	<u>\$ 127,118,335</u>	<u>\$ 143,198,328</u>	<u>\$ 148,502,750</u>

Continued

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 107,177,454	\$ 110,906,766	\$ 147,929,745	\$ 160,604,789	\$ 159,505,509	\$ 167,953,925
36,161,243	29,617,019	33,791,161	18,434,571	21,242,368	22,882,344
6,680,429	9,339,445	6,410,313	4,922,805	6,632,478	7,614,356
\$ 150,019,126	\$ 149,863,230	\$ 188,131,219	\$ 183,962,165	\$ 187,380,355	\$ 198,450,625

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

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
Governmental Activities:				
General Government	\$ 3,984,220	\$ 4,380,611	\$ 4,956,159	\$ 5,037,009
Public Safety	17,750,816	19,288,776	20,317,027	22,245,716
Public Works	10,342,440	11,072,024	11,435,058	12,657,171
Community Development	3,529,287	3,906,239	4,026,358	4,707,476
Parks and Recreation	1,850,738	1,986,291	2,013,700	2,896,643
Interest and Fiscal Charges	2,047,768	1,212,220	1,179,941	1,159,472
Total Governmental Activities Expenses	39,505,269	41,846,161	43,928,243	48,703,487
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	159,503	163,479	180,970	195,678
Public Safety	2,808,450	3,285,418	3,615,837	3,858,281
Public Works	3,256,925	2,283,173	3,109,333	2,452,759
Community Development	1,602,328	1,435,092	1,614,625	1,670,450
Parks and Recreation	310,727	463,045	434,941	382,628
Operating Grants and Contributions	2,574,472	2,264,595	2,012,532	2,211,325
Capital Grants and Contributions	6,732,280	9,981,792	15,642,995	7,976,306
Total Governmental Activities Program Revenues	17,444,685	19,876,594	26,611,233	18,747,427
Net Revenues (Expenses) From Governmental Activities	(22,060,584)	(21,969,567)	(17,317,010)	(29,956,060)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental Activities:				
Taxes:				
Property Taxes (1)	11,759,431	18,097,285	20,999,209	22,487,877
Sales Taxes	7,370,893	7,945,067	8,215,910	8,267,858
Franchise Taxes	1,613,081	1,928,092	2,067,216	2,067,948
Other Taxes	429,999	438,603	334,935	307,802
Motor Vehicle In Lieu, Unrestricted (1)	4,151,932	376,525	295,537	244,687
Investment Income	1,028,426	1,671,110	1,644,754	1,807,671
Miscellaneous	97,202	66,729	256,353	76,639
Total Governmental Activities	26,450,964	30,523,411	33,813,914	35,260,482
Extraordinary Item (2)	-	-	-	-
Changes in Net Position From Governmental Activities	\$ 4,390,380	\$ 8,553,844	\$ 16,496,904	\$ 5,304,422

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

2009	2010	2011	2012	2013	2014
\$ 5,501,610	\$ 8,542,271	\$ 4,682,937	\$ 3,526,811	\$ 3,461,397	\$ 4,152,628
23,178,880	22,545,498	21,861,690	22,637,123	21,912,185	23,416,772
11,590,092	11,020,154	13,079,415	11,444,433	12,633,715	13,787,911
5,255,186	3,858,262	3,770,231	1,966,844	112,300	96,033
2,229,089	1,623,225	2,343,298	2,177,699	2,081,222	2,036,868
1,100,391	1,007,602	1,775,353	2,018,935	369,970	369,935
48,855,248	48,597,012	47,512,924	43,771,845	40,570,789	43,860,147
310,270	196,858	199,368	507,618	636,843	657,770
4,178,966	4,015,758	3,848,784	4,065,732	3,781,291	4,082,952
1,206,380	1,874,517	1,978,691	2,075,855	2,640,602	2,893,212
1,282,335	1,025,890	609,272	501,688	-	-
403,240	365,291	374,573	408,696	608,905	649,552
2,370,810	1,971,632	2,390,589	2,241,007	2,725,883	2,776,841
5,982,114	5,887,508	4,026,070	4,288,068	6,695,663	17,532,392
15,734,115	15,337,454	13,427,347	14,088,664	17,089,187	28,592,719
(33,121,133)	(33,259,558)	(34,085,577)	(29,683,181)	(23,481,602)	(15,267,428)
22,960,655	22,593,962	21,610,723	13,610,976	13,242,248	13,351,823
7,305,578	7,123,397	7,984,974	7,898,623	8,227,675	9,460,428
2,390,366	280,549	2,681,909	2,289,425	3,922,344	2,753,606
288,283	2,253,092	106,357	269,764	366,834	574,132
192,047	167,621	262,529	28,716	29,755	24,625
1,412,129	496,415	417,358	80,480	44,038	94,421
88,451	188,626	280,286	946,398	298,671	78,663
34,637,509	33,103,662	33,344,136	25,124,382	26,131,565	26,337,698
-	-	-	3,983,001	-	-
\$ 1,516,376	\$ (155,896)	\$ (741,441)	\$ (575,798)	\$ 2,649,963	\$ 11,070,270

