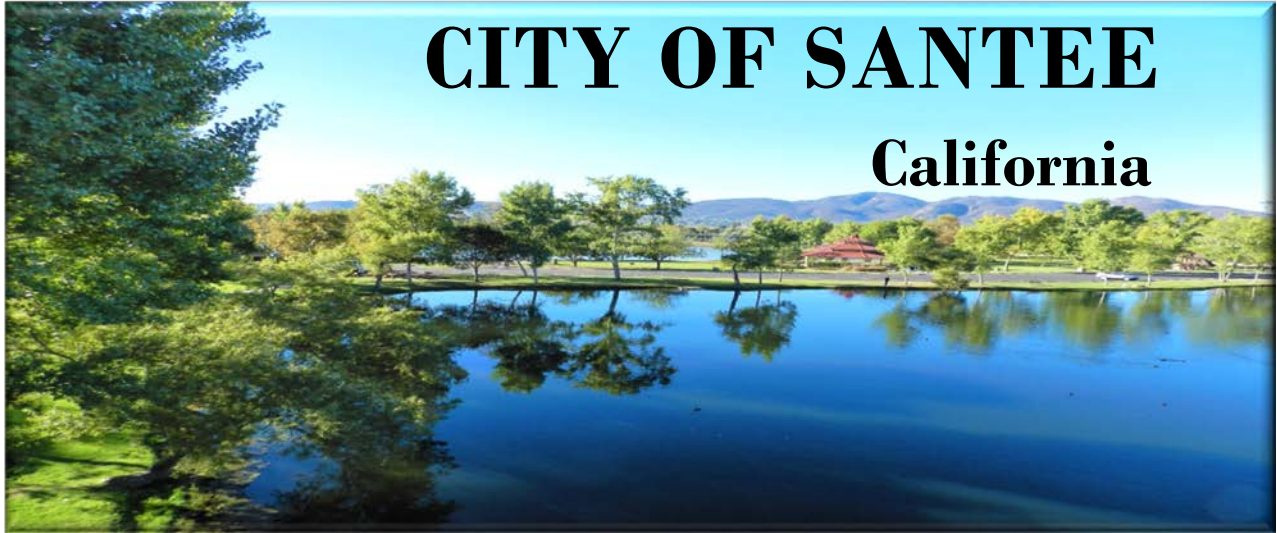


City of Santee California



Comprehensive Annual Financial Report *For the Fiscal Year Ended June 30, 2018*





CITY OF SANTEE

California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018



PREPARED BY THE FINANCE DEPARTMENT
Tim K. McDermott, Director of Finance/Treasurer
www.cityofsanteeca.gov

MAYOR

John W. Minto

VICE MAYOR

Rob McNelis

COUNCIL MEMBERS

Ronn Hall

Stephen Houlahan

Brian W. Jones

City of Santee
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018



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INTRODUCTORY SECTION

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MAYOR
John W. Minto

CITY COUNCIL
Ronn Hall
Stephen Houlahan
Laura Koval
Rob McNelis



CITY OF SANTEE

December 20, 2018

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Santee, California (“City”) for the fiscal year ended June 30, 2018. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed independent certified public accountants.

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

The City’s financial statements have been audited by Davis Farr LLP, a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City is typically part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited governments’ internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. However, because the City expended less than \$750,000 in federal financial assistance over the past fiscal year a Single Audit was not required.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Santee is located eighteen miles east of downtown San Diego and is nestled in the rolling hills of the San Diego River valley. The river forms a linear greenbelt containing parks, trails and more than 1,100 acres of tree-lined riparian habitat. The City's picturesque setting is further enhanced by Mission Trails Regional Park, a 7,220-acre open space reserve that offers a permanent mountain view at Santee's western flank. The City occupies a land area of approximately 17 square miles and is a dynamic community of 56,994 residents. Santee's 2016 median household income of \$78,932 is the highest of all east San Diego County cities. Santee may be described as having family based neighborhoods, a strong sense of community, award winning schools and parks, and one of the lowest crime rates in the region.

The City of Santee was incorporated in 1980 as a general law city. On November 4, 2008 the voters in Santee approved Proposition P which adopted a city charter. Santee operates under the Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council consisting of the Mayor, Vice Mayor, and three other council members. The City Council, in addition to establishing overall City policies, is responsible for passing ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Attorney, City Clerk, and City Treasurer. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city, and for hiring the heads of various departments. Beginning with the November 2018 election the four council members are now elected by district to serve four-year terms, though with one council member initially elected to a two-year term so that in future even-numbered years there will be two council member seats on the ballot. The Mayor is directly elected to a four-year term and serves as the presiding officer of the City Council. The position of Vice Mayor is filled by one of the four council members for a one-year term on a rotating basis.

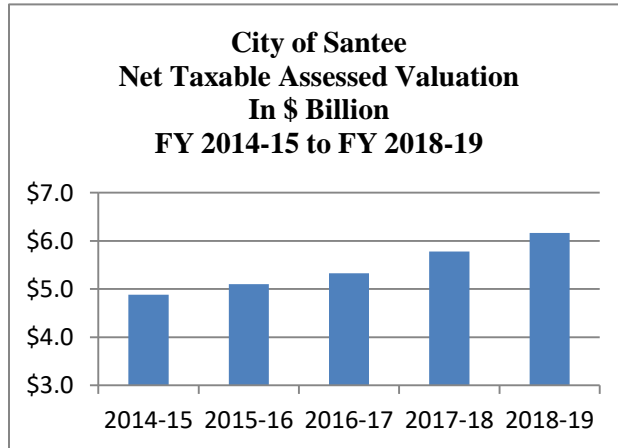
The City is responsible for providing a range of municipal services that includes law enforcement, fire and life safety, street maintenance, traffic circulation, planning and community development, park and landscape maintenance, code enforcement, building inspection and recreation programs for all ages.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

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

The operating and capital improvement program budgets serve as the foundation for the City's financial planning and control. The appropriated budget is prepared by fund, program and department. The City Manager may authorize transfers of appropriations within a department. Transfers of appropriations between departments, or any increase in fund appropriations require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented in the Required Supplementary Information section of the report.

Local Economy

Santee enjoys a strong and well-diversified tax base with the highest median household income of all east San Diego County cities and the 7th highest of all cities in the county. Santee's unemployment rate of 2.9% as of September 2018 is lower than the national and state unemployment rates and is the 6th lowest in the county. Santee has a five-mile radius market area that includes a population of over 260,000. Santee has 155 national chain retailers and restaurants, with 25 national chains having been added since 2014.



The City's primary General Fund revenue sources are property taxes and sales tax, which combined provide more than 70% of the General Fund revenues. Continued improvement in the housing market over the past several years, along with new residential and commercial construction activity resulted in an 8.5% increase in net taxable assessed valuation in fiscal year 2017-18 (the highest rate of increase in the county) and a 6.7% increase in net taxable assessed valuation for the fiscal year 2018-19 tax roll (the 5th highest rate of increase in the county). Santee experienced a 1.3% decrease in sales tax revenue in FY 2017-18 due to the state's new system for processing sales tax data that was

implemented in the second half of the fiscal year which created delays in sales tax revenue payments to local jurisdictions. Otherwise sales tax revenue growth would have been approximately 1% in FY 2017-18 with similar growth projected in FY 2018-19.

The March 2011 completion of the final segment of State Route 52 provides a link for all three freeways serving Santee and provides direct freeway access into Santee Town Center and to the eastern and western ends of the City. State Route 52 provides people living or doing business in Santee a direct connection to most of the major freeway corridors in the region.

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

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

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

San Diego Christian College, an accredited 680-enrollment private college, relocated its campus to the RiverView Professional Center adjacent to Santee Trolley Square in January 2014, and has expansion plans to accommodate up to 1,200 students. Parc One, a 172-unit apartment project, was completed in 2015 on a site adjacent to Santee Trolley Square and the college campus. In August 2018 the City Council approved a 128-unit condominium project on a site adjacent to the college campus and Parc One.

With available land for development, a skilled labor force, low crime rate, transit linkage to downtown San Diego and San Diego State University by trolley and direct access to three regional freeways, Santee is well positioned with opportunities for economic growth and expansion.

Long Term Financial Planning

The City utilizes a five-year financial projection which is updated throughout the year as conditions change. The purpose of this plan is to provide a longer-range view of the impact of budgetary decisions and economic conditions affecting the City. The City Council has adopted a General Fund Reserve Policy which states that a minimum reserve of 20% of annual General Fund operating expenditures be maintained as a contingency for economic uncertainties. While the City is currently in compliance with this policy, the five-year financial projection reflects serious challenges to the City's budget, with possible deficits beginning in FY 2019-20 and growing annually thereafter. There are two main factors contributing to these future deficits, increases in employee retirement costs (further discussed below) and contract law enforcement services costs. In addition to directly addressing these two main factors, management is actively working with the City Council to identify and develop strategies that contain the growth in expenditures, enhance existing revenue sources and identify new revenue sources.

A key factor affecting the City's fiscal condition is California Public Employees' Retirement System (CalPERS) pension costs. CalPERS is phasing the implementation of changes to actuarial methods, demographic assumptions and a reduction in the discount rate (assumed rate of return on retirement plan assets), resulting in substantial increases in required annual pension contributions that continue to step-up annually through FY 2024-25. Fortunately, the City Council has taken and continues to take pension cost reform actions. These actions included the adoption of a second tier of lower cost retirement benefits for new employees, making supplemental payments towards the City's unfunded pension liability and increasing the portion of retirement costs paid by employees. In addition, on January 1, 2013 the California Public Employees' Pension Reform Act took effect, creating a third tier of even lower cost retirement benefits for new members to the retirement system.

The City Council adopts a five-year Capital Improvement Program (CIP) which serves as a planning tool for identifying the infrastructure and other capital needs of the community, and to coordinate the financing and scheduling of projects. The CIP is important to ensure that limited resources are allocated in a prudent manner, that under-funded projects are identified in order to develop financial strategies for the future and that necessary investments continue to be made in infrastructure to protect the long-term fiscal health of the City. On June 28, 2017 the CIP for fiscal years 2017-18 through 2021-22 was adopted which includes \$205.0 million in projects for which \$106.5 million in funding has been identified. The CIP is revised periodically in response to continually evolving needs, priorities and financial conditions.

Major Initiatives

In March 2011 the Santee Community Development Commission issued \$26.8 million in tax allocation bonds to finance major street improvements and streetscape enhancements along a one-mile stretch of the Prospect Avenue industrial corridor. This \$23.8 million project was completed in mid-2016 and will expand future economic development opportunities along Prospect Avenue as well as create collaborative opportunities adjacent to the Gillespie Field Airport which is owned by the County of San Diego.

In September 2014 the City entered into a debt financing agreement with the San Diego Association of Governments which provided \$5.4 million to accelerate the investment in street rehabilitation and improvements throughout the City and allowed the City to capitalize on a favorable construction bid pricing environment. Though the improvements funded by this financing were completed in late-2017, over the past fiscal year the City expended \$1.3 million and has allocated an additional \$1.1 million in the current fiscal year to make continued investment in street rehabilitation and improvements.

The repair and replacement of outdated corrugated metal storm drain pipes (“CMP”) continues to be a priority for the City. To date approximately 55% of the City’s total CMP inventory has been repaired or replaced. Over the past fiscal year the City expended \$1.5 million for the lining and replacement of CMP and in the current fiscal year \$3.5 million has been allocated by the City to continue this effort.

Construction has recently commenced on the \$12.4 million Mast Park Improvements project that will ultimately rehabilitate and add new amenities to this 58-acre park site originally developed by the County of San Diego in the 1970s and acquired by the City in 1982. Improvements include the replacement of existing restroom facilities with facilities that meet current accessibility standards and incorporate water and energy efficiency technology, a new concession stand, removal of the existing paved trail in favor of a disintegrated granite trail located further away from habitat areas, installation of lodge pole fencing, new play structures, benches, picnic tables, shade structures, a basketball court, informational signage, additional parking, lighting and revisions to the disc-golf course layout. Construction is expected to be completed by the end of 2019.

The retention and expansion of retail, commercial, and industrial businesses within Santee, as well as the development of both affordable and move-up housing are critical to the long-term financial stability of the City. RiverView at Santee will ultimately be one of the most significant developments in the City’s history. RiverView is a 1.9 million square ft. master planned mixed-use project on 104 acres adjacent to Trolley Square designed for high technology, research & development and office uses along with residential units and retail space. The initial completed phases of RiverView include the 77,000 square foot office facility occupied by HD Supply Facilities Maintenance and the RiverView Professional Center occupied by the San Diego Christian College. The 172-unit Parc One apartment project was completed in early 2016. On December 17, 2015 the City Council approved a project for the construction of a Karl Strauss brewery operation with tasting room, corporate offices, warehouse, restaurant and outdoor patio grotto totaling 112,580 square ft. on a 10-acre site within RiverView. This project would serve as the corporate headquarters for Karl Strauss, be a destination venue and bring employment opportunities to Santee.

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

In April 2017 the City closed escrow on a 6.7-acre parcel of County-owned land adjacent to Santee Trolley Square for the future development of a multiplex theater on this site. A Request for Proposals was issued, and on November 14, 2018 the City Council approved a disposition and development agreement for the sale of this parcel and the development of a multiplex movie theater to be operated by Studio Movie Grill. Planned features include at least nine auditoriums, a full kitchen capable of serving every seat in the theater, and an adjacent restaurant space and lounge providing full table service with patio seating. It is hoped that this eagerly-anticipated multiplex theater project will be open by late 2020.

On May 23, 2018 the City Council approved an 86,000 square-foot medical office building on a 5-acre vacant parcel to be operated by Sharp Rees-Stealy Medical Group. The facility is anticipated to provide urgent care services and a wide variety of outpatient services. The facility is expected to employ approximately 215 persons including 40 physicians and would serve 150,000 patient visits per year. The project will incorporate various sustainability features including 35 electric vehicle charging stations, 22 long-term lockable bicycle spaces and 22 short-term bicycle racks, a rooftop photovoltaic system placed on all suitable areas of the roof and biofiltration facilities for the treatment of storm water, to name a few.

