



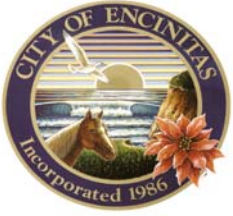
City of Encinitas California



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

Issued by the Finance Department

505 South Vulcan Avenue • Encinitas, CA 92024 • 760-633-2600 •
www.cityofencinitas.org



ABOUT THE CITY OF ENCINITAS

The City of Encinitas was incorporated as a general law city in 1986, merging the existing communities of New and Old Encinitas, Cardiff-by-the-Sea, Leucadia, and Olivenhain. The City of Encinitas has a population of approximately 63,000 and is located along six miles of Pacific coastline in the northern half of San Diego County. Approximately 21 square miles in area, Encinitas is characterized by coastal beaches, cliffs, flat-topped coastal areas, steep mesa bluffs, and rolling hills. Encinitas is the center of a significant flower growing industry and is often referred to as the Flower Capital of the World.

CITY COUNCIL MISSION STATEMENT

To guide and promote Encinitas as a diverse and vibrant community in a way that demonstrates:

- Leadership and vision for the city
- Respect for the individual
- A positive approach to solving problems
- Financial responsibility
- Commitment to providing essential services
- Balance and harmony within the City and our environment

So that, in the long term, Encinitas remains an excellent place to live, work, and play.

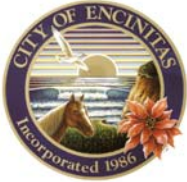
ABOUT THE COVERS

On the front cover is a collage of postcards representing the five communities of Encinitas; Old Encinitas, New Encinitas, Leucadia, Cardiff and Olivenhain. Each community is full of history and brings its own flavor and uniqueness to the area

On the back cover is pictured Encinitas' famous Moonlight Beach, a favorite for locals and tourists alike.

Photography: Front cover photography courtesy of Encinitaslive.com, the Arts and Community website for Encinitas and back cover photography by Finance staff. Photographs on the title page are courtesy of the San Diego North Convention and Visitors Bureau.

Copies of this report are available at the City of Encinitas, 505 South Vulcan Avenue, Encinitas, California 92024.



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INTRODUCTORY

SECTION



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TRANSMITTAL LETTER • INTRODUCTORY SECTION



December 28, 2012

Honorable Mayor, City Council and Citizens
of the City of Encinitas, California,

We are pleased to present the FY2011-12 *Comprehensive Annual Financial Report* (CAFR) for the City of Encinitas and its related entities. This report was prepared by the City's Finance Department to assist those interested in understanding the financial condition and results of the operations of the City for the fiscal year ended June 30, 2012 and includes financial information for the City of Encinitas, the San Dieguito Water District, the Encinitas Housing Authority, the Encinitas Public Financing Authority.

This CAFR fulfills a number of different reporting requirements, including Federal and State law and the covenants of many of the City's long-term debt issues. It has been prepared in conformance with generally accepted accounting principles for local governments, and is being submitted to the Government Finance Officers Association for consideration of an award for excellence in financial reporting. Management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge, the data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the City, and that all relevant and material disclosures are included.

CITY PROFILE AND BACKGROUND

The City of Encinitas was incorporated in October 1986 as a general law city, bringing together the communities of New and Old Encinitas, Cardiff-by-the-Sea, Leucadia, and Olivenhain. Encinitas is located in northern San Diego County approximately 25 miles north of the City of San Diego on the Southern California coast.

GOVERNANCE

The City is governed by a five-member City Council under the Council-Manager form of government. The City Council is elected at large, on staggered four-year terms. The Mayor is selected annually by a majority of the City Council. The City Council appoints the City Manager and City Attorney. All other staff positions are appointed by the City Manager or his designee. The City Council acts as the Board of Directors for the San Dieguito Water District, the Encinitas Housing Authority, and the Encinitas Public Financing Authority.

TRANSMITTAL LETTER • INTRODUCTORY SECTION

MUNICIPAL SERVICES

The City provides a full range of municipal services such as:

Law Enforcement (San Diego County Sheriff)
Fire Protection and Marine Safety
Planning and Development Services
Water and Sewer Services
Park and Recreation Services
Street Maintenance and Traffic Control

CITY FACILITIES

City Hall is located on Vulcan Avenue between D and E Streets, adjacent to the Encinitas Train Station and downtown. The City maintains a full-service Public Library, which is located just above City Hall overlooking downtown Encinitas and the Pacific Ocean. The City also maintains an active Community and Senior Center located at Encinitas Boulevard and Balour Drive. There are five fire stations located throughout the community, as well as one Sherriff's substation which is owned and operated by the County of San Diego.

BUDGETING OVERVIEW

The City develops and adopts both an operating and a capital budget on a two-year budgeting cycle. Amounts are appropriated for the first year only, with the amounts for the second year subject to revision before being appropriated for the second year. Any changes to the operating or capital budgets must be approved by the City Council. The City also publishes a six-year capital improvement/work project program and financial plan, which is generally updated annually. This document provides management and the City Council with long-term financial planning information and tools.

FACTORS AFFECTING FINANCIAL CONDITION OF THE CITY

Local Economy - The City of Encinitas has been affected by the recession of 2007-2009 and the ensuing slower than normal growth that has occurred at the National, State and local levels. However, those impacts have been much less severe in Encinitas than in many similar communities. Assessed property values, which determine property tax revenue levels, have remained relatively stable during the last five years versus declines in many other municipalities. Property tax revenues, which account for about 60% of the City's general fund revenue, have increased modestly over the last several years. Sales tax revenues, the City's second largest revenue source accounting for about 19% of general fund revenue, initially declined rather significantly in 2007 and 2008. Sales tax has since returned to above pre-recession levels, and the growth rate year-over-year is now at healthy levels. Other revenue sources have remained relatively stable, although revenues from the State of California are still considered to be vulnerable to State actions. Fortunately, State revenues are no longer a significant portion of the overall budget.

Financial Strength and Sustainability - The City of Encinitas is well positioned to weather these economic storms and has been evaluated and rated by internationally recognized third party reviewers. Standard & Poor's (S&P) recently reaffirmed the City's "AA+" (implied AAA)

TRANSMITTAL LETTER • INTRODUCTORY SECTION

rating. In their rating analysis, S&P also evaluated the rigor of the City's financial management practices including managerial decisions, policies and practices that apply directly to the City's financial position and operations, debt burden and other key credit factors. They also looked at the City's ability to implement timely and sound financial operational decisions in response to economic and fiscal demands. Upon reviewing these seven areas, the City received the highest ranking of "strong" indicating that "practices are strong, well embedded and likely sustainable."

The City had approximately \$44 million of general fund bonded debt and equipment leases outstanding at June 30, 2012, with scheduled payments of principal and interest of \$4.0 million in fiscal year 2012. This translates to a debt ratio of 7.8%, which is consistent with the City's goal to maintain a debt service ratio of less than 10%.

Development and Maintenance of Financial Reserves – The City has an established financial policy regarding maintenance of adequate financial reserves. The City sets aside 20% of operating expenses for contingencies (unanticipated events that could negatively impact the City's financial condition.) The City has never had an occasion to draw on this reserve, since its inception in the early 1990's. The City also maintains a budget stabilization reserve, which was established in 2007 in anticipation of the ensuing recession. This reserve is funded at a minimum of 2% of operating revenues, and has been funded at a level of 5% for several years. The City has not had any need to draw on this reserve, despite the decline in operating revenues experienced during the recession. The funding level is set to return to 2% in fiscal year 2013-2014. Any amounts remaining after these two reserves are fully funded are considered available for City Council directed use, primarily for future funding of capital improvements. Total reserves exceeded \$18 million as of June 30, 2012.


AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded their Certificate of Achievement for Excellence in Financial Reporting to the City of Encinitas for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The City has also received a Certificate of Excellence for Operational Budgeting from the California Society of Municipal Finance Officers, as well as the Certificate of Excellence – Investment Policy from the Association of Public Treasurers of the United States and Canada.

The completion of this report could not have been accomplished without the dedication and hard work of many of the City staff in the Finance Department.

Lastly, we deeply appreciate the dedication and leadership of the Mayor and Council Members who have consistently supported our goal of excellence in all aspects of financial management.

Respectfully submitted,



Gus Vina
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Encinitas
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson

President

Jeffrey R. Enos

Executive Director

LIST OF CITY OFFICIALS

CITY COUNCIL

June 30, 2012

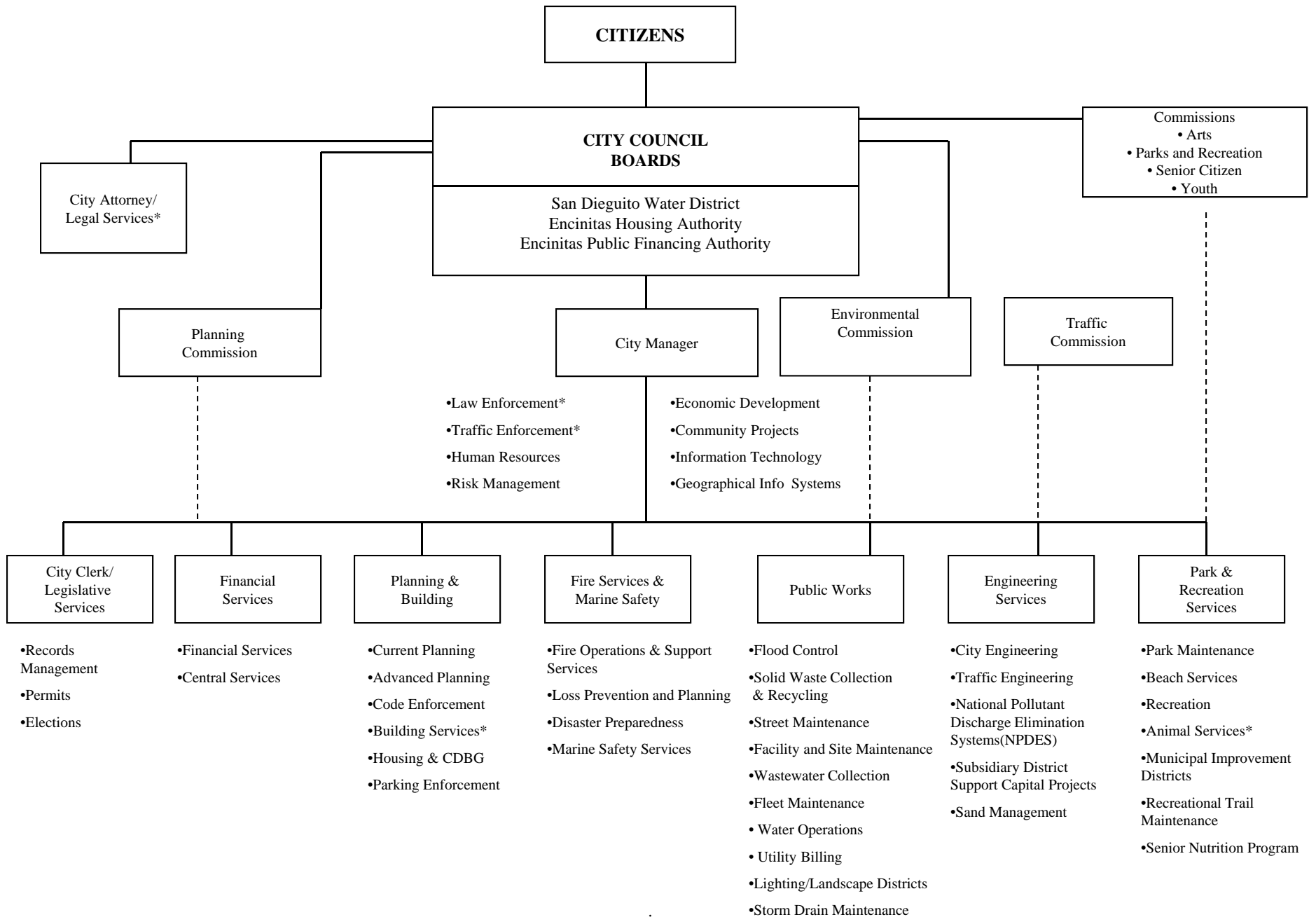
Jerome Stocks	Mayor
Kristin Gaspar	Deputy Mayor

Teresa Barth
James Bond
Mark Muir

ADMINISTRATION AND DEPARTMENT DIRECTORS

Gus Vina	City Manager
Jay Lembach	Finance
Kathy Hollywood	City Clerk
Greg Shields	Engineering
Lisa Rudloff	Parks & Recreation
Scott Henry	Fire & Marine Safety
Patrick Murphy	Planning & Building
Greg Shields	Public Works
Glenn Sabine	City Attorney

City of Encinitas



FINANCIAL

SECTION



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INDEPENDENT AUDITOR'S REPORT

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The Honorable City Council of
the City of Encinitas, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Encinitas, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 express no opinion or provide any assurance on them.

Macie Mini & O'Connell LLP

San Diego, California
December 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS • FINANCIAL SECTION

USING THIS ANNUAL REPORT

This section of the *Comprehensive Annual Financial Report* (CAFR) issued by the City of Encinitas (the "City") presents an overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. The City's financial statements include the accounts of the City, the Encinitas Public Financing Authority (EPFA), the Encinitas Housing Authority (EHA), and the San Dieguito Water District (the "Water District"). The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), which the City adopted in 2002.

This annual report consists of a series of financial statements. The **Government–Wide Financial Statements** consist of the *Statement of Net Assets* and the *Statement of Activities*, which provide information about the government-wide activities of the City as a whole and present a longer-term view of the City's finances. **Fund Financial Statements** report the City's operations in more detail by providing information about the City's most significant funds, how services were financed in the short term, and what remains for future spending. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Government–Wide Financial Statements

Analysis of the City's financial position as a whole begins with the *Statement of Net Assets* and the *Statement of Activities*. One of the most important questions asked about the City's finances is: "Are the City's finances better or worse off as a result of this year's activities?" These statements can help to answer this question. The *Statement of Net Assets* includes all of the assets and liabilities of the City using the accrual basis of accounting similar to most private-sector companies. The *Statement of Activities* depicts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets, the difference between assets and liabilities, which is one way to measure the City's financial health. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will also need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the *Statement of Net Assets* and *Statement of Activities*, two types of activities are depicted:

- **Governmental Activities** - Most of the City's basic services are reported here, including law enforcement, fire suppression, public works, planning and building, engineering, parks and recreation departments, and general administration. Property and sales taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-Type Activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. Business-type activities include the Water and Wastewater operations as well as the City's Affordable Housing program involving the rental of City-owned residential units to qualified low-income tenants and Recreation program.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds, not the City as a whole. Some funds are required by State law and by bond covenants. The City Council has also established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and other monies. The City's two kinds of funds, governmental and proprietary, use different accounting approaches:

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is included in the pages following the respective statements.
- **Business-Type Funds** - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in *Statement of Net Assets* and the *Statement of Activities*. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information such as cash flows for proprietary funds. Internal service funds (the other component of proprietary funds) report activities that provide supplies and services to other City programs and activities-such as the City's vehicle replacement program.

The City as Trustee - Reporting of the City's Agency Funds

The City acts as an agent for the Community Facilities District No. 1 (the Encinitas Ranch Development) and the Requeza Street Assessment District No. 93-1. These activities are reported in the *Statement of Fiduciary Assets and Liabilities – Agency Funds*, and are not a part of the City's financial activities because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS • FINANCIAL SECTION

REPORTING THE CITY AS A WHOLE

Table 1
Summarized Statement of Net Assets
(Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 60.4	\$ 65.1	\$ 43.4	\$ 46.0	\$ 103.8	\$ 111.1
Capital assets (net)	183.7	179.1	47.3	40.6	231.0	219.7
Other non-current assets	6.6	7.0	42.6	41.7	49.2	48.7
Total Assets	250.7	251.2	133.3	128.3	384.0	379.5
Current liabilities	11.7	11.5	4.4	3.6	16.1	15.1
Long-term liabilities	41.6	43.3	20.5	22.0	62.1	65.3
Total Liabilities	53.3	54.8	24.9	25.6	78.2	80.4
Net Assets:						
Invested in capital assets, net of related debt	140.0	139.6	25.1	30.1	165.1	169.7
Restricted	10.0	5.2	-	-	10.0	5.2
Unrestricted	47.4	51.6	83.3	72.6	130.7	124.2
Total Net Assets	\$ 197.4	\$ 196.4	\$ 108.4	\$ 102.7	\$ 305.8	\$ 299.1

The City's Total Net Assets increased by \$6.7 million, primarily in the business-type activities category. Net assets increased primarily as a result of current year operations, whereby operating income for the City's enterprise funds was \$3.1 million. The City's enterprise funds also recognized nearly \$640 thousand in capital contributions and transfers in of \$490 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS • FINANCIAL SECTION

REPORTING THE CITY AS A WHOLE

**Table 2
Summarized Statement of Activities
(Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<i>Program Revenues:</i>						
Charges for services	\$ 4.8	\$ 6.6	\$ 22.3	\$ 20.4	\$ 27.1	\$ 27.0
Operating grants and contributions	5.9	7.0	1.1	-	7.0	7.0
Capital grants and contributions	3.6	4.9	0.5	0.7	4.1	5.6
<i>General Revenues:</i>						
Property taxes	32.8	32.3	0.7	0.7	33.5	33.0
Sales and use taxes	10.6	10.2	-	-	10.6	10.2
Other taxes	3.5	3.4	-	-	3.5	3.4
Intergovernmental	0.6	1.5	-	-	0.6	1.5
Other general revenue	2.2	2.3	0.2	0.8	2.4	3.1
Total Revenues	64.0	68.2	24.8	22.6	88.8	90.8
Program Expenses:						
General government	12.1	10.9	-	-	12.1	10.9
Public safety	23.1	22.3	-	-	23.1	22.3
Public works	8.5	11.0	-	-	8.5	11.0
Planning and building	5.0	5.5	-	-	5.0	5.5
Engineering services	5.8	3.7	-	-	5.8	3.7
Parks and recreation	5.6	6.3	-	-	5.6	6.3
Interest on long-term debt	1.8	2.0	-	-	1.8	2.0
Cardiff Sanitary Division	-	-	3.4	3.7	3.4	3.7
San Dieguito Water District	-	-	12.4	11.6	12.4	11.6
Encinitas Sanitary Division	-	-	1.7	2.0	1.7	2.0
Affordable Housing	-	-	1.5	0.2	1.5	0.2
Recreation	-	-	1.2	-	1.2	0.0
Total Expenses	61.9	61.7	20.2	17.5	82.1	79.2
Change in net assets before transfers	2.1	6.5	4.6	5.1	6.7	11.6
Transfers	(0.6)	-	0.6	-	0.0	-
Increase in net assets	1.5	6.5	5.2	5.1	6.7	11.6
Beginning net assets, as restated	195.9	189.9	103.2	97.6	299.1	287.5
Ending Net Assets	\$ 197.4	\$ 196.4	\$ 108.4	\$ 102.7	\$ 305.8	\$ 299.1

ANALYSIS OF GOVERNMENTAL ACTIVITIES

Summarized Statement of Net Assets (Table 1)

Total Net Assets of the City's Governmental Activities remained constant at \$197.4 million. Current assets declined modestly by \$4.7 million to \$60.4 million, primarily due to capital project spending. Capital assets increased about \$4.6 million, while long-term liabilities decreased \$1.7 million, primarily due to current year scheduled principal payoffs.

Summarized Statement of Activities (Table 2)

Charges for Services for Governmental Activities decreased this year due to the reclassification of the Recreation Fund to Business-Type Activities, as it is primarily fee-based. *Operating Grants and Contributions* were lower this year due to reductions in funding levels from the Federal Housing and Urban Development Program in both the Section 8 voucher program and the HOME program. *Capital Grants and Contributions* revenues also decreased, primarily due to the timing of revenue recognition. Property and sales taxes both increased, while intergovernmental (mainly from the State of California) revenues decreased year-over-year.

Total expenses for Governmental Activities were essentially flat year-over-year. Some categories varied year-over-over, primarily due to differing levels of capital outlay expenditures by functional category.

The City's Fund Financial Statements

The City's fund financial statements provide a greater level of detail regarding the City's Governmental Activities, which include the General Fund, Capital Improvements, and other Nonmajor Governmental funds. The City expended \$12.2 million this fiscal year on a variety of capital improvement projects, which are funded from a variety of different sources including the City's General Fund. The other Nonmajor Governmental funds are primarily Special Revenue funds, where monies are collected and held, but are restricted or committed to the specific purpose for which they are collected. Total fund balance for all of the Nonmajor Governmental funds was unchanged year-over-year at \$15.7 million. The City's General Fund is the largest and most discretionary source of funding for operations, debt service and capital improvements.

Thus, the focus of the discussion below will be limited to the City's General Fund.

General Fund Budgetary Highlights (and comparisons to prior year amounts)

General Fund Revenues were \$1.4 million higher than the original projections, and \$1.7 million higher than final projections. As such, there were no significant differences between the City's original and final budget. Property taxes were \$180 thousand over, which represents a \$400,000 (or 1%) increase over the prior year. Sales and use taxes were approximately \$455 thousand over, which represents a \$370 thousand (or 3.5%) increase over the prior year. Other taxes were (net) \$360 thousand over; making total taxes \$995 thousand (or 2%) above projections. Other revenues were \$753 thousand over but were lower than the prior year, mainly due to charges for services. This is primarily due to the reclassification of the Recreation Fund charges for services in fiscal year 2011-12 to proprietary fund classification. The economy of the City of Encinitas continued its steady recovery, with home values remaining stable to slightly higher and retail sales increasing at a healthy clip, especially when compared to other nearby jurisdictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS • FINANCIAL SECTION

General Fund Expenditures were (net) \$1.5 million under the final budget for the year ended June 30, 2012. All departments (except Planning and Building) were under budget. In Planning and Building, the Building Services division was \$305 thousand over budget, because of higher than anticipated building activity. Revenue for the building division was higher by a like amount to pay for this increased permit activity, plus an overhead charge to the City totaling 31%. Law Enforcement and Fire and Marine Safety produced the majority of the savings for the year totaling approximately \$611 thousand.

Overall, the City's General Fund ended the fiscal year with an excess of revenues over expenditures of \$6.0 million, which was \$3.2 million over budgeted projections.

General Fund – Fund Balance

The City's General Fund had a fund balance of \$47.4 million as of June 30, 2011. During the current fiscal year, the City reclassified approximately \$3.2 million of fund balance reserves for risk management to an Internal Service Fund and \$0.2 million of fund balances for the City's recreation programs to business-type activities, as they are primarily funded by user fees. This resulted in a restated fund balance of \$44.0 million as of July 1, 2011.

Fund Balance in the current year decreased by \$3.8 million. The General Fund had an excess of revenues over expenditures of \$6.0 million, with transfers to the City's Debt Service fund of \$4.3 million. This left approximately \$1.7 million out of current year resources to fund capital improvements. Actual transfers, which include prior year appropriations, totaled \$7.2 million. These and other smaller dollar items made up the net change of \$3.8 million.

The total Fund Balance of \$40.2 million at June 30, 2012 is comprised of: (a) \$2.8 million of nonspendable (intangible) assets, (b) \$19.4 million of City Council authorized capital improvement appropriations (committed), and (3) \$18.0 million of City Council authorized financial reserves. The City maintains a *Contingency Reserve* (20% of operating expenditures) and a *Budget Stabilization Reserve* (3% of annual operating revenues). Any remaining amount is considered an undesignated general reserve. All of these "reserves" are classified as Unassigned in the accompanying basic financial statements.

CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAMS

As of June 30, 2012, the City had approximately \$231.0 million invested in a broad range of capital assets including road and drainage systems, parks and beach facilities, public buildings, water and wastewater treatment facilities, collection and distribution systems and affordable housing stock. Of that amount, \$183.7 million is classified as assets under the category of Governmental Activities and \$47.3 million is classified as assets of the City's Business-Type activities.

During the current year, the City undertook a review of its capital assets and their classification(s) in the financial statements. This review resulted in a number of reclassifications and consolidation of assets into more general groupings. In addition, during the year, the City transferred ownership of approximately 25 vehicles and a number of pieces of machinery and equipment to the San Dieguito Water District. Ownership had previously resided with the City's Vehicle Replacement Fund, where San Dieguito Water District was making annual contributions and was granted exclusive use of the vehicles and equipment. The net book value of the assets transferred was approximately \$180,000. In addition, the City made a one-time payment of \$489,000 to San Dieguito Water District, which represents a refund of prior contributions that were to have been used to purchase replacement stock. Going forward, San Dieguito Water District will be solely responsible for managing and funding their Fleet Replacement Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS • FINANCIAL SECTION

The City's governmental activities expended approximately \$12.2 million during the year on specified capital projects, of which about \$8.9 million was capitalized to construction in progress. The balance was expensed, as it did not meet the City's overall criteria for capitalization. The City's business-type activities expended approximately \$7.7 million on capitalized expenses during the year ended June 30, 2012, of which about \$6.0 million was capitalized to construction in progress.

Overall, net investment in capital assets increased \$11 million year-over-year.

DEBT ISSUANCE AND ADMINISTRATION

As of June 30, 2012, the City had a total of \$69.4 million of long-term obligations, compared to \$71.8 million at June 30, 2011. The City added one capital lease for a fire engine during the year for \$600 thousand, made scheduled repayments of \$3.4 million, and reduced outstanding debt due to San Elijo Joint Powers Authority by \$0.4 via a current refunding. The balance represents changes in other debt categories, such as claims payable and compensated absences.

The City does have plans to issue lease revenue bonds in FY 2012-13 to fund a portion of the costs of construction of the Encinitas Community Park. However, as of the date of the issuance of these financial statements, no formal action has been taken by the City Council.