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

	Fiscal Year			
	2005	2006	2007	2008
GENERAL FUND				
Reserved	\$ 766,274	\$ 2,445,837	\$ 119,436	\$ 202,645
Unreserved	12,089,663	10,529,825	12,868,231	13,010,501
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 12,855,937</u>	<u>\$ 12,975,662</u>	<u>\$ 12,987,667</u>	<u>\$ 13,213,146</u>
ALL OTHER GOVERNMENT FUNDS				
Reserved	\$ 12,572,415	\$ 34,036,302	\$ 18,808,461	\$ 12,575,467
Unreserved, Reported In:				
Special Revenue Funds	3,707,955	3,325,949	3,534,651	2,426,350
Debt Service Fund	1,738,749	5,524,168	9,273,803	9,989,178
Capital Projects Funds	24,281,816	(2,801,438)	9,204,070	18,260,212
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 42,300,935</u>	<u>\$ 40,084,981</u>	<u>\$ 40,820,985</u>	<u>\$ 43,251,207</u>

Continued

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 86,142	\$ 552,035	\$ -	\$ -	\$ -	\$ -
10,779,715	10,157,084	-	-	-	-
-	-	14,252	18,518	20,512	580,563
-	-	6	1,750,001	1,575,001	1,400,001
-	-	31,002	23,750	35,680	117,804
-	-	2,945,718	3,048,930	3,770,108	2,578,208
-	-	6,903,668	5,008,142	4,779,461	6,081,591
<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>	<u>\$ 10,758,167</u>
\$ 22,443,286	\$ 12,009,265	\$ -	\$ -	\$ -	\$ -
2,035,375	2,292,415	-	-	-	-
8,157,255	5,849,173	-	-	-	-
3,238,070	10,795,318	-	-	-	-
-	-	71,400	-	-	-
-	-	64,671,520	17,756,123	20,758,594	22,217,863
-	-	375,324	280,658	1,536,726	1,230,004
-	-	737,258	674,637	167,710	171,076
-	-	(354,752)	(314,762)	(166,758)	(167,206)
<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>	<u>\$ 23,451,737</u>