On August 1, 2016 the annexation of approximately 114.8 acres of territory from the City of San Diego into Santee became effective. The annexation area, known as the Weston development project, is planned for the construction of approximately 273 single family homes and 142 detached condominiums, adding an estimated 1,158 future residents to Santee. Construction is well underway, with more than 172 home sales and 305 building permits issued to date. Two community facilities districts have been formed for this development, one to provide financing for public infrastructure and another to provide a funding mechanism to ensure the cost of providing public services is fully mitigated by the development and does not have an adverse fiscal impact on the City.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santee for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 14th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This report reflects the combined efforts and year-round dedication of the entire Finance Department staff. In particular we would like to note the contributions of Finance Manager Heather Jennings, Accountant Janet Fernandez and Administrative Secretary Casey Price to the completion of this report. Additionally we would like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

Respectfully submitted,



Marlene D. Best
City Manager



Tim K. McDermott
Director of Finance/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Santee
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF SANTEE
LIST OF CITY OFFICIALS



CITY COUNCIL

John W. Minto, Mayor

Rob McNelis, Vice Mayor

Ronn Hall, Council Member

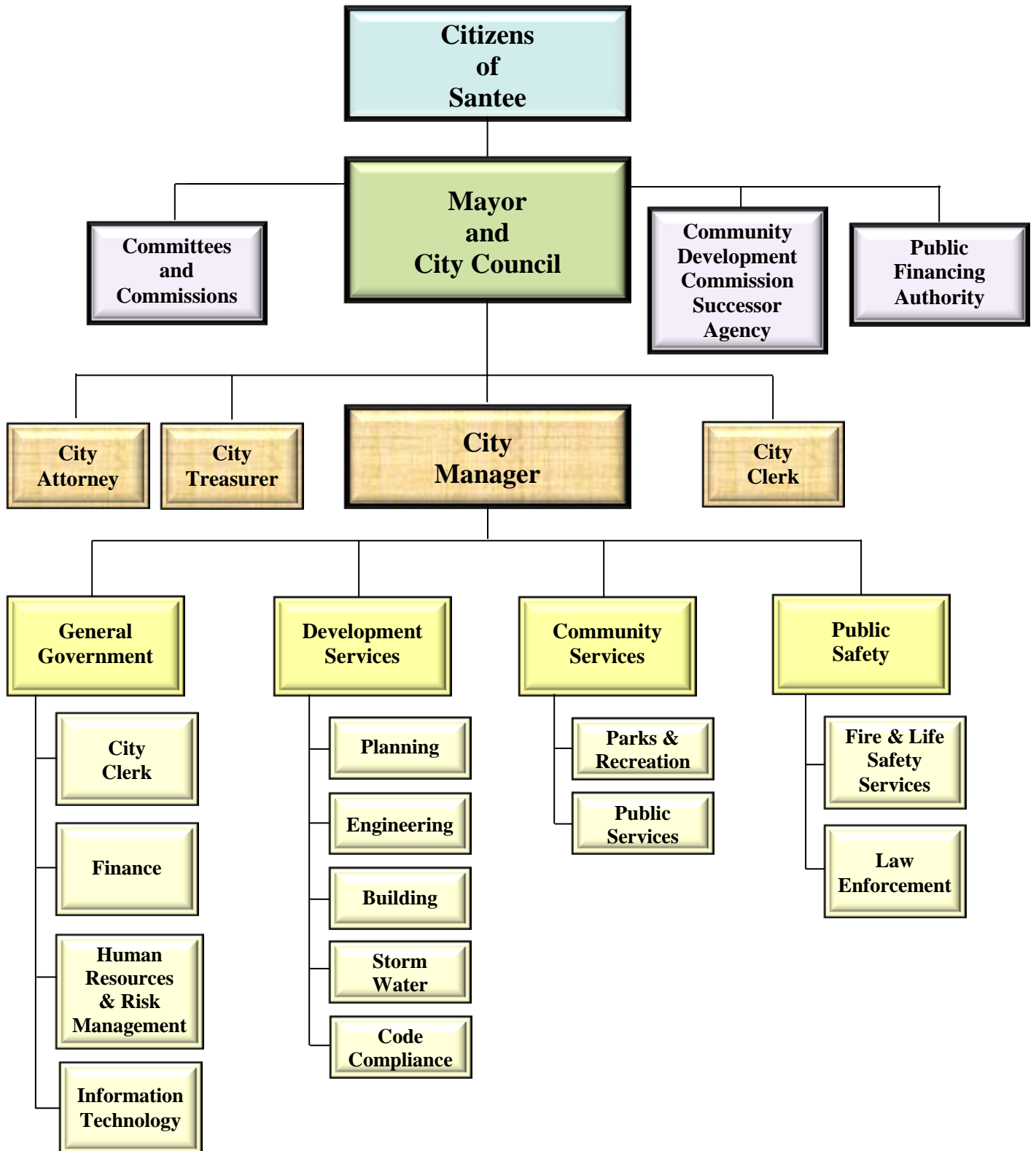
Stephen Houlahan, Council Member

Brian W. Jones, Council Member

EXECUTIVE MANAGEMENT TEAM

City Manager Marlene D. Best
City Attorney..... Shawn Hagerty
City Clerk..... Annette Fagan Ortiz
Assistant to the City Manager Kathy Valverde
Director of Community Services..... Bill Maertz
Director of Development Services Melanie Kush
Director of Finance/Treasurer Tim K. McDermott
Director of Fire and Life Safety Richard Smith
Director of Human Resources & Risk Management..... Jessie Bishop
Economic Development Manager..... Pamela A. White
Sheriff Captain..... Daniel Brislin

CITY OF SANTEE
ORGANIZATIONAL CHART



FINANCIAL SECTION

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City Council
City of Santee
Santee, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Santee, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Santee, California, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described further in note 3I to the financial statements, during the year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75. The City reported two prior period adjustments, one related to the implementation of GASB No. 75 and one to correct accrued liabilities as described further in Note 3I. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the City of Santee's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the City's Proportionate share of the Net Pension Liability, Schedule of Contributions, Schedule of Total OPEB Liability and Related Ratios and Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santee's basic financial statements. The *combining and individual nonmajor fund financial statements, budget and actual schedules, the introductory section and the 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 budget and actual schedules* are the responsibility of management and

were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* and *budget and actual schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of the City of Santee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Santee's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 10, 2018



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As management of the City of Santee (“City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City’s financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$172.0 million (*net position*).
- The City’s total net position increased by \$2.1 million during the fiscal year. A primary component of this increase is capital grants and contributions revenue from development impact fees received from new residential development. An increase in the City’s net pension liability and related net inflows and outflows of resources adversely impacted the City’s total net position by \$3.9 million.
- The City’s total net position was restated at the beginning of the fiscal year to reflect a \$3.9 million reduction primarily due to the recognition of the City’s other post-employment benefits (“OPEB”) liability as a result of the implementation of Government Accounting Standards Board (“GASB”) Statement No. 75.
- At June 30, 2018 the City’s governmental funds reported combined fund balances of \$39.8 million, an increase of \$7.7 million during the fiscal year. Approximately \$9.2 million or 23% of this amount is available for spending at the City’s discretion (*unassigned fund balance*).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City’s assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Santee include general government, public safety, public works, community development, and parks and recreation. The City does not have business-type activities.

The government-wide financial statements include not only the City of Santee itself (known as the primary government), but also blended component units. Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Santee Public Financing Authority is reported as part of the City.

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

Fund Financial Statements

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

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 27 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund and Public Facilities Fund which are considered to be major funds. Data from the other 24 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section of this report, following the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, pension contributions, OPEB liability, budgetary information and compliance. Required supplementary information can be found in the financial section of this report, following the notes to the financial statements.

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2018 assets and deferred outflows exceeded liabilities and deferred inflows by \$172.0 million, a decrease of \$1.7 million from the amount reported at June 30, 2017. However, net position was restated at the beginning of the current fiscal year as discussed in Note 3I in the notes to the financial statements, and the City's net position actually increased by \$2.1 million during the fiscal year.

**City of Santee
 Summary of Net Position
 June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Current and other assets	\$ 48,849,470	\$ 40,639,771
Capital assets	185,038,929	188,835,498
Total assets	233,888,399	229,475,269
Deferred outflows of resources	10,402,187	6,754,393
Long-term liabilities	59,797,724	52,168,648
Other liabilities	7,925,535	7,732,412
Total liabilities	67,723,259	59,901,060
Deferred inflows of resources	4,590,954	2,617,506
Net position:		
Net investment in capital assets	172,108,751	174,642,185
Restricted	23,944,194	16,828,134
Unrestricted	(24,076,572)	(17,759,223)
Total net position	\$171,976,373	\$173,711,096

The largest portion of the City's net position (\$172.1 million) reflects the investment in capital assets, less any related debt outstanding that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$23.9 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (a deficit of \$24.1 million) reflects the net impact of the recognition of the City's net pension and OPEB liabilities (and related deferred outflows and inflows of resources) which reduce the City's net position by \$38.3 million at June 30, 2018. In June 2018 the City established an OPEB trust in order to make supplemental payments towards its OPEB liability and considers ongoing efforts to reduce both the net pension and OPEB liabilities to be a priority.

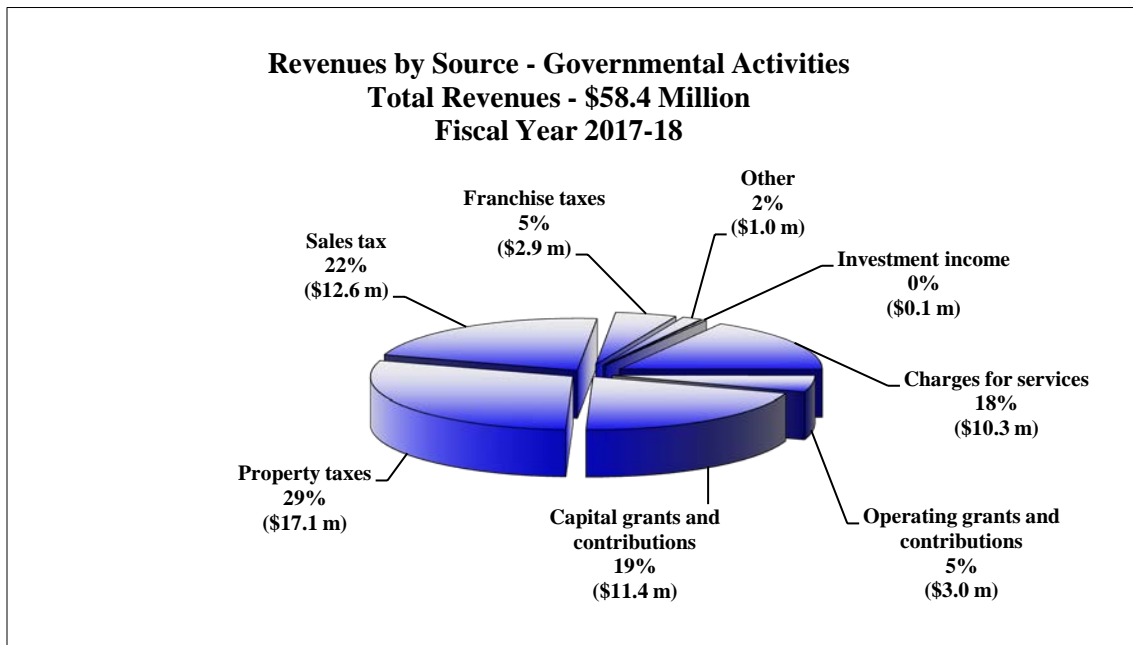
Governmental Activities

Net position increased by \$2.1 million during the fiscal year as a result of the City's governmental activities. Key elements of this increase are as follows:

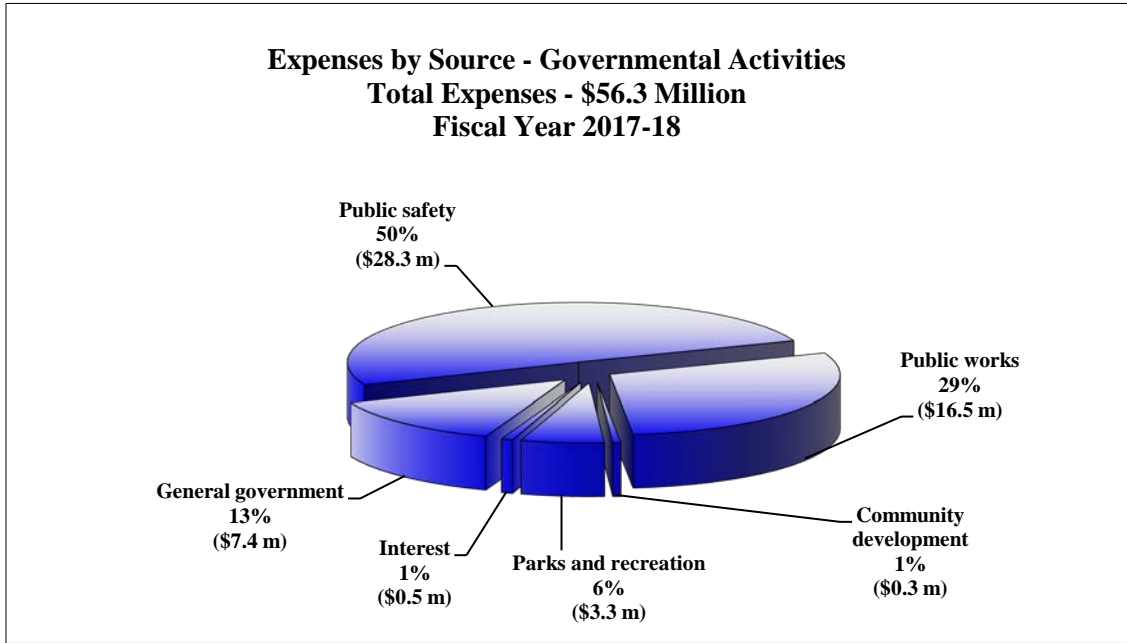
**City of Santee
 Changes in Net Position
 For the Fiscal Years Ended June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 10,337,727	\$ 11,224,663
Operating grants and contributions	2,965,914	1,844,943
Capital grants and contributions	11,364,273	4,016,506
General revenues:		
Taxes:		
Property taxes	17,151,586	16,107,853
Sales tax	12,645,534	12,814,078
Franchise taxes	2,871,885	2,803,436
Other taxes	886,764	854,709
Motor vehicle in lieu, unrestricted	30,057	25,426
Investment income	163,160	103,861
Miscellaneous	1,458	148,598
Total revenues	<u>58,418,358</u>	<u>49,944,073</u>
Expenses:		
General government	7,445,329	7,772,714
Public safety	28,327,605	26,069,863
Public works	16,461,625	19,022,773
Community development	315,174	106,108
Parks and recreation	3,265,037	2,708,167
Interest and fiscal charges	455,071	489,461
Total expenses	<u>56,269,841</u>	<u>56,169,086</u>
Change in net position	2,148,517	(6,225,013)
Net position, beginning of year (as restated)	<u>169,827,856</u>	<u>179,936,109</u>
Net position, end of year	<u><u>\$171,976,373</u></u>	<u><u>\$173,711,096</u></u>

- Charges for services decreased by \$886,936 from the prior fiscal year. The primary reason for this decrease is a \$1.0 million insurance dividend received in the prior year with the dissolution of the San Diego Pooled Insurance Program Authority.
- Operating grants and contributions increased by \$1.1 million from the prior fiscal year. Included in this increase is \$439,000 realized from the conveyance to the City of land held for resale by the Santee Community Development Commission Successor Agency (subject to a future compensation agreement). Also included in this increase is a \$443,378 increase in Gas Tax Fund revenues, primarily from new revenues received as a result of the enactment of State Senate Bill 1 (SB1).
- Capital grants and contributions increased by \$7.3 million from the prior fiscal year. This increase is primarily due to a \$7.0 million increase in development impact fees received as a result of new residential development.
- Property tax, the City's largest revenue source, increased by \$1.0 million or 6.1%. Increases in residential real estate values and new construction resulted in an 8.5% increase in citywide net assessed valuation.
- Sales tax, the City's second largest revenue source, decreased by \$168,544 or 1.3% from the prior fiscal year. The State of California's new system for processing sales tax data that was implemented in the second half of the fiscal year created delays in sales tax revenue payments to local jurisdictions which contributed to this decrease.