The City currently has a debt ratio (annual general fund debt service obligations divided by annual general fund revenues) of approximately 7.8%. The proposed issuance of new debt, if it is approved and issued, would result in a new debt ratio of approximately 8.5%. It is the City's goal to maintain a debt ratio of 10% or below.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many economic factors when setting budgets, including national, state and local economic conditions, trends in residential housing, and the unique needs of the community. The Finance Department coordinates the development of the operating and capital budgets, which are presented by the City Manager to the City Council for consideration. The City adopts its operating budget in a two-year cycle, with appropriations set for the first year only. The Operating and Capital Budgets for fiscal year 2012-13, which is the second year of the two-year cycle, were adopted by the City Council in May 2012.

The General Fund budget anticipates \$52.5 million in revenue with appropriations of \$49.6 in operating expenditures. These amounts represent a small decrease in revenue with a slight increase in expenditures. No significant programs have been added or eliminated in the new fiscal year. As is the City's typical practice, the estimate for revenues is considered conservative, as is the overall spending plan.

No other City funds have seen any significant changes year-over-year. The economy of Encinitas continues its trend of modest recovery, with home values remaining stable and retail sales taxes continuing to increase with the overall recovery of the local economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the monies it receives and manages.

MANAGEMENT'S DISCUSSION AND ANALYSIS • FINANCIAL SECTION

If you have questions about this report or need additional information, please contact the Finance Department of the City of Encinitas, 505 South Vulcan Ave, Encinitas, CA 92024, telephone (760) 633-2600, or visit our website at www.encinitasca.gov and review the Finance Department webpage.

BASIC FINANCIAL STATEMENTS

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CITY OF ENCINITAS
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 56,709,289	\$ 40,753,769	\$ 97,463,058
Restricted cash and investments with fiscal agent	-	18,101	18,101
Receivables	3,692,370	2,355,901	6,048,271
Other assets	-	247,890	247,890
Total current assets	<u>60,401,659</u>	<u>43,375,661</u>	<u>103,777,320</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments with fiscal agent	3,182,248	1,040,817	4,223,065
Internal balances	95,000	(95,000)	-
Long-term receivable	650,000	-	650,000
Investment in other agencies	-	41,080,726	41,080,726
Other assets, net of accumulated amortization	2,686,606	596,037	3,282,643
Capital assets not being depreciated	73,122,707	16,691,707	89,814,414
Capital assets, net of accumulated depreciation	<u>110,534,706</u>	<u>30,656,617</u>	<u>141,191,323</u>
Total noncurrent assets	<u>190,271,267</u>	<u>89,970,904</u>	<u>280,242,171</u>
Total assets	<u>250,672,926</u>	<u>133,346,565</u>	<u>384,019,491</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	4,429,117	1,631,338	6,060,455
Accrued interest payable	368,628	221,611	590,239
Unearned revenues	40,259	317,955	358,214
Deposits and other liabilities	1,357,504	539,214	1,896,718
Long-term liabilities - due within one year	5,471,563	1,739,506	7,211,069
Noncurrent liabilities:			
Long-term liabilities - due in more than one year	<u>41,631,752</u>	<u>20,509,160</u>	<u>62,140,912</u>
Total liabilities	<u>53,298,823</u>	<u>24,958,784</u>	<u>78,257,607</u>
Net assets:			
Invested in capital assets, net of related debt	140,045,048	25,106,758	165,151,806
Restricted	9,980,471	-	9,980,471
Unrestricted	<u>47,348,584</u>	<u>83,281,023</u>	<u>130,629,607</u>
Total net assets	<u>\$ 197,374,103</u>	<u>\$ 108,387,781</u>	<u>\$ 305,761,884</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ENCINITAS
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
General government	\$ 12,064,527	\$ 1,789,943	\$ 204,695	\$ -
Public safety	23,062,746	99,047	113,853	34,059
Public works	8,560,330	-	3,764,513	2,996,301
Planning and building	5,008,179	2,155,076	1,733,563	-
Engineering services	5,817,932	736,786	-	-
Parks and recreation	5,578,716	14,580	79,878	595,919
Interest on long term debt	1,811,714	-	-	-
Total governmental activities	<u>61,904,144</u>	<u>4,795,432</u>	<u>5,896,502</u>	<u>3,626,279</u>
Business-type activities:				
Cardiff Sanitary Division	3,385,439	4,970,662	-	116,520
San Dieguito Water District	12,448,911	12,922,922	-	247,500
Encinitas Sanitary Division	1,719,176	2,897,592	-	96,668
Affordable Housing	1,492,811	214,503	1,105,851	-
Recreation Programs	1,187,788	1,273,007	-	-
Total business-type activities	<u>20,234,125</u>	<u>22,278,686</u>	<u>1,105,851</u>	<u>460,688</u>
Total primary government	<u>\$ 82,138,269</u>	<u>\$ 27,074,118</u>	<u>\$ 7,002,353</u>	<u>\$ 4,086,967</u>

General revenues:

Taxes:

Property taxes and transfer fees

Transient occupancy taxes

Franchise taxes

Sales tax

Intergovernmental - unrestricted

Use of money and property

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning, as restated

Net assets, ending

See Accompanying Notes to the Basic Financial Statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (10,069,889)	\$ -	\$ (10,069,889)
(22,815,787)	-	(22,815,787)
(1,799,516)	-	(1,799,516)
(1,119,540)	-	(1,119,540)
(5,081,146)	-	(5,081,146)
(4,888,339)	-	(4,888,339)
(1,811,714)	-	(1,811,714)
(47,585,931)	-	(47,585,931)
-	1,701,743	1,701,743
-	721,511	721,511
-	1,275,084	1,275,084
-	(172,457)	(172,457)
-	85,219	85,219
-	3,611,100	3,525,881
(47,585,931)	3,611,100	(43,974,831)
32,788,129	725,551	33,513,680
1,413,926	-	1,413,926
2,144,162	-	2,144,162
10,613,188	-	10,613,188
635,097	-	635,097
387,066	188,259	575,325
1,780,543	-	1,780,543
(668,877)	668,877	-
49,093,234	1,582,687	50,675,921
1,507,303	5,193,787	6,701,090
195,866,800	103,193,994	299,060,794
\$ 197,374,103	\$ 108,387,781	\$ 305,761,884

CITY OF ENCINITAS
Balance Sheet
Governmental Funds
June 30, 2012

	General	Capital Improvement Capital Projects
Assets:		
Cash and investments	\$ 38,401,869	\$ 333,015
Receivables	2,703,356	-
Due from other funds	994,310	-
Other assets	2,218,533	-
Advance to other funds	-	-
Long-term receivable	650,000	-
Cash and investments with fiscal agent - restricted	-	-
	\$ 44,968,068	\$ 333,015
Total assets	\$ 44,968,068	\$ 333,015
Liabilities and fund balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,414,452	\$ 333,015
Interest payable	-	-
Deferred revenue	-	-
Due to other funds	-	-
Deposits and other liabilities	1,348,524	-
	4,762,976	333,015
Total liabilities	4,762,976	333,015
Fund balances:		
Nonspendable	2,868,533	-
Restricted	-	-
Committed	19,371,624	-
Assigned	-	-
Unassigned	17,964,935	-
	40,205,092	-
Total fund balances	\$ 44,968,068	\$ 333,015
Total liabilities and fund balances	\$ 44,968,068	\$ 333,015

See Accompanying Notes to the Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 13,033,559	\$ 51,768,443
989,014	3,692,370
-	994,310
1,328	2,219,861
95,000	95,000
-	650,000
3,182,248	3,182,248
<u>\$ 17,301,149</u>	<u>\$ 62,602,232</u>
\$ 580,201	\$ 4,327,668
36,768	36,768
40,259	40,259
994,310	994,310
8,980	1,357,504
<u>1,660,518</u>	<u>6,756,509</u>
-	2,868,533
13,471,421	13,471,421
-	19,371,624
2,169,210	2,169,210
-	17,964,935
<u>15,640,631</u>	<u>55,845,723</u>
<u>\$ 17,301,149</u>	<u>\$ 62,602,232</u>

CITY OF ENCINITAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Fund balances - total governmental funds \$ 55,845,723

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund balance sheet, but are reported in the governmental activities of the Statement of Net Assets:

Land	\$	51,856,025	
Construction in progress		21,266,682	
Public facilities		60,815,561	
Equipment and machinery		9,905,223	
Infrastructure		101,025,145	
Less: Accumulated depreciation		<u>(61,211,223)</u>	183,657,413

Internal service funds are used by management to charge the costs of personnel support, fleet maintenance and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are not included in the fund financial statements, but are included in governmental activities in the Statement of Net Assets. 4,839,397

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets:

2007 Vac Con cleaner lease		(73,876)	
2008 Lease Roof Replacement		(1,647,302)	
2011 Fire apparatus lease		(960,789)	
2012 Fire apparatus lease		(599,639)	
1997 Refunding COPs - Series A		(2,670,000)	
2002 ABAG financing		(1,655,000)	
2006 Lease Revenue Bonds, net of unamortized discount		(18,115,000)	
2010 Lease Revenue Refunding Bonds, net of unamortized premium		(18,205,759)	
Claims payable		(1,301,925)	
Compensated absences		<u>(1,874,025)</u>	(47,103,315)

Bond issuance costs applicable to newly issued debt are current period expenditures, but are capitalized in the Statement of Net Assets, net of current period amortization. 466,745

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. (331,860)

Net assets of governmental activities \$ 197,374,103

See Accompanying Notes to the Basic Financial Statements.

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CITY OF ENCINITAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Improvement Capital Projects</u>
Revenues:		
Taxes and assessments	\$ 46,677,085	\$ -
Licenses and permits	207,993	-
Intergovernmental	522,931	-
Development impact fees	-	-
Charges for services	4,406,737	-
Fines, forfeitures, and penalties	657,364	-
Use of money and property	523,630	-
Other	979,120	-
	<u>53,974,860</u>	<u>-</u>
Expenditures:		
Current:		
General government	9,233,423	-
Public safety	22,739,268	-
Public works	3,483,137	-
Planning and building	3,873,138	-
Engineering services	3,804,813	-
Parks and recreation	4,228,808	-
Capital outlay	599,639	12,203,740
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	<u>47,962,226</u>	<u>12,203,740</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>6,012,634</u>	<u>(12,203,740)</u>
Other financing sources (uses):		
Transfers in	1,061,378	12,203,740
Transfers out	(11,490,139)	-
Capital lease proceeds	599,639	-
	<u>(9,829,122)</u>	<u>12,203,740</u>
Total other financing sources (uses)		
Net change in fund balances	<u>(3,816,488)</u>	<u>-</u>
Fund balances - beginning of year, as previously reported	47,406,492	-
Restatement - fund reclassification	(3,384,912)	-
	<u>44,021,580</u>	<u>-</u>
Fund balances - beginning of year, as restated		
Fund balances - end of year	<u>\$ 40,205,092</u>	<u>\$ -</u>

See Accompanying Notes to the Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,412,057	\$ 49,089,142
-	207,993
6,014,924	6,537,855
1,515,693	1,515,693
-	4,406,737
-	657,364
116,046	639,676
12,460	991,580
10,071,180	64,046,040
44,020	9,277,443
113,853	22,853,121
2,360,091	5,843,228
782,363	4,655,501
-	3,804,813
104,495	4,333,303
-	12,803,379
2,359,932	2,359,932
1,872,773	1,872,773
7,637,527	67,803,493
2,433,653	(3,757,453)
4,396,828	17,661,946
(6,864,517)	(18,354,656)
-	599,639
(2,467,689)	(93,071)
(34,036)	(3,850,524)
16,005,870	63,412,362
(331,203)	(3,716,115)
15,674,667	59,696,247
\$ 15,640,631	\$ 55,845,723

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CITY OF ENCINITAS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (3,850,524)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay exceeded depreciation in the current period:

Capital outlay	\$ 9,671,798	
Depreciation expense	<u>(4,930,872)</u>	4,740,926

Capital assets transferred to governmental activities from internal service funds are not reported in governmental funds because there has been no use of current financial resources. However, the capital assets are reported as transfers in the statement of activities and increases net assets. 2,669,454

Capital assets donated to the City do not provide current financial resources and, therefore, are not recorded in governmental funds. However, donated capital increases net assets and are reported in the statement of activities as capital contributions. 22,425

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

These differences are as follows:

Principal payments	2,359,932	
Capital lease proceeds	(599,639)	
Amortization of bond issuance costs	(236,340)	
Amortization of bond discounts and premiums	<u>(9,224)</u>	1,514,729

Long-term liabilities transferred to governmental activities from internal service funds are not reported in governmental funds because there has been no use of current financial resources. However, long-term liabilities transferred to governmental activities is reported as a special item, thereby offsetting the special item recorded in the internal service funds and ultimately reducing net assets. (1,107,555)

Internal service funds are used by management to charge the costs of engineering, administrative and operational support to individual funds. The net expense of internal service funds is reported with governmental activities. (1,905,065)

Some expenses reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Net change in accrued interest	70,283	
Net change in compensated absences	89,457	
Net change in claims payable	<u>(736,827)</u>	<u>(577,087)</u>

Change in net assets of governmental activities \$ 1,507,303

See Accompanying Notes to the Basic Financial Statements.

CITY OF ENCINITAS
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities		
	Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
Assets:			
Current assets:			
Cash and investments	\$ 14,723,359	\$ 13,458,816	\$ 11,434,053
Restricted cash and investments with fiscal agent	-	-	-
Accounts and taxes receivable	259,826	1,934,635	77,177
Interest receivable	25,854	22,944	19,559
Inventory and prepaid expenses	-	165,189	-
Total current assets	<u>15,009,039</u>	<u>15,581,584</u>	<u>11,530,789</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments with fiscal agent	-	1,040,817	-
Other noncurrent assets:			
Prepaid pension asset, net of accumulated amortization of \$490,760	-	490,763	-
Deferred charges	105,274	-	-
Investment in other agencies	18,108,001	19,262,474	3,710,251
Total other noncurrent assets	<u>18,213,275</u>	<u>19,753,237</u>	<u>3,710,251</u>
Capital assets:			
Land easements	1,358,591	2,714,096	451,070
Public works facility right of use	-	3,378,700	-
Construction in progress	7,349,479	700,299	739,472
Capacity rights, net of accumulated amortization	-	217,076	-
Utility, plant, vehicles, and equipment, net of accumulated depreciation	3,946,072	13,223,740	10,060,898
Total capital assets (net of accumulated depreciation)	<u>12,654,142</u>	<u>20,233,911</u>	<u>11,251,440</u>
Total noncurrent assets	<u>30,867,417</u>	<u>41,027,965</u>	<u>14,961,691</u>
Total assets	<u>45,876,456</u>	<u>56,609,549</u>	<u>26,492,480</u>

See Accompanying Notes to the Basic Financial Statements.

Business-type Activities Enterprise Funds		Total Enterprise Funds	Governmental Activities -
Nonmajor Affordable Housing	Nonmajor Recreation Fund		Internal Service Funds
\$ 509,111	\$ 628,430	\$ 40,753,769	\$ 4,940,846
18,101	-	18,101	-
-	14,897	2,286,535	-
1,009	-	69,366	-
82,701	-	247,890	-
<u>610,922</u>	<u>643,327</u>	<u>43,375,661</u>	<u>4,940,846</u>
-	-	1,040,817	-
-	-	490,763	-
-	-	105,274	-
-	-	41,080,726	-
-	-	41,676,763	-
-	-	4,523,757	-
-	-	3,378,700	-
-	-	8,789,250	-
-	-	217,076	-
<u>3,208,831</u>	-	<u>30,439,541</u>	-
<u>3,208,831</u>	-	<u>47,348,324</u>	-
<u>3,208,831</u>	-	<u>90,065,904</u>	-
<u>3,819,753</u>	<u>643,327</u>	<u>133,441,565</u>	<u>4,940,846</u>

(Continued)

CITY OF ENCINITAS
Statement of Net Assets
Proprietary Funds (Continued)
June 30, 2012

	Business-type Activities		
	Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	747,915	671,089	145,801
Current portion of advances from other funds	-	95,000	-
Unearned revenue	-	-	-
Deposits	500	521,400	-
Accrued interest payable	49,455	172,156	-
Current portion of long-term debt	546,540	1,136,858	-
Total current liabilities	<u>1,344,410</u>	<u>2,596,503</u>	<u>145,801</u>
Noncurrent liabilities:			
Revenue bonds payable	-	8,750,000	-
Notes and mortgages payable	4,343,734	5,920,000	-
Total noncurrent liabilities	<u>4,343,734</u>	<u>14,670,000</u>	<u>-</u>
Total liabilities	<u>5,688,144</u>	<u>17,266,503</u>	<u>145,801</u>
Net assets:			
Invested in capital assets, net of related debt	7,763,868	4,427,053	11,251,440
Unrestricted	32,424,444	34,915,993	15,095,239
Total net assets	<u>\$ 40,188,312</u>	<u>\$ 39,343,046</u>	<u>\$ 26,346,679</u>

See Accompanying Notes to the Basic Financial Statements.

Business-type Activities Enterprise Funds		Total Enterprise Funds	Governmental Activities
Nonmajor Affordable Housing	Nonmajor Recreation Fund		Internal Service Funds
3,315	63,218	1,631,338	101,449
-	-	95,000	-
839	317,116	317,955	-
17,314	-	539,214	-
-	-	221,611	-
56,108	-	1,739,506	-
<u>77,576</u>	<u>380,334</u>	<u>4,544,624</u>	<u>101,449</u>
-	-	8,750,000	-
<u>1,495,426</u>	<u>-</u>	<u>11,759,160</u>	<u>-</u>
<u>1,495,426</u>	<u>-</u>	<u>20,509,160</u>	<u>-</u>
<u>1,573,002</u>	<u>380,334</u>	<u>25,053,784</u>	<u>101,449</u>
1,664,397	-	25,106,758	-
<u>582,354</u>	<u>262,993</u>	<u>83,281,023</u>	<u>4,839,397</u>
<u>\$ 2,246,751</u>	<u>\$ 262,993</u>	<u>\$ 108,387,781</u>	<u>\$ 4,839,397</u>

CITY OF ENCINITAS
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities		
	Enterprise Funds		
	Cardiff Sanitary	San Dieguito	Encinitas
	Division	Water District	Sanitary
			Division
Operating revenues:			
Charges for services	\$ 4,923,299	\$ 12,900,308	\$ 2,897,522
Rental income	-	-	-
Contribution from users	-	-	-
Interfund revenues	-	-	-
Intergovernmental	-	-	-
Other revenues	47,363	22,614	70
Total operating revenues	<u>4,970,662</u>	<u>12,922,922</u>	<u>2,897,592</u>
Operating expenses:			
Housing assistance payments	-	-	-
Source of supply	-	3,840,791	-
General operations and maintenance	1,042,356	2,478,158	589,113
Facility operations and maintenance	1,204,250	2,280,080	505,040
Program cost	-	-	-
Depreciation	189,640	563,627	284,321
Amortization	215,000	731,277	94,188
Administrative support	-	-	-
Operational support services	-	-	-
Insurance and claims	171,565	51,582	119,149
General and administrative	239,574	1,804,488	127,365
Total operating expenses	<u>3,062,385</u>	<u>11,750,003</u>	<u>1,719,176</u>
Operating income (loss)	<u>1,908,277</u>	<u>1,172,919</u>	<u>1,178,416</u>
Nonoperating revenues (expenses):			
Use of money and property	79,347	88,059	19,705
Property taxes	-	725,551	-
Federal operating grants	-	-	-
Gain on sale of capital assets	-	-	-
Interest expense on notes payable	(248,400)	(696,930)	-
Other nonoperating expenses	(74,654)	(1,978)	-
Total nonoperating revenues (expenses), net	<u>(243,707)</u>	<u>114,702</u>	<u>19,705</u>
Income (loss) before capital contributions, transfers, and special item	<u>1,664,570</u>	<u>1,287,621</u>	<u>1,198,121</u>
Capital contributions	116,520	426,642	96,668
Transfers in	-	489,735	-
Transfers out	-	-	-
Special item	-	-	-
Change in net assets	<u>1,781,090</u>	<u>2,203,998</u>	<u>1,294,789</u>
Total net assets - beginning of year, as previously reported	38,407,222	37,139,048	25,051,890
Restatement - fund reclassification	-	-	-
Total net assets - beginning of year, as restated	<u>38,407,222</u>	<u>37,139,048</u>	<u>25,051,890</u>
Total net assets - end of year	<u>\$ 40,188,312</u>	<u>\$ 39,343,046</u>	<u>\$ 26,346,679</u>

See Accompanying Notes to the Basic Financial Statements.

Business-type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
Nonmajor Affordable Housing	Nonmajor Recreation Fund	Total Enterprise Funds	
\$ -	\$ 1,112,008	\$ 21,833,137	\$ 1,569,508
104,273	138,189	242,462	-
-	-	-	581,063
-	-	-	686,214
110,216	-	110,216	-
14	22,810	92,871	206,707
<u>214,503</u>	<u>1,273,007</u>	<u>22,278,686</u>	<u>3,043,492</u>
1,070,072	-	1,070,072	-
-	-	3,840,791	-
95,719	-	4,205,346	-
-	-	3,989,370	-
-	896,584	896,584	-
100,538	-	1,138,126	-
-	-	1,040,465	-
-	-	-	725,193
-	-	-	1,515,804
4,441	-	346,737	1,181,353
169,023	291,204	2,631,654	-
<u>1,439,793</u>	<u>1,187,788</u>	<u>19,159,145</u>	<u>3,422,350</u>
<u>(1,225,290)</u>	<u>85,219</u>	<u>3,119,541</u>	<u>(378,858)</u>
1,148	-	188,259	-
-	-	725,551	-
1,105,851	-	1,105,851	-
-	-	-	11,859
(53,018)	-	(998,348)	-
-	-	(76,632)	-
<u>1,053,981</u>	<u>-</u>	<u>944,681</u>	<u>11,859</u>
(171,309)	85,219	4,064,222	(366,999)
-	-	639,830	-
-	-	489,735	692,710
-	-	-	(3,338,331)
-	-	-	1,107,555
<u>(171,309)</u>	<u>85,219</u>	<u>5,193,787</u>	<u>(1,905,065)</u>
2,086,857	-	102,685,017	3,537,324
331,203	177,774	508,977	3,207,138
<u>2,418,060</u>	<u>177,774</u>	<u>103,193,994</u>	<u>6,744,462</u>
<u>\$ 2,246,751</u>	<u>262,993</u>	<u>\$ 108,387,781</u>	<u>\$ 4,839,397</u>

CITY OF ENCINITAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities		
	Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
Cash flows from operating activities:			
Receipts from users	\$ 4,957,241	\$ 13,090,211	\$ 2,909,404
Payments to employees	(3,260)	(2,671,640)	-
Payments to suppliers and vendors	(2,208,153)	(7,966,252)	(1,441,389)
Net cash provided (used) by operating activities	<u>2,745,828</u>	<u>2,452,319</u>	<u>1,468,015</u>
Cash flows from noncapital financing activities:			
Transfers in	-	489,735	-
Transfers out	-	-	-
Federal operating grants	-	-	-
Proceeds from property taxes	-	729,053	-
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>1,218,788</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Capital contributions received - connection/capacity fees	116,520	247,500	96,668
Proceeds from sale of capital assets	-	-	-
Repayment of advances from the City	-	(90,000)	-
Interest payments on advance from the City	-	-	-
Principal payments on bonds and notes payable	(515,000)	(960,000)	-
Interest payments on bonds and notes payable and trustee fees	(283,945)	(704,302)	-
Capital related payments to other agencies	(374,762)	(990,776)	(414,529)
Purchase of capital assets	(5,732,537)	(1,634,935)	(352,722)
Net cash (used) by capital and related financing activities	<u>(6,789,724)</u>	<u>(4,132,513)</u>	<u>(670,583)</u>
Cash flows from investing activities:			
Investment income received	74,904	80,842	12,313
Net increase in cash and cash equivalents	(3,968,992)	(380,564)	809,745
Cash and cash equivalents, beginning of year, as restated	<u>18,692,351</u>	<u>14,880,197</u>	<u>10,624,308</u>
Cash and cash equivalents, end of year	<u>\$ 14,723,359</u>	<u>\$ 14,499,633</u>	<u>\$ 11,434,053</u>
Schedule of cash and cash equivalents:			
Current assets:			
Cash and investments	\$ 14,723,359	\$ 13,458,816	\$ 11,434,053
Cash with fiscal agent	-	-	-
Noncurrent restricted assets:			
Cash and investments with fiscal agent	-	1,040,817	-
Total cash and cash equivalents	<u>\$ 14,723,359</u>	<u>\$ 14,499,633</u>	<u>\$ 11,434,053</u>

See Accompanying Notes to the Basic Financial Statements.

Business-type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
Nonmajor Affordable Housing	Nonmajor Recreation Fund	Total Enterprise Funds	
\$ 218,024	\$ 1,228,328	\$ 22,403,208	\$ 3,043,836
(167,963)	(500,269)	(3,343,132)	(1,420,641)
(1,191,607)	(683,833)	(13,491,234)	(2,031,172)
(1,141,546)	44,226	5,568,842	(407,977)
-	-	489,735	692,710
-	-	-	(489,735)
1,105,851	-	1,105,851	-
-	-	729,053	-
1,105,851	-	2,324,639	202,975
-	-	460,688	-
-	-	-	11,859
-	-	(90,000)	-
-	-	-	-
(40,147)	-	(1,515,147)	-
(53,018)	-	(1,041,265)	-
-	-	(1,780,067)	-
-	-	(7,720,194)	-
(93,165)	-	(11,685,985)	11,859
869	-	168,928	-
(127,991)	44,226	(3,623,576)	(193,143)
655,203	584,204	45,436,263	5,133,989
\$ 527,212	\$ 628,430	\$ 41,812,687	\$ 4,940,846
\$ 509,111	\$ 628,430	40,753,769	\$ 4,940,846
18,101	-	18,101	-
-	-	1,040,817	-
\$ 527,212	\$ 628,430	\$ 41,812,687	\$ 4,940,846

(Continued)

CITY OF ENCINITAS
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2012

	Business-type Activities		
	Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,908,277	\$ 1,172,919	\$ 1,178,416
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	404,640	1,294,904	378,509
Other nonoperating expenses	(74,654)	(1,978)	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(13,921)	(33,750)	11,812
(Increase) decrease in inventory and prepaid expenses	-	(20,665)	-
Increase (decrease) in accounts payable and accrued liabilities	520,986	(247,082)	(100,722)
Increase (decrease) in deferred revenue	-	-	-
Increase in deposits	500	201,039	-
Increase in compensated absences	-	86,932	-
Net cash provided (used) by operating activities	<u>\$ 2,745,828</u>	<u>\$ 2,452,319</u>	<u>\$ 1,468,015</u>
Noncash from capital and related financing activities:			
Transfer of long-term liabilities to governmental activities	\$ -	\$ -	\$ -
Retirement of 2003 note payable from issuance of 2011 SEJPA Refunding Revenue Bonds	(4,810,000)	-	-
Issuance of 2011 SEJPA Refunding Revenue Bonds	4,341,362	-	-
Premium on 2011 SEJPA Refunding Revenue Bonds	309,608	-	-
Deferred costs of issuance	105,274	-	-
Transfer in (out) of capital assets	-	179,142	-

See Accompanying Notes to the Basic Financial Statements.

Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Nonmajor Affordable Housing	Nonmajor Recreation Fund	Total Enterprise Funds	
\$ (1,225,290)	\$ 85,219	\$ 3,119,541	\$ (378,858)
100,538	-	2,178,591	-
-	-	(76,632)	-
2,258	(14,863)	(48,464)	344
62,985	-	42,320	-
(83,300)	3,686	93,568	(29,463)
839	(29,816)	(28,977)	-
424	-	201,963	-
-	-	86,932	-
<u>\$ (1,141,546)</u>	<u>\$ 44,226</u>	<u>\$ 5,568,842</u>	<u>\$ (407,977)</u>

\$ -	\$ -	-	\$ 1,107,555
-	-	(4,810,000)	-
-	-	4,341,362	-
-	-	309,608	-
-	-	105,274	-
-	-	179,142	(2,848,596)

CITY OF ENCINITAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets:

Cash and investments	\$ 2,257,631
Cash and investments with fiscal agent	2,794,191
Interest receivable	3,873
Current assessments receivable	18,661
Special assessments receivable	<u>35,680,000</u>
 Total current assets	 <u>40,754,356</u>

Liabilities:

Due to bondholders	<u><u>\$ 40,754,356</u></u>
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See Accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ENCINITAS
Notes to the Basic Financial Statements
For the Year Ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Reporting Entity:

The City of Encinitas (the City) was incorporated on October 1, 1986, pursuant to an election approving the San Dieguito Reorganization Plan, which consisted primarily of the detachment of territory from the Cardiff area and the annexation of the same territory to the City of Solana Beach.

The reporting entity of the City includes the accounts of the City, the Encinitas Housing Authority (EHA), the Encinitas Public Financing Authority (EPFA), and the San Dieguito Water District (SDWD).

The EHA was formed on January 26, 1994, under the laws of the State of California to provide housing assistance to citizens of the City.

The EPFA was formed on November 6, 1991, by the City and SDWD as a Joint Powers Authority under the laws of the State of California to purchase, finance, and lease certain real property to the members. The member agencies are the City and the SDWD.

SDWD was formed in 1922 under the laws of the State of California to supply water services to the central western portion of San Diego County. Certain management, maintenance, and operating functions are the responsibility of the City, which bills periodically for these services.

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The City is the primary governmental unit. Component units are financially accountable to the City. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body, or because the component unit will provide financial benefit, or impose financial burdens on the primary government. The component units have been accounted for as "blended" component units of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. SDWD is reported as an enterprise fund of the City.

The following specific criteria were used in determining the status of these component units:

- Members of the City Council also act as the governing body of the EHA, the EPFA, and SDWD.
- The City, the EHA, the EPFA, and SDWD are financially interdependent.
- The EHA, the EPFA, and SDWD are managed, at least in part, by employees of the City, who provide various support functions including financial reporting and investment decisions.

Separate financial statements for SDWD are available at the City's administrative office. Separate financial statements are not required or prepared for the EHA and the EPFA.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

(b) Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the *statement of net assets* and the *statement of activities*) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The *statement of net assets* includes all assets and liabilities of the primary government, including capital assets, long-term debt, and other long-term liabilities. The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment is 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, including fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation:

"Measurement Focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of Accounting" refers to *when* transactions are recorded regardless of the measurement focus applied.

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The City accrues interest in the Debt Service Fund when resources have been set aside for repayment that occurs early in the following year. Property taxes, transient occupancy taxes, franchise taxes, sales tax, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 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.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund financial statements are accounted for according to the nature of the fund. The City has only Agency funds, which are purely custodial in nature (assets equal liabilities) and thus, do not involve the measurement of the results of operations. These funds are accounted for on the accrual basis of accounting.

The **General Fund** is used to account for resources which are not required to be accounted for in another fund. The fund includes the general activities of the City and other administrative functions.

The **Capital Improvement Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major property, equipment, or facilities (other than those financed by proprietary funds), as well as a variety of "work projects," generally large consultant studies.

The City reports the following nonmajor governmental fund types:

The **Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The **Debt Service Fund** is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of principal and interest on long-term debt.

The City reports the following major proprietary funds:

The **Cardiff Sanitary Division (CSD)** provides wastewater collection and treatment services to approximately 6,000 customers in the southern portion of the City.

The **San Dieguito Water District (SDWD)** provides potable and reclaimed water and services to approximately 11,000 customers in Encinitas. The Olivenhain Municipal Water District, a separate legal entity not under the oversight of the City, serves the remaining portions of Encinitas.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The **Encinitas Sanitary Division (ESD)** provides wastewater collection and treatment services to approximately 5,000 customers in the northern portion of the City. The Leucadia Wastewater District (LLWD) provides wastewater collection and treatment services to the balance of Encinitas' residents and businesses. LLWD is an independent reporting entity and does not appear in the City's basic financial statements.

The City reports the following nonmajor proprietary funds:

The **Affordable Housing** fund accounts for the ownership and operation of 16 affordable housing units that are rented to qualified low-income households by the EHA. In addition to the rental income collected, the fund is also supported by rental voucher payments from the U.S. Department of Housing and Urban Development (HUD) related to the administration of the Section 8 Housing Choice Voucher Program.

The **Recreation Fund** is used to account for the recreation programs administered by the Parks and Recreation Department.

The **Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. These funds include Risk Management, Wastewater Support, Vehicle Maintenance and Vehicle Replacement.

The City reports the following fiduciary funds:

The **Agency Funds** are used to account for money and property held by the City as trustee or custodian. The Agency Funds are custodial in nature (assets equal liabilities). These funds include one Assessment District and one Community Facilities (Mello-Roos) District.

Application of accounting principles:

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the City's business-type activities and proprietary fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. The City has elected not to apply subsequent private-sector guidance for its business-type activities and enterprise funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) fees and charges to customers, applicants, and citizens; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments for capital purposes. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Program revenues and expenses are classified by function. Each function is defined as a major department with a department head and separate budget.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

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

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

(d) Assets, Liabilities and Net Assets or Fund Balances:

Cash, Cash Equivalents and Investments:

Investments are stated at fair value. All investment income is reported as revenue in the operating statement. The City's Enterprise and Internal Service Funds participate in the pooling of City-wide cash and investments. As amounts are available to these funds on demand, all cash and investments in these funds are considered to be cash and cash equivalents for statement of cash flow purposes.

Investment in Other Agencies:

Investment in San Elijo Joint Powers Authority (San Elijo) by CSD - The investment in San Elijo is accounted for using the equity method of accounting. CSD makes periodic contributions to cover its share of capital and operating costs. Contributions for capital are accounted for as an increase in the investment account. Contributions for operations are accounted for as operating expenses under the classification: *facility operations and maintenance*. Amortization expense on Plant operations that is charged to CSD is accounted for as an operating expense under the classification: *amortization*.

Investment in R.E. Badger Water Facilities Financing Authority (the "Financing Authority")

SDWD's investment in the Financing Authority is accounted for using the equity method of accounting. The equity interest is comprised primarily of bond reserve funds held by a fiscal agent and unamortized bond discounts and issuance costs. Changes in the investment account result primarily from interest revenues on reserve funds and amortization expense on the bond discounts and issuance costs. These items are classified as nonoperating revenues and expenses in the accompanying *statement of revenues, expenses and changes in net assets*.

Investment in R.E. Badger Filtration Plant (the "Joint Facilities")

SDWD's investment in the Joint Facilities is accounted for using the equity method of accounting. SDWD makes periodic contributions to cover its share of capital and operating costs. Contributions for capital are accounted for as an increase in the investment account. Contributions for operations are accounted for as operating expenses under the classification *facility operations and maintenance*. Amortization expense on Plant operations that is charged to SDWD is accounted for as an operating expense under the classification: *amortization*.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Investment in Encina Water Pollution Control Facility (Encina) by ESD

The investment in Encina is accounted for using the equity method of accounting. ESD makes periodic contributions to cover its share of capital and operating costs. Contributions for capital are accounted for as an increase in the investment account. Contributions for operations are accounted for as operating expenses under the classification *facility operations and maintenance*. Amortization expense on Plant operations that is charged to ESD is accounted for as an operating expense under the classification: *amortization*.

Receivables:

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as all amounts are considered to be collectible in the normal course of business.

Other Assets:

Other current assets include inventories, stated at cost, which is not in excess of fair value. Inventory applies only to SDWD and includes such items as water meters and other materials used in the repair of capital facilities. Cost has been determined on an average-cost basis. Other assets also include bond issuance costs and prepaid pension costs (refer to Note 6).

Capital Assets and Depreciation Expense:

Capital assets are recorded as expenditures in the various governmental funds at the time of purchase and are reported as assets in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets include land, construction in progress, public facilities (buildings and building improvements), vehicles, equipment and machinery, and infrastructure assets (e.g., roads, streets and sidewalks, bridges, curbs and gutters, drainage systems, lighting systems and similar assets). All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Proprietary fund capital assets include, land easements, public works facility right of use, construction in progress, structures and improvements, collection and distribution systems, machinery and equipment, and capacity rights, which are stated at cost. Contributed assets, which are principally collection and distribution lines, are stated at cost or estimated fair value on the date of donation. Cost includes materials, direct labor, and such indirect items as engineering and supervision, employee fringe benefits and interest during construction on borrowed funds related to plant under construction.

Depreciation is provided using the straight-line method over the estimated useful service lives of the related assets:

Structures and improvements	20 - 45 years
Equipment, machinery and vehicles	5 - 20 years
Infrastructure	20 - 50 years
Collection and distribution systems	50 years

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The City's capitalization threshold for capital assets is \$5,000 for non-infrastructure assets and \$100,000 for infrastructure assets.

Current Liabilities:

Deposit Liabilities - The City collects deposits from homeowners and commercial enterprises as surety for the payment of fees and other costs related to planning and engineering services provided by the City. The City collects two types of deposits: (1) Application Deposits and (2) Security Deposits. Application deposits are collected on certain projects for which a fee for services has not been established. As costs for these projects are incurred by the City, the applicant's deposit balance is adjusted and revenue (including applicable overhead charges) is recognized. Expenses incurred in excess of the deposit amounts are billed to the applicant. Any surplus at project completion is returned to the applicant. Security deposits are collected by the applicant to guarantee required performance. These may either be in cash or in the form of non-cash, such as performance bonds or letters of credit. The amount of cash deposits on hand at the balance sheet date is reported as a *current liability* in the *Statement of Net Assets*. Non-cash securities are not reported as liabilities, as the corresponding surety is not an asset of the City as of the *statement of net assets/balance sheet* date.

Unearned and Deferred Revenues - Unearned revenues generally consist of amounts collected from customers prior to June 30, 2012 for recreation programs that begin in fiscal year 2013, and unearned revenues can also result from donations or cash collected from other agencies for capital or work projects, for which the related expenditures have not yet been incurred.

Deferred revenues generally consist of federal and state grants for which monies have been received but the related expenditures have not yet occurred or where expenditures have been incurred but reimbursement for those expenditures did not occur within the defined availability period of 60 days, and are deferred in the governmental fund statements.

Long Term Obligations:

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium, discount, and deferred amount on refunding.

Long-term lease obligations that meet all applicable criteria are accounted for as capital leases. Leases not meeting the criteria are accounted for as operating leases.

In governmental funds, compensated absences (accrued vacation and sick leave for firefighters) are recorded as expenditures in the year paid or when due and payable at year-end and are charged to general government and public safety, respectively. Unpaid liabilities are recorded in the *statement of net assets*. Unpaid compensated absences of proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

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.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Classification of Net Assets:

On the *statement of net assets*, net assets are classified into three components which are defined as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, those amounts are included in the calculation of net capital assets.
- **Restricted assets** - This component of net assets consists of constraints placed on net asset use externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balances:

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54 requires that the fund balances be classified into the following categories based upon the type of constraints imposed on the use of funds:

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

Restricted – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action by the entity’s highest level of decision-making authority.

Assigned – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – This classification is the residual amount for the City’s general fund and includes all spendable amounts not contained in the other classifications.

The City reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The City reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Property Taxes:

Under California law, property taxes are assessed and collected by the counties up to 1% of the assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The City considers only taxes which are received within 60 days after year-end to be revenue in the governmental funds.

The County of San Diego's property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due dates	November 1 and February 1
Delinquent after	December 10 and April 10

(2) RECLASSIFICATION OF CERTAIN FUNDS AND ACCOUNTS:

Several funds were reclassified during 2011-12 due to the realignment of fund types, methodology of accounting for these funds, and the conversion of a new financial system. Two recreation funds previously classified as governmental funds are now being classified as proprietary funds. The Risk Management fund previously classified as a governmental fund is now being classified as an internal service fund. As a result beginning fund balances have been restated to reflect these fund type changes as of July 1, 2011:

Funds	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds
Beginning fund balance, June 30, 2011, as previously reported	\$ 47,406,492	\$ 16,005,870	\$ 2,086,857	\$ 3,537,324
Fund Reclassifications:				
Risk Management	(3,207,138)	-	-	3,207,138
Affordable Housing	-	(331,203)	331,203	-
Recreation Program	(177,774)	-	177,774	-
Subtotal - Fund Reclassifications	<u>(3,384,912)</u>	<u>(331,203)</u>	<u>508,977</u>	<u>3,207,138</u>
Beginning fund balance, July 1, 2011, as restated	<u>\$ 44,021,580</u>	<u>\$ 15,674,667</u>	<u>\$ 2,595,834</u>	<u>\$ 6,744,462</u>

(3) BUDGETARY INFORMATION:

(a) Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information and other supplementary combining budgetary comparison schedules:

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The City Council adopts a two-year operating budget, with appropriations for the first year only. This annual budget provides for the general operations of the City. It includes all proposed expenditures and interfund transfers, and the means of financing them. The Council also approves any amendments to appropriations throughout the year, generally at the mid-year budget review in February. This “appropriated budget” covers substantially all City expenditures, with the exception of capital improvement projects, which expenditures constitute a legally authorized “non-appropriated budget”. The legal level of budgetary control is at the fund level. The budgetary amounts used in the required supplementary information are both original and final budgeted amounts. The final budget amounts include any amendments adopted during the year.

Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations unencumbered at year-end lapse. City Council approval is required to include any unencumbered appropriations at year-end in the following fiscal year’s budget as continuing appropriations. Continuing appropriations only apply to the first year of the two-year budget cycle.

Budgets for the general and special revenue funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the debt service, capital projects or proprietary funds, as the City is not legally required to adopt an annual budget for those types of funds.

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 be either refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies to be used in future years without limitation.

(4) CASH AND INVESTMENTS:

Cash and investments at June 30, 2012, are classified in the accompanying financial statements as follows:

	<u>Government- wide Statement of Net Assets</u>	<u>Statement of Fiduciary Assets and Liabilities</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 97,463,058	\$ 2,257,631	\$ 99,720,689
Cash and investments with fiscal agents	18,101	-	18,101
Noncurrent assets:			
Restricted assets:			
Cash and investments with fiscal agents	<u>4,223,065</u>	<u>2,794,191</u>	<u>7,017,256</u>
Total cash and investments	<u>\$ 101,704,224</u>	<u>\$ 5,051,822</u>	<u>\$ 106,756,046</u>

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Cash and investments at June 30, 2012, consisted of the following:

Cash on hand	\$	3,525
Deposits with financial institutions - book balance		5,620,025
Investments		101,132,496
Total cash and investments	\$	106,756,046

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

The table below identifies the allowable investment types authorized by the California Government Code (the "Gov't Code") and the City's adopted Investment Policy (the "Investment Policy"). The table also identifies certain restrictions related to interest rate risk and concentration of credit risk. The Investment Policy restricts the City Treasurer to investing in only the types of investments listed herein, which is more restrictive than the Gov't Code, as the City's policy does not allow certain investments to be purchased which are permitted under the Gov't Code.

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Repurchase Agreements-Overnight "Sweep"	Yes	1 year	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Yes	N/A	No Limit	No Limit
Local Agency Bonds	No	5 years	None	None
Other Governmental Managed Investment Poo	Yes	N/A	No Limit	No Limit
Money Market Mutual Funds	Yes	N/A	20%	10%
Certificates of Deposit	Yes	5 years	No Limit	No Limit
Negotiable Certificates of Deposit	Yes	5 years	30%	No Limit
Bankers' Acceptances	Yes	180 days	40%	30%
U.S. Treasury Bills, Notes and Bonds	Yes	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprises	Yes	5 years	No Limit	No Limit
Commercial Paper	Yes	270 days	25%	10%
Commercial Medium-Term Notes	Yes	5 years	30%	No Limit

Investments Authorized by Debt Agreements:

The investment of the proceeds of debt issues, held by a third-party trustee, is governed by the provisions of the specific debt agreement rather than by the Gov't Code or the Investment Policy. The the investment types that are authorized and currently utilized by the City are Guaranteed Investment Contracts and Money Market Mutual Funds.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Disclosures Related 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 the greater the sensitivity its fair value is 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 to interest rate risk is provided in the table on the following page that shows the distribution by maturity.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13-60 Months	More Than 60 Months
Investments:				
Local Agency Investment Fund	\$ 29,312,534	\$ 29,312,534	\$ -	\$ -
California Asset Management Program	10,016,712	10,016,712	-	-
Money Market Mutual Funds	1,021,742	1,021,742	-	-
Corporate Medium Term Notes	989,681	989,681	-	-
U.S. Government Sponsored Enterprise Securities	52,774,571	-	52,774,571	-
Total Investments	94,115,240	41,340,669	52,774,571	-
Investments with Fiscal Agents:				
Guaranteed Investment Contracts	619,500	-	-	619,500
Money Market Mutual Funds	6,397,756	6,397,756	-	-
Total Investments with Fiscal Agents	7,017,256	6,397,756	-	619,500
Total	\$ 101,132,496	\$ 47,738,425	\$ 52,774,571	\$ 619,500

The City does not have any investments as of June 30, 2012, whose fair values are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk:

Credit risk is defined as 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 organization. Presented on the following page is the minimum rating required by (where applicable) the Gov't Code, the Investment Policy, or the debt agreements, and the actual rating as of year-end for each investment type.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			AAA/ AA+	Not Rated
Investments:				
Local Agency Investment Fund	\$ 29,312,534	N/A	\$ -	\$ 29,312,534
California Asset Management Program	10,016,712	N/A	10,016,712	-
Money Market Mutual Funds	1,021,742	AAA	1,021,742	-
Corporate Medium Term Notes	989,681	None	989,681	-
U.S. Government Sponsored Enterprise Securities	52,774,571	None	52,774,571	-
Total Investments	94,115,240		64,802,706	29,312,534
Investments with Fiscal Agent:				
Guaranteed Investment Contracts	619,500	N/A	-	619,500
Money Market Mutual Funds	6,397,756	AAA	6,397,756	-
Total Investments with Fiscal Agent	7,017,256		6,397,756	619,500
Total	\$ 101,132,496		\$ 71,200,462	\$ 29,932,034

Disclosures Relating to Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the Gov't Code. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the City's total investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit	U.S. Government Sponsored Enterprise Securities	\$ 9,201,000
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	13,442,637
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	15,110,700
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	15,020,234

Disclosures Relating to Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

collateral securities that are in the possession of another party. The Gov't 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 provisions for deposits: The Gov't Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2012, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation, up to \$250,000 and the remaining balance of the deposits were collateralized under California Law.

Disclosures Related to the State Local Agency Investment Fund (LAIF):

The City is a voluntary participant in LAIF that is regulated by Government Code Section 16429 under the oversight of the State Treasurer. The City's policy is to report the value of its investment in LAIF at the amount reported to the City by LAIF. The LAIF has not sought, and does not maintain, a credit rating from any nationally recognized credit rating agency.

The total amount invested by all public agencies in LAIF as of June 30, 2012 was \$21.3 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which as of June 30, 2012 had a balance of \$60.5 billion, which of this amount, 3.47% was invested in medium-term and short-term structured notes and asset-backed securities. PMIA is not SEC registered, but is required to invest according to California State Government Code. The weighted average maturity of PMIA investments was 274 days as of June 30, 2012.

Disclosures Related to the California Asset Management Program (CAMP):

The City is a voluntary participant in CAMP, a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers. The CAMP pool is operated in a manner similar to registered money market funds which follow Rule 2a-7 of the Securities and Exchange Commission. The Pool is required to maintain an average maturity of less than 60 days, and is rated AAA by Standard & Poor's national rating agency.

(5) INVESTMENT IN OTHER AGENCIES:

Investment in other agencies is accounted for as *other noncurrent assets* in the *Statement of Net Assets*, and consists of the following amounts at June 30, 2012:

Cardiff Sanitary Division – Investment in San Elijo Joint Powers Authority:

In 1964, Cardiff Sanitary Division (CSD) entered into an agreement with Solana Beach Sanitation District (Solana Beach) for the joint ownership, maintenance, operation, and use of a Wastewater Treatment Plant and Ocean Outfall (collectively, the "Facilities"). In 1987, CSD and Solana Beach agreed to establish the *San Elijo Joint Powers Authority (San Elijo)*, a separate legal entity whose function it is to manage and operate the Facilities and to determine the joint and separate obligations of the members concerning the transmission, treatment, disposal, and reclamation of wastewater within the respective service territories. On June 30, 1988, CSD and Solana Beach

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

each transferred all of their assets related to the Facilities in exchange for a 50% interest in *San Elijo*. The Ocean outfall is jointly owned by *San Elijo* (21% interest) and the City of Escondido (79% interest).

The operations and maintenance costs are allocated monthly and billed quarterly, based on the relative volume of flows, after taking into account charges to other agencies that lease certain capacity rights and share in the costs of operations and maintenance. For the year ended June 30, 2012, CSD's share of operations and maintenance costs (net of charges to outside agencies) was \$1,204,450.

San Dieguito Water District - Investment in R.E. Badger Filtration Plant and related Facilities (the "Joint Facilities"):

In 1967, SDWD entered into an agreement with Santa Fe Irrigation District (Santa Fe) for the joint ownership, maintenance, operation, and use of a water treatment plant and various facilities for the storage and delivery of potable water. During the ensuing years, the SDWD and Santa Fe have added various facilities and improvements, which are owned in different percentages depending on the type of facility and the agreements in place. The ownership percentages of these Joint Facilities are described below:

San Dieguito Water District	Santa Fe	Facilities
45%	55%	Filtration Plant
31%	69%	Filtered Water Reservoir
39%	61%	Joint Pipeline
42%	58%	San Dieguito Reservoir

Santa Fe is responsible for the operations and maintenance of the Joint Facilities as well as the related administration. The operations and maintenance costs are allocated monthly on the basis of the water used by each district, and administrative costs are allocated based on an agreed-upon cost allocation plan. For the year ended June 30, 2012, SDWD's share of operations and maintenance costs was \$2,280,080.

San Dieguito Water District - Investment in R.E. Badger Water Facilities Financing Authority (the "Financing Authority"):

In 1999, the SDWD and Santa Fe entered into a joint exercise of powers agreement and formed the Financing Authority to provide financing for the acquisition and construction of capital improvements related to the Joint Facilities. The Financing Authority subsequently issued revenue bonds for the purpose of funding those capital improvements. The SDWD and Santa Fe are obligated under Installment Purchase Agreements to repay their proportionate shares of the long-term financing. The investment in the Financing Authority consists primarily of the SDWD's share of the debt reserve funds held by a fiscal agent and unamortized bond discounts and issuance costs.

Encinitas Sanitary Division (ESD) - Investment in Encina Water Pollution Control Facility:

ESD is one of six participants in the operations of the Encina Water Pollution Control Facility (the "Facility"), which is administered by the Encina Wastewater Authority (Encina). ESD owns

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

approximately 5% of the Facility, affording it capacity rights of 2.0 million gallons/day, which is in excess of current needs and sufficient to meet all projected future needs.

Encina is responsible for the operations and maintenance of the Facility, as well as the related administration. The operations, maintenance, and administrative costs are allocated monthly on the basis of the relative flows of each member agency through the Facility. For the year ended June 30, 2012, ESD's share of those costs was \$505,040.

(6) OTHER ASSETS, NET OF ACCUMULATED AMORTIZATION

	Original Amount	Accumulated Amortization	Remaining Balance
Cost of Issuance, 2006 Library Bonds	\$ 384,198	\$ (72,570)	\$ 311,628
Cost of Issuance, 2010 Park Bonds	170,771	(15,654)	155,117
Prepayment of Pension Side Funds	3,325,189	(1,662,595)	1,662,594
			\$ 2,129,339

Governmental Activities:

The City incurred qualified costs of issuance on the 2006 and 2010 lease revenue bond issues, which are being amortized over the term of the related bonds. Amortization expenses for 2011-12 totaled \$21,345.