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

	Fiscal Year			
	2005	2006	2007	2008
REVENUES				
Taxes:				
Property	\$ 11,759,431	\$ 18,097,285	\$ 21,235,364	\$ 22,487,877
Sales	7,370,893	7,945,067	8,215,910	8,267,858
Other	3,061,203	3,614,190	3,792,037	3,362,316
Special Assessments	822,528	820,204	640,116	710,901
Intergovernmental	9,215,721	7,441,472	16,640,225	6,249,006
Licenses and Permits	1,191,742	1,035,264	1,419,902	1,442,945
Fines and Forfeitures	257,352	306,879	297,438	283,595
Developer Fees	3,188,522	734,743	3,533,514	3,204,197
Charges for Services	6,584,262	6,226,223	8,633,920	6,165,867
Use of Money and Property	1,141,187	1,994,071	2,916,732	2,976,899
Other Revenue	339,113	270,146	550,999	455,795
Total Revenues	44,931,954	48,485,544	67,876,157	55,607,256
EXPENDITURES				
Current:				
General Government	3,809,113	4,405,551	4,943,009	5,018,476
Public Safety	17,413,619	18,928,342	20,232,393	21,491,194
Public Works	7,850,476	8,426,579	8,436,459	8,985,782
Community Development	3,662,740	4,036,982	4,009,043	5,036,315
Parks and Recreation	1,464,330	1,539,560	1,542,970	1,562,736
Capital Outlay	4,658,135	11,529,212	26,092,494	8,418,623
Debt Service:				
Principal Retirement	413,858	488,559	798,159	752,964
Interest and Fiscal Charges	1,433,313	1,226,988	1,183,453	1,158,722
Bond Issuance Costs	-	-	-	-
Total Expenditures	40,705,584	50,581,773	67,237,980	52,424,812
Excess (deficiency) of Revenues Over (under) Expenditures	4,226,370	(2,096,229)	638,177	3,182,444
OTHER FINANCING SOURCES (USES)				
Gain on Sale of Property	-	-	-	-
Transfers In	1,382,242	250,641	1,415,965	4,129,554
Transfers Out	(1,382,242)	(250,641)	(1,415,965)	(4,129,554)
Issuance of Long-term Debt	25,280,000	-	-	-
Payment to Bond Escrow Agent	(11,814,253)	-	-	-
Discount on Bonds	-	-	-	-
Total Other Financing Sources (uses)	13,465,747	-	-	-
Extraordinary Item (1)	-	-	-	-
Net Change in Fund Balances	\$ 17,692,117	\$ (2,096,229)	\$ 638,177	\$ 3,182,444
Debt Service as a Percentage of Noncapital Expenditures (2)	5.1%	4.4%	4.8%	4.3%

Continued

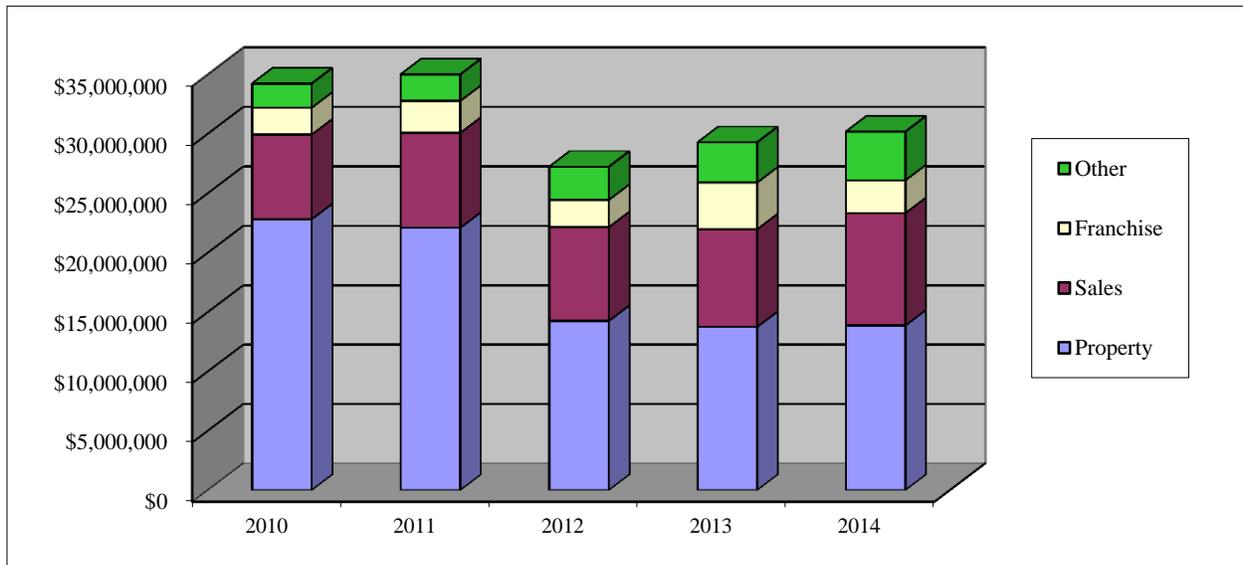
(1) Extraordinary item as a result of the dissolution of the Santee Community Development Corporation.