- Public safety expenses increased by \$2.3 million or 8.7%. Included in this increase is a \$794,855 increase in contract law enforcement services costs and a \$1.1 million increase in Fire Department operations costs.
- Public works expenses decreased by \$2.6 million or 13.5%. The prior year expenses included over \$1.0 million in street maintenance and repair expenses. During the prior year an update of the General Plan Mobility Element was completed as was a Parks and Recreation Master Plan. Prior year expenses were higher in several funds such as the Gas Tax Fund and the Zone 2 Flood Control District Fund.



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2018, the City's governmental funds reported combined fund balances of \$39.8 million, an increase of \$7.5 million from the amount reported at June 30, 2017. Approximately 23% of this amount (\$9.2 million) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$468,208), 2) restricted for particular purposes (\$23.9 million), 3) committed for particular purposes (\$2.5 million), or 4) assigned for particular purposes (\$3.6 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9.2 million, while the total fund balance was \$14.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 22% of total General Fund expenditures for the year, while total fund balance represents approximately 34% of the total General Fund expenditures for the year.

The General Fund balance decreased by \$535,823 during the past fiscal year, which reflects the transfer of more than \$1.5 million in supplemental reserves to the City's Capital Improvement Program. General Fund revenues were \$114,504 less than in the previous fiscal year. As discussed above, property tax revenue increased by \$1.0 million and sales tax revenue decreased by \$168,544 from the prior fiscal year. Charges for services revenues decreased by \$475,080 from the prior year, primarily the result of \$534,285 in paramedic program reimbursements from County Service Area 69 that were unable to be recognized in the current fiscal year because they were received beyond the revenue recognition period. Other revenue decreased by \$757,204 from the prior year, primarily the result of the insurance dividend received in the prior year as previously discussed. General Fund expenditures were \$516,733 less than in the previous fiscal year. This decrease is a reflection of expenditures incurred in the prior year for the purchase of several new

Fire Department vehicles including an aerial ladder truck, pumper and paramedic ambulance (\$2.0 million total) and for the City's share of a regional communications system infrastructure upgrade (\$786,451). Expenditure increases in the current year include those for contract law enforcement services (\$794,855) and a payment to establish a trust to begin prefunding payments to reduce the City's OPEB liability (\$400,000).

The Capital Projects Fund, a major fund, experienced a \$936,721 increase in fund balance during the past fiscal year reflecting monies transferred in from the General Fund for various capital projects, bringing the fund's total fund balance to \$3.0 million, all of which is legally restricted, committed or assigned for various capital improvement projects. Capital Projects Fund expenditures totaled \$4.8 million, a \$2.2 million decrease from the prior fiscal year.

The Public Facilities Fund, a major fund, experienced a \$3.1 million increase in fund balance during the past fiscal year as a result of development impact fees received, bringing the fund's total fund balance to \$7.6 million, all of which is legally restricted for the construction of park facilities and community buildings. There was a total of \$26,260 in transfer out to the Capital Projects Fund during the past fiscal year.

The Nonmajor Governmental Funds balance increased by a combined \$4.2 million during the past year, bringing the Nonmajor Governmental Funds total fund balance to \$14.9 million, all of which is legally restricted, committed or assigned for various purposes. The primary for this increase is development impact fees received that are being held for future capital projects.

General Fund Budgetary Highlights

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

General Fund appropriations were increased by \$1.8 million from the originally adopted budget. Supplemental appropriations approved during the year include prior year encumbrances and appropriations that were carried forward and funded from the prior fiscal year's budget. Other supplemental appropriations include the appropriation of various federal, state and local grants received during the year, appropriation adjustments for the purchase of a new paramedic ambulance, contract plan check and building inspection services, claims expenses and other incidental adjustments.

Actual General Fund revenues were \$351,287 less than budgeted. Intergovernmental revenue was \$465,252 less than budgeted due to federal and state grant funded activities that were not completed during the year or for which reimbursements had not yet been received. Charges for services revenue was \$461,849 less than budgeted as a result of the County Service Area 69 paramedic program reimbursements that were not received by the end of the year as previously discussed. Other revenue was \$468,351 more than budgeted primarily as a result of the \$439,000 that was realized from the conveyance to the City of land held for resale by the Santee Community Development Commission Successor Agency (subject to a future compensation agreement). Property tax revenue was \$36,586 more than budgeted and sales tax revenue was \$48,466 less than budgeted. Various other revenue categories experienced minor variances.

Actual General Fund expenditures were \$2.0 million less than budgeted. Total actual personnel costs were \$484,600 less than budgeted, primarily as a result of positions that were vacant for a portion of the year. Fire Department expenditures were \$569,688 less than budgeted, which reflects a new paramedic ambulance that was not received by the end of the fiscal year, plus budget savings in various supplies, equipment and fleet operations expenditures. Development Services Department expenditures were \$414,738 less than budgeted, primarily as a result of personnel cost savings and grant funded activities that were initiated but not completed during the year. Community Services Department expenditures were \$544,092 less than budgeted, reflecting budget savings in personnel costs, various facility maintenance, recreation and grant funded activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2018 was \$185.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, parks, infrastructure, equipment, vehicles, and construction in progress.

**City of Santee
 Capital Assets (Net of Accumulated Depreciation)
 June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Land	\$12,329,103	\$ 12,328,650
Parks	5,257,745	5,257,745
Construction in progress	2,519,362	1,688,196
Buildings	10,986,635	11,701,451
Improvements other than buildings	4,666,920	4,986,265
Equipment	5,857,240	6,201,875
Vehicles	2,941,793	3,439,673
Infrastructure	140,480,131	143,231,643
Totals	\$185,038,929	\$188,835,498

Major capital asset activity during the year included the following:

- \$1.5 million was spent for the lining and replacement of corrugated metal storm drainage pipes in various locations throughout the City.
- \$1.3 million was spent for the rehabilitation of numerous streets and related drainage facilities throughout the City.
- \$259,060 was spent during the year to complete the design of improvements for the renovation and development of Mast Park, a 58-acre site. The total estimated project cost is \$12.4 million, with construction beginning in late 2018.
- \$353,594 was spent for the design of interchange improvements at State Route 67 and Woodside Avenue. The total estimated cost of this project is \$3.0 million.
- \$211,313 was spent to install a protected pedestrian crossing on Riverwalk Drive which borders Rio Seco Elementary School, Town Center Community Park and a high density residential area in order to improve safety.
- \$174,104 was spent during the year to complete the Walker Preserve Restoration project along a 1.3 mile trail adjacent to the San Diego River.

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

Long-term Debt

At June 30, 2018 the City had \$59.8 million in long-term debt outstanding. Of this amount, \$190,000 is comprised of lease revenue bonds payable from lease payments made by the City to the Santee Public Financing Authority.

**City of Santee
 Long-term Debt
 June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Bonds payable	\$ 190,000	\$ 375,000
Notes and loans payable	9,979,758	10,644,800
Capital leases payable	1,741,324	2,085,210
Claims and judgments	1,503,350	1,487,994
Compensated absences	1,203,497	1,195,701
Other post-employment benefits (OPEB)	3,998,957	335,648
Net pension liability	40,161,745	34,955,992
Premiums on long-term debt	1,019,093	1,088,303
Totals	\$59,797,724	\$52,168,648

The City's outstanding debt increased by \$7.5 million during the past fiscal year. This increase is primarily attributable to an \$5.2 million increase in the City's net pension liability and the implementation of GASB Statement No. 75 requiring the recognition of the City's full OPEB liability at June 30, 2018. Reductions in long-term debt occurred primarily as a result of principal payments made on lease revenue bonds and various notes, loans and capital leases payable. Additional information regarding long-term debt can be found at Notes 2F, 3B and 3C in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

- General Fund revenues are projected to increase by 1.1% or \$472,780.
- The net assessed valuation of property in the City was anticipated to increase by 5.3% when the budget was developed. However, the actual increase in net assessed valuation is 6.7%, which should result in a corresponding increase in property tax revenues. Continued increases have been seen in residential real estate prices over the past year. Valuation increases are also reflected from changes in ownership and new construction over the past year.
- Sales tax revenue is projected to increase by 0.9% next fiscal year. Growth is expected to continue in the County Pool allocations (online sales), with growth in General Consumer Goods expected to be relatively flat.
- Essentially no change is expected in franchise fee revenue next year, with increases in revenues from certain franchisees expected to be offset by a decrease in the revenues to be received from telecommunications franchisees.
- The General Fund adopted budget for next fiscal year reflects a 1.7% increase in operating expenditures from the FY 2017-18 budgeted expenditures.
- Law enforcement services contract costs are expected to increase by 2.9% over the next year after the reduction from the contract of one sworn officer, one non-sworn officer and one administrative position. These positions were reduced in order to partially mitigate the impact of a 6.0% contract rate increase for the upcoming fiscal year.

- Next year's budget provides for 2.8% across the board salary increases for all employee groups. Some employee groups will receive additional salary increases to partially offset the impact of increases in their CalPERS retirement contributions (with a net cost savings realized by the City). There is no change in the total authorized staffing level.
- Actuarial method and demographic assumption changes and a reduction in the discount rate (assumed rate of return on retirement plan assets) that are being implemented by the California Public Employees Retirement System will result in sharp increases in retirement costs as the impact of these changes is phased in over the next seven years. While the FY 2018-19 budget is balanced, the impact of these changes will provide challenges for the City in balancing its budget in future years. In response to these changes, employees are being required to pay a larger share of retirement plan costs. Taking additional steps to reduce the City's pension liability and pension costs is a key priority.
- The General Fund reserve policy that a minimum reserve of 20% of annual General Fund operating expenditures be maintained will be met.
- Supplemental General Fund reserves were identified to fund future vehicle replacement and to make supplemental payments towards the City's OPEB liability.

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL
STATEMENTS**

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City of Santee
Statement of Net Position
June 30, 2018
(with comparative information for prior year)

	Governmental Activities	
	2018	2017
ASSETS		
Cash and Investments (Note 2A)	\$ 41,872,237	\$ 33,914,258
Accounts Receivable	1,022,788	1,064,786
Loans Receivable (Note 2C)	1,318,500	1,418,500
Interest Receivable	156,982	87,901
Due From Other Governments	4,010,755	3,673,609
Inventory	2,763	4,120
Deposits	-	457,398
Land Held for Resale	439,000	-
Prepaid Items	26,445	19,199
Capital Assets, Not Being Depreciated (Note 2D)	20,106,210	19,274,591
Capital Assets, Being Depreciated, Net (Note 2D)	164,932,719	169,560,907
Total Assets	233,888,399	229,475,269
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions (Note 3B)	9,818,607	6,754,393
Related to OPEB (Note 3C)	583,580	-
Total Deferred Outflows of Resources	10,402,187	6,754,393
LIABILITIES		
Accounts Payable	4,065,604	3,970,697
Accrued Liabilities	1,165,599	1,162,790
Interest Payable	46,436	50,806
Deposits Payable	2,494,015	2,365,698
Unearned Revenue	153,881	182,421
Noncurrent Liabilities:		
Due Within One Year (Note 2F)	2,562,177	2,521,761
Due in More Than One Year (Note 2F)	13,074,845	14,355,247
Net Pension Liability (Note 3B)	40,161,745	34,955,992
Total OPEB Liability (Note 3C)	3,998,957	335,648
Total Liabilities	67,723,259	59,901,060
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions (Note 3B)	4,365,636	2,617,506
Related to OPEB (Note 3C)	225,318	-
Total Deferred Inflows of Resources	4,590,954	2,617,506
NET POSITION		
Net Investment in Capital Assets	172,108,751	174,642,185
Restricted for:		
Streets and Roads	5,828,625	3,804,370
Construction	10,880,511	6,007,534
Other Purposes	7,235,058	7,016,230
Unrestricted	(24,076,572)	(17,759,223)
Total Net Position	\$ 171,976,373	\$ 173,711,096

See accompanying notes to financial statements.

City of Santee
Statement of Activities
Year Ended June 30, 2018
(with comparative information for prior year)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2018</u>	<u>2017</u>
General Government	\$ 7,445,329	\$ 473,990	\$ 450,160	\$ -	\$ (6,521,179)	\$ (6,191,446)
Public Safety	28,327,605	4,113,655	422,564	-	(23,791,386)	(20,852,130)
Public Works	16,461,625	4,959,189	1,552,622	9,330,004	(619,810)	(10,468,011)
Community Development	315,174	7,693	510,661	-	203,180	230,409
Parks and Recreation	3,265,037	783,200	29,907	2,034,269	(417,661)	(1,312,335)
Interest and Fiscal Charges	455,071	-	-	-	(455,071)	(489,461)
 Total Governmental Activities	 <u>\$ 56,269,841</u>	 <u>\$ 10,337,727</u>	 <u>\$ 2,965,914</u>	 <u>\$ 11,364,273</u>	 <u>(31,601,927)</u>	 <u>(39,082,974)</u>
 General Revenues:						
Taxes:						
					17,151,586	16,107,853
					12,645,534	12,814,078
					2,871,885	2,803,436
					886,764	854,709
					30,057	25,426
					163,160	103,861
					1,458	148,598
					<u>33,750,444</u>	<u>32,857,961</u>
					2,148,517	(6,225,013)
					<u>169,827,856</u>	<u>179,936,109</u>
					<u>\$ 171,976,373</u>	<u>\$ 173,711,096</u>

See accompanying notes to financial statements.

**City of Santee
Balance Sheet
Governmental Funds
June 30, 2018
(with comparative information for prior year)**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Facilities</u>
ASSETS			
Cash and Investments	\$ 17,363,283	\$ 3,307,904	\$ 7,609,095
Receivables:			
Accounts	1,019,133	3,255	-
Loans	-	-	-
Interest	79,258	-	28,063
Due From Other Governments	3,411,717	353,575	-
Deposits	-	-	-
Inventory	2,763	-	-
Land Held for Resale	439,000	-	-
Prepaid Items	26,445	-	-
	<u>\$ 22,341,599</u>	<u>\$ 3,664,734</u>	<u>\$ 7,637,158</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 3,513,740	\$ 291,934	\$ -
Accrued Liabilities	1,164,961	-	-
Deposits Payable	2,473,479	20,536	-
Unearned Revenue	153,881	-	-
	<u>7,306,061</u>	<u>312,470</u>	<u>-</u>
Deferred Inflows of Resources:			
Unavailable Revenues - Intergovernmental	822,552	330,652	-
	<u>822,552</u>	<u>330,652</u>	<u>-</u>
Fund Balances:			
Nonspendable	468,208	-	-
Restricted	700,017	861,716	7,637,158
Committed	639,025	1,888,186	-
Assigned	3,188,318	271,710	-
Unassigned	9,217,418	-	-
	<u>14,212,986</u>	<u>3,021,612</u>	<u>7,637,158</u>
	<u>\$ 22,341,599</u>	<u>\$ 3,664,734</u>	<u>\$ 7,637,158</u>

See accompanying notes to financial statements.