In 2007, the City elected to pre-pay all of the pension side fund obligations for its plans which were part of risk-sharing pools: City, Fire Department and Marine Safety. This amount has been capitalized and is being amortized using a straight-line basis over 10 years. Amortization expense for 2011-12 totaled \$332,519.

The unamortized balance of the prepaid pension obligations is an asset of the General Fund, and is included in the balance sheet of the Governmental Funds. The net costs of issuance are included only in the Statement of Net Assets.

Also, included in Other Assets is \$557,267 of prepaid expenses which benefit future periods and will be amortized over the benefitted period.

Business-type Activities:

In 2007, SDWD elected to prepay all of the pension side fund obligations for their plan which is part of CalPERS risk-sharing pool. This amount has been capitalized and is being amortized using a straight-line basis over 10 years. Amortization expenses for 2011-12 totaled \$98,152.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

(7) CAPITAL ASSETS AND DEPRECIATION:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2012, is as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers In & Transfers Out	Balance at June 30, 2012
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 19,462,218	\$ 22,425	\$ -	\$ 32,371,382	\$ 51,856,025
Parkland - vacant	39,408,742	-	-	(39,408,742)	-
Construction in progress	15,755,840	8,896,818	-	(3,385,976)	21,266,682
Total capital assets, not being depreciated	<u>74,626,800</u>	<u>8,919,243</u>	<u>-</u>	<u>(10,423,336)</u>	<u>73,122,707</u>
Capital assets, being depreciated:					
Public facilities	45,352,234	11,006	-	15,452,320	60,815,560
Parkland - improvements	12,073,620	-	-	(12,073,620)	-
Fire apparatus and equipment	4,420,641	-	-	(4,420,641)	-
Vehicles, equipment and machinery	3,238,761	763,974	(42,047)	5,944,535	9,905,223
Office furniture and equipment	587,626	-	-	(587,626)	-
Vehicles	1,781,460	-	-	(1,781,460)	-
Infrastructure	93,977,509	-	-	7,047,636	101,025,145
Total capital assets, being depreciated	<u>161,431,851</u>	<u>774,980</u>	<u>(42,047)</u>	<u>9,581,144</u>	<u>171,745,928</u>
Less accumulated depreciation for:					
Public facilities	(9,710,352)	(2,004,552)	-	(6,734,641)	(18,449,545)
Parkland - improvements	(6,731,641)	-	-	6,731,641	-
Fire apparatus and equipment	(2,397,500)	-	-	2,397,500	-
Vehicles, equipment and machinery	(2,405,530)	(560,728)	42,047	(3,804,440)	(6,728,651)
Office furniture and equipment	(506,292)	-	-	506,292	-
Vehicles	(1,566,698)	-	-	1,566,698	-
Infrastructure	(33,667,434)	(2,365,592)	-	-	(36,033,026)
Total accumulated depreciation	<u>(56,985,447)</u>	<u>(4,930,872)</u>	<u>42,047</u>	<u>663,050</u>	<u>(61,211,222)</u>
Total capital assets being depreciated, net	<u>104,446,404</u>	<u>(4,155,892)</u>	<u>-</u>	<u>10,244,194</u>	<u>110,534,706</u>
Governmental activities Capital assets, net	<u>\$ 179,073,204</u>	<u>\$ 4,763,351</u>	<u>\$ -</u>	<u>\$ (179,142)</u>	<u>\$ 183,657,413</u>

Certain balances were reclassified during the year to combine certain asset classifications for financial reporting purposes. These were no changes to any of the prior year balances as a result of the reclassifications.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

A summary of changes in the Business-type Activities capital assets for the year ended June 30, 2012, is as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers In & Transfers Out	Balance at June 30, 2012
Business-Type Activities:					
Capital assets, not being depreciated:					
Land easements	\$ 4,523,758	\$ -	\$ -	\$ -	\$ 4,523,758
Public Works facility right of use	3,378,700	-	-	-	3,378,700
Construction in progress	2,760,851	6,028,398	-	-	8,789,249
Total capital assets, not being depreciated	<u>10,663,309</u>	<u>6,028,398</u>	<u>-</u>	<u>-</u>	<u>16,691,707</u>
Capital assets, being depreciated:					
Structures and improvements	14,196,519	250,484	-	-	14,447,003
Collection and distribution	45,486,612	1,412,330	1,004,848	-	47,903,790
Machinery and equipment	2,429,839	28,982	(1,004,848)	845,192	2,299,165
Capacity rights	323,190	-	-	-	323,190
Total capital assets, being depreciated	<u>62,436,160</u>	<u>1,691,796</u>	<u>-</u>	<u>845,192</u>	<u>64,973,148</u>
Less accumulated depreciation for:					
Structures and improvements	(3,758,076)	(333,622)	-	-	(4,091,698)
Collection and distribution	(27,756,228)	(240,975)	-	-	(27,997,203)
Machinery and equipment	(898,402)	(557,064)	-	(666,050)	(2,121,516)
Capacity rights	(99,649)	(6,465)	-	-	(106,114)
Total accumulated depreciation	<u>(32,512,355)</u>	<u>(1,138,126)</u>	<u>-</u>	<u>(666,050)</u>	<u>(34,316,531)</u>
Total capital assets being depreciated, net	<u>29,923,805</u>	<u>553,670</u>	<u>-</u>	<u>179,142</u>	<u>30,656,617</u>
Business-type activities Capital assets, net	<u>\$ 40,587,114</u>	<u>\$ 6,582,068</u>	<u>\$ -</u>	<u>\$ 179,142</u>	<u>\$ 47,348,324</u>

During the year, the City transferred a total of \$845,192 worth of vehicles, machinery and equipment to SDWD from the City's Vehicle Replacement Internal Service Fund as full and complete consideration for any and all financial interest that SDWD may have possessed for the right-of-use of its specified portion of the City's fleet. The corresponding accumulated depreciation in the amount of \$666,050 was also transferred.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 841,237
Public safety	420,062
Public works	2,756,205
Parks and recreation	913,369
Total depreciation expense - governmental activities	\$ 4,930,872

Business-Type Activities:

Cardiff Sanitary Division	\$ 189,640
San Dieguito Water District	563,627
Encinitas Sanitary Division	284,321
Nonmajor Affordable Housing	100,538
Total depreciation expense - business-type activities	\$ 1,138,126

Capacity Rights (SDWD):

On September 21, 1992, SDWD and the Santa Fe Irrigation District entered into an agreement with the San Diego County Water Authority (SDCWA) to increase the delivery capacity to R.E. Badger Filtration Plant. SDCWA planned, designed and constructed the system with funds provided 45% by SDWD and 55% by Santa Fe Irrigation District. SDCWA owns and operates the system, which was placed in service May 1995. SDWD's cost of the capacity rights totaled \$323,190. At June 30, 2012, the unamortized portion of the *capacity rights* was \$217,076, and amortization expense for the fiscal year was \$6,465.

Public Works Facility Right of Use:

In September 2007, the City purchased a 4.4 acre commercial site and related improvements for use as a joint Public Works facility with SDWD. The facility was purchased for a total of \$9.6 million, of which \$8.6 million is land value, \$1.0 million is the value of the improvements, and \$100,000 represents the purchase of various equipment and fixtures. In conjunction with that purchase, SDWD was granted a perpetual right-of-use of the joint facility in exchange for a one-time payment to the City of \$3,378,700. Due to its perpetual nature, this asset is not being amortized.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

(8) LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012	Due Within One Year
Governmental Activities:					
Capital Leases:					
2006 Fire Apparatus Lease	\$ 54,248	\$ -	\$ (54,248)	\$ -	\$ -
2007 Vac Con Cleaner Lease	108,339	-	(34,463)	73,876	36,087
2008 Lease Roof Replacement	1,766,757	-	(119,455)	1,647,302	123,904
2011 Fire Apparatus Lease	1,107,555	-	(146,766)	960,789	150,429
2012 Fire Apparatus Lease	-	599,639	-	599,639	80,193
Bonded Debt:					
1997 Refunding Certificates	3,130,000	-	(460,000)	2,670,000	485,000
2002 ABAG Financing	2,145,000	-	(490,000)	1,655,000	330,000
2006 Lease Revenue Bonds	18,795,000	-	(430,000)	18,365,000	445,000
less: original issue discount	(270,000)	-	20,000	(250,000)	-
2010 Lease Revenue Bonds	18,635,000	-	(625,000)	18,010,000	645,000
add: original issue premium	206,535	-	(10,776)	195,759	-
Subtotal of governmental capital leases and bonded debt	45,678,434	599,639	(2,350,708)	43,927,365	2,295,613
Claims payable	565,098	1,735,989	(999,162)	1,301,925	1,301,925
Compensated absences	1,963,482	1,874,025	(1,963,482)	1,874,025	1,874,025
Total Governmental Activities	48,207,014	4,209,653	(5,313,352)	47,103,315	5,471,563
Business-type Activities:					
2003 CSD Note Payable to SEJPA	5,300,000	-	(5,300,000)	-	-
2011 CSD Note Payable to SEJPA	-	4,341,361	(25,000)	4,316,361	546,540
add: original issue premium	-	309,608	-	309,608	-
add: deferred amount on refunding	-	264,304	-	264,304	-
2004 SDWD Water Revenue Bonds	9,960,000	-	(595,000)	9,365,000	615,000
2007 SDWD Note Payable Badger	6,660,000	-	(365,000)	6,295,000	375,000
2004 EHA Housing Mortgage Note	1,591,681	-	(47,247)	1,544,434	49,008
Subtotal of business-type notes payable and bonded debt	23,511,681	4,915,273	(6,332,247)	22,094,707	1,585,548
Compensated absences (SDWD)	59,926	146,858	(59,626)	146,858	146,858
Compensated absences (Affordable Housing)	-	7,100	-	7,100	7,100
Total Business-type Activities	23,571,607	5,069,231	(6,391,873)	22,248,665	1,739,506
Long-term liabilities total	\$ 71,778,621	\$ 9,278,884	\$ (11,705,225)	\$ 69,351,980	\$ 7,211,069

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
June 30, 2012

Governmental Activities:

Capital Leases:

2006 Fire Apparatus Lease:

The City entered into a long-term lease arrangement in fiscal year 2005-06 to finance the purchase of a 2006 American LaFrance Eagle Pumper Fire Apparatus for \$358,544. The lease has a term of seven (7) years, an interest rate of 4.35%, and annual payments of \$56,607. The lease is accounted for as a capital lease, as the City will be purchasing the unit for \$1.00 at the maturity of the lease in fiscal year 2012.

2007 Vac-Con Cleaner Lease:

The City entered into a long-term lease arrangement in fiscal year 2006-07 to finance the purchase of a new 2007 Vac-Con combination sewer and storm drain cleaner for \$231,358. The lease has a term of seven (7) years, an interest rate of 4.66%, and semi-annual payments of \$19,557. The City will own the equipment at the end of the lease term in fiscal year 2014.

2008 Civic Center Roof Replacement and Energy Optimization Project-Lease Financing:

On February 27, 2008, the City entered into a long-term lease arrangement with a financial institution to finance \$2,100,000 of the 2008 improvements to the Encinitas Civic Center. The lease has a term of fifteen (15) years, an interest rate of 3.69%, and semi-annual payments of \$91,778. The project was completed during fiscal year 2008-2009, and the final payment is due in fiscal year 2023.

2011 Fire Apparatus Lease:

The City entered into a long-term lease arrangement in fiscal year 2010-11 to finance the purchase of a 2011 Pierce Arrow XT Aerial Tiller Truck for \$1,107,555. The lease has a term of seven (7) years, an interest rate of 2.48%, and annual payments of \$173,329. The lease is accounted for as a capital lease, as the City will be purchasing the unit for \$1.00 at the maturity of the lease in fiscal year 2018. During the year ended June 30, 2012, the City transferred the capital lease obligation previously reported in the Vehicle Replacement Internal Service Fund to governmental activities, along with the related capital assets. As a result of the transfer, the City recorded a special item in the amount of \$1,107,555 representing the outstanding principal remaining on the capital lease obligation.

2012 Fire Apparatus Lease:

The City entered into a long-term lease arrangement in fiscal year 2011-12 to finance the purchase of a 2012 Pierce Arrow XT Pumper Truck for \$599,639. The lease has a term of seven (7) years, an interest rate of 2.18%, and annual payments of \$92,830. The lease is accounted for as a capital lease, as the City will be purchasing the unit for \$1.00 at the maturity of the lease in fiscal year 2019.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Capital assets and accumulated depreciation held under capital leases are as follows:

	Governmental Activities		
	Cost	Accumulated Depreciation	Net Capital Assets
Public facilities	\$ 3,543,258	\$ (437,002)	\$ 3,106,256
Fire apparatus and equipment	2,089,665	(140,001)	1,949,664
Equipment and machinery	231,358	(231,358)	-

Bonded Debt:

1997 Refunding Certificates of Participation (COP's)-Series A (Encinitas Civic Center):

In December 1991, the EPFA (on behalf of the City of Encinitas) issued the 1991 Certificates of Participation-Series A totaling \$7,635,000, to purchase the site and existing improvements for the Encinitas Civic Center. In December 1997, the EPFA issued the 1997 Refunding Certificates of Participation-Series A totaling \$7,550,000, to refund all of the 1991 Certificates. The refunding qualified as an in-substance defeasance. Principal is due and payable annually in amounts ranging from \$275,000 to \$590,000. Interest is payable semi-annually with rates ranging from 3.70% to 5.05%. The certificates are not subject to optional redemption prior to maturity.

2002 Association of Bay Area Governments (ABAG) Lease Revenue Bonds:

In July 2002, the City issued \$6,590,000 of Lease Revenue Bonds, Series 2002-1 through ABAG, a California Joint Powers Authority. The proceeds were utilized to retire the 1992 Certificates of Participation-Series B (Encinitas Civic Center) and four existing debt obligations (including one of the Encinitas Sanitary Division) and to provide funding for improvements to the Civic Center and the SDWD Water Utility meter exchange and automation program. The Bonds mature serially on July 1 from 2004 through 2018 in amounts ranging from \$240,000 to \$670,000. The Term Bonds due July 1, 2022 and 2032 are subject to mandatory sinking fund requirements. Interest is due and payable semi-annually at rates ranging from 3.00% to 4.65%.

The City advanced funds to the Encinitas Sanitary Division and the San Dieguito Water District, which are being repaid to the City according to the underlying terms of the bond issue. The remaining balances owed to the City are summarized in Note 9.

The Bonds are subject to optional redemption beginning in 2013 at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon.

Redemption Period	Redemption Price
July 1, 2012 through June 30, 2013	101%
July 1, 2013 through June 30, 2014	100.5%
July 1, 2014 and thereafter	100%

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

2006 Lease Revenue Bonds (Public Library):

On October 1, 2006 the EPFA (on behalf of the City of Encinitas) issued 2006 Lease Revenue Bonds-Series A (Library Construction Project) in the amount of \$20,000,000 to provide funds for the construction of a new 26,000 square foot library located on 2.1 acres immediately above the Encinitas Civic Center. The bonds consist of \$10,405,000 of serial bonds and \$9,595,000 in term bonds. The serial bonds mature from 2008 to 2026 in annual installments ranging from \$390,000 to \$755,000. The term bonds mature from 2027 to 2036 and are subject to mandatory sinking fund requirements. Annual principal installments range from \$785,000 to \$1,155,000. Interest is due and payable semi-annually at rates ranging from 3.6% to 4.375%.

The Bonds maturing on or after October 1, 2015 are subject to optional redemption beginning on or after October 1, 2014 at the following respective redemption prices:

Redemption Period	Redemption Price
October 1, 2014 through September 30, 2015	102%
October 1, 2015 through September 30, 2016	101%
October 1, 2016 and thereafter	100%

2010 Lease Revenue Refunding Bonds (Park Project):

On September 1, 2010, the EPFA (on behalf of the City of Encinitas) issued its 2010 Lease Revenue Refunding Bonds, Series A (Park Project) in the amount of \$19,530,000 to provide funds for the refinancing of its 2001 Lease Revenue Bonds, Series A. The 2010 Bonds consist of \$15,675,000 of serial bonds and \$3,855,000 of term bonds. The serial bonds mature from 2011 to 2028 in annual installments ranging from \$625,000 to \$1,175,000. The term bond matures on April 1, 2031 and is subject to mandatory sinking fund requirements. Interest is due and payable semi-annually at rates ranging from 0.50% to 4.85%.

The Bonds maturing on or before April 1, 2017 shall not be subject to redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 2018, shall be subject to optional redemption on any date after April 1, 2017, without premium.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The debt service requirements to maturity of the capital leases and the bonded debt, excluding claims payable and compensated absences, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 2,295,613	\$ 1,736,803	\$ 4,032,416
2014	2,277,440	1,716,739	3,994,179
2015	2,340,081	1,617,711	3,957,792
2016	2,440,825	1,515,467	3,956,292
2017	2,546,890	1,408,432	3,955,322
2018-2022	8,617,159	5,973,094	14,590,253
2023-2027	8,838,598	4,330,229	13,168,827
2028-2032	9,315,000	2,249,724	11,564,724
2033-2037	4,155,000	575,203	4,730,203
2038-2040	1,155,000	25,266	1,180,266
Totals	<u>\$ 43,981,606</u>	<u>\$ 21,148,668</u>	<u>\$ 65,130,274</u>

Business-type Activities:

2011 CSD Note Payable to San Elijo Joint Powers Authority (SEJPA):

During fiscal year 2011-12, the San Elijo Joint Powers Authority (SEJPA), on behalf of its members (the Cardiff Sanitary Division and the City of Solana Beach) refinanced all of its outstanding debt. This included its 2003 Refunding Revenue Bonds and a loan from the State of California. CSD had previously reported its share of the obligation related to the 2003 Refunding Revenue Bonds as a Note Payable to the SEJPA. The outstanding principal balance on the 2003 Note Payable was \$5,300,000 at June 30, 2011.

The refunding was done to achieve future savings on interest costs for both agencies. Annual debt service on the 2003 Note Payable was about \$745,000. Annual debt service on the new 2011 Note Payable is approximately \$690,000, however, this includes both of the loans mentioned above.

CSD has pledged its net revenues to pay for the outstanding debt mentioned above. Net revenues are computed as gross revenues less operations and maintenance costs. CSD has covenanted to have net revenues at least equal to 110% of annual debt service. Total principal and interest remaining to be paid on the 2011 Note Payable as of June 30, 2012 is \$4,979,488. During the year ended June 30, 2012, principal and interest paid on the 2003 and 2011 Notes Payable was \$798,945 and net revenue was \$2,392,264, or 300% of annual debt service

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

2004 SDWD Water Revenue Refunding Bonds:

On January 22, 2004, SDWD issued \$13,845,000 of Water Revenue Refunding Bonds, Series 2004, to redeem all of the outstanding 1993 Water Revenue Refunding Bonds. The Bonds consist of \$10,170,000 of serial bonds maturing from 2004 through 2019 in annual installments of \$505,000 to \$820,000 and one term bond of \$3,675,000 maturing on October 1, 2023. The Term Bond is subject to sinking fund requirements. Interest is payable semi-annually at rates ranging from 2.5% to 5.0%. The Bonds maturing on or after October 1, 2015 are subject to optional redemption at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

2007 SDWD Note Payable to R.E. Badger Water Facilities Financing Authority (WFFA):

On November 20, 2007, the WFFA issued \$20,685,000 of 2007 Water Revenue Refunding Bonds while concurrently redeeming all of its outstanding 1999 Water Revenue Bonds, on behalf of its member agencies, the Santa Fe Irrigation District and the San Dieguito Water District. The transaction was a current refunding intended to save the member agencies future interest costs due to lower market interest rates, which was executed by new Installment Purchase Agreements. The overall Bond Issue consists of \$20,685,000 of serial bonds maturing from 2008 through 2024. The SDWD portion of the refinancing totaled \$7,705,000. Principal is due and payable annually in amounts ranging from \$335,000 to \$620,000. Interest is due and payable semi-annually at rates ranging from 3.5% to 4.5%. SDWD accounts for its share of the bonds as a Note Payable to R.E. Badger WFFA. The bonds maturing on or before October 1, 2017 are not subject to optional redemption prior to maturity. The bonds maturing on October 1, 2018 and thereafter, are subject to redemption prior to their stated maturity at the option of the Authority, as a whole or in part on any date, by such maturities as are selected by the Authority from any available source of funds on or after October 1, 2017 at a redemption price equal to the principal amount of the bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

SDWD has pledged its net revenues to pay the debt service of the 2004 Water Revenue Refunding Bonds and 2007 Note Payable. Net revenues are computed as gross revenues less operations and maintenance costs, which do not include depreciation, amortization and interest expense. Total principal and interest outstanding of the above mentioned debts as of June 30, 2012, is \$20,382,025. During the year ended June 30, 2012 principal and interest paid was \$1,664,302 and net revenue was \$3,279,455, or 197% of annual debt service. SDWD has covenanted to have net revenues at least equal to 115% of annual debt service

2004 EHA Housing Mortgage Note Payable:

In conjunction with the purchase of 16 affordable housing units in 2004, the EHA executed a mortgage loan payable with a local commercial lender of \$1,905,338, secured by a first trust deed on the subject property. The note bears interest at 90% of the ten-year Treasury note, adjustable every six years, with a final maturity of March 15, 2034. Payments of principal and interest are due and payable monthly. EHA is solely responsible for repayment on this note. The City of Encinitas is not obligated to repay this note under any circumstances.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The debt service requirements to maturity for the Business-type Activities, excluding compensated absences, were as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,585,548	\$ 865,271	\$ 2,450,819
2014	1,638,721	803,624	2,442,345
2015	1,701,783	745,400	2,447,183
2016	1,757,613	682,452	2,440,065
2017	1,828,251	614,471	2,442,722
2018-2022	8,321,979	1,925,391	10,247,370
2023-2027	4,082,111	352,872	4,434,983
2028-2032	434,236	66,993	501,229
2033-2037	170,553	5,331	175,884
Totals	<u>\$ 21,520,795</u>	<u>\$ 6,061,805</u>	<u>\$ 27,582,600</u>

(9) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Due To and Due From:

Individual interfund receivables and payables at June 30, 2012, were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 994,310	\$ -
Nonmajor Funds	-	994,310
	<u>-</u>	<u>994,310</u>

The amounts due to the General Fund are all short-term borrowings in anticipation of grant revenue or debt service payments not yet received.

Advances To and Advances From:

Advances receivable and payable between funds at June 30, 2012, were as follows:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Governmental Funds:		
Nonmajor Funds	\$ 95,000	\$ -
Enterprise Funds:		
San Dieguito Water District	-	95,000
	<u>-</u>	<u>95,000</u>

During fiscal year 2002-03, the City advanced funds to SDWD from the proceeds of the ABAG financing to finance SDWD's meter replacement and automation program. The advances are repayable semi-annually with principal and interest amounts and interest rates consistent with the

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

underlying financing. Principal repayments to the City during the year totaled \$90,000 and the final payment of \$95,000 plus interest is due and payable in fiscal year 2012-13.

Transfers In and Out:

Transfers in and out between funds for the year ended June 30, 2012, were as follows:

	Transfers Out			Total All Funds
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers In:				
(1) General Fund	\$ -	\$ 1,061,378	\$ -	\$ 1,061,378
(2) Capital Improvement Capital Projects Fund	6,504,348	5,699,392	-	12,203,740
(3) Nonmajor Governmental Funds	4,293,081	103,747	-	4,396,828
(4) San Dieguito Water District	-	-	489,735	489,735
(5) Internal Service Funds	692,710	-	-	692,710
Total all funds	<u>\$ 11,490,139</u>	<u>\$ 6,864,517</u>	<u>\$ 489,735</u>	<u>\$ 18,844,391</u>

- (1) Transfers to the General Fund consist of reimbursements from two of the City's development impact fee funds for qualified costs incurred, or to be incurred in the future years, by the General Fund for the construction of public facilities. In addition, the City now accounts for all street maintenance expenditures in the Streets Division budget unit within the General Fund, and transfers all State Gasoline Tax operating revenues from the Gas Tax Special Revenue fund to the General Fund.
- (2) All capital improvement expenditures related to governmental-type funds are recorded in a separate Capital Improvement Capital Projects Fund, which is reimbursed on a monthly basis by the Fund(s) which are providing the source funding.
- (3) Transfers to nonmajor governmental funds are primarily amounts being transferred to the City's debt service fund, by the fund responsible for payment of the various debt service obligations.
- (4) Transfers to the San Dieguito Water District from the Vehicle Replacement Internal Service Fund represented a refund of prior contributions for the eventual purchase of replacement stock.
- (5) This amount represents the annual general fund subsidy to the Risk Management fund.

The Vehicle Replacement Internal Service Fund transferred capital assets totaling \$2,848,596 to governmental activities (\$2,669,454) and to the San Dieguito Water District (\$179,142), which are not reflected in the table above. The \$179,142 of capital assets transferred to the San Dieguito Water District is recorded as capital contributions in the Proprietary Funds statement of revenues, expenses and changes in net assets.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

(10) FUND BALANCE CLASSIFICATIONS:

The City classifies fund balances, as shown on the *Balance Sheet – Governmental Funds* at June 30, 2012 as follows:

	General Fund	Total Nonmajor Funds	Totals
Nonspendable	\$ 2,868,533	\$ -	\$ 2,868,533
Restricted	-	13,471,421	13,471,421
Committed	19,371,624	-	19,371,624
Assigned	-	2,169,210	2,169,210
Unassigned	17,964,935	-	17,964,935
Total Fund Balances	<u>\$ 40,205,092</u>	<u>\$ 15,640,631</u>	<u>\$ 55,845,723</u>

Nonspendable amounts are generally representative of long-term notes receivable and prepaid items, which represent a portion of fund balance that is not in spendable form.

Restricted amounts are for expenditures related to specific allowable purposes of certain special revenue funds, such as for housing related activities, street lighting and landscape maintenance, as well as infrastructure improvements.

Committed amounts in the General Fund are funds that have been appropriated for the City's Capital Program, but remain unspent as of June 30, 2012.