(2) For purposes of this calculation capital expenditures are defined as capital asset additions as presented in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 22,960,655	\$ 22,823,768	\$ 22,107,239	\$ 14,266,895	\$ 13,758,489	\$ 13,886,610
7,305,578	7,123,397	7,984,974	7,898,623	8,227,675	9,460,428
3,513,140	3,507,045	4,242,582	4,032,606	5,616,942	5,153,900
811,593	729,894	1,649,594	1,664,583	1,685,246	1,687,180
4,194,836	4,192,870	3,424,883	2,327,765	4,579,832	5,505,496
1,047,037	913,222	817,009	97,044	163,157	184,984
275,462	255,907	234,620	151,965	157,459	153,385
2,338,126	2,724,653	1,460,682	2,166,434	2,220,091	3,148,366
6,297,619	6,677,290	3,512,338	4,741,495	5,027,855	5,504,980
1,980,121	746,071	542,125	550,469	167,153	214,129
1,289,798	369,209	572,394	1,109,946	545,885	324,676
<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>	<u>45,224,134</u>
5,304,489	8,396,467	4,440,352	3,495,290	3,525,215	4,190,923
22,786,561	22,235,349	21,583,805	22,497,381	21,900,709	23,235,344
7,659,637	7,330,871	7,540,299	7,204,615	7,198,218	7,160,736
5,575,680	4,280,822	3,737,357	2,147,005	112,300	96,033
1,596,155	1,260,720	1,262,766	1,083,635	916,408	815,083
16,942,014	14,411,741	4,325,397	3,506,673	6,204,138	7,690,366
772,982	670,000	5,137,178	1,007,602	697,917	775,665
1,100,957	1,012,907	1,084,293	2,620,760	372,069	372,185
-	-	430,582	-	-	-
<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>44,336,335</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>	<u>887,799</u>
-	-	-	-	-	-
13,855,417	24,379,163	3,001,510	7,709,261	4,186,442	5,215,185
(13,855,417)	(24,379,163)	(3,001,510)	(7,709,261)	(4,186,442)	(5,215,185)
-	4,450,998	35,666,957	3,005,840	3,008,227	895,071
-	-	-	-	-	-
-	-	(618,555)	-	-	-
-	4,450,998	35,048,402	3,005,840	3,008,227	895,071
-	-	-	(45,600,103)	-	-
<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>	<u>\$ 1,782,870</u>
4.1%	3.7%	13.6%	9.3%	3.1%	3.1%

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

Fiscal Year	Real Property				Transient			Total
	Property Taxes (1)	Transfer Tax	Special Assessments	Sales Tax	Franchise Taxes	Occupancy Tax	Gas Tax	
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
2014	13,886,610	185,883	1,687,180	9,460,428	2,753,606	388,249	1,826,162	30,188,118



Notes:

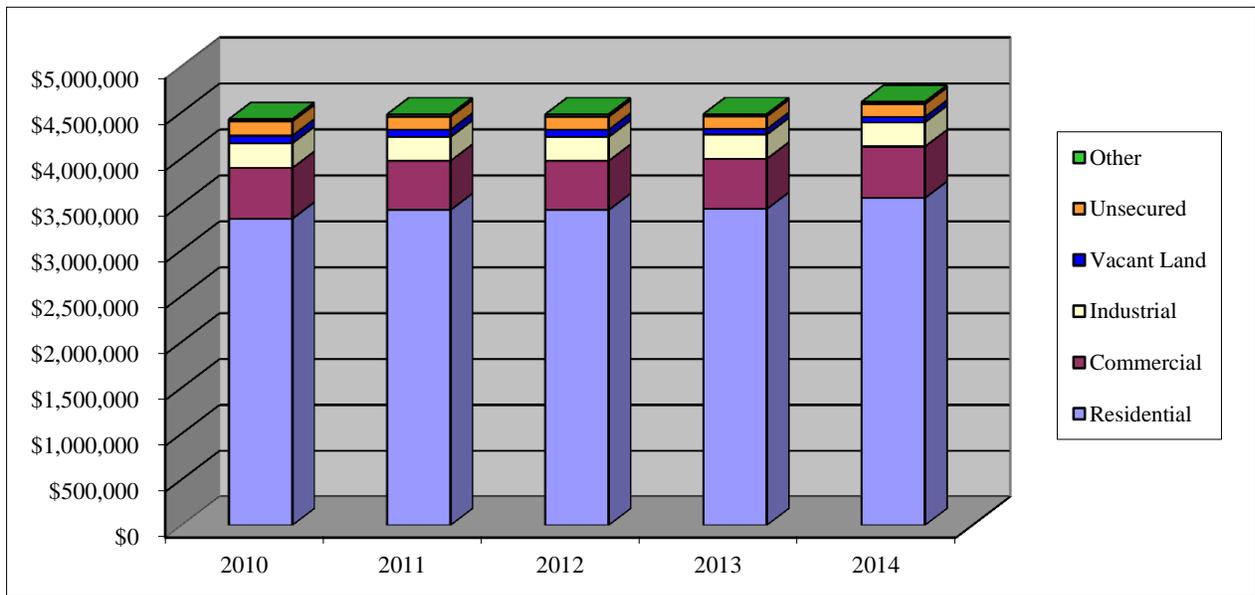
(1) As of fiscal year ended June 30, 2006, property tax revenue includes revenue that was reported as "motor vehicle in lieu" revenue in prior years. It is now required to be reported as property tax revenue because the growth in this revenue is based on the growth in assessed valuation.