Non-Major Governmental Funds	Total Governmental Funds	
	2018	2017
\$ 13,591,955	\$ 41,872,237	\$ 33,914,258
400	1,022,788	1,064,786
1,318,500	1,318,500	1,418,500
49,661	156,982	87,901
245,463	4,010,755	3,673,609
-	-	457,398
-	2,763	4,120
-	439,000	-
-	26,445	19,199
<u>\$ 15,205,979</u>	<u>\$ 48,849,470</u>	<u>\$ 40,639,771</u>
\$ 259,930	\$ 4,065,604	\$ 3,970,697
638	1,165,599	1,162,790
-	2,494,015	2,365,698
-	153,881	182,421
<u>260,568</u>	<u>7,879,099</u>	<u>7,681,606</u>
<u>4,560</u>	<u>1,157,764</u>	<u>596,767</u>
<u>4,560</u>	<u>1,157,764</u>	<u>596,767</u>
-	468,208	23,319
14,745,309	23,944,200	16,828,134
16,636	2,543,847	1,155,640
178,906	3,638,934	4,844,652
-	9,217,418	9,509,653
<u>14,940,851</u>	<u>39,812,607</u>	<u>32,361,398</u>
<u>\$ 15,205,979</u>	<u>\$ 48,849,470</u>	<u>\$ 40,639,771</u>

See accompanying notes to financial statements.



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City of Santee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund Balances of Governmental Funds \$ 39,812,607

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

Capital assets, net of accumulated depreciation, are not financial resources
and, therefore, are not reported in the funds. 185,038,929

Receivables which are not considered to be available to finance current expenditures
are reported as unavailable revenue in the governmental funds. 1,157,764

Deferred outflows and inflows of resources related to pensions and OPEB that are required to be
recognized over a defined closed period.

Pension Related Deferred Outflows of Resources	\$ 9,818,607	
OPEB Related Deferred Outflows of Resources	583,580	
Pension Related Deferred Inflows of Resources	(4,365,636)	
OPEB Related Deferred Inflows of Resources	<u>(225,318)</u>	5,811,233

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

Bonds Payable	\$ (190,000)	
Notes and Loans Payable	(9,979,758)	
Capital Lease Payable	(1,741,324)	
Claims and Judgments	(1,503,350)	
Compensated Absences	(1,203,497)	
Total OPEB Liability	(3,998,957)	
Net Pension Liability	(40,161,745)	
Unamortized Premiums on Long-term Debt	<u>(1,019,093)</u>	(59,797,724)

Accrued interest payable for the current portion of interest due on long-term debt
has not been reported in the governmental funds. (46,436)

Net Position of Governmental Activities \$ 171,976,373

See accompanying notes to financial statements.

City of Santee
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018
(with comparative information for prior year)

	<u>General</u>	<u>Capital Projects</u>	<u>Public Facilities</u>
REVENUES			
Taxes:			
Property	\$ 17,151,586	\$ -	\$ -
Sales	12,645,534	-	-
Other	3,758,649	-	-
Special Assessments	1,083,520	-	-
Intergovernmental	389,868	686,721	-
Licenses and Permits	157,522	-	-
Fines and Forfeitures	210,855	-	-
Developer Fees	-	-	3,079,326
Charges for Services	6,723,181	-	-
Investment Earnings	166,497	-	45,201
Other Revenue	487,951	-	-
	<u>42,775,163</u>	<u>686,721</u>	<u>3,124,527</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	6,019,404	141,124	-
Public Safety	27,424,751	-	-
Public Works	6,601,305	4,068,302	-
Community Development	-	-	-
Parks and Recreation	1,103,699	632,772	-
Debt Service:			
Principal	528,888	-	-
Interest and Fiscal Charges	77,931	-	-
	<u>41,755,978</u>	<u>4,842,198</u>	<u>-</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,019,185</u>	<u>(4,155,477)</u>	<u>3,124,527</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Note 2E)	23,852	5,092,198	-
Transfers Out (Note 2E)	<u>(1,578,860)</u>	<u>-</u>	<u>(26,260)</u>
Total Other Financing Sources (Uses)	<u>(1,555,008)</u>	<u>5,092,198</u>	<u>(26,260)</u>
Net Change in Fund Balances	(535,823)	936,721	3,098,267
Fund Balances - Beginning of Year, as Restated (Note 3I)	<u>14,748,809</u>	<u>2,084,891</u>	<u>4,538,891</u>
Fund Balances - Ending	<u>\$ 14,212,986</u>	<u>\$ 3,021,612</u>	<u>\$ 7,637,158</u>

See accompanying notes to financial statements.

Non-Major Governmental Funds	Total Governmental Funds	
	2018	2017
\$ 661,810	\$ 17,813,396	\$ 16,728,874
-	12,645,534	12,814,078
1,546,929	5,305,578	4,765,174
799,570	1,883,090	1,874,402
2,192,401	3,268,990	3,498,568
-	157,522	168,512
-	210,855	213,785
5,923,420	9,002,746	1,960,901
-	6,723,181	7,198,261
97,612	309,310	169,156
49,208	537,159	1,288,924
<u>11,270,950</u>	<u>57,857,361</u>	<u>50,680,635</u>
32,818	6,193,346	6,842,093
164,151	27,588,902	28,324,248
1,946,926	12,616,533	13,394,895
315,174	315,174	106,108
-	1,736,471	3,125,495
665,042	1,193,930	1,201,480
450,718	528,649	567,042
<u>3,574,829</u>	<u>50,173,005</u>	<u>53,561,361</u>
<u>7,696,121</u>	<u>7,684,356</u>	<u>(2,880,726)</u>
25,149	5,141,199	6,114,047
<u>(3,536,079)</u>	<u>(5,141,199)</u>	<u>(6,114,047)</u>
<u>(3,510,930)</u>	-	-
4,185,191	7,684,356	(2,880,726)
<u>10,755,660</u>	<u>32,128,251</u>	<u>35,242,124</u>
<u>\$ 14,940,851</u>	<u>\$ 39,812,607</u>	<u>\$ 32,361,398</u>

See accompanying notes to financial statements.

City of Santee
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 7,684,356

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

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

Capital Additions	\$	4,767,229	
Depreciation Expense		(8,435,734)	
Loss on Disposal of Assets		<u>(128,064)</u>	(3,796,569)

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

Principal Payments	\$	1,193,930	
Amortization of Notes Payable Premium		<u>69,208</u>	1,263,138

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. 4,370

The net effect of revenues reported in the Statement of Activities which are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds. 560,997

Expenses were charged to the Statement of Activities for compensated absences, claims payable, net pension liability, pension related deferred outflows and inflows of resources and OPEB payable. In the governmental funds, these do not require the use of current funds and accordingly are not included.

Net Change in Claims and Judgments	\$	(15,356)	
Net Change in Compensated Absences		(7,796)	
Net Change in Net Pension Liability		(5,205,753)	
Net Change in Pension and OPEB Related			
Deferred Outflows and Inflows of Resources		1,674,346	
Net Change in Total OPEB Liability		<u>(13,216)</u>	<u>(3,567,775)</u>

Change in Net Position of Governmental Activities \$ 2,148,517

See accompanying notes to financial statements.

City of Santee
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(with comparative information for prior year)

	Successor Agency Private Purpose Trust Fund	
	2018	2017
ASSETS		
Cash and Investments (Note 2A)	\$ 1,989,918	\$ 2,472,506
Cash and Investments with Fiscal Agent (Note 2A)	763,146	911,092
Receivables:		
Loans (Note 2C)	446,972	483,517
Interest	3,796	5,161
Land Held for Resale	-	439,000
Total Assets	3,203,832	4,311,276
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Refunding Charge	6,655,152	7,329,509
Total Deferred Outflows of Resources	6,655,152	7,329,509
LIABILITIES		
Interest Payable	747,259	757,789
Noncurrent Liabilities (Note 3G):		
Due Within One Year	1,525,000	1,990,000
Due in More Than One Year	46,011,659	47,751,388
Total Liabilities	48,283,918	50,499,177
NET POSITION		
Net Position (Deficit) Held in Trust for Successor Agency	\$ (38,424,934)	\$ (38,858,392)

See accompanying notes to financial statements.

City of Santee
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018
(with comparative information for prior year)

	Successor Agency Private Purpose Trust Fund	
	<u>2018</u>	<u>2017</u>
ADDITIONS		
Taxes	\$ 3,468,802	\$ 2,558,955
Investment Earnings	<u>4,312</u>	<u>6,333</u>
Total Additions	<u>3,473,114</u>	<u>2,565,288</u>
DEDUCTIONS		
Administrative Costs	341,510	490,550
Transfer to City of Santee	439,000	-
Interest and Bond Issuance Costs	<u>2,259,146</u>	<u>3,031,569</u>
Total Deductions	<u>3,039,656</u>	<u>3,522,119</u>
Change in Net Position	433,458	(956,831)
Net Position - Beginning of Year	<u>(38,858,392)</u>	<u>(37,901,561)</u>
Net Position - End of Year	<u>\$ (38,424,934)</u>	<u>\$ (38,858,392)</u>

See accompanying notes to financial statements.

City of Santee
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

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

Santee Public Financing Authority - The purpose of the Santee Public Financing Authority (Authority) is to facilitate the financing of public improvements for the City and the Santee Community Development Commission. On February 1, 2012, the Santee Community Development Commission was dissolved by legislation from the California State Legislature and a decision by the California Supreme Court. The City of Santee is the Successor Agency of the Santee Community Development Commission which oversees the remaining activities of the former Santee Community Development Commission.

The Authority's Board of Directors is the Santee City Council and therefore is a blended component unit. Separate financial statements for the Santee Public Financing Authority may be obtained at 10601 Magnolia Avenue, Santee, California 92701.

B) Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

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

City of Santee
Notes to Financial Statements
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Additionally, the City reports the following fund type:

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Amounts reported as program revenues include: 1) charges to members, customers, or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, except for in the Zone 2 Flood Control District and Street Lighting Tax Funds.

City of Santee
Notes to Financial Statements
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

D) Assets, Liabilities, and Net Position or Equity

Cash and Investments

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

Investments are stated at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, except for investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates.

Receivables and Payables

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

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

Property Tax Calendar

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

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

Inventories and Prepaid Items

Inventory consisting of office supplies, is stated at cost on an average cost basis and is adjusted to reflect periodic physical counts. These inventories are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items under the consumption method in both government-wide and fund financial statements.

City of Santee
Notes to Financial Statements
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value. At June 30, 2018 the General Fund is reporting land held for resale with a value of \$439,000 representing four parcels that were conveyed by the Santee Community Development Commission Successor Agency to the City, to be held by the City for future development or sale, subject to a future compensation agreement with the various affected taxing entities as required by law.

Capital Assets

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

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

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

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

Long-Term Obligations

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time. The balance of unpaid vacation and compensatory time at June 30, 2018 is recorded as a long-term liability. For governmental funds, the cost of accumulated vacation and comp time is expected to be paid from the General Fund.

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

City of Santee
Notes to Financial Statements
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

Claims and Judgments

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The City has three items that qualify for reporting in this category. The first two items are related to pensions and OPEB, which arises only under a full accrual basis of accounting. This includes pension and OPEB contributions subsequent to the measurement date of the net pension liability and other amounts, which are amortized over an actuarially determined period. Accordingly, these items are reported in the government-wide statement of net position. The third is related to deferred refunding charges, which resulted from the difference in the carrying value of refunded debts and their reacquisition prices, which is amortized over the remaining life of the bonds. Accordingly, this item is reported only in the fiduciary funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of deferred inflows of resources. One item arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows of resources related to pensions and OPEB, which arises only under a full accrual basis of accounting. Accordingly, these items (*pension and OPEB related items*), are reported only in the government-wide statement of net position. These amounts are amortized over an actuarially determined period.

E) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

City of Santee
Notes to Financial Statements
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City’s own data.

F) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website under “Forms and Publications”.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

G) Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an independent actuary has been engaged. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

City of Santee
Notes to Financial Statements
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

H) Prior Year Comparative Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s prior year financial statement, from which this selected financial data was derived. The City has reclassified certain prior year information to conform to current year presentation.

I) Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

Cash and investments at June 30, 2018 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 41,872,237
Fiduciary Funds:	
Cash and Investments	1,989,918
Cash and Investments with Fiscal Agent	<u>763,146</u>
Total Cash and Investments	<u>\$ 44,625,301</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$ 6,050
Deposits with Financial Institutions	1,679,348
Investments	<u>42,939,903</u>
Total Cash and Investments	<u>\$ 44,625,301</u>

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

The following table identifies the investment types that are authorized for the City by the California Government Code and the City’s investment policy.

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

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

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity ⁽¹⁾	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer ⁽¹⁾
Local Agency Bonds	Yes	5 years	30%	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker’s Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15% ⁽²⁾	None
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	90 days	10%	None
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	15%	10%
Mortgage Pass-through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
California Asset Management Program	Yes	N/A	None	None
JPA Pools (Other Investment Pools)	No	N/A	N/A	N/A

⁽¹⁾Based on state law requirements or investment policy requirements, whichever is more restrictive.

⁽²⁾An additional 15% may be invested in commercial paper if the dollar-weighted average maturity of the entire amount does not exceed 31 days.

Investments Authorized by Debt Agreements

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

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>More Than 60 Months</u>
Treasury Securities	\$ 1,957,207	\$ -	\$ 1,957,207	\$ -	\$ -
Federal Agency Securities	7,414,910	1,991,093	5,423,817	-	-
Medium Term Notes	4,624,873	1,346,668	2,310,932	967,273	-
Local Agency Investment Fund (LAIF)	25,263,711	25,263,711	-	-	-
California Asset Management Program (CAMP)	406,014	406,014	-	-	-
Commercial Paper	1,490,987	1,490,987	-	-	-
Certificate of Deposit	986,921	-	986,921	-	-
Money Market Funds	32,117	32,117	-	-	-
Investments with Fiscal Agent:					
Money Market Funds	763,163	763,163	-	-	-
Total	<u>\$ 42,939,903</u>	<u>\$ 31,293,753</u>	<u>\$ 10,678,877</u>	<u>\$ 967,273</u>	<u>\$ -</u>

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City manages its exposure to credit risk by monitoring the credit rating of its investments. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type by Standard and Poor's Investor's Service.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Treasury Securities	\$ 1,957,207	N/A	\$ 1,957,207	\$ -	\$ -	\$ -	\$ -
Federal Agency Securities	7,414,910	AA	-	-	7,414,910	-	-
Medium Term Notes	4,624,873	A	-	965,164	3,170,993	488,716	-
Local Agency Investment Fund Fund (LAIF)	25,263,711	N/A	-	-	-	-	25,263,711
California Asset Management Program (CAMP)	406,014	N/A	-	406,014	-	-	-
Money Market Funds	32,117	N/A	-	32,117	-	-	-
Commercial Paper	1,490,987	A	-	-	-	1,490,987	-
Certificate of Deposit	986,921	N/A	-	-	-	-	986,921
Investments with Fiscal Agent: Money Market Funds	763,163	N/A	-	763,163	-	-	-
Total	\$ 42,939,903		\$ 1,957,207	\$ 2,166,458	\$ 10,585,903	\$ 1,979,703	\$ 26,250,632

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount	% of Total Investments
Federal National Mortgage Association	Federal Agency	\$ 3,955,557	9.21%

Custodial Credit Risk

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

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City generally manages its exposure to custodial credit risk by collateralizing deposits and by using an investment custodian other than the broker-dealer.