Assigned amounts represent the unrestricted portion of the City's fund balance in the City's Grants and Housing special revenue fund.

Unassigned amounts are funds that are not otherwise categorized and do not have any restrictions on use, other than any internal directives on spending. The amounts listed in the General Fund are considered reserves by City Policy. Any amounts above the required contingency reserve (approximately \$8.5 million) are classified as a budget stabilization reserve or a general/undesignated balance.

Fund Balances:

The decision to commit certain portions of fund balance (generally for capital projects) requires legislative action; specifically an appropriation by the City Council, either via Resolution or specific vote of the City Council. Any action to modify or rescind a fund balance commitment requires the same City Council action as well.

The City of Encinitas established via City Council action in 1994, a requirement that the City's General Fund include a specified amount as a Contingency Reserve. This reserve was to be set-aside and used only in exceptional circumstances, such as catastrophic events that could negatively impact the financial condition of the City. This policy effectively establishes a minimum fund balance for the City's General Fund in any particular year. This practice has been followed in all ensuing years. The amount of the contingency reserve has been increased over the years, via formal City Council action(s), and now represents 20% of the subsequent years operating expenditures.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

(11) COMMITMENTS AND CONTINGENCIES:

As of July 1, 2011, the City has reclassified its Risk Management fund, to an Internal Service Fund. It was previously accounted for as part of the City's General Fund. The City continues to account for its claims payable as a component of long-term liabilities recorded in the Governmental Activities in the government wide financial statements.

Insurance Programs:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a self-insurance fund, within the general fund, to account for and finance its self-insured risks of loss. Based upon information received from the City's contract attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance reserves and insurance coverage. The City, which includes CSD and ESD, are members of the San Diego Pooled Insurance Program Authority (SANDPIPA). SANDPIPA is a separate legal entity formed by the participating municipalities to provide pooled excess liability insurance coverage to its members. The members do not hold any ownership stake in SANDPIPA and have no claims to revenue or assets upon withdrawal, at which time the purchase of tail coverage is required. SANDPIPA is governed by a Board of Directors, who determines policy and necessary funding levels, including retroactive adjustments for over-or under-funding, which is reflected as adjustments to current year premiums.

SDWD is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA). Coverage includes general liability, property, and workers' compensation, with self-insured retention levels of \$10,000 to \$25,000. At June 30, 2012, in the opinion of the District's management, there were no material claims, which would require accrual in the accompanying financial statements. For liability and workers' compensation, SDWD pays a premium commensurate with the level of self-insured retention level requested. Property coverage premiums are based on values declared for property. SDWD carries a self-insured retention of \$10,000.

The City is self-insured for liability claims and losses up to \$150,000 per occurrence, and is covered for losses between \$150,000 and \$2,000,000 by the SANDPIPA reserve pool. The members share the risk of claims in excess of reserves. For claims incurred prior to July 1, 1992, SANDPIPA reimburses the member a proportionate amount of expenses incurred (mainly legal expenses), based on the percentage of the cost of the claim. For claims incurred after July 1, 1992, member expenses are included in the self-insurance reserve for purposes of calculating pooled coverage. Excess liability insurance coverage is provided for losses between \$2,000,000 and \$47,000,000 via excess insurers. Losses in excess of \$47,000,000 are not covered and are self-funded by the City.

The City is self-insured for worker's compensation claims and losses up to \$500,000 per occurrence. Coverage for claims between \$500,000 and \$2,500,000 is provided by the Local Agency Workers Compensation Excess (LAWCX), a California Joint Powers Insurance Authority. Excess worker's compensation and commercial coverage between \$2,500,000 and \$45,000,000 is provided through contract reinsurance. City departments contribute premiums to the self-insurance fund based on annual rates set for each work class.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Claims Payable, beginning of year	\$ 565,098	\$ 679,660
Incurred Claims	1,735,989	333,643
Claim Payments	(999,162)	(448,205)
Claims Payable, end of year	<u>\$ 1,301,925</u>	<u>\$ 565,098</u>

There have been no claim settlements in the last three years that have exceeded insurance coverage.

(12) PUBLIC EMPLOYEES' RETIREMENT SYSTEM

California Public Employees' Retirement System (Cal PERS):

Plan Description:

The City and SDWD (collectively, the "City") have entered into a total of four (4) separate defined benefit pension plans covering miscellaneous and safety employees with the California Public Employees' Retirement System (CalPERS). The *Miscellaneous Plan of the City of Encinitas* (the "City Plan") is an agent multiple-employer Plan. The *Miscellaneous Plan of the San Dieguito Water District*, the *Safety Fire Plan of the City of Encinitas*, and the *Safety Lifeguard Plan of the City of Encinitas* (the "Risk-Sharing Plans") are cost-sharing multiple employer plans, in which the City participates with other local agencies with the same benefit formulas. The four Plans are referred to herein as the "Plans."

The Plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plans are administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract and adopts those benefits through local ordinances. CalPERS issues a separate comprehensive annual financial report, which can be obtained from the CalPERS Executive Office, Lincoln Plaza North – 400 Q Street – Sacramento, CA 95811.

Funding Policy:

Active plan members are required to contribute 8% for miscellaneous members and 9% for safety members of their annual covered salary (the "employee contribution"). The City makes those contributions on behalf of the employees, which are credited to their individual accounts. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members (the "employer contribution"). All miscellaneous members are required under existing labor agreements to reimburse the City for a portion of the cost of providing retirement benefits. In fiscal year 2011-2012, the miscellaneous employees reimbursed the City at a rate of 5.0% of their covered payroll.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The employee contribution requirements are established by State statute, and the employer contribution rates are established by the CalPERS Board of Administration on an annual basis.

Annual Pension Costs:

For fiscal year 2011-2012, the annual pension cost was \$2,595,779 for the agent employer Plan and \$1,379,394 for the Risk-Sharing Plans. The City's annual pension cost for the Plans was equal to the annual required contributions. The required contributions for fiscal year 2011-2012 were determined as part of the June 30, 2009 actuarial valuation using the entry-age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for the miscellaneous plan (3.55% to 10.75% and 11.15% for the Safety Fire and Safety Lifeguard plans, respectively), and (c) 3.25% cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the Plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). CalPERS' unfunded actuarial accrued liabilities (or excess assets) are being amortized as a level percentage of projected payroll on a closed basis, depending on the size of investment gains and/or losses.

Fiscal Year-End	Agent Multiple- Employer Plan		Cost-Sharing Multiple- Employer Plans	
	Annual Pension Cost (APC)	Percentage of APC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2010	\$ 2,081,450	100%	\$ 1,093,868	100%
6/30/2011	2,250,038	100%	1,069,315	100%
6/30/2012	2,595,779	100%	1,379,394	100%

Schedule of Funding Progress for the Agent Multiple-Employer Plan:

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)	UAAL as a % of Covered Payroll (B-A/C)
6/30/2011	\$ 50,482,359	\$ 67,942,601	\$ 17,460,242	74.3%	\$ 13,791,815	126.6%

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for the miscellaneous, and (c) 3.00% cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. A temporary modification of CalPERS method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 20, 2009 through June 30, 2011.

(13) OTHER POSTEMPLOYMENT BENEFITS

The City of Encinitas and the San Dieguito Water District maintain separate plans to provide for post-retirement health care benefits. An actuarial report is prepared every two years to update plan information and assumptions (when required). Information on each of the Plans is presented below.

(a) City of Encinitas

Plan Description:

The City provides postretirement health care benefits through the CalPERS healthcare program (PEMHCA) to eligible employees who retire directly from the City. The City pays the cost for lifetime retiree and dependent medical benefits (average premium for CalPERS health plans available in San Diego County) for fire department employees hired before March 16, 1995. Other City retirees receive the PEMHCA minimum benefit, as determined by CalPERS. The City does not provide a retiree contribution for dental, vision, or life insurance benefits. The City's OPEB plan does not issue a separate stand-alone report.

The City has elected to join the *California Employers' Retiree Benefit Trust* (the "Trust") in accordance with GASB Statement No. 45, which provides a means to fund the annual OPEB costs, referred to as the *Annual Required Contribution* (ARC). The City makes an annual contribution to the Trust, pays benefits either directly to retirees or through PEMHCA during the year, and then seeks reimbursement for these "pay-as-you-go expenses" from the Trust.

Funding Policy and Actuarial Methods and Assumption:

The actual contributions of the City to the Trust were established by City Council action. The contribution requirements are established via an actuarial valuation of the City's Retiree Healthcare Plan as of June 30, 2011, performed in conformance with the requirements of GASB Statement No. 45. The required contribution is measured on an accrual basis rather than on a pay-as-you-go basis. The actuarial cost method used to determine the benefit obligations is the entry-age cost method. The valuation is determined using a discount rate of 7.61%, which is the discount rate established for the Trust by CalPERS. Other key assumptions include: (1) health care cost trend rate of 5.0% to 7.5% depending on type of plan and (2) an average retirement age of 60. The unfunded actuarial accrued liability is being amortized over a closed thirty-year period.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Annual Required Contribution (ARC):

The ARC for fiscal year 2011-12 of \$803,000 represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a maximum of 30 years. The City contributed its ARC of \$803,000 to the Trust, and received reimbursement for actual pay-as-you-expenses incurred during the year.

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of and for the year ended June 30, 2012 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 857,000	100%	-
6/30/11	781,000	100%	-
6/30/12	803,000	100%	-

Funded Status and Funding Progress:

The latest information available on the funding status comes from the actuarial study dated June 30, 2011. Information is in thousands (000's):

Actuarial accrued liability (AAL)	\$ 10,506
Actuarial value of Plan assets	<u>1,960</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,546</u>
Funded ratio (actuarial value of plan assets/AAL)	19.00%
Covered payroll (active Plan members)	18,252
UAAL as a percentage of covered payroll	46.82%

(b) San Dieguito Water District

Plan Description:

SDWD provides postretirement health care benefits through PEMHCA to eligible employees who retire directly from SDWD. SDWD pays the cost for the PEMHCA minimum benefit. SDWD does not provide a retiree contribution for dental, vision, or life insurance benefits. SDWD's OPEB plan does not issue a separate stand-alone report.

SDWD has also elected to join the Trust, which provides a means to fund the ARC. SDWD makes an annual contribution to the Trust, pays benefits through PEMHCA during the year, and then seeks reimbursement for these pay-as-you-go expenses from the Trust.

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

Funding Policy:

The contributions of SDWD to the Trust are established by action of the Board of Director's. The contribution requirements were established via an actuarial valuation of SDWD's Retiree Healthcare Plan as of June 30, 2011. The required contribution is measured on an accrual basis rather than on a pay-as-you-go basis. The valuation is determined using a decreased discount rate of 7.61% due to the implementation of the CERBT asset allocation strategy 1 beginning effective July of 2011. Other key assumptions include: (1) health care cost trend rate of 5.0% to 7.5% depending on type of plan and (2) an average retirement age of 60. The unfunded actuarial accrued liability is being amortized over a closed thirty-year period.

Annual Required Contribution (ARC):

The ARC for fiscal year 2011-12 of \$25,000 represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a maximum of 30 years. The SDWD contributed its ARC of \$25,000 to the Trust, and received reimbursement for actual pay-as-you-expenses incurred during the year.

SDWD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of and for the year ended June 30, 2012 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 25,000	100%	-
6/30/11	24,000	100%	-
6/30/12	25,000	100%	-

Funded Status and Funding Progress:

The latest information available on the funding status comes from the actuarial valuation dated June 30, 2011. Information is in thousands (000's omitted):

Actuarial accrued liability (AAL)	\$ 343
Actuarial value of Plan assets	65
Unfunded actuarial accrued liability (UAAL)	<u>\$ 278</u>
Funded ratio (actuarial value of plan assets/AAL)	19.00%
Covered payroll (active Plan members)	1,230
UAAL as a percentage of covered payroll	22.60%

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

(c) Changes to the City and SDWD Plan:

During the year ended June 30, 2012, the City transferred a number of City employees who performed services for SDWD to the SDWD payroll and the SDWD Retiree Health Care Plan. The overall effect of these transfers was not material to either the City's or SDWD's plan as to plan assets or employee liability. The overall cost to each agency is not affected since the City was charging SDWD for the cost of these benefits.

(d) General Information:

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.

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

The Schedules of Funding Progress for the City and SDWD Retiree Health Care Plan are presented as Required Supplementary Information following the Notes to the Financial Statements. These schedules show multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(14) JOINT VENTURE

The Encinitas Ranch Golf Authority (the Authority) is a joint powers authority, formed by the City of Encinitas (the City) and SDWD in 1995 to finance, own and operate an 18-hole golf course (the Golf Course) within the City. The Golf Course was constructed in connection with the development of the Encinitas Ranch master-planned community (the Ranch). The Ranch is a mixed-use community of residential, commercial and agricultural development within the City. As a condition to the development of the Ranch, the Carltas Company (the Developer), agreed to dedicate land for and construct the Golf Course improvements. The Golf Course opened to the public on March 1, 1998, and is managed and operated under a contract arrangement with a private company.

The Authority is governed by a five-member Board of Directors, the membership of which is specified in the 1994 Encinitas Ranch Development Agreement. It is a self-sustaining golf course operation and receives no financial support from the City or SDWD. In future years, depending on the net revenues from golf operations, the City may benefit financially from the operations. However, this is unlikely until at least 2026, when the Golf Course bonded debt is expected to be paid off. The debts and obligations of the Authority are not the debts and obligations of the City

CITY OF ENCINITAS
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2012

or SDWD. Separate audited financial statements of the Authority are available at City's administrative office.

(15) SPECIAL TAXES AND ASSESSMENTS – AGENCY DEBT

City of Encinitas - Assessment District 93-1: Requeza Street area

During fiscal year 1997-98, the City (acting as the agent for the District) issued \$1,356,400 of limited obligation bonds to finance and pay for infrastructure improvements to the Requeza Street Assessment District. The bonds were issued in two series: (1) Series A bonds totaling \$945,000 were sold to the public; and (2) Series B (subordinated) bonds totaling \$411,000 were sold directly to the City. The Series B bonds have since been retired in full. At June 30, 2012, the outstanding balance on this Agency debt was \$335,000.

City of Encinitas - Community Facilities District (CFD) #1: Encinitas Ranch Community

During fiscal year 1996-97, the City (acting as the agent for the District) issued \$23,000,000 of Special Tax Bonds, Series 1995-A, to finance and pay for Phase I infrastructure improvements of the CFD #1. During fiscal year 1998-99, the City (acting as the agent for the District) issued Special Tax Refunding Bonds in two series: (1) \$39,590,000 of 1998 Special Tax Bonds, Series A, and (2) \$3,000,000 of 1998 Special Tax Bonds, Series B, to provide funds for the complete defeasance and refunding of the Special Tax Bonds, Series 1995-A and to finance and pay for Phase II infrastructure improvements to the CFD #1.

During fiscal year 2003-04, the City (acting as the agent for the District) issued 2004 Special Tax Bonds, Series A, to provide funds for the complete defeasance and refunding of the 1998 Special Tax Bonds.

At June 30, 2012, the outstanding balance on the 2004 Special Tax Bonds was \$35,345,000.

Subsequent to June 30, 2012, the City of Encinitas, on behalf of the residents and businesses of the CFD #1, refunded all of the outstanding bonds of the 2004 Special Tax Bonds, Series A, via a current refunding transaction. The CFD #1 issued \$32,265,000 par value of 2012 Special Tax Bonds, Series A at lower interest rates, while maintaining the same general terms and conditions, including the final maturity date of September 1, 2030. The transaction will save the taxpayers an average of \$170,000 in annual debt service, or about 6% of the average annual debt service of the prior bonds. The results of the refunding will be reflected in the tax bills issued for fiscal year 2013-2014.

The City acts solely as an agent for these special districts. The City has no duty or obligation to pay any liabilities or potential liabilities of these districts. Neither the full faith and credit, nor the taxing power of the City or any other City related agency, is pledged to the repayment of these Agency Bonds. Therefore, such bonds are not considered to be a liability of the City and are not included in the accompanying basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ENCINITAS
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Variance with Final Budget
Revenues:				
Taxes:				
Property	\$ 32,276,832	\$ 32,123,713	\$ 32,303,822	\$ 180,109
Sales	10,236,696	10,158,264	10,613,188	454,924
Franchise	2,172,319	2,172,319	2,144,162	(28,157)
Real property transfer	285,600	285,600	484,307	198,707
Transient occupancy	942,249	942,249	1,131,606	189,357
Total taxes	<u>45,913,696</u>	<u>45,682,145</u>	<u>46,677,085</u>	<u>994,940</u>
Licenses and permits	180,255	180,255	207,993	27,738
Intergovernmental	771,087	601,103	522,931	(78,172)
Charges for services	4,017,898	4,040,598	4,406,737	366,139
Fines, forfeitures and penalties	740,750	744,750	657,364	(87,386)
Use of money and property	477,962	377,962	523,630	145,668
Other	434,557	599,599	979,120	379,521
Total revenues	<u>52,536,205</u>	<u>52,226,412</u>	<u>53,974,860</u>	<u>1,748,448</u>
Expenditures:				
General government:				
Community enhancement	64,000	64,000	60,219	3,781
City council	371,618	371,618	332,990	38,628
City attorney	308,500	308,500	375,243	(66,743)
City manager	4,113,889	4,113,779	3,980,214	133,565
City clerk	568,152	568,152	573,915	(5,763)
Finance	1,513,280	1,513,280	1,428,197	85,083
Non-departmental	2,438,327	2,770,846	2,482,645	288,201
Total general government	<u>9,377,766</u>	<u>9,710,175</u>	<u>9,233,423</u>	<u>476,752</u>
Public safety:				
Law enforcement	11,760,500	11,660,500	11,221,938	438,562
Fire and marine safety	11,721,038	11,689,361	11,517,330	172,031
Total public safety	<u>23,481,538</u>	<u>23,349,861</u>	<u>22,739,268</u>	<u>610,593</u>
Public works:				
Administration	127,338	126,654	92,089	34,565
Environmental Programs	118,000	118,000	96,166	21,834
Street maintenance	1,652,442	1,652,442	1,590,285	62,157
Facility maintenance	988,436	988,436	962,312	26,124
Stormwater	754,019	754,703	742,285	12,418
Total public works	<u>3,640,235</u>	<u>3,640,235</u>	<u>3,483,137</u>	<u>157,098</u>

See Accompanying Note to Required Supplementary Information.

CITY OF ENCINITAS
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Over (Under) Variance with Final Budget
	Original	Final		
Planning and building:				
Planning	\$ 2,119,087	\$ 2,147,208	\$ 2,090,703	\$ 56,505
Code enforcement	575,751	575,751	489,615	86,136
Building services	987,491	987,491	1,292,820	(305,329)
Total planning and building	<u>3,682,329</u>	<u>3,710,450</u>	<u>3,873,138</u>	<u>(162,688)</u>
Engineering services:				
City engineering	2,463,123	2,485,923	2,363,256	122,667
Traffic engineering	712,341	712,341	684,279	28,062
Stormwater	766,432	766,432	757,278	9,154
Total engineering services	<u>3,941,896</u>	<u>3,964,696</u>	<u>3,804,813</u>	<u>159,883</u>
Parks and recreation:				
Administration	860,625	852,125	826,504	25,621
Park services	1,207,207	1,207,207	1,141,907	65,300
Beach services	491,524	491,524	460,663	30,861
Recreational trails	122,542	122,542	108,872	13,670
Recreational services	625,883	625,883	537,743	88,140
Community and senior center	1,169,295	1,169,295	1,153,119	16,176
Total parks and recreation	<u>4,477,076</u>	<u>4,468,576</u>	<u>4,228,808</u>	<u>239,768</u>
Capital outlay	<u>600,000</u>	<u>600,000</u>	<u>599,639</u>	<u>361</u>
Total expenditures	<u>49,200,840</u>	<u>49,443,993</u>	<u>47,962,226</u>	<u>1,481,767</u>
Excess of revenues over expenditures	<u>3,335,365</u>	<u>2,782,419</u>	<u>6,012,634</u>	<u>3,230,215</u>
Other financing sources (uses):				
Transfers in	111,614	637,113	1,061,378	424,265
Transfers out	(3,771,456)	(3,771,456)	(11,490,139)	(7,718,683)
Proceeds from capital lease	600,000	600,000	599,639	(361)
Total other financing sources (uses)	<u>(3,059,842)</u>	<u>(2,534,343)</u>	<u>(9,829,122)</u>	<u>(7,294,779)</u>
Net change in fund balance	<u>275,523</u>	<u>248,076</u>	<u>(3,816,488)</u>	<u>(4,064,564)</u>
Fund balance - beginning of year, as previously reported	47,406,492	47,406,492	47,406,492	-
Restatement - fund reclassification	<u>(3,384,912)</u>	<u>(3,384,912)</u>	<u>(3,384,912)</u>	<u>-</u>
Fund balance - beginning of year, as restated	<u>44,021,580</u>	<u>44,021,580</u>	<u>44,021,580</u>	<u>-</u>
Fund balance - End of year	<u>\$ 44,297,103</u>	<u>\$ 44,269,656</u>	<u>\$ 40,205,092</u>	<u>\$ (4,064,564)</u>

CITY OF ENCINITAS
Note to Required Supplementary Information
For the Year Ended June 30, 2012

(1) BUDGETARY INFORMATION:

(a) Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information and other supplementary information budgetary comparison schedules:

The City Council adopts a two-year operating budget, with appropriations for the first year only. This annual budget provides for the general operations of the City. It includes all proposed expenditures and inter-fund transfers, and the means of financing them. The Council also approves any amendments to appropriations throughout the year, generally at the mid-year budget review in February. This “appropriated budget” covers substantially all City expenditures, with the exception of capital improvement projects, which expenditures constitute a legally authorized “non-appropriated budget”. The legal level of budgetary control is the fund level. The budget figures used in the required supplementary information are both original and final budgeted amounts. The final budget amounts include any amendments adopted during the year.

Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are unencumbered lapse at year-end. City Council approval is required to include any unencumbered appropriations at year-end in the following fiscal year’s budget as continuing appropriations.

Budgets for the general and special revenue funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenue and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the debt service, capital projects or proprietary funds, as the City is not legally required to adopt an annual budget for those types of funds.

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 be either refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies to be used in future years without limitation.