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
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%
2014	3,566,552	560,440	263,119	58,748	139,045	22,754	4,610,658	0.232%



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

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

	Fiscal Year 2014
City Direct Rates:	
City Basic Rate	0.232 %
Total City Direct Rate	0.232
Overlapping Rates:	
Santee Elementary School District	0.206
County of San Diego	0.222
Grossmont Union High School District	0.152
Educational Revenue Augmentation Fund	0.102
Grossmont-Cuyamaca Community College District	0.058
Padre Dam Municipal Water District	0.013
Grossmont Hospital District	0.010
Other	0.007
Total Overlapping Rates	0.768
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	0.048
Grossmont Union High School District Bonds	0.062
Other	0.108
Total Voter Approved Rates	0.271
Total Tax Rate	1.271 %

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	2014		2005	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Vestar Kimco Santee LP	\$ 46,103,819	1.00%	\$ 53,394,063	1.67%
Wal Mart Stores LP	28,950,302	0.63%	15,766,734	0.49%
Santee Partners LP	28,842,176	0.63%	30,792,511	0.97%
HCA Arbors Apartments LLC	27,626,999	0.60%	23,868,320	0.75%
Santee Investment Property LLC			20,830,000	0.65%
MB BP Portfolio LLC	26,367,196	0.57%		
Cox Communications Inc.	21,761,080	0.47%	19,315,430	0.61%
Santee Retail LP	20,801,191	0.45%		
MHC Financing LP Two	20,715,508	0.45%	17,950,502	0.56%
Cameron Brothers Construction Co	17,993,277	0.39%		
Target Corporation	16,642,892	0.36%		
Alcott Estates LP			19,377,267	0.61%
Costco Wholesale Corporation			14,071,413	0.44%
KIMCO Santee 705 Inc			14,061,196	0.44%
	<u>\$255,804,440</u>	<u>5.55%</u>	<u>\$229,427,436</u>	<u>7.19%</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			
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%
2014	9,224,570	8,617,190	93.4%	150,748	8,767,938	95.05%

Notes:

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		
2005	\$23,100,000	\$ 2,180,000	\$ -	\$ 1,308,547	\$ -	\$26,588,547	0.94%	\$ 510
2006	23,100,000	2,055,000	-	953,988	-	26,108,988	0.92%	501
2007	22,800,000	1,925,000	-	594,829	-	25,319,829	0.87%	487
2008	22,295,000	1,790,000	-	481,865	-	24,566,865	0.84%	473
2009	21,780,000	1,650,000	-	381,883	-	23,811,883	0.86%	455
2010	21,255,000	1,505,000	-	4,334,133	500,998	27,595,131	1.05%	521
2011	52,270,000	1,360,000	-	3,913,515	471,832	58,015,347	2.17%	1,086
2012	-	1,210,000	-	6,792,181	405,966	8,408,147	0.30%	155
2013	-	1,055,000	-	8,441,947	453,284	9,950,231	0.34%	182
2014	-	895,000	-	7,965,871	1,208,766	10,069,637	0.34%	183

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		
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
2014	-	895,000	-	895,000	0.02%	16