Investment in Investment Pools

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

The City is a voluntary participant in the California Asset Management Program (CAMP), an investment pool managed by Public Financial Management, Inc. CAMP was established under provisions of the California Joint Exercise of Powers Act. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

B) Fair Value Measurements

The City categorizes certain assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
<u>Investments Measured at Fair Value</u>				
Treasury Securities	\$ 1,957,207	\$ -	\$ 1,957,207	\$ -
Federal Agency Securities	7,414,910	-	7,414,910	-
Medium Term Notes	4,624,873	-	4,624,873	-
Commercial Paper	1,490,987	-	1,490,987	-
Negotiable Certificates of Deposit	986,921	-	986,921	-
Total Investments Measured at Fair Value	16,474,898	\$ -	\$ 16,474,898	\$ -
<u>Investments Not Measured at Fair Value</u>				
California Asset Management Program (CAMP)	406,014			
Local Agency Investment Fund (LAIF)	25,263,711			
Money Market Funds	795,280			
Total Investments	<u>\$ 42,939,903</u>			

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

C) Loans Receivable

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

The balance of the loans outstanding at June 30, 2018 was \$1,318,500.

The loans receivable in the Fiduciary Fund represent those loans issued by the former Community Development Commission for low and moderate-income housing. The balance of the loans at June 30, 2018, net of an allowance for doubtful accounts is \$446,972.

D) Capital Assets

The following table presents summary information on the changes in governmental funds capital assets for the year ended June 30, 2018:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 12,328,650	\$ 453	\$ -	\$ 12,329,103
Parks	5,257,745	-	-	5,257,745
Construction in Progress	<u>1,688,196</u>	<u>1,181,216</u>	<u>(350,050)</u>	<u>2,519,362</u>
Total capital assets, not being depreciated	<u>19,274,591</u>	<u>1,181,669</u>	<u>(350,050)</u>	<u>20,106,210</u>
Capital assets, being depreciated:				
Buildings & Improvements	20,579,002	192	(156,821)	20,422,373
Improvements other than buildings	7,773,661	162,587	-	7,936,248
Equipment	11,224,396	239,384	(75,640)	11,388,140
Vehicles	6,709,722	25,604	-	6,735,326
Infrastructure	<u>263,737,909</u>	<u>3,508,296</u>	<u>(92,187)</u>	<u>267,154,018</u>
Total capital assets, being depreciated	<u>310,024,690</u>	<u>3,936,063</u>	<u>(324,648)</u>	<u>313,636,105</u>
Less accumulated depreciation for:				
Buildings & Improvements	(8,877,551)	(630,357)	72,170	(9,435,738)
Improvements other than buildings	(2,787,396)	(481,932)	-	(3,269,328)
Equipment	(5,022,521)	(567,513)	59,134	(5,530,900)
Vehicles	(3,270,049)	(523,484)	-	(3,793,533)
Infrastructure	<u>(120,506,266)</u>	<u>(6,232,448)</u>	<u>64,827</u>	<u>(126,673,887)</u>
Total accumulated depreciation	<u>(140,463,783)</u>	<u>(8,435,734)</u>	<u>196,131</u>	<u>(148,703,386)</u>
Total capital assets, being depreciated, net	<u>169,560,907</u>	<u>(4,499,671)</u>	<u>(128,517)</u>	<u>164,932,719</u>
Governmental activities capital assets, net	<u>\$ 188,835,498</u>	<u>\$ (3,318,002)</u>	<u>\$ (478,567)</u>	<u>\$ 185,038,929</u>

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

Depreciation expense was charged to the governmental activities as follows:

General Government	\$ 146,185
Public Safety	617,472
Public Works	6,431,670
Parks & Recreation	<u>1,240,407</u>
Total Governmental Activities	
Depreciation Expense	<u>\$ 8,435,734</u>

E) Interfund Receivables, Payables and Transfers

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

Transfers In	Transfers Out	
Capital Projects	General Fund	\$ 1,578,860
General Fund	Non-Major Governmental Funds	23,852
Capital Projects	Non-Major Governmental Funds	3,487,078
Non-Major Governmental Funds	Non-Major Governmental Funds	25,149
Capital Projects	Public Facilities	<u>26,260</u>
	Total	<u>\$ 5,141,199</u>

Transfers are recorded to reflect the reimbursement of expenditures incurred in one fund with resources required to be recorded in other funds when received. Most of the transfers above were made related to funding various capital projects.

F) Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 375,000	\$ -	\$ 185,000	\$ 190,000	\$ 190,000
Notes and Loans Payable	10,644,800	-	665,042	9,979,758	691,407
Capital Lease Payable	2,085,210	-	343,886	1,741,324	312,827
Claims and Judgments	1,487,994	531,495	516,139	1,503,350	396,100
Compensated Absences	1,195,701	1,102,031	1,094,235	1,203,497	902,633
Premiums on Long-term Debt	<u>1,088,303</u>	-	<u>69,210</u>	<u>1,019,093</u>	<u>69,210</u>
Total	<u>\$ 16,877,008</u>	<u>\$ 1,633,526</u>	<u>\$ 2,873,512</u>	<u>\$ 15,637,022</u>	<u>\$ 2,562,177</u>

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

Lease Revenue Bonds

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

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

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

Lease Revenue Bonds outstanding at June 30, 2018 were \$190,000.

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

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2019	\$ 190,000	\$ 7,363
Total	\$ 190,000	\$ 7,363

Notes and Loans Payable

On November 17, 2010, the City entered into an agreement with the San Diego Association of Governments (SANDAG) under which the City borrowed \$8,450,000 through the TransNet debt financing program. Under the agreement, the City is responsible for its proportionate share of SANDAG's bond issuance costs, annual debt service and administrative costs through the maturity date of the note in fiscal year ending 2030. Interest on the note is 3.116%. The repayment of debt is the first priority on the use of the City's annual TransNet revenues. As of June 30, 2018, the City's total debt outstanding on this note was \$5,421,363.

Annual debt service requirements to maturity on this debt at June 30, 2018 are as follows:

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2019	\$ 370,974	\$ 221,736
2020	384,139	206,966
2021	398,750	191,600
2022	415,000	175,650
2023	433,750	159,050
2024-2028	2,440,000	514,763
2029-2033	978,750	56,250
Total	\$ 5,421,363	\$ 1,526,015

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

Revenues Pledged - The City has pledged a portion of TransNet revenues to repay a note payable to SANDAG. The note payable is secured solely by the TransNet revenues. Total principal and interest remaining on the note payable is \$6,947,378 payable through fiscal year 2030. For the current year, principal and interest paid by the TransNet revenues were \$352,511 and \$233,555, respectively.

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

Annual debt service requirements to maturity on this debt at June 30, 2018 are as follows:

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2019	\$ 140,000	\$ 11,123
2020	140,000	8,449
2021	140,000	5,299
2022	140,000	1,792
Total	\$ 560,000	\$ 26,663

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

The monthly savings from the energy efficiency upgrades is estimated to be approximately \$663 and the monthly loan payment to maturity is \$592. Imputed interest on the loan is immaterial and has not been included in these financial statements. The total loan balance outstanding at June 30, 2018 is \$10,069.

Annual loan payments to maturity are as follows:

Year Ending	Governmental
June 30,	Activities
2019	\$ 7,107
2020	2,962
Total	\$ 10,069

On September 10, 2014, the City entered into an agreement with the San Diego Association of Governments (SANDAG) under which the City borrowed \$4,500,000 through the TransNet debt financing program. Under the agreement, the City is responsible for its proportionate share of SANDAG’s bond issuance costs, annual debt service and administrative costs through the maturity date of the note in fiscal year ending 2034. Interest on the note is 3.851%.

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

The repayment of debt is the first priority on the use of the City’s annual TransNet revenues. As of June 30, 2018, the City’s total debt outstanding on this note was \$3,998,326.

Annual debt service requirements to maturity on this debt at June 30, 2018 are as follows:

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2019	\$ 173,326	\$ 201,500
2020	182,500	193,000
2021	191,250	184,000
2022	197,500	174,500
2023	208,750	164,750
2024-2028	1,220,000	657,500
2029-2033	1,548,750	325,250
2034-2038	266,250	17,750
Total	\$ 3,988,326	\$ 1,918,250

Revenues Pledged – The City has pledged a portion of TransNet revenues to repay a note payable to SANDAG. The note payable is secured solely by the TransNet revenues. Total principal and interest remaining on the note payable is \$5,906,576 payable through fiscal year 2034. For the current year, principal and interest paid by the TransNet revenues were \$165,424 and \$203,723, respectively.

Capital Lease Payable

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

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

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2019	\$ 18,807	\$ 589
2020	9,580	119
Total	\$ 28,387	\$ 708

On September 6, 2013, the City entered into a Purchase Agreement with Oshkosh Capital in the amount of \$559,899 for the purchase of a 2014 Pierce Arrow Triple Combination Pumper. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with Oshkosh Capital dated September 6, 2013.

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 83,641	\$ 5,102
2020	85,872	2,871
2021	43,792	580
Total	<u>\$ 213,305</u>	<u>\$ 8,553</u>

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

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 27,821	\$ 4,791
2020	28,676	3,936
2021	29,557	3,055
2022	30,466	2,146
2023	31,402	1,210
2024-2028	16,062	245
Total	<u>\$ 163,984</u>	<u>\$ 15,383</u>

On August 17, 2015, the City entered into a Purchase Agreement with PNC Equipment Finance in the amount of \$603,055 for the purchase of a 2016 Pierce Arrow XT Pumper. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with PNC Equipment Finance dated August 17, 2015.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 83,486	\$ 13,344
2020	85,999	10,831
2021	88,588	8,243
2022	91,254	5,576
2023	94,002	2,829
Total	<u>\$ 443,329</u>	<u>\$ 40,824</u>

City of Santee
Notes to Financial Statements
(Continued)

2) DETAILED NOTES ON ALL FUNDS – Continued

On August 17, 2015, the City entered into a Purchase Agreement with PNC Equipment Finance in the amount of \$1,080,905 for the purchase of a 2016 Pierce Arrow XT Tiller. Financing for this purchase was acquired through a Master Lease-Purchase Agreement with PNC Equipment Finance dated August 17, 2015.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 99,072	\$ 29,982
2020	102,401	26,653
2021	105,842	23,212
2022	109,398	19,656
2023	113,074	15,980
2024-2028	362,532	24,630
Total	\$ 892,319	\$ 140,113

Claims and Judgments

The outstanding liability for claims payable at June 30, 2018 was \$1,503,350. This liability is primarily liquidated from the General Fund.

Compensated Absences, OPEB Obligation and Net Pension Liability

The obligations for compensated absences the OPEB obligation and net pension liability are primarily liquidated from the General Fund. There is no fixed payment schedule for these liabilities.

3) OTHER INFORMATION

A) Risk Management

For Workers' Compensation claims, the City carries a self-insured retention of \$350,000 per claim. The City participates in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for coverage up to \$5,000,000 per claim, and purchases insurance for claims in excess of \$5,000,000 up to the California statutory limits.

For General Liability claims, the City carries a self-insured retention of \$150,000 per claim. The City participates in the CSAC Excess Insurance Authority for coverage up to \$25,000,000 per claim, with an additional \$25,000,000 per claim for a total of \$50,000,000 per claim in General Liability Coverage.

Liabilities for workers compensation and other liabilities are recorded when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

The ultimate amount of losses incurred is dependent on future developments. The amounts reported in the accompanying financial statement have been determined based upon actuarial analysis and information from the City’s legal counsel and claims administrators.

The changes in the claims liability for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Claims payable, beginning of year	\$ 1,487,994	\$ 1,329,982
Current year claims and changes in estimates	531,495	741,789
Current year claims payments	(516,139)	(583,777)
Claims payable, end of year	\$ 1,503,350	\$ 1,487,994

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2016-17 to fiscal year 2017-18. Furthermore, there was no settlement which exceeded the insurance coverage for the past three years.

B) Employee Retirement Systems and Pension Plans

California Public Employee Retirement System

Plan Description – All qualified permanent and probationary employees are eligible to participate in the in the City’s separate Safety (fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefits provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 (age 52 for new miscellaneous CalPERS members hired on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013 ⁽¹⁾
Hire date		
Benefit formula ⁽²⁾	2.7% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55+	52 - 67+
Monthly benefits, as a % of eligible compensation ⁽³⁾	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	11.675%	6.533%
	Miscellaneous 2nd Tier	
	Prior to January 1, 2013	On or after January 1, 2013 ⁽¹⁾
Hire date		
Benefit formula ⁽²⁾	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52 - 67+
Monthly benefits, as a % of eligible compensation ⁽³⁾	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.418%	6.533%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013 ⁽¹⁾
Hire date		
Benefit formula ⁽²⁾	3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50+	50 - 57+
Monthly benefits, as a % of eligible compensation ⁽³⁾	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.25%
Required employer contribution rates	21.418%	12.729%
	Safety 2nd Tier	
	Prior to January 1, 2013	On or after January 1, 2013 ⁽¹⁾
Hire date		
Benefit formula ⁽²⁾	3.0% at 55	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 57+
Monthly benefits, as a % of eligible compensation ⁽³⁾	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.25%
Required employer contribution rates	18.487%	12.729%

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

⁽¹⁾For new CalPERS members hired on or after January 1, 2013, they are included in their respective PEPRA (California Public Employees’ Pension Reform Act) Plans with the above provisions and benefits.

⁽²⁾Reflects benefit formulas for current active employees. Other benefit formulas may apply to previously retired employees based on the date of their retirement.

⁽³⁾Annual retirement benefits as a percentage of Eligible Compensation are determined by multiplying the applicable benefit factor by the number of years of service credit.

Contribution Description – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 6.25 percent to 12.25 percent of annual pay, and the employer’s contribution rate is from 6.533 percent to 21.418 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

The City’s contributions to each Plan for the year ended June 30, 2018 were as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous 2nd Tier</u>	<u>PEPRA Miscellaneous</u>
Contributions - Employer	\$ 424,704	\$ 75,015	\$ 75,093
Contributions - Employee (Paid by Employer)	114,001	18,741	-
		<u>Safety 2nd Tier</u>	<u>PEPRA Safety</u>
Contributions - Employer	\$ 849,723	\$ 44,334	\$ 132,099
Contributions - Employee (Paid by Employer)	29,702	-	-

Actuarial Methods and Assumptions used to determine Total Pension Liability – For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 actuarial valuation to determine the June 30, 2017 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS’ Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

Change of assumptions – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out.

Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations were taken into account, as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11 + (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(a) - an expected inflation of 2.5% used for this period

(b) - an expected inflation of 3.0% used for this period

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the City's proportionate share of the net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Miscellaneous			
Balance at: 6/30/2016	\$ 54,044,785	\$ 40,172,176	\$ 13,872,609
Balance at: 6/30/2017	60,191,787	44,220,441	15,971,346
Net Changes during 2016-17	<u>\$ (6,147,002)</u>	<u>\$ (4,048,265)</u>	<u>\$ (2,098,737)</u>
Safety			
Balance at: 6/30/2016	\$ 79,265,711	\$ 58,182,328	\$ 21,083,383
Balance at: 6/30/2017	86,693,684	62,503,285	24,190,399
Net Changes during 2016-17	<u>\$ (7,427,973)</u>	<u>\$ (4,320,957)</u>	<u>\$ (3,107,016)</u>
Total			
Balance at: 6/30/2016	\$ 133,310,496	\$ 98,354,504	\$ 34,955,992
Balance at: 6/30/2017	146,885,471	106,723,726	40,161,745
Net Changes during 2016-17	<u>\$ (13,574,975)</u>	<u>\$ (8,369,222)</u>	<u>\$ (5,205,753)</u>

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

The proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the plan as of June 30, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2016	0.39934%	0.40708%
Proportion - June 30, 2017	0.40515%	0.40485%
Change - Increase (Decrease)	<u>0.00581%</u>	<u>-0.00223%</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% <u>6.15%</u>	Current Discount Rate 7.15%	Discount Rate + 1% <u>8.15%</u>
Net Pension Liability - Miscellaneous	\$ 24,250,539	\$ 15,971,346	\$ 9,114,369
Net Pension Liability - Safety	<u>36,320,325</u>	<u>24,190,399</u>	<u>14,274,790</u>
Net Pension Liability - Total	<u>\$ 60,570,864</u>	<u>\$ 40,161,745</u>	<u>\$ 23,389,159</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources – Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSLS of members provided with pensions through the Plan. The EARSLS for the Plan for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan.