CITY OF ENCINITAS
Required Supplementary Information
Other Postemployment Benefits Schedules of Funding Progress
June 30, 2012

City Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Payroll
6/30/2007	\$ -	\$ 10,045,000	\$ 10,045,000	0.00%	\$ 16,599,000	60.52%
6/30/2009	467,000	9,990,000	9,523,000	4.67%	17,138,000	55.57%
6/30/2011	1,960,000	10,506,000	8,546,000	18.66%	18,252,000	46.82%

SDWD Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Payroll
6/30/2007	\$ -	\$ 344,000	\$ 344,000	0.00%	\$ 1,016,000	33.86%
6/30/2009	13,000	302,000	289,000	4.30%	1,049,000	27.55%
6/30/2011	64,900	343,300	278,400	18.90%	1,230,000	22.63%

CITY OF ENCINITAS
Required Supplementary Information
Schedule of Funding Progress for CalPERS
June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded Overfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll (B-A/C)
6/30/2009	\$ 40,484,775	\$ 55,662,304	\$ 15,177,529	72.7%	\$ 13,267,844	114.4%
6/30/2010	45,537,530	61,709,285	16,171,755	73.8%	13,394,687	120.7%
6/30/2011	50,482,359	67,942,601	17,460,242	74.3%	13,791,815	126.6%

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SUPPLEMENTARY INFORMATION

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CITY OF ENCINITAS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds		
	Grants and Housing	Development Impact	Lighting and Landscaping
Assets:			
Cash and investments	\$ 2,164,607	\$ 7,130,897	\$ 2,521,398
Receivables	733,960	12,425	25,329
Other assets	1,328	-	-
Advance to other funds	-	-	-
Cash and investments with fiscal agent - restricted	-	-	-
Total assets	<u>\$ 2,899,895</u>	<u>\$ 7,143,322</u>	<u>\$ 2,546,727</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 316,084	\$ 155,534	\$ 103,283
Interest payable	-	-	-
Deferred revenue	-	-	-
Due to other funds	310,857	-	-
Deposits and other liabilities	-	8,980	-
Total liabilities	<u>626,941</u>	<u>164,514</u>	<u>103,283</u>
Fund balances:			
Restricted	103,744	6,978,808	2,443,444
Assigned	2,169,210	-	-
Total fund balances	<u>2,272,954</u>	<u>6,978,808</u>	<u>2,443,444</u>
Total liabilities and fund balances	<u>\$ 2,899,895</u>	<u>\$ 7,143,322</u>	<u>\$ 2,546,727</u>

Infrastructure Improvements Special Revenue	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,216,657	\$ -	\$ 13,033,559
217,300	-	989,014
-	-	1,328
-	95,000	95,000
-	3,182,248	3,182,248
<u>\$ 1,433,957</u>	<u>\$ 3,277,248</u>	<u>\$ 17,301,149</u>
\$ 5,300	\$ -	\$ 580,201
-	36,768	36,768
40,259	-	40,259
683,453	-	994,310
-	-	8,980
<u>729,012</u>	<u>36,768</u>	<u>1,660,518</u>
704,945	3,240,480	13,471,421
-	-	2,169,210
<u>704,945</u>	<u>3,240,480</u>	<u>15,640,631</u>
<u>\$ 1,433,957</u>	<u>\$ 3,277,248</u>	<u>\$ 17,301,149</u>

CITY OF ENCINITAS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds		
	Grants and Housing	Development Impact	Lighting and Landscaping
Revenues:			
Taxes and assessments	\$ 204,695	\$ -	\$ 1,925,042
Intergovernmental	1,867,466	-	-
Development impact fees	-	1,515,693	-
Use of money and property	21,204	12,357	42,342
Other	-	-	12,460
Total revenues	<u>2,093,365</u>	<u>1,528,050</u>	<u>1,979,844</u>
Expenditures:			
Current:			
General government	44,020	-	-
Public safety	113,853	-	-
Public works	418,844	-	1,680,883
Planning and building	782,363	-	-
Parks and recreation	104,495	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,463,575</u>	<u>-</u>	<u>1,680,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>629,790</u>	<u>1,528,050</u>	<u>298,961</u>
Other financing sources (uses):			
Transfers in	24,618	-	-
Transfers out	(507,011)	(1,217,501)	(36,776)
Total other financing sources (uses)	<u>(482,393)</u>	<u>(1,217,501)</u>	<u>(36,776)</u>
Net change in fund balances	<u>147,397</u>	<u>310,549</u>	<u>262,185</u>
Fund balances - beginning of year, as previously reported	2,456,760	6,668,259	2,181,259
Restatement - fund reclassification	(331,203)	-	-
Fund balances - beginning of year, as restated	<u>2,125,557</u>	<u>6,668,259</u>	<u>2,181,259</u>
Fund balances - end of year	<u>\$ 2,272,954</u>	<u>\$ 6,978,808</u>	<u>\$ 2,443,444</u>

Infrastructure Improvements Special Revenue	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 282,320	\$ -	\$ 2,412,057
4,147,458	-	6,014,924
-	-	1,515,693
1,231	38,912	116,046
-	-	12,460
<u>4,431,009</u>	<u>38,912</u>	<u>10,071,180</u>
-	-	44,020
-	-	113,853
260,364	-	2,360,091
-	-	782,363
-	-	104,495
-	2,359,932	2,359,932
-	1,872,773	1,872,773
<u>260,364</u>	<u>4,232,705</u>	<u>7,637,527</u>
<u>4,170,645</u>	<u>(4,193,793)</u>	<u>2,433,653</u>
31,185	4,341,025	4,396,828
(5,099,481)	(3,748)	(6,864,517)
<u>(5,068,296)</u>	<u>4,337,277</u>	<u>(2,467,689)</u>
<u>(897,651)</u>	<u>143,484</u>	<u>(34,036)</u>
1,602,596	3,096,996	16,005,870
-	-	(331,203)
<u>1,602,596</u>	<u>3,096,996</u>	<u>15,674,667</u>
<u>\$ 704,945</u>	<u>\$ 3,240,480</u>	<u>\$ 15,640,631</u>

CITY OF ENCINITAS
Budgetary Comparison Schedule
Grants and Housing Special Revenue Fund
For the Year Ended June 30, 2012

	Final Budget	Actual	Over (Under) Variance With Final Budget
Revenues:			
Taxes and assessments	\$ 179,392	\$ 204,695	\$ 25,303
Intergovernmental	2,038,669	1,867,466	(171,203)
Use of money and property	25,517	21,204	(4,313)
Total revenues	2,243,578	2,093,365	(150,213)
Expenditures:			
General government	48,618	44,020	4,598
Public safety	115,093	113,853	1,240
Public works	460,902	418,844	42,058
Planning and building	1,272,395	782,363	490,032
Parks and recreation	132,743	104,495	28,248
Total expenditures	2,029,751	1,463,575	566,176
Excess of revenues over expenditures	213,827	629,790	415,963
Other financing sources (uses):			
Transfers in	46,539	24,618	(21,921)
Transfers out	(350,774)	(507,011)	(156,237)
Total other financing sources (uses)	(304,235)	(482,393)	(178,158)
Net change in fund balance	(90,408)	147,397	237,805
Fund balance - beginning of year, as restated	2,125,557	2,125,557	-
Fund balance - end of year	<u>\$ 2,035,149</u>	<u>\$ 2,272,954</u>	<u>\$ 237,805</u>

CITY OF ENCINITAS
Budgetary Comparison Schedule
Development Impact Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance With Final Budget</u>
Revenues:			
Development impact fees	\$ 873,801	\$ 1,515,693	\$ 641,892
Use of money and property	29,859	12,357	(17,502)
Total revenues	<u>903,660</u>	<u>1,528,050</u>	<u>624,390</u>
Other financing (uses):			
Transfers out	<u>(465,002)</u>	<u>(1,217,501)</u>	<u>(752,499)</u>
Net change in fund balance	438,658	310,549	(128,109)
Fund balance - beginning of year	<u>6,668,259</u>	<u>6,668,259</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 7,106,917</u></u>	<u><u>\$ 6,978,808</u></u>	<u><u>\$ (128,109)</u></u>

CITY OF ENCINITAS
Budgetary Comparison Schedule
Lighting and Landscaping Special Revenue Fund
For the Year Ended June 30, 2012

	Final Budget	Actual	Over (Under) Variance With Final Budget
Revenues:			
Taxes and assessments	\$ 1,894,505	\$ 1,925,042	\$ 30,537
Use of money and property	46,958	42,342	(4,616)
Other	-	12,460	12,460
Total revenues	<u>1,941,463</u>	<u>1,979,844</u>	<u>38,381</u>
Expenditures:			
Public works	<u>1,863,558</u>	<u>1,680,883</u>	<u>182,675</u>
Excess of revenues over expenditures	77,905	298,961	221,056
Other financing (uses):			
Transfers out	<u>(78,800)</u>	<u>(36,776)</u>	<u>42,024</u>
Net change in fund balance	(895)	262,185	179,032
Fund balance - beginning of year	<u>2,181,259</u>	<u>2,181,259</u>	-
Fund balance - end of year	<u><u>\$ 2,180,364</u></u>	<u><u>\$ 2,443,444</u></u>	<u><u>\$ 263,080</u></u>

CITY OF ENCINITAS
Budgetary Comparison Schedule
Infrastructure Improvements Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance with Final Budget</u>
Revenues:			
Taxes and assessments	\$ 238,553	\$ 282,320	\$ 43,767
Intergovernmental	3,134,609	4,147,458	1,012,849
Use of money and property	<u>2,335</u>	<u>1,231</u>	<u>(1,104)</u>
Total revenues	<u>3,375,497</u>	<u>4,431,009</u>	<u>1,055,512</u>
Expenditures:			
Public works	<u>267,474</u>	<u>260,364</u>	<u>7,110</u>
Excess of revenues over expenditures	<u>3,108,023</u>	<u>4,170,645</u>	<u>1,062,622</u>
Other financing sources (uses):			
Transfers in	-	31,185	31,185
Transfers out	<u>(12,928,904)</u>	<u>(5,099,481)</u>	<u>7,829,423</u>
Total other financing sources (uses)	<u>(12,928,904)</u>	<u>(5,068,296)</u>	<u>7,860,608</u>
Net change in fund balance	(9,820,881)	(897,651)	8,923,230
Fund balance - beginning of year	<u>1,602,596</u>	<u>1,602,596</u>	<u>-</u>
Fund balance - end of year	<u>\$ (8,218,285)</u>	<u>\$ 704,945</u>	<u>\$ 8,923,230</u>

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CITY OF ENCINITAS
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Risk Management	Wastewater Support	Vehicle Maintenance	Vehicle Replacement	Total Internal Service
Assets:					
Current assets:					
Cash and investments	\$ 3,358,932	\$ 27,868	\$ 39,884	\$ 1,514,162	\$ 4,940,846
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	20,590	27,868	39,884	13,107	101,449
Net Assets					
Unrestricted	\$ 3,338,342	\$ -	\$ -	\$ 1,501,055	\$ 4,839,397

CITY OF ENCINITAS
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Risk Management	Wastewater Support	Vehicle Maintenance	Vehicle Replacement	Total Internal Service
Operating revenues:					
Charges for services	\$ 134,560	\$ 929,314	\$ 505,634	\$ -	\$ 1,569,508
Contribution from users	250,000	-	-	331,063	581,063
Interfund revenues	686,214	-	-	-	686,214
Other revenues	205,941	-	766	-	206,707
	<u>1,276,715</u>	<u>929,314</u>	<u>506,400</u>	<u>331,063</u>	<u>3,043,492</u>
Operating expenses:					
Operational support services	-	860,989	506,400	148,415	1,515,804
Administrative support	656,868	68,325	-	-	725,193
Insurance and claims	1,181,353	-	-	-	1,181,353
	<u>1,838,221</u>	<u>929,314</u>	<u>506,400</u>	<u>148,415</u>	<u>3,422,350</u>
Operating income (loss)	<u>(561,506)</u>	<u>-</u>	<u>-</u>	<u>182,648</u>	<u>(378,858)</u>
Nonoperating revenues (expenses):					
Gain on sale of capital assets	-	-	-	11,859	11,859
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,859</u>	<u>11,859</u>
Income (loss) before transfers and special item	<u>(561,506)</u>	<u>-</u>	<u>-</u>	<u>194,507</u>	<u>(366,999)</u>
Transfers in	692,710	-	-	-	692,710
Transfers out	-	-	-	(3,338,331)	(3,338,331)
Special item	-	-	-	1,107,555	1,107,555
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107,555</u>	<u>1,107,555</u>
Change in net assets	<u>131,204</u>	<u>-</u>	<u>-</u>	<u>(2,036,269)</u>	<u>(1,905,065)</u>
Net assets - beginning of year, as previously reported	-	-	-	3,537,324	3,537,324
Restatement - fund reclassification	3,207,138	-	-	-	3,207,138
Net assets - beginning of year, as restated	<u>3,207,138</u>	<u>-</u>	<u>-</u>	<u>3,537,324</u>	<u>6,744,462</u>
Net assets - end of year	<u>\$ 3,338,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,501,055</u>	<u>\$ 4,839,397</u>

CITY OF ENCINITAS
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Risk Management</u>	<u>Wastewater Support</u>	<u>Vehicle Maintenance</u>	<u>Vehicle Replacement</u>	<u>Total Internal Service</u>
Cash flows from operating activities:					
Receipts from users	\$ 1,276,715	\$ 929,658	\$ 506,400	\$ 331,063	\$ 3,043,836
Payments to employees	(362,064)	(726,442)	(332,135)	-	(1,420,641)
Payments to suppliers and vendors	(1,513,460)	(222,109)	(160,295)	(135,308)	(2,031,172)
Net cash provided by (used in) operating activities	<u>(598,809)</u>	<u>(18,893)</u>	<u>13,970</u>	<u>195,755</u>	<u>(407,977)</u>
Cash flows from noncapital financing activities:					
Transfers in	692,710	-	-	-	692,710
Transfers out	-	-	-	(489,735)	(489,735)
Net cash provided by (used in) noncapital financing activities	<u>692,710</u>	<u>-</u>	<u>-</u>	<u>(489,735)</u>	<u>202,975</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	-	-	11,859	11,859
Net increase (decrease) in cash and cash equivalents	93,901	(18,893)	13,970	(282,121)	(193,143)
Cash and cash equivalents - Beginning of year	<u>3,265,031</u>	<u>46,761</u>	<u>25,914</u>	<u>1,796,283</u>	<u>5,133,989</u>
Cash and cash equivalents - End of year	<u>\$ 3,358,932</u>	<u>\$ 27,868</u>	<u>\$ 39,884</u>	<u>\$ 1,514,162</u>	<u>\$ 4,940,846</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (561,506)	\$ -	\$ -	\$ 182,648	\$ (378,858)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease in accounts receivable	-	344	-	-	344
Increase (decrease) in accounts payable and accrued liabilities	(37,303)	(19,237)	13,970	13,107	(29,463)
Net cash provided (used) by operating activities	<u>\$ (598,809)</u>	<u>\$ (18,893)</u>	<u>\$ 13,970</u>	<u>\$ 195,755</u>	<u>\$ (407,977)</u>
Noncash from capital and related financing activities:					
Transfer of long-term liabilities to governmental activities	\$ -	\$ -	\$ -	\$ 1,107,555	\$ 1,107,555
Transfer out of capital assets	-	-	-	(2,848,596)	(2,848,596)

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CITY OF ENCINITAS
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012

	Community Facilities District #1	Requeza Assessment District	Total
Assets:			
Cash and investments	\$ 2,074,175	\$ 183,456	\$ 2,257,631
Cash and investments with fiscal agent	2,794,191	-	2,794,191
Interest receivable	3,560	313	3,873
Special assessments receivable	35,345,000	335,000	35,680,000
Current assessments receivable	18,661	-	18,661
Total assets	<u>\$ 40,235,587</u>	<u>\$ 518,769</u>	<u>\$ 40,754,356</u>
Liabilities:			
Due to bondholders	<u>\$ 40,235,587</u>	<u>\$ 518,769</u>	<u>\$ 40,754,356</u>

CITY OF ENCINITAS
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

Community Facilities District #1				
	Beginning Balance	Additions	Deletions	Ending Balance
Assets:				
Cash and investments	\$ 2,280,037	\$ 2,569,914	\$ (2,775,776)	\$ 2,074,175
Cash and investments with fiscal agent	2,794,213	-	(22)	2,794,191
Interest receivable	2,625	2,064	(1,129)	3,560
Special assessments receivable	36,605,000	-	(1,260,000)	35,345,000
Current assessments receivable	36,490	18,661	(36,490)	18,661
Total assets	\$ 41,718,365	\$ 2,590,639	\$ (4,073,417)	\$ 40,235,587
Liabilities:				
Due bondholders	\$ 41,718,365	\$ 2,590,639	\$ (4,073,417)	\$ 40,235,587

Requeza Assessment District				
	Beginning Balance	Additions	Deletions	Ending Balance
Assets:				
Cash and investments	\$ 177,143	\$ 85,004	\$ (78,691)	\$ 183,456
Interest receivable	203	118	(8)	313
Special assessments receivable	385,000	-	(50,000)	335,000
Current assessments receivable	627	-	(627)	-
Total assets	\$ 562,973	\$ 85,122	\$ (129,326)	\$ 518,769
Liabilities:				
Due to bondholders	\$ 562,973	\$ 85,122	\$ (129,326)	\$ 518,769

CITY OF ENCINTAS
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2012

	Total			
	Beginning Balance	Additions	Deletions	
Assets:				
Cash and investments	\$ 2,457,180	\$ 2,654,918	\$ (2,854,467)	\$ 2,257,631
Cash and investments with fiscal agent	2,794,213	-	(22)	2,794,191
Interest receivable	2,828	2,182	(1,137)	3,873
Special assessments receivable	36,990,000	-	(1,310,000)	35,680,000
Current assessments receivable	37,117	18,661	(37,117)	18,661
	<u>\$ 42,281,338</u>	<u>\$ 2,675,761</u>	<u>\$ (4,202,743)</u>	<u>\$ 40,754,356</u>
Liabilities:				
Due to bondholders	<u>\$ 42,281,338</u>	<u>\$ 2,675,761</u>	<u>\$ (4,202,743)</u>	<u>\$ 40,754,356</u>

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STATISTICAL

SECTION



City of Encinitas
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The section of the City of Encinitas' Comprehensive Annual Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF ENCINITAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2003	2004	2005	2006
Government activities:				
Invested in capital assets, net of related debt	\$ 84,762,814	\$ 101,006,065	\$ 99,822,192	\$ 110,362,657
Restricted	44,247,747	18,410,061	7,336,647	6,011,187
Unrestricted	17,575,861	33,463,725	52,506,975	51,645,424
Total Governmental activities net assets	<u>\$ 146,586,422</u>	<u>\$ 152,879,851</u>	<u>\$ 159,665,814</u>	<u>\$ 168,019,268</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 30,606,971	\$ 35,749,169	\$ 32,464,901	\$ 26,265,471
Restricted	12,669,778	9,681,193	8,170,042	1,815,913
Unrestricted	26,239,700	25,544,548	32,494,310	47,263,919
Total business-type activities net assets	<u>\$ 69,516,449</u>	<u>\$ 70,974,910</u>	<u>\$ 73,129,253</u>	<u>\$ 75,345,303</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 115,369,785	\$ 136,755,234	\$ 132,287,093	\$ 136,628,128
Restricted	56,917,525	28,091,254	15,506,689	7,827,100
Unrestricted	43,815,561	59,008,273	85,001,285	98,909,343
Total primary government net assets	<u>\$ 216,102,871</u>	<u>\$ 223,854,761</u>	<u>\$ 232,795,067</u>	<u>\$ 243,364,571</u>

Source: City of Encinitas Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 120,651,504	\$ 125,786,039	\$ 131,703,037	\$ 130,912,728	\$ 139,575,875	\$ 140,045,048
6,264,431	5,207,761	4,340,090	4,219,623	5,193,167	9,980,471
52,721,705	56,901,871	53,452,967	54,755,944	51,606,735	47,348,584
<u>\$ 179,637,640</u>	<u>\$ 187,895,671</u>	<u>\$ 189,496,094</u>	<u>\$ 189,888,295</u>	<u>\$ 196,375,777</u>	<u>\$ 197,374,103</u>
\$ 18,865,708	\$ 19,204,679	\$ 19,422,684	\$ 25,014,811	\$ 30,076,172	\$ 25,106,758
1,806,768	1,814,716	1,048,426	-	-	-
60,256,625	65,301,729	68,683,799	71,916,135	72,608,845	83,281,023
<u>\$ 80,929,101</u>	<u>\$ 86,321,124</u>	<u>\$ 89,154,909</u>	<u>\$ 96,930,946</u>	<u>\$ 102,685,017</u>	<u>\$ 108,387,781</u>
\$ 139,517,212	\$ 144,990,718	\$ 151,125,721	\$ 155,927,539	\$ 169,652,047	\$ 165,151,806
8,071,199	7,022,477	5,388,516	4,219,623	5,193,167	9,980,471
112,978,330	122,203,600	122,136,766	126,672,079	124,215,580	130,629,607
<u>\$ 260,566,741</u>	<u>\$ 274,216,795</u>	<u>\$ 278,651,003</u>	<u>\$ 286,819,241</u>	<u>\$ 299,060,794</u>	<u>\$ 305,761,884</u>

**CITY OF ENCINITAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Government activities:				
General government	\$ 7,747,595	\$ 8,936,450	\$ 11,371,884	\$ 11,026,711
Public safety	15,500,052	18,376,352	18,883,165	20,244,227
Public works	3,237,546	8,698,419	8,441,146	6,783,035
Planning and building	3,698,424	3,766,482	4,352,726	4,819,265
Engineering services	4,118,152	2,348,760	2,615,298	2,890,832
Parks and recreation	5,523,752	5,444,334	4,791,064	5,132,178
Interest and fiscal charges on long-term debt	1,647,415	2,035,705	1,563,771	1,511,337
Total governmental activities expenses	<u>41,472,936</u>	<u>49,606,502</u>	<u>52,019,054</u>	<u>52,407,585</u>
Business-type activities:				
Cardiff Sanitary Division	2,578,070	3,123,260	2,702,948	3,278,916
San Dieguito Water District	9,006,186	10,008,027	9,335,523	10,826,162
Encinitas Sanitary Division	1,167,210	1,296,435	1,227,303	1,332,980
Affordable Housing	-	1,381,062	1,594,702	3,028,297
Recreation Programs	-	-	-	-
Total business-type activities expenses	<u>12,751,466</u>	<u>15,808,784</u>	<u>14,860,476</u>	<u>18,466,355</u>
Total primary government expenses	<u>54,224,402</u>	<u>65,415,286</u>	<u>66,879,530</u>	<u>70,873,940</u>
Program revenues:				
Government activities:				
Charges for services:				
General government	1,829,281	1,205,596	448,271	1,701,854
Public safety	636,092	550,377	802,913	836,439
Public works	-	-	-	-
Planning and building	2,079,642	1,753,197	1,563,196	1,896,751
Engineering services	610,317	685,832	731,638	839,176
Parks and recreation	759,089	914,625	965,685	907,974
Operating grants and contributions	3,367,396	5,127,262	5,279,931	5,299,476
Capital grants and contributions	6,091,066	5,235,672	5,458,200	5,638,059
Total governmental activities program revenues	<u>15,372,883</u>	<u>15,472,561</u>	<u>15,249,834</u>	<u>17,119,729</u>
Business-type activities:				
Charges for services:				
Cardiff Sanitary Division	2,326,552	2,392,338	4,154,963	4,939,158
San Dieguito Water District	7,794,597	8,033,298	8,059,594	9,515,054
Encinitas Sanitary Division	1,273,533	1,545,151	1,928,979	2,557,690
Affordable Housing	-	67,979	1,474,837	105,559
Recreation Programs	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	1,385,142	4,969,157	534,135	380,593
Total business-type activities program revenues	<u>12,779,824</u>	<u>17,007,923</u>	<u>16,152,508</u>	<u>17,498,054</u>
Total primary government program revenues	<u>28,152,707</u>	<u>32,480,484</u>	<u>31,402,342</u>	<u>34,617,783</u>
Governmental activities	(26,100,053)	(34,133,941)	(36,769,220)	(35,287,856)
Business-type activities	28,358	1,199,139	1,292,032	(968,301)
Total net revenue (expense)	<u>(26,071,695)</u>	<u>(32,934,802)</u>	<u>(35,477,188)</u>	<u>(36,256,157)</u>

Note: The City now reports Recreation Programs as a business-type activity as of 2012.

Source: City of Encinitas Finance Department

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	11,858,189	\$	12,783,573	\$	14,249,545	\$	12,132,268	\$	10,912,556	\$	12,064,527
	20,783,243		21,015,336		22,039,493		22,269,616		22,324,624		23,062,746
	6,728,553		11,595,020		9,360,563		9,520,416		10,981,355		8,560,330
	4,892,201		5,287,058		4,833,543		5,599,614		5,539,148		5,008,179
	3,078,645		3,972,242		4,010,485		3,873,432		3,646,306		5,817,932
	5,318,816		6,594,001		6,902,715		6,518,623		6,243,769		5,578,716
	1,978,163		2,261,104		2,266,817		2,296,422		2,029,477		1,811,714
	<u>54,637,810</u>		<u>63,508,334</u>		<u>63,663,161</u>		<u>62,210,391</u>		<u>61,677,235</u>		<u>61,904,144</u>
	2,948,112		2,985,912		2,854,368		3,569,880		3,715,529		3,385,439
	11,712,887		11,894,734		12,955,085		11,633,694		11,622,126		12,448,911
	1,357,343		1,823,088		1,805,624		1,855,278		1,992,334		1,719,176
	1,405,094		242,553		260,130		256,873		244,748		1,492,811
	-		-		-		-		-		1,187,788
	<u>17,423,436</u>		<u>16,946,287</u>		<u>17,875,207</u>		<u>17,315,725</u>		<u>17,574,737</u>		<u>20,234,125</u>
	<u>72,061,246</u>		<u>80,454,621</u>		<u>81,538,368</u>		<u>79,526,116</u>		<u>79,251,972</u>		<u>82,138,269</u>
	2,248,666		2,895,795		1,608,273		1,962,344		2,453,152		1,789,943
	1,127,923		1,006,293		103,641		105,799		98,202		99,047
	-		-		19,276		668		-		-
	2,341,988		2,284,066		1,539,851		1,521,889		1,816,765		2,155,076
	1,430,282		1,655,539		759,885		660,734		1,063,822		736,786
	928,810		1,224,923		810,667		1,126,285		1,149,350		14,580
	5,086,623		5,736,957		4,838,455		5,392,117		6,964,053		5,896,502
	4,372,149		2,699,027		3,613,636		3,437,302		4,854,393		3,626,279
	<u>17,536,441</u>		<u>17,502,600</u>		<u>13,293,684</u>		<u>14,207,138</u>		<u>18,399,737</u>		<u>14,318,213</u>
	4,826,970		4,926,104		5,009,340		4,979,238		4,830,204		4,970,662
	10,961,760		11,283,219		11,379,337		11,046,650		12,438,502		12,922,922
	2,556,281		2,685,490		2,811,359		2,816,963		2,895,879		2,897,592
	-		-		222,507		202,499		216,723		214,503
	-		-		-		-		-		1,273,007
	-		-		-		-		-		1,105,851
	<u>277,210</u>		<u>746,586</u>		<u>299,326</u>		<u>231,362</u>		<u>712,827</u>		<u>460,688</u>
	<u>18,622,221</u>		<u>19,641,399</u>		<u>19,721,869</u>		<u>19,276,712</u>		<u>21,094,135</u>		<u>23,845,225</u>
	<u>36,158,662</u>		<u>37,143,999</u>		<u>33,015,553</u>		<u>33,483,850</u>		<u>39,493,872</u>		<u>38,163,438</u>
	(37,101,369)		(46,005,734)		(50,369,477)		(48,003,253)		(43,277,498)		(47,585,931)
	1,198,785		2,695,112		1,846,662		1,960,987		3,519,398		3,611,100
	<u>(35,902,584)</u>		<u>(43,310,622)</u>		<u>(48,522,815)</u>		<u>(46,042,266)</u>		<u>(39,758,100)</u>		<u>(43,974,831)</u>

(Continued)

**CITY OF ENCINITAS
CHANGES IN NET ASSETS (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Taxes				
Property taxes and transfer fees	17,473,191	19,375,968	26,417,943	29,290,854
Sales taxes	10,408,617	10,773,548	8,606,077	8,807,630
Transient occupancy taxes	932,964	777,195	790,943	1,094,994
Franchise taxes	1,741,499	1,511,676	1,837,213	1,951,637
Intergovernmental revenues - unrestricted	3,850,349	3,158,289	2,077,519	569,757
Use of money and property	2,649,626	1,942,927	3,506,285	2,670,990
Other general revenues	3,249,057	1,561,650	2,605,280	554,750
Loss on sale of assets	-	-	-	(32,510)
Transfers	171,080	481,715	(1,456,893)	(1,266,792)
Total governmental activities	<u>40,476,383</u>	<u>39,582,968</u>	<u>44,384,367</u>	<u>43,641,310</u>
Business-type activities:				
Property taxes	420,394	475,898	168,038	228,881
Intergovernmental-unrestricted	-	-	-	-
Use of money and property	1,086,560	587,222	1,304,963	1,550,626
Other general revenues	1,440,272	223,397	451,640	138,052
Transfers	-	(481,715)	1,456,893	1,266,792
Total business-type activities	<u>2,947,226</u>	<u>804,802</u>	<u>3,381,534</u>	<u>3,184,351</u>
Total primary government	<u>43,423,609</u>	<u>40,387,770</u>	<u>47,765,901</u>	<u>46,825,661</u>
Changes in Net Assets:				
Government activities	14,376,330	5,449,027	7,614,147	8,353,454
Business-type activities	2,975,584	2,003,941	4,673,566	2,216,050
Total primary government	<u>\$ 17,351,914</u>	<u>\$ 7,452,968</u>	<u>\$ 12,287,713</u>	<u>\$ 10,569,504</u>

Note: The City now reports Recreation Programs as a business-type activity as of 2012.