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

	Fiscal Year			
	2005	2006	2007	2008
Assessed Valuation	\$ 3,192,485	\$ 3,629,198	\$ 4,133,637	\$ 4,466,057
Conversion Percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted Assessed Valuation	798,121	907,300	1,033,409	1,116,514
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit Percentage	119,718	136,095	155,011	167,477
Total Net Debt Applicable to Limit: General Obligation Bonds	-	-	-	-
Legal Debt Margin	<u>\$ 119,718</u>	<u>\$ 136,095</u>	<u>\$ 155,011</u>	<u>\$ 167,477</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					
2009	2010	2011	2012	2013	2014
\$ 4,634,033	\$ 4,449,941	\$ 4,423,653	\$ 4,475,983	\$ 4,481,124	\$ 4,610,658
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,158,508	1,112,485	1,105,913	1,118,996	1,120,281	1,152,665
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
173,776	166,873	165,887	167,849	168,042	172,900
-	-	-	-	-	-
<u>\$ 173,776</u>	<u>\$ 166,873</u>	<u>\$ 165,887</u>	<u>\$ 167,849</u>	<u>\$ 168,042</u>	<u>\$ 172,900</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			
	Tax Revenues	Debt Service		Coverage
		Principal	Interest	
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	-	-	-	-
2014	-	-	-	-

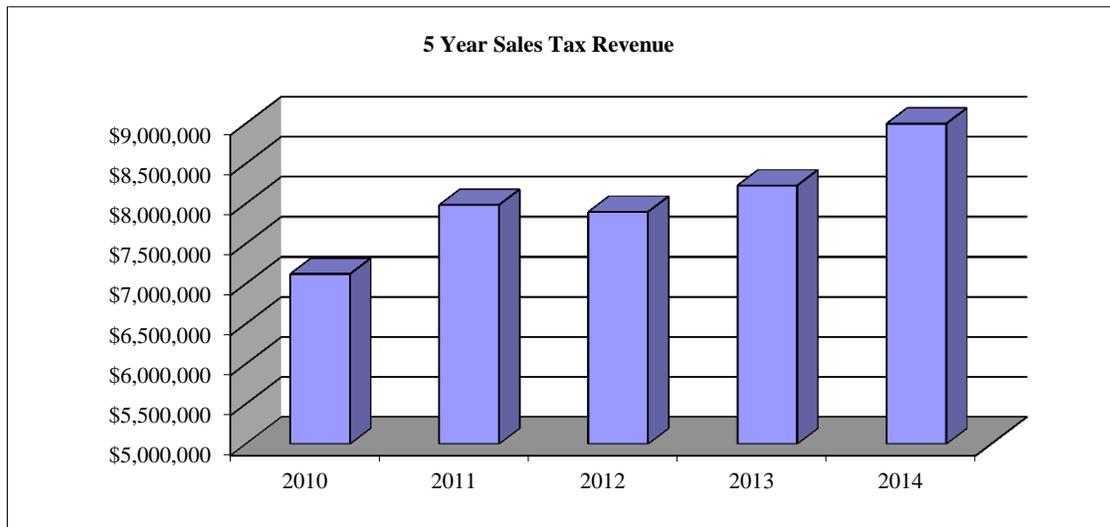
Note:

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, 2014**

Firm	Business Description
7-Eleven	Service Stations
Albertsons	Grocery Store Liquor
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 Dealer
GTM Wholesale Liquidators	Variety Stores
HD Supply	Contractor
Home Depot	Lumber/Building Materials
Kalasho	Service Stations
Kohl's	Department Store
Lowe's	Lumber/Building Materials
Phil's BBQ	Fast-Casual Restaurant
Rayo Wholesale Floor	Contractor
Ross	Family Apparel
Target	Discount Dept Store
TJ Maxx	Family Apparel
Toyota Certified of Santee	Used Automotive Dealer
USA Gasoline	Service Stations
Verizon Wireless	Electronics/Appliance Store
Vons	Grocery Store Liquor
Walmart	Discount Dept Store

Percent of fiscal year total paid by top 25 accounts = 62.11%



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

Sales Tax

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)
2004	52,142	\$ 2,841	\$ 54,490	3.9%
2005	52,110	2,848	54,650	3.6%
2006	51,983	2,894	55,680	3.3%
2007	51,936	2,928	56,370	3.8%
2008	52,367	2,785	53,180	5.0%
2009	52,963	2,624	49,540	8.1%
2010	53,413	2,672	50,020	8.9%
2011	54,102	2,768	51,150	8.5%
2012	54,643	2,895	52,980	7.5%
2013	55,033	2,949	53,590	6.3%

Sources:

- (1) State Department of Finance and San Diego Association of Governments
- (2) Bureau of Economic Analysis, U.S. Census Bureau Census 2000, Census 2010, American Community Survey, and San Diego Association of Governments
Note: Dollar Values are inflation-adjusted to 2013
- (3) State of California Employment Development Department

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

Employer	2014			2005		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Santee Elementary School District	600	1	2.37%	825	1	5.61%
Hartford Financial Services	520	2	2.06%	500	2	3.40%
Edgemoor Skilled Nursing Facility	350	3	1.38%	350	3	2.38%
Walmart	275	4	1.09%	344	4	2.34%
Costco Wholesale	235	5	0.93%	235	6	1.60%
Grossmont Union High School District	220	6	0.87%	250	5	1.70%
Scantibodies Laboratory	215	7	0.85%	215	7	1.46%
Home Depot	200	8	0.79%	200	8	1.36%
Target	190	9	0.75%	150	12	1.02%
Lowe's	172	10	0.68%	172	10	1.17%
Kohl's Department Store	165	11	0.65%	165	11	1.12%
European Natural Stone	160	12	0.63%	150	12	1.02%
Vons Stores	150	13	0.59%	200	8	1.36%
Pure Flo Water Company	150	13	0.59%	150	12	1.02%
Cal Custom Manufacturing	133	15	0.53%	133	15	0.91%
Total	3,735		14.77%	4,039		27.49%

Notes:

This schedule presents data for the fifteen principal employers as of June 30, 2014 and June 30, 2005.

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

Source: City of Santee

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

Function	Full-Time Employees as of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	21.50	22.95	23.75	22.75	22.75	21.75	21.75	24.05	24.05	24.05
Public Safety	60.00	60.40	63.40	63.40	63.40	60.40	60.40	54.00	54.00	58.00
Public Works	28.00	27.00	28.50	27.35	27.35	24.15	23.65	32.20	31.70	31.70
Community Development	12.50	13.55	12.75	16.35	16.35	17.00	16.50	-	-	-
Parks and Recreation	7.00	7.00	7.00	7.55	7.55	6.35	6.35	7.00	7.00	7.00
Total	129.00	130.90	135.40	137.40	137.40	129.65	128.65	117.25	116.75	120.75

Source: City of Santee

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

	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
DEVELOPMENT SERVICES									
Building Permits Issued	1,749	2,597	1,880	752	752	868	938	909	952
Building Inspections Completed	12,924	10,395	10,885	9,470	5,755	5,310	4,347	4,661	6,946
Development Applications Processed	111	92	63	121	78	99	161	151	111
Street Resurfacing (miles)	14.0	14.8	0.1	23.8	5.9	4.7	5.9	9.9	1.1
COMMUNITY SERVICES									
Number of Recreation Classes Offered	244	332	361	350	419	269	202	347	333
Number of Recreation Class Participants	2,230	2,490	3,842	2,719	3,454	2,141	1,912	1,859	1,711
Attendance at City-Wide Special Events	27,600	29,250	29,500	29,250	29,230	30,050	30,509	35,599	43,450
Number of Facility Rentals	694	789	605	645	836	1,016	983	1,302	1,287
FIRE									
Emergency Responses	5,130	4,211	4,438	4,670	4,764	4,944	4,722	4,967	4,824
Fire Prevention & Safety Inspections	633	933	432	488	449	525	730	572	543
SHERIFF									
Arrests	1,899	2,125	1,851	2,243	2,036	1,889	1,999	2,059	2,398
Parking Citations Issued	2,104	2,312	1,837	1,798	1,282	1,367	937	920	685
Traffic Citations Issued	4,262	4,245	4,391	4,486	5,085	4,244	2,916	3,504	2,129
Calls for Service	18,821	18,794	17,913	18,353	19,034	19,974	20,591	21,667	20,376

Notes:

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	2	2	3	4	4	4	4	4	4	4
PUBLIC WORKS										
Streets (miles)	131.76	133.10	133.98	134.09	134.09	134.09	134.47	134.79	134.79	135.45
Street Lights	2,713	2,731	2,739	2,747	2,747	2,799	2,800	3,171	3,070	3,070
Traffic Signals	53	54	55	55	56	56	57	57	57	57
PARKS & RECREATION										
Parks	7	7	7	7	7	8	8	8	8	8

Source: City of Santee