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized a pension expense of \$2,277,144 for the Miscellaneous Plan and \$2,175,938 for the Safety Plan. As of June 30, 2018, the City reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 574,812	\$ -	\$ 1,026,156	\$ -	\$ 1,600,968	\$ -
Differences between actual contributions made and proportionate share of contributions	-	1,290,694	-	1,509,351	-	2,800,045
Differences between expected and actual experience	20,243	290,018	253,180	66,011	273,423	356,029
Changes of assumptions	2,511,673	191,517	3,671,746	281,706	6,183,419	473,223
Net difference between projected and actual earnings on pension plan investments	568,037	-	800,584	-	1,368,621	-
Adjustment due to differences in proportions	152,180	89,961	239,996	646,378	392,176	736,339
Total	<u>\$ 3,826,945</u>	<u>\$ 1,862,190</u>	<u>\$ 5,991,662</u>	<u>\$ 2,503,446</u>	<u>\$ 9,818,607</u>	<u>\$ 4,365,636</u>

\$1,600,968 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources in the previous table will be recognized in future pension expense as follows:

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Fiscal Year Ended June 30,	Deferred Outflows/Inflows of Resources		
	Miscellaneous	Safety	Total
2019	\$ 77,678	\$ (33,538)	\$ 44,140
2020	985,237	1,834,668	2,819,905
2021	664,282	1,129,380	1,793,662
2022	(337,254)	(468,450)	(805,704)
2023	-	-	-
Thereafter	-	-	-

Subsequent Events – In February 2018, CalPERS reduced the amortization period from 30 years to 20 years, effective June 30, 2019.

Public Agency Retirement System

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. PARS provides a qualified retirement system to all part-time, seasonal and temporary employees in compliance with Section 11332 of the Omnibus Budget Reconciliation Act of 1990 and administers the retirement plan.

The minimum contribution level is 3.75% for employees and 3.75% for the employer, for a total of 7.50%. All employees are 100% vested upon entering the system. PARS contributions are invested in fixed income pension contracts. The plan's provisions and all other requirements were established by federal statutes. For the year ended June 30, 2018, the City's payroll covered by the plan was \$311,388. The City made employer contributions of \$11,677 (3.75% of covered payroll), and employees contributed \$11,677 (3.75% of covered payroll).

C) Other Post-Employment Benefits (OPEB)

Plan Description

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

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

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

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

The City provides a retiree health premium assistance program to certain executive management personnel who retire with at least eight years of service with the City and who meet other program eligibility requirement. The program was revised on January 10, 2018 to limit the application to certain individuals, modifying the benefit to a fixed amount of \$400 per month until age 65, and to sunset the program.

For eligible City employees and City Council members, they may continue medical insurance coverage through the City's medical insurance plan on a self-pay basis to age 65. Retirees electing this coverage pay the same premium rates as are assessed for active employees.

Employees Covered

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	120
Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>169</u>

Contributions

City contributions to the Plan occur as benefits are paid to retirees and/or to an OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes (explicit subsidies) or indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies). In June 2018, the City joined the California Employers' Retiree Benefit Trust (CERBT), an OPEB trust administrator and affiliate program of CalPERS, for the purpose of prefunding obligations for past services.

Total OPEB Liability

The City's total OPEB Liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the total OPEB Liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Discount Rate	3.53%
Inflation	2.75% per year
Salary Increases	3.25% per year
Investment Rate of Return	3.53%
Mortality Rate	MacLeod Watts Scale 2017 applied generationally.
Healthcare Trend Rate	Medical plan premiums and claims by costs by age are assumed to increase once each year.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 3.53 percent. During the measurement period ending June 30, 2017 the City had not prefunded the plan. The funding policy was Pay-as-you-go or “PAYGO”. When an agency contributes based on PAYGO, GASB 75 requires the use of a discount rate equal to a 2-year high grade municipal bond rate. Accordingly, the discount rate used is based on the Bond Buyer 20-Bond 20 Year (High Grade) Municipal Bond Index.

Changes in the OPEB Liability

The changes in the total OPEB Liability for the Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2017 <i>(Valuation Date June 30, 2016)</i>	<u>\$ 4,174,254</u>
Changes recognized for the measurement period:	
Service cost	150,770
Interest	120,577
Change of assumption	(258,131)
Benefit payments	<u>(188,513)</u>
Net Changes	<u>(175,297)</u>
Balance at June 30, 2018 <i>(Measurement Date June 30, 2017)</i>	<u>\$ 3,998,957</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB Liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.53%)	Current Discount Rate (3.53%)	1% Increase (4.53%)
Total OPEB Liability	\$4,387,353	\$3,998,957	\$3,660,325

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB Liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

	1% Decrease (7.50%) decreasing to 4.00%)	Current Healthcare Cost Trend Rates (8.50%) decreasing to 5.00%)	1% Increase (9.50%) increasing to 6.00%)
Total OPEB Liability	\$3,717,948	\$3,998,957	\$4,334,553

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (8.1 Years at June 30, 2017)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$238,534. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 583,580	\$ -
Changes of assumptions	-	225,318
Total	\$ 583,580	\$ 225,318

The \$583,580 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the total OPEB Liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ (32,813)
2020	(32,813)
2021	(32,813)
2022	(32,813)
2023	(31,017)
Thereafter	(63,049)

D) Net Position and Fund Balances

Net Position

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

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

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

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

The details of the restricted other purposes in the Statement of Net Position are presented below:

Community Development	\$ 2,121,524
Law Enforcement and Traffic Management	108,433
Lighting and Landscape Maintenance	1,976,052
Storm Drains and Channels	2,946,109
Mobile Home Park Ordinance Administration	82,943
Total	\$ 7,235,061

Fund Balances

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

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

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

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

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

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

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

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

The details of the fund balances as of June 30, 2018 are presented below:

	Governmental				
	General Fund	Capital Projects Fund	Public Facilities Fund	Non-Major Funds	Total Funds
Nonspendable:					
Prepays	\$ 26,445	\$ -	\$ -	\$ -	\$ 26,445
Inventory	2,763	-	-	-	2,763
Land Held for Resale	439,000	-	-	-	439,000
Restricted for:					
Law Enforcement	-	-	-	42,811	42,811
Traffic Management	-	-	-	65,622	65,622
Landscape Maintenance	-	-	-	434,492	434,492
Debt Service	700,017	-	-	-	700,017
Community Development	-	-	-	1,421,507	1,421,507
Streets and Roads	-	-	-	5,827,751	5,827,751
Storm Drains and Channels	-	-	-	2,946,109	2,946,109
Capital Projects	-	861,716	7,637,158	2,382,514	10,881,388
Street Lighting	-	-	-	1,541,560	1,541,560
Mobile Home Park Ordinance Admin	-	-	-	82,943	82,943
Committed to:					
General Contracts	36,483	-	-	-	36,483
Fire Equipment and Supplies	459,361	-	-	16,636	475,997
Community Development	25,170	-	-	-	25,170
Public Works	118,011	-	-	-	118,011
Capital Projects	-	1,812,351	-	-	1,812,351
Software Upgrade	-	75,835	-	-	75,835
Assigned to:					
General Contracts	50,400	-	-	-	50,400
Fire Equipment and Supplies	53,550	-	-	-	53,550
Employee Development	8,500	-	-	-	8,500
Community Development	-	-	-	-	-
Recreation Programs	107,869	-	-	-	107,869
Self Insurance	1,024,149	-	-	-	1,024,149
Vehicle Replacement	629,882	-	-	-	629,882
Capital Projects	-	271,710	-	178,906	450,616
Subsequent Year's Budget	1,250,000	-	-	-	1,250,000
Library	8,711	-	-	-	8,711
Other Purposes	55,257	-	-	-	55,257
Unassigned	9,217,418	-	-	-	9,217,418
Total Fund Balances	\$ 14,212,986	\$ 3,021,612	\$ 7,637,158	\$ 14,940,851	\$ 39,812,607

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

E) Commitments and Contingencies

The City participates in several Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2018, the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

The City is a defendant in various lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

F) Tax Abatements

The City negotiates tax abatement agreements on an individual basis. The City has one tax abatement agreement as of June 30, 2018:

In June 2013, the City Council adopted a resolution to abate 50 percent of local sales tax revenues actually received by the City to a supply company for maintaining permanent office space within the City limits. The abatement amounted was \$1,312,287 during fiscal year 2018.

G) Successor Agency Long-term Obligations

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

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 4-2012. However, the City Council, on January 25, 2012, designated the San Diego County Housing Authority to assume all housing assets and functions of the former Redevelopment Agency. As of June 30, 2014, a portion of the assets have been accepted and transferred to the County Housing Authority. The remaining assets are currently reported in the Successor Agency Private Purpose Trust Fiduciary Fund. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Fiduciary Fund:					
Bonds Payable	\$ 44,570,000	\$ -	\$ (1,990,000)	\$ 42,580,000	\$ 1,525,000
Premium on Bonds	<u>5,171,388</u>	<u>-</u>	<u>(214,729)</u>	<u>4,956,659</u>	<u>-</u>
Total	<u>\$ 49,741,388</u>	<u>\$ -</u>	<u>\$ (2,204,729)</u>	<u>\$ 47,536,659</u>	<u>\$ 1,525,000</u>
<u>Tax Allocation Bonds</u>					

2016 Tax Allocation Bonds Series A and Series B

On November 8, 2016 the Community Development Commission Successor Agency of the City of Santee issued 2016 Tax Allocation Refunding Bonds Series A in the amount of \$39,125,000 and 2016 Tax Allocation Refunding Bonds Series B in the amount of \$5,445,000 respectively. Proceeds from the 2016 Bonds Series A and Series B were used to refund the 2005 Tax Allocation Bonds and advance refund the 2011 Series A and Series B Tax Allocation Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,780,080, which is reported in the accompanying financial statements as a deferred outflow of resources and is being charged to operations through the year 2041. The balance at June 30, 2018, net of amortization is \$6,655,152.

The 2016 Series A consist of \$32,965,000 of serial bonds and \$6,160,000 of term bonds. The serial bonds accrue interest at rates between 3.125% and 5.000% and mature between August 1, 2020 and August 1, 2036. The term bonds accrue interest rates between 3.250% and 3.375% and mature between August 1, 2038 and August 1, 2041.

The 2016 Series B consist of \$5,445,000 of serial bonds. The serial bonds accrue interest at rates between 1.270% and 2.000% and mature between August 1, 2017 and August 1, 2020.

As of June 30, 2018, the outstanding balance on the 2016 Series A and B Tax Allocation Bonds was \$39,125,000 and \$3,455,000, respectively.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Annual debt service requirements to maturity on this debt at June 30, 2018 are as follows:

Year Ending June 30,	2016 Series A		2016 Series B	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ 1,736,581	\$ 1,525,000	\$ 56,840
2020	-	1,736,581	1,545,000	33,965
2021	1,185,000	1,736,581	385,000	7,700
2022	1,625,000	1,689,181	-	-
2023	1,695,000	1,624,181	-	-
2024-2028	9,805,000	6,764,406	-	-
2029-2033	12,510,000	4,055,406	-	-
2034-2038	7,300,000	1,453,050	-	-
2039-2042	5,005,000	427,813	-	-
Total	<u>\$ 39,125,000</u>	<u>\$ 21,223,780</u>	<u>\$ 3,455,000</u>	<u>\$ 98,505</u>

Contingencies

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

H) Joint Powers Authorities

The City is a member of two joint powers authorities at June 30, 2018. Complete financial statements for each joint powers’ authority may be obtained at the City of El Cajon, Finance Department, 200 Civic Center Way, El Cajon, California 92020. A summary of each joint powers authority, the City’s participation and any related party transactions with each authority are as follows:

Heartland Fire Training Authority

The purpose of the Heartland Fire Training Authority (HFTA) is to provide a fire-fighting training facility and training courses for personnel of the member agencies. On December 1, 1973, an agreement was entered into by the City of El Cajon, City of La Mesa and the Fire Protection Districts of Santee, Lakeside and Spring Valley to form a Joint Powers Authority for training. In later years the agreement was amended to change the name of Spring Valley to San Miguel as well as recognizing the incorporation of the City of Santee. The Authority is governed by a Commission which is comprised of elected officials from each member jurisdiction, along with a Board of Fire Chiefs which includes each respective Fire Chief.

The annual budget is derived from fees paid by participating agencies which are based on a formula using the number of on-duty personnel from each agency. Funds are also generated from contract agencies, the rental of the facility to other public safety agencies, and from the delivery of College Fire Science classes.

City of Santee
Notes to Financial Statements
(Continued)

3) OTHER INFORMATION – Continued

Contract agencies have the ability to utilize all of the available resources but are not voting members. The Barona Fire Protection District and Viejas Fire Department contract with HFTA, which allows their personnel to participate in training activities offered by HFTA. For fiscal year 2017-18, the JPA members included the Cities of El Cajon, La Mesa, Lemon Grove, and Santee; County of San Diego, and the following fire protection districts; Alpine, Bonita-Sunnyside, Lakeside, and San Miguel.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2018. Upon dissolution of HTFA, all surplus money and property of HFTA would be conveyed or distributed to each member in proportion to all funds provided by HFTA by that member on behalf of that member during its membership.

Heartland Communications Facility Authority

The purpose of the Heartland Communication Facility Authority (HCFA) is to equip, maintain, operate and staff a facility to provide emergency call receiving and dispatching services to member agencies. HCFA was created on June 25, 1986, by a Joint Powers Agreement (JPA) between several cities and fire protection districts in San Diego County. For fiscal year 2017-18, the JPA members included: Cities of El Cajon, La Mesa, Lemon Grove, and Santee, and the following fire protection districts, Alpine, Bonita-Sunnyside, Lakeside and Viejas Fire Department. One elected official from each participating entity is appointed to HCFA as a board member of the commission. The commission approves an annual budget based on the costs of operating the Authority. Additionally, the Barona Fire Protection District and Sycuan Fire Department contract with HCFA for emergency call receiving and dispatching.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2018. Upon dissolution of HCFA, all surplus money and property of HCFA would be conveyed or distributed to each member in proportion to all funds provided to HCFA by that member on behalf of that member during its membership.