Source: City of Encinitas Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
32,593,979	33,858,150	35,064,401	32,285,155	32,292,988	32,788,129
9,043,912	8,130,837	7,340,410	8,780,203	10,244,506	10,613,188
1,089,065	1,182,816	1,099,817	1,179,789	1,276,980	1,413,926
2,011,947	2,212,915	2,162,729	2,031,924	2,108,420	2,144,162
753,722	1,335,594	1,866,726	794,362	1,488,770	635,097
3,957,869	3,842,268	2,884,233	1,085,981	657,796	387,066
502,115	568,884	1,551,584	2,238,041	1,695,520	1,780,543
(5,682)	-	-	-	-	-
(1,227,186)	-	-	-	-	(668,877)
<u>48,719,741</u>	<u>51,131,464</u>	<u>51,969,900</u>	<u>48,395,455</u>	<u>49,764,980</u>	<u>49,093,234</u>
651,195	690,407	721,628	718,212	706,175	725,551
893,500	-	-	-	-	-
1,374,862	1,756,153	974,702	392,152	508,089	188,259
238,270	250,351	45,193	228,614	401,013	-
1,227,186	-	-	-	-	668,877
<u>4,385,013</u>	<u>2,696,911</u>	<u>1,741,523</u>	<u>1,338,978</u>	<u>1,615,277</u>	<u>1,582,687</u>
<u>53,104,754</u>	<u>53,828,375</u>	<u>53,711,423</u>	<u>49,734,433</u>	<u>51,380,257</u>	<u>50,675,921</u>
11,618,372	5,125,730	1,600,423	392,202	6,487,482	1,507,303
5,583,798	5,392,023	3,588,185	3,299,965	5,134,675	5,193,787
<u>\$ 17,202,170</u>	<u>\$ 10,517,753</u>	<u>\$ 5,188,608</u>	<u>\$ 3,692,167</u>	<u>\$ 11,622,157</u>	<u>\$ 6,701,090</u>

CITY OF ENCINITAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 24,456,970	\$ 22,200,278	\$ 3,644,856	\$ 4,092,489
Unreserved, designated	-	-	-	-
Unreserved, undesignated	10,640,608	13,254,418	36,390,504	36,866,828
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 35,097,578</u>	<u>\$ 35,454,696</u>	<u>\$ 40,035,360</u>	<u>\$ 40,959,317</u>
All other governmental funds:				
Reserved	\$ 8,137,510	\$ 12,756,026	\$ 3,691,791	\$ 3,525,818
Unreserved, designated	15,639,620	5,654,035	15,771,318	14,605,153
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 23,777,130</u>	<u>\$ 18,410,061</u>	<u>\$ 19,463,109</u>	<u>\$ 18,130,971</u>
Total all governmental funds	<u><u>\$ 58,874,708</u></u>	<u><u>\$ 53,864,757</u></u>	<u><u>\$ 59,498,469</u></u>	<u><u>\$ 59,090,288</u></u>

Source: City of Encinitas Finance Department

Note: The City of Encinitas implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*, which was effective beginning in fiscal year 2010-2011, thus changing the classification of fund balance.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 15,196,796	\$ 6,210,167	\$ 5,255,137	\$ 4,286,026	\$ -	\$ -
-	35,790,162	38,413,388	36,913,369	-	-
36,488,893	9,126,804	3,866,759	5,789,899	-	-
-	-	-	-	2,648,338	2,868,533
-	-	-	-	633,245	-
-	-	-	-	42,274,327	19,371,624
-	-	-	-	1,850,582	17,964,935
<u>\$ 51,685,689</u>	<u>\$ 51,127,133</u>	<u>\$ 47,535,284</u>	<u>\$ 46,989,294</u>	<u>\$ 47,406,492</u>	<u>\$ 40,205,092</u>
\$ 4,176,025	\$ 3,908,007	\$ 3,771,850	\$ 3,408,409	\$ -	\$ -
16,909,261	10,968,342	10,694,605	10,430,543	-	-
-	-	-	-	145,686	-
-	-	-	-	8,290,163	13,471,421
-	-	-	-	7,570,021	-
-	-	-	-	-	2,169,210
<u>\$ 21,085,286</u>	<u>\$ 14,876,349</u>	<u>\$ 14,466,455</u>	<u>\$ 13,838,952</u>	<u>\$ 16,005,870</u>	<u>\$ 15,640,631</u>
<u>\$ 72,770,975</u>	<u>\$ 66,003,482</u>	<u>\$ 62,001,739</u>	<u>\$ 60,828,246</u>	<u>\$ 63,412,362</u>	<u>\$ 55,845,723</u>

**CITY OF ENCINITAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes and assessments	\$ 31,662,100	\$ 33,943,667	\$ 39,383,642	\$ 44,026,335
Intergovernmental	11,048,984	9,098,006	9,301,017	6,464,129
Charges for services	6,219,303	6,504,237	5,582,317	6,642,855
Fines, forfeitures, and penalties	421,065	501,297	745,744	832,570
Use of money and property	2,649,625	1,942,914	3,506,285	2,586,286
Other	3,136,771	2,425,547	2,571,086	1,423,460
Total Revenues	55,137,848	54,415,668	61,090,091	61,975,635
Expenditures:				
Current:				
General government	7,899,375	8,180,099	10,129,726	9,378,799
Public safety	16,401,813	18,241,314	18,591,043	19,948,909
Public works	3,093,519	2,580,317	4,537,345	4,768,226
Planning and building	3,140,417	3,293,067	4,352,726	4,819,265
Engineering services	2,626,217	2,348,760	2,615,298	2,890,832
Parks and recreation	6,464,220	5,444,334	4,791,064	5,132,178
Capital outlay	13,443,499	17,369,542	5,440,192	11,215,699
Debt service:				
Principal	5,063,027	1,015,000	1,327,445	1,450,404
Interest and fiscal charges	503,177	1,520,899	1,553,393	1,512,712
Bond issuance costs	-	-	-	-
Total expenditures	58,635,264	59,993,332	53,338,232	61,117,024
Excess (deficiency) of revenues over (under) expenditures	(3,497,416)	(5,577,664)	7,751,859	858,611
Other Financing Sources (Uses):				
Transfer in from CFD debt service	171,080	85,998	-	-
Operating transfers in	14,700,428	22,781,022	8,548,333	13,552,280
Operating transfers out	(15,000,428)	(22,299,307)	(10,005,226)	(14,819,072)
Proceeds from capital lease	-	-	-	-
Issuance of debt	6,590,000	-	-	-
Premium on debt	-	-	-	-
Bond discounts	-	-	-	-
Total other financing sources (uses)	6,461,080	567,713	(1,456,893)	(1,266,792)
Net change in fund balances	\$ 2,963,664	\$ (5,009,951)	\$ 6,294,966	\$ (408,181)
Debt service as a percentage of noncapital expenditures	14.0%	6.3%	6.4%	6.3%

Source: City of Encinitas Finance Department

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	46,922,540	\$	47,483,312	\$	47,800,573	\$	46,805,219	\$	48,100,768	\$	49,089,142
	5,596,224		5,999,680		5,950,205		6,917,521		8,369,571		6,537,855
	8,022,053		9,293,303		6,621,931		5,164,315		6,376,261		4,406,737
	949,606		884,446		746,023		761,202		856,392		657,364
	3,943,512		3,851,877		2,008,557		1,085,981		657,798		639,676
	4,679,351		1,227,055		1,110,325		2,875,491		3,803,927		2,715,266
	<u>70,113,286</u>		<u>68,739,673</u>		<u>64,237,614</u>		<u>63,609,729</u>		<u>68,164,717</u>		<u>64,046,040</u>
	9,601,089		11,903,557		13,036,815		11,859,415		10,155,732		9,277,443
	20,674,992		20,896,882		21,636,969		22,049,239		22,107,692		22,853,121
	4,679,795		5,432,032		6,033,513		5,888,161		6,051,253		5,843,228
	4,892,201		5,287,058		4,811,020		5,599,614		5,539,148		4,655,501
	3,078,645		3,972,242		3,986,859		3,873,432		3,646,306		3,804,813
	5,318,816		5,585,446		5,811,778		5,482,578		5,293,664		4,333,303
	23,383,302		20,704,628		8,473,396		5,606,327		8,559,193		12,803,379
	1,499,032		1,581,033		2,197,891		2,091,882		2,481,223		2,359,932
	1,780,651		2,244,288		2,251,116		2,332,574		2,056,501		1,872,773
	-		-		-		-		395,404		-
	<u>74,908,523</u>		<u>77,607,166</u>		<u>68,239,357</u>		<u>64,783,222</u>		<u>66,286,116</u>		<u>67,803,493</u>
	<u>(4,795,237)</u>		<u>(8,867,493)</u>		<u>(4,001,743)</u>		<u>(1,173,493)</u>		<u>1,878,601</u>		<u>(3,757,453)</u>
	-		-		-		-		-		-
	23,774,352		25,007,578		12,631,197		11,066,120		13,133,224		17,661,946
	(24,998,428)		(25,007,578)		(12,631,197)		(11,066,120)		(13,133,224)		(18,354,656)
	-		-		-		-		-		599,639
	20,000,000		2,100,000		-		-		19,530,000		-
	-		-		-		-		215,515		-
	(300,000)		-		-		-		(19,040,000)		-
	<u>18,475,924</u>		<u>2,100,000</u>		<u>-</u>		<u>-</u>		<u>705,515</u>		<u>(93,071)</u>
\$	<u>13,680,687</u>	\$	<u>(6,767,493)</u>	\$	<u>(4,001,743)</u>	\$	<u>(1,173,493)</u>	\$	<u>2,584,116</u>	\$	<u>(3,850,524)</u>
	6.8%		7.2%		8.0%		8.1%		8.6%		8.3%

**CITY OF ENCINITAS
 ASSESSED VALUE AND ESTIMATED
 ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (In thousands of dollars)**

<u>Fiscal Year Ended June 30</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>All Other Property (1)</u>	<u>Total Net Taxable Assessed Value (2)</u>	<u>Total Direct Tax Rate %</u>
2003	\$ 5,795,218	\$ 648,842	\$ 28,772	\$ 455,916	\$ 6,928,748	0.23882
2004	6,466,136	703,029	29,622	473,921	7,672,708	0.23750
2005	7,218,507	748,540	30,209	457,085	8,454,341	0.23720
2006	7,995,632	805,108	32,074	504,680	9,337,494	0.23747
2007	8,742,273	852,894	32,714	562,621	10,190,502	0.23789
2008	9,355,905	927,637	33,375	583,340	10,688,913	0.23837
2009	9,800,179	969,642	35,427	451,831	11,258,711	0.23278
2010	9,774,056	1,063,161	36,255	454,096	11,327,568	0.23338
2011	9,767,731	1,110,811	36,036	427,619	11,342,197	0.23375
2012	9,886,681	1,154,923	34,944	421,308	11,497,856	0.23492

Note: 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 at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above does not directly represent or correlate to actual market values of taxable property and is subject to the limitations described above.

(1) Includes the following categories: dry farm, institutional, irrigated, recreation, vacant land, SBC nonunitary, possessory interest, unsecured, and unknown.

(2) The "total net taxable assessed value" is net of tax-exempt property. In addition, homeowners exemptions are not included in the above totals.

Source: San Diego County Assessor 2011/12 Combined Tax Rolls
 The HdI Companies

**CITY OF ENCINITAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND TEN YEARS AGO**

Taxpayer	2012		2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Scripps Health	\$ 76,363,047	0.00664%	\$ 10,236,880	0.00160%
Collwood Pines Apartments LP	54,972,120	0.00478%		
James P. Garraphy	46,467,461	0.00404%		
North Coast Health Center LLC	32,409,699	0.00282%	17,931,724	0.00281%
WRI El Camino LP	31,977,500	0.00278%		
Terramar Retail Centers LLC	35,623,212	0.00310%		
Belmont Village Cardiff LP	29,255,866	0.00254%		
PK III Encinitas Marketplace LP	28,600,000	0.00249%		
K S L Encinitas Resort Corporation	21,647,020	0.00188%	8,798,201	0.00138%
Urschel Laboratories Inc.	22,443,243	0.00195%	19,082,002	0.00299%
Lofts at Moonlight Beach LLC	20,107,555	0.00175%		
Encinitas Town Center Associates LLC	45,031,266	0.00392%	33,928,293	0.00532%
Sterling Family Trust	17,226,857	0.00150%		
Encinitas Plaza LP	17,367,711	0.00151%		
Home Depot Development of Maryland	28,374,005	0.00247%	11,491,330	0.00180%
Hughes Encinitas Limited	16,612,808	0.00144%	13,971,463	0.00219%
Golden Eagle Annuity Investment LP	16,120,480	0.00140%		
Plenc El Camino LLC	16,888,954	0.00147%		
Quail Pointe Apartments LP	15,010,089	0.00131%		
Encinitas Terraces LLC	14,128,780	0.00123%		
North Coast Business Park	13,514,314	0.00118%	16,365,660	0.00256%
ARV Assisted Living Inc.	13,000,000	0.00113%		
Bellflower Capital LP	13,759,223	0.00120%	11,362,000	0.00178%
S D C C Properties	13,000,000	0.00113%		
Keith B. and Sara S. Harrison	13,448,430	0.00117%		
Enrique Apartment Company Limited			24,253,851	0.00380%
Northwestern Mutual Life Insurance			19,765,517	0.00310%
Vons Companies Inc.			21,278,798	0.00333%
SPA Holdings LLC			14,011,540	0.00220%
Security Title Insurance Trust			12,344,809	0.00193%
Pan Pacific Retail Properties Inc.			12,087,000	0.00189%
Dayton Hudson Corporation Target Stores			12,677,305	0.00199%
G M S Realty LLC			10,952,560	0.00172%
Five Stars Associates			10,355,221	0.00162%
Donald B. Gaines Revocable Trust 04-01-86			10,249,893	0.00161%
Aetna Life Insurance Company			9,902,123	0.00155%
LVM California Corporation			9,712,170	0.00152%
Health Care Reit Inc.			9,585,960	0.00150%
Albertson's Inc.			9,115,613	0.00143%
Cox Communications San Diego			9,011,770	0.00141%
Daniels Cablevision Inc.			8,630,246	0.00135%
	<u>\$ 653,349,640</u>	<u>0.05018%</u>	<u>\$ 347,101,929</u>	<u>0.05438%</u>

Source: San Diego County Assessor Combined Tax Rolls & the HdI Company

Note: Actual revenues are not available

**CITY OF ENCINITAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
	%	%	%	%
City of Encinitas Basic Rate	0.23882	0.23750	0.23720	0.23747
Other Applicable Rates	0.00000	0.00000	0.00000	0.00000
City of Encinitas Direct Rate (1)	0.23882	0.23750	0.23720	0.23747
Overlapping Rates: (2)				
City of Encinitas	0.26641	0.26641	0.26641	0.26641
Encinitas Landscape & Lighting District	0.01596	0.01596	0.01596	0.01596
Autistic Pupils Monors Elem	0.00009	0.00009	0.00009	0.00009
Autistic Pupils Monors High	0.00009	0.00009	0.00009	0.00009
Cardiff Elementary	0.26238	0.26238	0.26238	0.26238
Children's Institutions Tuition	0.00146	0.00146	0.00146	0.00146
County General	0.08264	0.08264	0.08264	0.08264
County Library	0.01298	0.01298	0.01298	0.01298
County School Service	0.00687	0.00687	0.00687	0.00687
County School Service-Capital Outlay	0.00173	0.00173	0.00173	0.00173
County Service Area No. 17	0.00291	0.00291	0.00291	0.00291
CWA San Dieguito Water District	0.00344	0.00344	0.00344	0.00344
Development Centers for Handicapped Elem	0.00043	0.00043	0.00043	0.00043
Development Centers for Handicapped High	0.00044	0.00044	0.00044	0.00044
Educable Mentally retarded Minors	0.00196	0.00196	0.00196	0.00196
Educational Revenue Augmentation Fund	0.08574	0.08574	0.08574	0.08574
Mira Costa community College	0.08594	0.08594	0.08594	0.08594
Physically Handicapped Minors Elem	0.00303	0.00303	0.00303	0.00303
Physically Handicapped Minors High	0.00304	0.00304	0.00304	0.00304
Regional Occupational Centers	0.00438	0.00438	0.00438	0.00438
San Dieguito Union High	0.14404	0.14404	0.14404	0.14404
San Dieguito Water District	0.00992	0.00992	0.00992	0.00992
Trainable Mentally Retarded Minors Elem	0.00197	0.00197	0.00197	0.00197
Trainable Mentally Retarded Minors High	0.00198	0.00198	0.00198	0.00198
Vista Project (19/85701)	0.00017	0.00017	0.00017	0.00017
Total Prop 13 Rate (3)	1.00000	1.00000	1.00000	1.00000

(1) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

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

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

Source: San Diego County Assessor 2001/2002 thru 2011/2012 Tax Increment Table
The HdI Companies

Fiscal Year					
2007	2008	2009	2010	2011	2012
%	%	%	%	%	%
0.23789	0.23837	0.23278	0.23338	0.23375	0.23492
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.23789	0.23837	0.23278	0.23338	0.23375	0.23492
0.26641	0.26641	0.26648	0.26648	0.26648	0.24020
0.01596	0.01596	0.01596	0.01596	0.01596	0.02100
0.00009	0.00009	0.00009	0.00009	0.00009	0.00000
0.00009	0.00009	0.00009	0.00009	0.00009	0.00000
0.26237	0.26237	0.26240	0.26240	0.26240	0.24870
0.00146	0.00146	0.00146	0.00146	0.00146	0.00107
0.08264	0.08264	0.07570	0.07570	0.07570	0.08020
0.01298	0.01298	0.01995	0.01995	0.01995	0.01969
0.00687	0.00687	0.00687	0.00687	0.00687	0.00643
0.00173	0.00173	0.00173	0.00173	0.00173	0.00161
0.00291	0.00291	0.00291	0.00291	0.00291	0.00251
0.00344	0.00344	0.00344	0.00344	0.00344	0.02510
0.00043	0.00043	0.00043	0.00043	0.00043	0.00000
0.00044	0.00044	0.00044	0.00044	0.00044	0.00000
0.00196	0.00196	0.00196	0.00196	0.00196	0.00161
0.08574	0.08574	0.08570	0.08570	0.08570	0.08620
0.08594	0.08594	0.08590	0.08590	0.08590	0.08150
0.00303	0.00303	0.00303	0.00303	0.00303	0.00268
0.00304	0.00304	0.00304	0.00304	0.00304	0.00268
0.00438	0.00438	0.00438	0.00438	0.00438	0.00375
0.14405	0.14405	0.14400	0.14400	0.14400	0.13610
0.00992	0.00992	0.00992	0.00992	0.00992	0.03590
0.00197	0.00197	0.00197	0.00197	0.00197	0.00161
0.00198	0.00198	0.00198	0.00198	0.00198	0.00161
0.00017	0.00017	0.00017	0.00017	0.00017	0.00000
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

(Continued)

**CITY OF ENCINITAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES (CONTINUED)
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
	%	%	%	%
San Dieguito Water Dist-Debt Service	0.00075	0.00067	-	-
Gen Bond Cardiff 2000A	0.04254	0.03975	0.03913	0.03409
Gen Bond Cardiff 2000 Election, 2010 Ref. Bonds	-	-	-	-
MWD D/S Remainder of SDCWA 1501999	0.00670	0.00610	0.00580	0.00520
Total Voter Approved Rate	0.04999	0.04652	0.04493	0.03929
Total Tax Rate	1.04999	1.04652	1.04493	1.03929

- (1) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.
- (2) General fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate area (TRA) by net taxable value.
- (3) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value.

Source: San Diego County Assessor 2001/2002 thru 2011/2012 Tax Increment Table
The HdI Companies

Fiscal Year					
2007	2008	2009	2010	2011	2012
%	%	%	%	%	%
-	-	-	-	-	-
0.03508	0.03306	0.03212	0.03518	-	-
-	-	-	-	0.03715	0.03489
0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
0.03978	0.03756	0.03642	0.03948	0.04085	0.03859
1.03978	1.03756	1.03642	1.03948	1.04085	1.03859

**CITY OF ENCINITAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year ⁽¹⁾	Collected within the Fiscal Year of Levy	
		Amount	Percent of Levy
2003	\$ 17,622,586	\$ 17,238,992	97.82%
2004	19,685,171	19,145,685	97.26%
2005	22,082,262	21,269,966	96.32%
2006	24,285,772	23,360,483	96.19%
2007	25,857,065	24,741,077	95.68%
2008	26,950,803	25,584,630	94.93%
2009	27,441,558	26,326,996	95.94%
2010	27,421,386	26,490,783	96.61%
2011	27,541,487	26,888,921	97.63%
2012	28,100,611	27,540,858	98.01%

Note: Subsequent collections by year is not available.

(1) City of Encinitas general fund

Source: San Diego County Assessor Combined Tax Rolls

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**CITY OF ENCINITAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities		Total Governmental Activities
	Bonded Debt	Capital Leases	
2003	\$ 34,970,000	\$ -	\$ 34,970,000
2004	33,730,000	361,897	34,091,897
2005	32,450,000	314,452	32,764,452
2006	31,105,000	559,048	31,664,048
2007	49,410,000	696,373	50,106,373
2008	47,960,000	2,670,340	50,630,340
2009	46,005,000	2,432,449	48,437,449
2010	44,165,000	2,185,567	46,350,567
2011	42,705,000	3,036,900	45,741,900
2012	40,700,000	3,281,606	43,981,606

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

N/A: Information not available

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

(2) Debt per Capita is calculated by dividing the total primary government amount by City population shown on Demographic and Economic Statistic page.

Source: City of Encinitas Finance Department

Water Bonds and Notes	Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (2)
	CSD Note Payable	EHA Note Payable	Total Business-type Activities			
\$ 23,120,000	\$ 8,735,000	-	\$ 31,855,000	\$ 66,825,000	1.85%	1,090
22,475,000	8,295,000	1,895,883	32,665,883	66,757,780	1.77%	1,069
21,575,000	7,900,000	1,862,347	31,337,347	64,101,799	1.68%	1,024
20,815,000	7,500,000	1,825,255	30,140,255	61,804,303	1.59%	984
20,030,000	7,085,000	1,786,769	28,901,769	79,298,142	N/A	1254
19,340,000	6,660,000	1,723,832	27,723,832	78,354,172	N/A	1227
18,440,000	6,220,000	1,681,534	26,341,534	74,778,983	N/A	1166
17,545,000	5,770,000	1,638,817	24,953,817	71,304,384	N/A	1094
16,620,000	5,300,000	1,591,681	23,511,681	69,253,581	N/A	1063
15,660,000	4,316,361	1,544,434	21,520,795	65,502,401	N/A	1005

**CITY OF ENCINITAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Outstanding General Bonded Debt		Assessed Valuation (1)	Percentage of Assessed Value	Per Capita
	Certificates of Participation and Revenue Bonds				
2003	\$ 34,970,000		\$ 6,928,748,000	0.50%	570
2004	33,730,000		7,672,708,000	0.44%	540
2005	32,450,000		8,454,341,000	0.38%	518
2006	31,105,000		9,337,494,000	0.33%	495
2007	49,410,000		10,190,502,000	0.48%	781
2008	47,960,000		10,688,913,000	0.45%	751
2009	46,005,000		11,258,711,000	0.41%	717
2010	44,165,000		11,327,568,000	0.39%	678
2011	42,705,000		11,342,197,000	0.38%	655
2012	40,700,000		11,497,856,689	0.35%	626

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds of which, the City has none.

(1) Assessed valuation has been used because the actual market value of taxable property is not readily available in the State of California. The assessed valuation information can be found on page 106.