I) Prior Period Adjustment

The accompanying financial statements reflect the implementation of GASB Statement No. 75. GASB 75 changes the accounting for OPEB liabilities and related balances. As a result of the implementation of GASB Statement No.75, the beginning net position of governmental activities was restated by a decrease of \$3,650,093. Prior year information was not restated because the necessary actuarial information was not available.

The beginning net position for the general fund decreased by \$233,148 to record expenditures related to the tax abatement agreement, not previously recorded.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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City of Santee
Schedule of the City's Proportionate Share of the Net Pension Liability
CalPERS Miscellaneous Pension Plan
Last Ten Years (1)

	Measurement Date			
	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	0.40515%	0.39934%	0.41368%	0.14923%
Proportionate Share of the Collective Net Pension Liability	\$ 15,971,346	\$ 13,872,609	\$ 11,349,237	\$ 9,285,501
Covered Payroll	\$ 5,571,435	\$ 5,666,347	\$ 5,441,575	\$ 5,525,467
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	286.66%	244.82%	208.57%	168.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.39%	75.87%	79.89%	81.30%

Notes to Schedule:

- 1) Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.
- 2) Benefit Changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes, as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).
- 3) Changes in Assumptions. In 2017, the discount rate changed from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.50 percent discount rate.

City of Santee
Schedule of the City's Proportionate Share of the Net Pension Liability
CalPERS Safety Pension Plan
Last Ten Years (1)

	Measurement Date			
	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	0.40485%	0.40708%	0.36819%	0.22363%
Proportionate Share of the Collective Net Pension Liability	\$ 24,190,399	\$ 21,083,383	\$ 15,171,247	\$ 13,915,540
Covered Payroll	\$ 4,875,857	\$ 4,646,375	\$ 4,601,259	\$ 4,804,533
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	496.13%	453.76%	329.72%	289.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.74%	72.69%	77.27%	81.11%

Notes to Schedule:

- 1) Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.
- 2) Benefit Changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes, as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).
- 3) Changes in Assumptions. In 2017, the discount rate changed from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.50 percent discount rate.

City of Santee
Schedule of Contributions
CalPERS Miscellaneous Pension Plan
Last Ten Years (1)

	Fiscal Year			
	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	\$ 574,812	\$ 618,112	\$ 576,328	\$ 1,600,974
Contributions in Relation to the Actuarially Determined Contribution	574,812	618,112	576,328	1,600,974
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
 Covered Payroll	 \$ 5,591,109	 \$ 5,571,435	 \$ 5,666,347	 \$ 5,441,575
Contributions as a Percentage of Covered Payroll	10.28%	11.09%	10.17%	29.42%

Notes to Schedule:

Fiscal Year End: 06/30/18
Valuation Date: 06/30/15

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Discount Rate	7.50%
Projected Salary Increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

(1) Fiscal year 2015 was the first year of implementation, therefore only four years are shown

**City of Santee
Schedule of Contributions
CalPERS Safety Pension Plan
Last Ten Years (1)**

	Fiscal Year			
	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	\$ 1,026,156	\$ 978,484	\$ 943,856	\$ 1,446,146
Contributions in Relation to the Actuarially Determined Contribution	<u>1,026,156</u>	<u>978,484</u>	<u>943,856</u>	<u>1,446,146</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,214,863	\$ 4,875,857	\$ 4,646,375	\$ 4,601,259
Contributions as a Percentage of Covered Payroll	19.68%	20.07%	20.31%	31.43%

Notes to Schedule:

Fiscal Year End: 06/30/18
Valuation Date: 06/30/15

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry age
Amortization Method Level percent of payroll

Asset Valuation Method Market Value

Discount Rate 7.50%
Projected Salary Increase 3.30% to 14.20% depending on age, service, and type of employment

Inflation 2.75%
Payroll Growth 3.00%
Individual Salary Growth A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

(1) Fiscal year 2015 was the first year of implementation, therefore only four years are shown

City of Santee
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Years (1)

Measurement Period June 30	2017
Total OPEB Liability	
Service cost	\$ 150,770
Interest on the total OPEB liability	120,577
Actual and expected experience difference	-
Changes in assumptions	(258,131)
Changes in benefit terms	-
Benefit payments	(188,513)
Net change in total OPEB liability	(175,297)
Total OPEB liability - beginning	4,174,254
Total OPEB liability - ending	\$ 3,998,957
Covered-employee payroll	\$ 12,810,026
Total OPEB liability as a percentage of covered-employee payroll	31.22%

Notes to Schedule:

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Taxes	\$ 16,715,600	\$ 17,115,000	\$ 17,151,586	\$ 36,586
Sales	13,003,600	12,694,000	12,645,534	(48,466)
Other	3,607,800	3,684,000	3,758,649	74,649
Special Assessments	1,069,100	1,082,500	1,083,520	1,020
Intergovernmental	168,100	855,120	389,868	(465,252)
Licenses and Permits	183,000	155,300	157,522	2,222
Fines and Forfeitures	173,500	184,100	210,855	26,755
Charges for Services	6,269,930	7,185,030	6,723,181	(461,849)
Investment Earnings	120,700	151,800	166,497	14,697
Other Revenue	<u>19,200</u>	<u>19,600</u>	<u>487,951</u>	<u>468,351</u>
Total Revenues	<u>41,330,530</u>	<u>43,126,450</u>	<u>42,775,163</u>	<u>(351,287)</u>
EXPENDITURES				
Current:				
City Council	402,850	433,429	418,216	15,213
City Manager	751,170	774,126	761,863	12,263
City Attorney	535,000	535,000	536,532	(1,532)
City Clerk	388,160	414,660	340,131	74,529
Information Technology	325,050	324,597	252,546	72,051
Finance	1,137,750	1,241,064	1,006,529	234,535
Human Resources & Risk Management	1,012,070	1,118,381	997,201	121,180
Law Enforcement	14,086,960	14,086,960	14,081,370	5,590
Fire	12,643,060	13,521,955	12,952,267	569,688
Animal Control	389,700	389,700	391,114	(1,414)
Development Services	3,394,660	4,301,468	3,886,730	414,738
Community Services	4,582,270	4,756,465	4,212,373	544,092
Non-Departmental	1,785,500	1,288,000	1,312,287	(24,287)
Debt Service:				
Principal	528,910	528,910	528,888	22
Interest and Fiscal Charges	<u>79,360</u>	<u>79,360</u>	<u>77,931</u>	<u>1,429</u>
Total Expenditures	<u>42,042,470</u>	<u>43,794,075</u>	<u>41,755,978</u>	<u>2,038,097</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(711,940)</u>	<u>(667,625)</u>	<u>1,019,185</u>	<u>1,686,810</u>

Continued

See notes to required supplementary information.

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund - Continued
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive <u>(Negative)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 23,860	\$ 23,860	\$ 23,852	\$ (8)
Transfers Out	<u>(1,064,860)</u>	<u>(1,578,860)</u>	<u>(1,578,860)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>(1,041,000)</u>	 <u>(1,555,000)</u>	 <u>(1,555,008)</u>	 <u>(8)</u>
 Net Change in Fund Balance	 (1,752,940)	 (2,222,625)	 (535,823)	 1,686,802
Fund Balance, Beginning, as restated	<u>14,748,809</u>	<u>14,748,809</u>	<u>14,748,809</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 12,995,869</u>	<u>\$ 12,526,184</u>	<u>\$ 14,212,986</u>	<u>\$ 1,686,802</u>

See notes to required supplementary information.

City of Santee
Notes to Required Supplementary Information
Year Ended June 30, 2018

Budgetary Information

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

1. Public hearings are conducted to obtain public comments.
2. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds, and Debt Service Fund. However, no budget is prepared for the Paramedic Equipment Special Revenue Fund.
3. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles. A one-year operating budget was adopted on June 28, 2017 for 2017-18 fiscal year. Budgetary comparisons are not presented for Capital Projects Funds because the adopted budget is primarily a "long-term" budget which emphasized major programs and capital outlay plans extending over a number of years. Because of the long-term nature of projects, "annual" budget comparisons are not considered meaningful, and accordingly, no budgetary information is included in the accompanying financial statements.
4. Budgets are monitored at varying levels of classification detail. However, expenditures cannot legally exceed total appropriations at the fund level. The City Manager is authorized to transfer amounts within departmental budgets. Transfers of appropriations between departments, or any increase in total appropriations of a fund must be approved by the City Council. The final budget expenditure amounts represent original appropriations adjusted by prior year encumbrances, designated amounts carried forward, and supplemental appropriations adjustments approved by City Council during the year. During 2017-18, the City made prior year encumbrance adjustments of \$172,684, designated carryforward adjustments of \$320,176, and supplemental appropriations totaling \$1,258,745. Budget appropriations for the various governmental funds become effective each July 1. Unexpended appropriations lapse at year-end.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in any year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2018, based on the calculations by City management, proceeds of taxes did not exceed the appropriations limit.

SUPPLEMENTARY INFORMATION

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City of Santee
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018
(with comparative information for prior year)

	Special Revenue Funds	Capital Projects Funds	Total Non-Major Governmental Funds	
			2018	2017
ASSETS				
Cash and Investments	\$ 3,553,543	\$ 10,038,412	\$ 13,591,955	\$ 8,864,820
Accounts Receivable	400	-	400	8,224
Loans Receivable	1,318,500	-	1,318,500	1,418,500
Interest Receivable	13,912	35,749	49,661	25,791
Deposits	-	-	-	457,398
Prepaid	-	-	-	185
Due from Other Governments	245,463	-	245,463	265,298
	<u>245,463</u>	<u>-</u>	<u>245,463</u>	<u>265,298</u>
Total Assets	<u>\$ 5,131,818</u>	<u>\$ 10,074,161</u>	<u>\$ 15,205,979</u>	<u>\$ 11,040,216</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 259,930	\$ -	\$ 259,930	\$ 242,582
Accrued Liabilities	638	-	638	4,444
	<u>638</u>	<u>-</u>	<u>638</u>	<u>4,444</u>
Total Liabilities	<u>260,568</u>	<u>-</u>	<u>260,568</u>	<u>247,026</u>
Deferred Inflows of Resources:				
Unavailable Revenues - Intergovernmental	551	4,009	4,560	37,530
	<u>551</u>	<u>4,009</u>	<u>4,560</u>	<u>37,530</u>
Total Deferred Inflows of Resources	<u>551</u>	<u>4,009</u>	<u>4,560</u>	<u>37,530</u>
Fund Balances:				
Nonspendable	-	-	-	185
Restricted	4,854,063	9,891,246	14,745,309	10,582,703
Committed	16,636	-	16,636	13,438
Assigned	-	178,906	178,906	159,334
	<u>-</u>	<u>178,906</u>	<u>178,906</u>	<u>159,334</u>
Total Fund Balances	<u>4,870,699</u>	<u>10,070,152</u>	<u>14,940,851</u>	<u>10,755,660</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,131,818</u>	<u>\$ 10,074,161</u>	<u>\$ 15,205,979</u>	<u>\$ 11,040,216</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2018
(with comparative information for prior year)

	Special Revenue Funds	Capital Projects Funds	Total Non-Major Governmental Funds	
			2018	2017
REVENUES				
Property Taxes	\$ 661,810	\$ -	\$ 661,810	\$ 621,021
Other Taxes	1,546,929	-	1,546,929	1,107,029
Special Assessments	799,570	-	799,570	800,119
Fines and Forfeitures	-	-	-	994
Intergovernmental	386,934	1,805,467	2,192,401	2,353,627
Developer Fees	-	5,923,420	5,923,420	1,395,153
Investment Earnings	23,270	74,342	97,612	49,536
Other Revenue	11,026	38,182	49,208	43,769
	<u>3,429,539</u>	<u>7,841,411</u>	<u>11,270,950</u>	<u>6,371,248</u>
EXPENDITURES				
Current:				
General Government	32,818	-	32,818	481,292
Public Safety	164,151	-	164,151	140,489
Public Works	1,939,526	7,400	1,946,926	2,357,452
Community Development	315,174	-	315,174	106,108
Debt Service:				
Principal	147,107	517,935	665,042	648,145
Interest and Fiscal Charges	13,440	437,278	450,718	471,175
	<u>2,612,216</u>	<u>962,613</u>	<u>3,574,829</u>	<u>4,204,661</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>817,323</u>	<u>6,878,798</u>	<u>7,696,121</u>	<u>2,166,587</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	25,149	-	25,149	161,885
Transfers Out	<u>(277,354)</u>	<u>(3,258,725)</u>	<u>(3,536,079)</u>	<u>(6,072,214)</u>
	<u>(252,205)</u>	<u>(3,258,725)</u>	<u>(3,510,930)</u>	<u>(5,910,329)</u>
Net Change in Fund Balances	565,118	3,620,073	4,185,191	(3,743,742)
Fund Balances - Beginning of Year	<u>4,305,581</u>	<u>6,450,079</u>	<u>10,755,660</u>	<u>14,499,402</u>
Fund Balances - End of Year	<u>\$ 4,870,699</u>	<u>\$ 10,070,152</u>	<u>\$ 14,940,851</u>	<u>\$ 10,755,660</u>

City of Santee
Non-Major Governmental Funds
June 30, 2018

Special Revenue Funds

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

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

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

Gas Tax Fund - is used to account for receipts and expenditures of monies apportioned to the City under the Streets and Highways Code Section 2103, 2105, 2106, 2107, and 2107.5 of the State of California, and the Road Repair and Accountability Act of 2017 (SB1). These funds are used for maintenance and rehabilitation of local streets and roads.

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

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

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

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

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

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

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

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

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

CFD 2015-1 - is used to account for property tax assessments on benefitting properties, for the cost of certain municipal maintenance services, including storm water facilities.

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

CASp Certification - is used to account for State mandated fees collected during the issuance of new and renewed business licenses, for increased certified access specialist (CASp) training and certification within the jurisdiction and to facilitate compliance with construction-related accessibility requirements.