Source: City of Encinitas Finance Department
San Diego County Assessor Combined Tax Rolls

CITY OF ENCINITAS
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2012

2011-12 Assessed Valuation: \$11,497,856,689

	Total Debt June 30, 2012	Applicable % (1)	Estimated Share of Overlapping Debt June 30, 2012
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 196,545,000	0.639%	\$ 1,255,923
Cardiff School District	7,280,198	100%	7,280,198
Encinitas Union School District	25,534,256	67.990%	17,360,741
San Dieguito Union High School District Community Facilities Districts	37,987,911	1.920-100%	12,064,970
City of Encinitas Community Facilities District No. 1	35,345,000	100%	35,345,000 (2)
City of Encinitas 1915 Act Bonds	335,000	100%	335,000
Olivenhain Municipal Water District, Assessment District No. 96-1	15,460,000	25.655%	3,966,263
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 77,608,095
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
San Diego County General Fund Obligations	395,115,000	3.344%	\$ 13,212,646
San Diego County Pension Obligations	787,112,618	3.344%	26,321,046
San Diego County Superintendent of Schools Obligations	18,750,000	3.344%	627,000
Mira Costa Community College District Certificates of Participation	2,740,000	15.054%	412,480
San Dieguito Union High School District General Fund Obligations	15,515,000	24.062%	3,733,219
City of Encinitas Governmental Bonded Debt	40,700,000	100%	40,700,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 85,006,391
TOTAL DIRECT DEBT			\$ 40,700,000
TOTAL OVERLAPPING DEBT			121,914,486
COMBINED TOTAL DEBT			\$ 162,614,486 (3)

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.
(2) Excludes refunding bonds dated July 11, 2012. Includes issue to be refunded.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Total Direct Debt (\$40,700,000).....0.35%
Combined Total Debt.....1.41%

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2012: \$ 0

Source: California Municipal Statistics

**CITY OF ENCINITAS
HISTORICAL DEBT SERVICE COVERAGE
LAST FIVE FISCAL YEARS**

SAN DIEGUITO WATER DISTRICT

	2008	2009	2010	2011	2012
Revenues:					
Operating revenues - including connection fees	\$11,468,569	\$ 11,521,897	\$ 11,267,684	\$ 12,574,450	\$ 13,170,422
Nonoperating revenues	1,464,949	1,129,594	879,477	817,872	813,610
Gross Revenues	12,933,518	12,651,491	12,147,161	13,392,322	13,984,032
Total Operating & Nonoperating Expenses	12,366,526	12,955,085	11,634,347	11,614,631	12,448,911
Net Income	566,992	(303,594)	512,814	1,777,691	1,535,121
Add back.....					
Interest expense and other	830,953	803,748	749,704	725,936	698,908
Depreciation and amortization expense	1,166,274	2,217,274	1,213,640	1,196,007	1,294,904
Change in investment in other agencies	1,084,645	-	-	-	-
Net Revenues Available for Debt Service	3,648,864	2,717,428	2,476,158	3,699,634	3,528,933
Less: Debt Service					
1999 Badger Bonds - Interest Charges	148,992	-	-	-	-
1999 Badger Bonds - Principal Payments	280,000	-	-	-	-
2004 Water Revenue Refunding Bonds - Interest Charges	497,181	485,769	469,269	452,244	433,950
2004 Water Revenue Refunding Bonds - Principal Payments	530,000	540,000	560,000	575,000	595,000
2007 Note Payable to Financing Authority - Interest Charges	167,780	290,748	265,157	281,494	270,352
2007 Note Payable to Financing Authority - Principal Payments	-	360,000	335,000	350,000	365,000
Total Debt Service	1,623,953	1,676,517	1,629,426	1,658,738	1,664,302
Coverage by Net Revenues Available for Debt Service	225%	162%	152%	223%	212%

Debt service coverage requirement is minimum 115%, including connection fees, 100% without including connection fees

CARDIFF SANITARY DIVISION

	2008	2009	2010	2011	2012
Revenues:					
Operating revenues - including connection fees	\$5,422,603	\$ 5,062,773	\$ 5,049,039	\$ 5,337,717	\$ 5,087,182
Nonoperating revenues	688,423	392,505	162,601	355,974	79,347
Gross Revenues	6,111,026	5,455,278	5,211,640	5,693,691	5,166,529
Total Operating & Nonoperating Expenses	2,985,912	2,854,368	3,569,880	3,746,748	3,385,439
Net Income	3,125,114	2,600,910	1,641,760	1,946,943	1,781,090
Add back.....					
Interest expense and other	315,700	302,067	285,800	267,533	248,400
Depreciation and amortization expense	169,474	303,930	912,026	932,273	404,640
Change in investment in other agencies	290,609	-	-	-	-
Net Revenues Available for Debt Service	3,900,897	3,206,907	2,839,586	3,146,749	2,434,130
Less: Debt Service					
2003 Note Payable to SEJPA - Interest Charges	319,950	307,200	291,800	273,800	255,000
2003 Note Payable to SEJPA - Principal Payments	425,000	440,000	450,000	470,000	490,000
2011 Note Payable to SEJPA - Interest Charges	-	-	-	-	28,945
2011 Note Payable to SEJPA - Principal Payments	-	-	-	-	25,000
Total Debt Service	744,950	747,200	741,800	743,800	798,945
Coverage by Net Revenues Available for Debt Service	524%	429%	383%	423%	305%

Debt service coverage requirement is minimum 110% including connection fees, 100% without including connection fees

Source: City of Encinitas Finance Department

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**CITY OF ENCINITAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(in thousands)**

	2003	2004	2005	2006
Assessed valuation	\$ 6,928,748	\$ 7,672,708	\$ 8,454,341	\$ 9,337,494
Conversion percentage equal to 25% of Assessed valuation	25%	25%	25%	25%
Adjusted assessed valuation	1,732,187	1,918,177	2,113,585	2,334,374
Debt limit percentage	15%	15%	15%	15%
Debt limit	259,828	287,727	317,038	350,156
Total net debt applicable to limit:	34,970	33,730	32,450	31,105
Legal debt margin	\$ 224,858	\$ 253,997	\$ 284,588	\$ 319,051
Total debt applicable to the limit as a percentage of debt limit	13.46%	11.72%	10.24%	8.88%

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

Source: City of Encinitas Finance Department
San Diego County Assessor Combined Tax Rolls

2007	2008	2009	2010	2011	2012
\$ 10,190,502	\$ 10,688,913	\$ 11,258,711	\$ 11,327,568	\$ 11,342,197	\$ 11,497,857
25%	25%	25%	25%	25%	25%
2,547,626	2,672,228	2,814,678	2,831,892	2,835,549	2,874,464
15%	15%	15%	15%	15%	15%
382,144	400,834	422,202	424,784	425,332	431,170
49,410	47,960	46,005	44,165	42,705	40,700
\$ 332,734	\$ 352,874	\$ 376,197	\$ 380,619	\$ 382,627	\$ 390,470
12.93%	11.97%	10.90%	10.40%	10.04%	9.44%

**CITY OF ENCINITAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>City Population</u>	<u>% of San Diego County Population</u>	<u>% Change from Previous Year</u>	<u>Median Age</u>	<u>Avg. Household Size</u>	<u>Unemployment Rate</u>
2003	61,308	2%	2.3%	38.8	2.61	3.7%
2004	62,463	2%	1.9%	39.2	2.64	3.3%
2005	62,605	2%	0.2%	40.2	2.64	3.0%
2006	62,826	2%	0.4%	40.5	2.64	2.8%
2007	63,259	2%	0.7%	41.0	2.65	3.2%
2008	63,864	2%	1.0%	N/A	N/A	4.2%
2009	64,145	2%	0.4%	41.7	2.69	6.9%
2010	65,171	2%	1.6%	41.6	2.45	N/A
2011	65,171	2%	0.0%	37.9	2.50	N/A
2012	65,000	2%	-1.0%	42.2	2.45	N/A

N/A: Information not available

Source: All information except unemployment - San Diego Association of Governments (SANDAG).
Unemployment rate estimates are from California Employment Development Department

**CITY OF ENCINITAS
TAXABLE SALES BY CATEGORY
LAST NINE CALENDAR YEARS
(in thousands of dollars)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Apparel Stores	\$ 26,364	\$ 28,005	\$ 30,863	\$ 31,846	\$ 31,876	\$ 30,614	\$ 31,161	\$ 33,162	\$ 33,529
General Merchandise	54,662	57,633	62,639	67,227	72,406	69,361	66,926	64,921	71,521
Food Stores	61,633	59,652	60,692	61,876	61,337	61,924	59,423	57,914	63,319
Eating and Drinking Places	118,505	128,111	132,783	139,127	144,823	145,338	137,980	139,141	151,070
Building Materials	125,866	117,580	132,872	132,421	125,194	115,795	90,977	88,752	87,036
Auto Dealers and Supplies	167,926	181,212	172,414	142,718	122,996	103,874	96,168	116,754	119,201
Service Stations	80,114	87,116	100,209	111,305	116,022	129,179	101,960	119,939	149,282
Other Retail Stores	256,229	260,845	272,613	275,067	260,680	251,139	226,964	221,716	228,564
All Other Outlets	171,610	180,549	199,215	181,623	185,814	172,776	152,023	165,309	168,048
	<u>\$ 1,062,909</u>	<u>\$ 1,100,703</u>	<u>\$ 1,164,300</u>	<u>\$ 1,143,210</u>	<u>\$ 1,121,148</u>	<u>\$ 1,080,000</u>	<u>\$ 963,582</u>	<u>\$ 1,007,608</u>	<u>\$ 1,071,570</u>

Source: State of California Board of Equalization and the HDL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Information for 2012 was not available.

**CITY OF ENCINITAS
TOP 10 EMPLOYERS - SAN DIEGO COUNTY**

Employer	Number of Employees	Business Category
Marine Corps Base, Camp Pendleton	60,000	Government/Defense
Federal Government	43,500	Federal administration
State of California	40,900	State government
North Island Naval Air Station	27,000	National security
United States Navy, San Diego	26,000	Military/Defense
University of California, San Diego	26,000	Unversity
County of San Diego	20,500	County government
City of San Diego	19,500	City government
San Diego Unified School District	15,924	School/education
Sharp HealthCare	14,564	Health care service provider

Source: The Daily Transcript Source Book - 2010 Source Book/San Diego's Top Influentials

Note: Data for ten years ago was not available.

Employer information specific to the City of Encintas was not readily available and instead information is presented for the County of San Diego

**CITY OF ENCINITAS
FULL-TIME AND PART-TIME EMPLOYEES BY FUNCTION
LAST FIVE YEARS**

Function	As of June 30,				
	2008	2009	2010	2011	2012
General government	45.45	45.45	43.00	44.25	44.55
Public safety	67.00	67.00	68.00	63.00	63.00
Public works	30.40	30.40	29.55	28.85	28.85
Engineering services	27.12	27.12	27.47	27.47	27.42
Parks and recreation	21.38	21.18	21.18	21.18	21.18
Planning and building	26.75	26.75	26.75	26.75	26.75
Water operations	22.70	22.70	25.70	25.40	25.40
Total	240.80	240.60	241.65	236.90	237.15

Source: City of Encinitas

Note: Data is shown as stated FTE (full-time equivalents) authorized positions.

The City of Encinitas has elected to show only five years of data for this schedule.

**CITY OF ENCINITAS
OPERATING INDICATORS BY FUNCTION
LAST FIVE FISCAL YEARS**

	2008	2009	2010	2011	2012
San Diego County Sheriffs Dept					
Criminal arrests	1,560	1,715	1,803	1,047	1,231
Traffic arrests	371	424	482	535	485
Traffic accidents	522	438	385	472	441
Traffic citations	11,690	11,974	11,714	12,024	11,349
Calls for service	20,460	19,764	21,216	20,602	20,150
Deputy initiated action	26,971	29,098	25,401	29,224	29,862
Fire:					
Number of emergency fire calls	134	113	106	96	124
Number of EMS/rescue	3,290	3,179	3,291	3,498	3,495
Other	1,498	1,645	1,475	1,520	1,737
Inspections	N/A	4,099	2,055	2,263	2,252
Engineering:					
Number of permits issued	405	325	301	397	392
Parks and recreation:					
Number of recreation class registrations	10,927	11,368	11,435	10,697	11,119
Number of facility rentals	524	491	459	377	749
Planning and building:					
Number of planning permits issued	110	97	181	177	202
Number of New Dwelling Units Issued	98	86	39	51	121
Environmental review	11	8	11	4	7
Appeals	11	12	1	3	3
Plan checks	825	906	805	882	948
Code enforcement complaints	1,881	1,973	1,667	1,645	1,270
Water:					
New connections	26	6	18	9	79
Average daily consumption (millions of gallons)	6.52	6.24	5.42	5.21	5.32
Sewer:					
New connections	39	14	26	14	44
Average daily sewage treatment (millions of gallons)	2.55	2.55	2.46	2.43	2.38

Source: City of Encinitas

Notes: The City of Encinitas has elected to show only five years of data for this schedule.

The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide police protection.

**CITY OF ENCINITAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012
Police protection:*							
Number of sub-Stations	1	1	1	1	1	1	1
Fire:							
Fire stations	5	5	5	5	5	5	5
Public works:							
Streets (miles)	192	198	198	201	201	201	201
Engineering:							
Signalized intersections	60	60	63	65	63	63	63
Parks and recreation:							
Community and senior center	1	1	1	1	1	1	1
Developed parks	18	18	18	18	18	18	18
Undeveloped parks	4	4	4	4	4	4	4
Parkland acres	382	382	382	382	382	382	382
Habitat/open space acreage	87	87	87	87	87	87	87
Marine life refuge	1	1	1	1	1	1	1
Trails/streetscapes (miles)	35	35	35	35	41	41/10	41/10
Lifeguard towers	7	7	7	7	7	7	7
Water:							
Water mains (miles)	140	140	140	166	166	168	168
Maximum daily capacity (millions of gallon:	15	15	15	15	15	15	15

The City of Encinitas has elected to show only seven years of data for this schedule.

Note: The City of Encinitas contracts with the County of San Diego Sheriff's department to provide police protection.

Source: City of Encinitas

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San Dieguito Water District

Summary of Operational Data

The following tables are being presented as supplementary information based on requirements for bonds issued by SDWD for continuing bond disclosure certificate.

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TABLE 1
SAN DIEGUITO WATER DISTRICT
SCHEDULE OF WATER RATES (1)
AS OF JUNE 30, 2012

<u>Customer Class</u>	<u>Residential Rate Tier</u>	<u>Rate</u>	
		<u>Potable</u>	<u>Recycled</u>
Single-family residential	0-12 units	\$ 2.26	
	13-20 units	3.37	
	21-40 units	3.98	
	41+ units	5.03	
Multi-family residential	0-8 units	2.26	
	9-12 units	3.37	
	13-16 units	3.98	
	17+ units	5.03	
Agriculture		2.80	\$ 2.38
Commercial		3.16	2.69
Government / Public		3.16	2.69
Landscaping		3.98	3.38
Construction		3.98	3.38

Source: San Dieguito Water District

(1) Per Unit (one hundred cubic feet or 748 gallons)

SAN DIEGUITO WATER DISTRICT
BI-MONTHLY METER SERVICE AVAILABILITY CHARGES
AS OF JUNE 30, 2012

<u>Meter Size</u>	<u>Water Meter Service Availability Charge</u>	<u>Infrastructure Access Charge</u>	<u>Fire Meter Service Availability Charge</u>
5/8" & 3/4"	\$ 33.53	\$ 5.20	N/A
1"	53.31	8.32	\$ 7.05
1-1/2"	102.78	15.60	13.14
2"	162.13	27.04	23.65
3"	300.64	49.92	61.38
4"	498.49	85.28	126.46
6"	993.13	156.00	360.01
8"	1,586.71	270.40	762.84

Source: San Dieguito Water District

San Dieguito charges a bi-monthly service availability charge, which is intended to cover the costs for maintenance of meters, water lines, and storage facilities to ensure that water is available upon demand. The service availability charge also includes customer service costs for meter reading and billing. The infrastructure access charge is a charge levied by the San Diego County Water Authority and collected by SDWD.

N/A - Information not available

TABLE 2

**SAN DIEGUITO WATER DISTRICT
HISTORIC POTABLE WATER SYSTEM REVENUES (2)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Potable Water Sales</u>	<u>Percent Change (2)</u>	<u>Meter Availability Charges</u>	<u>Percent Change (2)</u>
2003	\$ 5,335,677	0.5%	\$ 1,654,335	38.9%
2004	5,762,184	8.0%	1,828,729	10.5%
2005	5,252,235	-8.8%	1,877,863	2.7%
2006	6,465,975	23.1%	2,061,454	9.8%
2007	7,579,205	17.2%	2,251,011	9.2%
2008	7,717,818	1.8%	2,404,547	6.8%
2009	7,525,927	-2.5%	2,453,075	2.0%
2010	7,146,854	-5.0%	2,501,264	2.0%
2011	8,205,876	14.8%	3,007,127	20.2%
2012	8,528,418	3.9%	3,196,605	6.3%

Source: San Dieguito Water District

(2) Due to the varying number of billing cycles in a fiscal year, changes from one year to the next may not be exactly comparable.

TABLE 3

**SAN DIEGUITO WATER DISTRICT
HISTORIC RECYCLED WATER SYSTEM REVENUES (3)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Recycled Water Sales</u>	<u>Percent Change</u>	<u>Meter Availability Charges (3)</u>	<u>Percent Change</u>
2003	\$ 255,014	154.5%	\$ -	N/A
2004	421,245	65.2%	-	N/A
2005	387,607	-8.0%	-	N/A
2006	454,145	17.2%	-	N/A
2007	596,299	31.3%	-	N/A
2008	600,401	0.7%	-	N/A
2009	663,036	10.4%	-	N/A
2010	537,654	-18.9%	-	N/A
2011	523,397	-2.7%	-	N/A
2012	422,925	-19.2%	-	N/A

Source: San Dieguito Water District

(3) The District does not currently levy a meter availability charge for recycled customers

TABLE 4

**SAN DIEGUITO WATER DISTRICT
SUMMARY OF WATER PRODUCTION BY SOURCE (4)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Potable Production</u>			<u>Recycled</u>	<u>Total Production</u>
	<u>Local Water</u>	<u>Imported</u>	<u>Total Potable</u>		
2003	1,734	5,543	7,277	427	7,704
2004	454	6,867	7,321	711	8,032
2005	1,705	5,602	7,307	595	7,902
2006	2,765	5,093	7,858	600	8,458
2007	2,706	5,692	8,398	708	9,106
2008	3,539	3,753	7,292	676	7,968
2009	3,869	3,369	7,237	694	7,931
2010	4,399	2,156	6,555	498	7,053
2011	4,434	1,901	6,335	511	6,846
2012	3,719	2,663	6,382	293	6,675

Source: San Dieguito Water District

(4) Water Production is defined as water either produced locally or purchased (expressed in acre-feet)

Note: Beginning in 2012 recycled water for the Encinitas Ranch Golf Association is not being reported by San Dieguito Water District.

TABLE 5

**SAN DIEGUITO WATER DISTRICT
HISTORICAL WATER DELIVERIES (5)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Potable</u>	<u>Percent Increase</u>	<u>Recycled</u>	<u>Percent Increase</u>
2003	7,207	-1.8%	427	5.4%
2004	7,213	0.1%	711	66.5%
2005	6,719	-6.8%	595	-16.3%
2006	7,281	8.4%	600	0.8%
2007	7,592	4.3%	708	18.0%
2008	6,753	-11.1%	675	-4.7%
2009	6,463	-4.3%	694	2.8%
2010	5,649	-12.6%	498	-28.2%
2011	5,425	-4.0%	511	2.6%
2012	5,957	2.2%	293	-57.3%

Source: San Dieguito Water District

(5) Water deliveries represent actual sales to customers (expressed in acre-feet)

Note: Beginning in 2012 recycled water for the Encinitas Ranch Golf Association is not being reported by San Dieguito Water District.

TABLE 6
SAN DIEGUITO WATER DISTRICT
TEN LARGEST CUSTOMERS
(AS OF JUNE 30, 2012)

<u>Customer Description</u>	<u>Acre-Feet Sold</u>	<u>Percent of Water Sold</u>
City of Encinitas	91	1.5%
Park Place Bluffs	81	1.4%
Scripps Memorial Hospital	61	1.0%
Cardiff by the Sea Apartments	57	1.0%
Skyloft HOA	40	0.7%
Seacrest Village	39	0.7%
Cal West Enterprises	38	0.6%
Encinitas Ranch Community Association	36	0.6%
Paul Ecke	34	0.6%
Foxpoint Farms	32	0.5%
Subtotal - Top 10 Customers	509	8.6%
Total Acre-Feet Sold	5,957	

Source: San Dieguito Water District

TABLE 7
SAN DIEGUITO WATER DISTRICT
HISTORICAL TOTAL SERVICE CONNECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Potable</u>	<u>Percent Increase</u>	<u>Recycled</u>	<u>Percent Increase</u>
2003	11,144	-	39	-
2004	11,167	0.2%	44	12.8%
2005	11,268	0.9%	49	11.4%
2006	11,275	0.1%	55	12.2%
2007	11,338	0.6%	56	1.8%
2008	11,364	0.2%	59	5.4%
2009	11,370	0.1%	68	15.3%
2010	11,388	0.2%	73	7.4%
2011	11,397	0.1%	72	-1.4%
2012	11,476	0.7%	74	2.8%

Source: San Dieguito Water District

Cardiff Sanitary Division

Summary of Operational Data

The following tables are being presented as supplementary information based on requirements for bonds issued to CSD for continuing bond disclosure certificate.

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TABLE 1
CARDIFF SANITARY DIVISION
RATE SCHEDULE FOR ANNUAL SEWER CHARGES (1)
(AS OF JUNE 30, 2012)

<u>Users/Class</u>	<u>Sub Category</u>	<u>Fixed Meter</u>	<u>HCF Rate</u>	<u>Median Annual</u>	<u>Median Charge</u>
New Connections (no prior water consumption history)					
Group I Residential					
Single Family	SF	\$41.08	\$ 4.75	108.12	\$554.65
Multi Family	MF	See below	4.75	\$108.12/unit	\$554.66/unit
Trailer Park	TP	See below	4.75	\$108.12/unit	\$554.66/unit
New Connections (no prior water consumption history)					
Non-Residential					
Commercial Group II	See below	See below	\$ 4.98	See below	See below
Commercial Group III	See below	See below	6.55	See below	See below
Commercial Group IV	See below	See below	9.86	See below	See below
Multi Family* and Non-Residential Fixed Meter Charge					
Meter Size	Annual Charge	Meter Size	Annual Charge		
5/8"	\$ 41.08	1-1/2"	\$ 205.38		
3/4"	61.61	2"	328.60		
1"	102.69	3"	616.13		

* Multi Family = Fixed Meter Charge x 2

Water Consumption Periods To Be Used

Residential = 2 Lowest Periods of Water Consumption For Meter Readings Occurring Between Dec.-May (most recent available 5-year

Non-Residential (Commercial) = Water Consumption For Meter Readings Occurring Between July-June of Preceding Year

Users/Class	Sub Category	Unit Cost (perHCF)	Median Annual HCF (New Connections)	Median Usage Charge (New Connections)
Group II Commercial				
Softwater Service	SW	\$ 4.98	-----	
Car Wash	CW	4.98	1,520	\$ 7,569.60
Office Building	OF	4.98	200	996.00
Fire Station	FS	4.98	110	547.80
Professional Building (Doctor)	PB	4.98	160	796.80
Veterinary Clinic	VC	4.98	-----	
Athletic Gymnasium	G	4.98	1,340	6,673.20
Laundromat	L	4.98	990	4,930.20
Department and Retail Store	DRS	4.98	120	597.60
Warehouse	W	4.98	1,050	5,229.00
Hospital, Convalescent Home	HCH	4.98	3,240	16,135.20
Parks	PB	4.98	510	2,539.80
Church-Membership Organization	C	4.98	440	2,191.20
Membership Organization (Non-Church)	MO	4.98	240	1,195.20
Social Services	SS	4.98	160	796.80
Group III Commercial				
Hotels-Motels (without restaurant)	HM	6.55	890	5,829.50
Repair and Service Station	RSS	6.55	70	458.50
Shopping Center	SC	6.55	1,030	6,746.50
Kennel	K	6.55	900	5,895.00
Coffee Shop	CS	6.55	-----	
Amusement Park	AP	6.55	-----	
Nightclub/Bar	NC	6.55	320	2,096.00
Commercial Laundry	CL	6.55	-----	
Manufacturing	M	6.55	180	1,179.00
Lumber Yard	LY	6.55	-----	
Group IV Commercial				
Hotels-Motel (with restaurant)	HM	9.86	3,130	30,861.80
Bakery (wholesale)/Food Processor	BW	9.86	-----	
Supermarket	SM	9.86	1,030	10,155.80
Mortuary	MT	9.86	300	2,958.00
Restaurant	R	9.86	600	5,916.00

(1) Sewer rates are based on water consumption (fixed charge based on meter size and consumption component).

The consumption is based on HCF (hundred cubic feet - 748 gallons).

TABLE 2
CARDIFF SANITARY DIVISION
HISTORICAL SERVICE CHARGES BILLED
LAST FIVE YEARS

<u>Fiscal Year</u>	<u>Residential (Tax Roll)</u>	<u>Commercial (Tax Roll)</u>	<u>Commercial (Manual)</u>	<u>Total Billed</u>	<u>Single Family Average</u>
2007	\$ 3,904,470	\$ 777,218	\$ 131,872	\$ 4,813,560	\$ 655.42
2008	3,983,597	739,676	130,386	4,853,659	667.90
2009	4,092,138	753,503	127,030	4,972,671	682.38
2010	4,034,670	703,126	128,223	4,866,019	673.57
2011	3,984,339	628,165	127,210	4,739,715	663.76

2012 information was not readily available

Cardiff Sanitary Division bills most customers through the San Diego County property tax billing service. Delinquency rates have been between 1.8%-3.0% during the period presented.

Delinquencies do not apply to direct billings.

TABLE 3
CARDIFF SANITARY DIVISION
TEN LARGEST CUSTOMERS
FISCAL YEAR 2011-2012

<u>Property Owner</u>	<u>Parcel Count</u>	<u>Sewer Service Charges</u>	<u>Percentage of Sewer Charges</u>
Scripps Health	1	\$ 122,836	2.54%
Collwood Pines Apartments LP	3	75,707	1.57%
Avolencia Investment Group LLC	1	57,065	1.18%
K & K Lumber Co	4	47,407	0.98%
San Dieguito Union High School District	3	46,634	0.97%
State of California Parks & Rec	2	44,980	0.93%
944 Regal Road LLC	1	40,945	0.85%
Cardiff Town Center LLC	2	30,098	0.62%
West Village Inc	6	22,270	0.46%
Deluca Trust	1	17,604	0.36%
	<u>24</u>	<u>\$ 505,546</u>	<u>10.46%</u>
Total Billed		\$ 4,828,372	

Source: Cardiff Sanitary Division

TABLE 4
CARDIFF SANITARY DIVISION
HISTORICAL SERVICE CONNECTIONS

<u>Year</u>	<u>Total Connections (Billed Parcels)</u>	<u>Residential EDU's</u>	<u>Commercial Industrial EDU's</u>	<u>Total EDU's</u>
2007	6,241	6,840	1,112	7,952
2008	6,283	6,976	1,122	8,097
2009	6,312	6,990	1,124	8,114
2010	6,317	7,011	1,124	8,136
2011	6,329	7,033	1,124	8,187
2012	6,334	7,067	1,154	8,221

Source: Cardiff Sanitary Division

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