City of Santee
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2018
(with comparative information for prior year)

	Supplemental Law Enforcement	Asset Seizure	Gas Tax	HOME Investment Partnership
ASSETS				
Cash and Investments	\$ 63,881	\$ 2,680	\$ 1,065,363	\$ 74,970
Accounts Receivable	-	-	400	-
Loans Receivable	-	-	-	1,318,500
Interest Receivable	237	11	3,971	394
Prepaid Items	-	-	-	-
Due From Other Governments	-	-	215,945	-
	<u>-</u>	<u>-</u>	<u>215,945</u>	<u>-</u>
 Total Assets	 <u>\$ 64,118</u>	 <u>\$ 2,691</u>	 <u>\$ 1,285,679</u>	 <u>\$ 1,393,864</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 23,998	\$ -	\$ 189,761	\$ -
Accrued Liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>23,998</u>	 <u>-</u>	 <u>189,761</u>	 <u>-</u>
 Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	-	-	200	-
	<u>-</u>	<u>-</u>	<u>200</u>	<u>-</u>
 Total Deferred Inflows of Resources	 <u>-</u>	 <u>-</u>	 <u>200</u>	 <u>-</u>
 Fund Balances:				
Nonspendable	-	-	-	-
Restricted	40,120	2,691	1,095,718	1,393,864
Committed	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>40,120</u>	 <u>2,691</u>	 <u>1,095,718</u>	 <u>1,393,864</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 64,118</u>	 <u>\$ 2,691</u>	 <u>\$ 1,285,679</u>	 <u>\$ 1,393,864</u>

Continued

<u>Zone 2 Flood Control District</u>	<u>Community Development Block Grant</u>	<u>Town Center Landscape Maintenance</u>	<u>Santee Landscape Maintenance</u>
\$ 161,977	\$ 10,638	\$ 304,579	\$ 157,436
-	-	-	-
-	-	-	-
711	27	1,120	597
-	-	-	-
<u>3,508</u>	<u>21,114</u>	<u>639</u>	<u>129</u>
<u>\$ 166,196</u>	<u>\$ 31,779</u>	<u>\$ 306,338</u>	<u>\$ 158,162</u>
\$ 80	\$ 11,829	\$ 17,000	\$ 13,008
-	-	-	-
<u>80</u>	<u>11,829</u>	<u>17,000</u>	<u>13,008</u>
-	-	-	-
-	-	-	-
-	-	-	-
166,116	19,950	289,338	145,154
-	-	-	-
<u>166,116</u>	<u>19,950</u>	<u>289,338</u>	<u>145,154</u>
<u>\$ 166,196</u>	<u>\$ 31,779</u>	<u>\$ 306,338</u>	<u>\$ 158,162</u>

Continued

City of Santee
Combining Balance Sheet
Non-Major Special Revenue Funds - Continued
June 30, 2018
(with comparative information for prior year)

	Mobile Home Park <u>Assessment</u>	Street Lighting Tax <u>Lighting Tax</u>	Roadway Lighting District <u>Lighting</u>	Paramedic Equipment <u>Equipment</u>
ASSETS				
Cash and Investments	\$ 83,615	\$ 965,755	\$ 569,533	\$ 16,572
Accounts Receivable	-	-	-	-
Loans Receivable	-	-	-	-
Interest Receivable	339	3,888	2,274	64
Prepaid Items	-	-	-	-
Due From Other Governments	<u>-</u>	<u>2,840</u>	<u>1,288</u>	<u>-</u>
 Total Assets	 <u>\$ 83,954</u>	 <u>\$ 972,483</u>	 <u>\$ 573,095</u>	 <u>\$ 16,636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 22	\$ 859	\$ 3,159	\$ -
Accrued Liabilities	<u>638</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>660</u>	 <u>859</u>	 <u>3,159</u>	 <u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Intergovernmental	<u>351</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Deferred Inflows of Resources	 <u>351</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	82,943	971,624	569,936	-
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,636</u>
 Total Fund Balances	 <u>82,943</u>	 <u>971,624</u>	 <u>569,936</u>	 <u>16,636</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 83,954</u>	 <u>\$ 972,483</u>	 <u>\$ 573,095</u>	 <u>\$ 16,636</u>

Continued

CFD 2015-1	SAFE Program	CASp Certification	Total Non-Major Special Revenue Funds	
			2018	2017
\$ 3,281	\$ 65,406	\$ 7,857	\$ 3,553,543	\$ 2,992,066
-	-	-	400	8,224
-	-	-	1,318,500	1,418,500
13	266	-	13,912	9,011
-	-	-	-	185
-	-	-	245,463	131,896
<u>\$ 3,294</u>	<u>\$ 65,672</u>	<u>\$ 7,857</u>	<u>\$ 5,131,818</u>	<u>\$ 4,559,882</u>
\$ -	\$ 50	\$ 164	\$ 259,930	\$ 242,582
-	-	-	638	4,444
-	50	164	260,568	247,026
-	-	-	551	7,275
-	-	-	551	7,275
-	-	-	-	185
3,294	65,622	7,693	4,854,063	4,291,958
-	-	-	16,636	13,438
<u>3,294</u>	<u>65,622</u>	<u>7,693</u>	<u>4,870,699</u>	<u>4,305,581</u>
<u>\$ 3,294</u>	<u>\$ 65,672</u>	<u>\$ 7,857</u>	<u>\$ 5,131,818</u>	<u>\$ 4,559,882</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2018
(with comparative information for prior year)

	Supplemental Law Enforcement	Asset Seizure	Gas Tax	HOME Investment Partnership
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	1,546,929	-
Special Assessments	-	-	-	-
Fines and Forfeitures	-	-	-	-
Intergovernmental	139,416	-	-	-
Investment Earnings	502	23	5,693	42
Other Revenue	-	-	1,207	-
	<u>139,918</u>	<u>23</u>	<u>1,553,829</u>	<u>42</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	143,990	-	-	-
Public Works	-	-	1,044,832	-
Community Development	-	-	-	70,000
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
	<u>143,990</u>	<u>-</u>	<u>1,044,832</u>	<u>70,000</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,072)</u>	<u>23</u>	<u>508,997</u>	<u>(69,958)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(44,640)	-
	<u>-</u>	<u>-</u>	<u>(44,640)</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(4,072)	23	464,357	(69,958)
Fund Balances - Beginning of Year	<u>44,192</u>	<u>2,668</u>	<u>631,361</u>	<u>1,463,822</u>
Fund Balances - End of Year	<u>\$ 40,120</u>	<u>\$ 2,691</u>	<u>\$ 1,095,718</u>	<u>\$ 1,393,864</u>

Continued

<u>Zone 2 Flood Control District</u>	<u>Community Development Block Grant</u>	<u>Town Center Landscape Maintenance</u>	<u>Santee Landscape Maintenance</u>
\$ 357,335	\$ -	\$ -	\$ -
-	-	-	-
-	-	321,275	105,812
-	-	-	-
-	239,825	-	-
486	-	1,887	992
-	-	-	-
<u>357,821</u>	<u>239,825</u>	<u>323,162</u>	<u>106,804</u>
-	-	-	-
-	-	-	-
198	-	369,789	89,131
158,828	86,346	-	-
-	140,000	-	-
-	13,440	-	-
<u>159,026</u>	<u>239,786</u>	<u>369,789</u>	<u>89,131</u>
<u>198,795</u>	<u>39</u>	<u>(46,627)</u>	<u>17,673</u>
-	-	25,149	-
<u>(232,714)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(232,714)</u>	<u>-</u>	<u>25,149</u>	<u>-</u>
(33,919)	39	(21,478)	17,673
<u>200,035</u>	<u>19,911</u>	<u>310,816</u>	<u>127,481</u>
<u>\$ 166,116</u>	<u>\$ 19,950</u>	<u>\$ 289,338</u>	<u>\$ 145,154</u>

Continued

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds - Continued
Year Ended June 30, 2018
(with comparative information for prior year)

	<u>Mobile Home Park Assessment</u>	<u>Street Lighting Tax</u>	<u>Roadway Lighting District</u>	<u>Paramedic Equipment</u>
REVENUES				
Property Taxes	\$ -	\$ 304,475	\$ -	\$ -
Other Taxes	-	-	-	-
Special Assessments	41,724	-	330,759	-
Fines and Forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment Earnings	688	7,393	4,794	122
Other Revenue	-	2,137	3,087	3,076
	<u>42,412</u>	<u>314,005</u>	<u>338,640</u>	<u>3,198</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	32,818	-	-	-
Public Safety	-	-	-	-
Public Works	-	123,796	311,556	-
Community Development	-	-	-	-
Debt Service:				
Principal	-	-	7,107	-
Interest and Fiscal Charges	-	-	-	-
	<u>32,818</u>	<u>123,796</u>	<u>318,663</u>	<u>-</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,594</u>	<u>190,209</u>	<u>19,977</u>	<u>3,198</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	9,594	190,209	19,977	3,198
Fund Balances - Beginning of Year	<u>73,349</u>	<u>781,415</u>	<u>549,959</u>	<u>13,438</u>
Fund Balances - End of Year	<u>\$ 82,943</u>	<u>\$ 971,624</u>	<u>\$ 569,936</u>	<u>\$ 16,636</u>

Continued

CFD 2015-1	SAFE Program	CASp Certification	Total Non-Major Special Revenue Funds	
			2018	2017
\$ -	\$ -	\$ -	\$ 661,810	\$ 621,021
-	-	-	1,546,929	1,107,029
-	-	-	799,570	800,119
-	-	-	-	994
-	-	7,693	386,934	403,825
21	627	-	23,270	30,920
<u>1,519</u>	<u>-</u>	<u>-</u>	<u>11,026</u>	<u>43,769</u>
<u>1,540</u>	<u>627</u>	<u>7,693</u>	<u>3,429,539</u>	<u>3,007,677</u>
-	-	-	32,818	481,292
-	20,161	-	164,151	140,489
224	-	-	1,939,526	2,357,452
-	-	-	315,174	106,108
-	-	-	147,107	147,107
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,440</u>	<u>15,372</u>
<u>224</u>	<u>20,161</u>	<u>-</u>	<u>2,612,216</u>	<u>3,247,820</u>
<u>1,316</u>	<u>(19,534)</u>	<u>7,693</u>	<u>817,323</u>	<u>(240,143)</u>
-	-	-	25,149	21,468
<u>-</u>	<u>-</u>	<u>-</u>	<u>(277,354)</u>	<u>(421,426)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(252,205)</u>	<u>(399,958)</u>
1,316	(19,534)	7,693	565,118	(640,101)
<u>1,978</u>	<u>85,156</u>	<u>-</u>	<u>4,305,581</u>	<u>4,945,682</u>
<u>\$ 3,294</u>	<u>\$ 65,622</u>	<u>\$ 7,693</u>	<u>\$ 4,870,699</u>	<u>\$ 4,305,581</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Supplemental Law Enforcement Special Revenue Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 139,400	\$ 139,416	\$ 16
Investment Earnings	<u>-</u>	<u>502</u>	<u>502</u>
Total Revenues	<u>139,400</u>	<u>139,918</u>	<u>518</u>
EXPENDITURES			
Current:			
Public Safety	<u>143,990</u>	<u>143,990</u>	<u>-</u>
Total Expenditures	<u>143,990</u>	<u>143,990</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,590)	(4,072)	518
Fund Balance, Beginning of Year	<u>44,192</u>	<u>44,192</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 39,602</u></u>	<u><u>\$ 40,120</u></u>	<u><u>\$ 518</u></u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Asset Seizure Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and Forfeitures	\$ -	\$ -	\$ -
Investment Earnings	-	23	23
Total Revenues	-	23	23
EXPENDITURES			
Current:			
Public Safety	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	23	23
Fund Balance, Beginning of Year	2,668	2,668	-
Fund Balance, End of Year	\$ 2,668	\$ 2,691	\$ 23

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Other Taxes	\$ 1,255,400	\$ 1,546,929	\$ 291,529
Investment Earnings	3,000	5,693	2,693
Other Revenue	<u>1,400</u>	<u>1,207</u>	<u>(193)</u>
 Total Revenues	 <u>1,259,800</u>	 <u>1,553,829</u>	 <u>294,029</u>
EXPENDITURES			
Current:			
Public Works	<u>1,253,800</u>	<u>1,044,832</u>	<u>208,968</u>
 Total Expenditures	 <u>1,253,800</u>	 <u>1,044,832</u>	 <u>208,968</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>6,000</u>	 <u>508,997</u>	 <u>502,997</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(653,250)</u>	<u>(44,640)</u>	<u>608,610</u>
 Total Other Financing Sources (Uses)	 <u>(653,250)</u>	 <u>(44,640)</u>	 <u>608,610</u>
 Net Change in Fund Balance	 (647,250)	 464,357	 1,111,607
 Fund Balance - Beginning of Year	 <u>631,361</u>	 <u>631,361</u>	 <u>-</u>
 Fund Balance - End of Year	 <u>\$ (15,889)</u>	 <u>\$ 1,095,718</u>	 <u>\$ 1,111,607</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - HOME Investment Partnership Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment Earnings	\$ -	\$ 42	\$ 42
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	-	42	42
EXPENDITURES			
Current:			
Community Development	-	70,000	(70,000)
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	-	70,000	(70,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(69,958)	(69,958)
Fund Balance, Beginning of Year	<u>1,463,822</u>	<u>1,463,822</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,463,822</u>	<u>\$ 1,393,864</u>	<u>\$ (69,958)</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Zone 2 Flood Control District Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 355,800	\$ 357,335	\$ 1,535
Investment Earnings	<u>500</u>	<u>486</u>	<u>(14)</u>
Total Revenues	<u>356,300</u>	<u>357,821</u>	<u>1,521</u>
EXPENDITURES			
Current:			
Public Works	-	198	(198)
Community Development	<u>294,348</u>	<u>158,828</u>	<u>135,520</u>
Total Expenditures	<u>294,348</u>	<u>159,026</u>	<u>135,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,952</u>	<u>198,795</u>	<u>136,843</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(233,718)</u>	<u>(232,714)</u>	<u>1,004</u>
Total Other Financing Sources (Uses)	<u>(233,718)</u>	<u>(232,714)</u>	<u>1,004</u>
Net Change in Fund Balance	(171,766)	(33,919)	137,847
Fund Balance, Beginning of Year	<u>200,035</u>	<u>200,035</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 28,269</u>	<u>\$ 166,116</u>	<u>\$ 137,847</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Community Development Block Grant Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 426,995	\$ 239,825	\$ (187,170)
Total Revenues	<u>426,995</u>	<u>239,825</u>	<u>(187,170)</u>
EXPENDITURES			
Current:			
Community Development	88,640	86,346	2,294
Debt Service:			
Principal	280,000	140,000	140,000
Interest and Fiscal Charges	18,543	13,440	5,103
Debt Service Reserve	3,398	-	3,398
Total Expenditures	<u>390,581</u>	<u>239,786</u>	<u>150,795</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,414	39	(36,375)
Fund Balance, Beginning of Year	<u>19,911</u>	<u>19,911</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 56,325</u>	<u>\$ 19,950</u>	<u>\$ (36,375)</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Town Center Landscape Maintenance Special Revenue Fund
Year Ended June 30, 2018

	Final	Actual	Variance with
	Budget	Amounts	Final Budget
			Positive
			(Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Special Assessments	\$ 321,780	\$ 321,275	\$ (505)
Investment Earnings	-	1,887	1,887
Other Revenue	<u>-</u>	<u>-</u>	<u>-</u>
 Total Revenues	 <u>321,780</u>	 <u>323,162</u>	 <u>1,382</u>
EXPENDITURES			
Current:			
Public Works	<u>405,685</u>	<u>369,789</u>	<u>35,896</u>
 Total Expenditures	 <u>405,685</u>	 <u>369,789</u>	 <u>35,896</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(83,905)</u>	 <u>(46,627)</u>	 <u>37,278</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>24,400</u>	<u>25,149</u>	<u>749</u>
 Total Other Financing Sources (Uses)	 <u>24,400</u>	 <u>25,149</u>	 <u>749</u>
 Net Changes in Fund Balance	 (59,505)	 (21,478)	 38,027
Fund Balance, Beginning of Year	<u>310,816</u>	<u>310,816</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 251,311</u>	<u>\$ 289,338</u>	<u>\$ 38,027</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Santee Landscape Maintenance Special Revenue Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Special Assessments	\$ 106,420	\$ 105,812	\$ (608)
Investment Earnings	<u>-</u>	<u>992</u>	<u>992</u>
Total Revenues	<u>106,420</u>	<u>106,804</u>	<u>384</u>
EXPENDITURES			
Current:			
Public Works	<u>109,588</u>	<u>89,131</u>	<u>20,457</u>
Total Expenditures	<u>109,588</u>	<u>89,131</u>	<u>20,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,168)	17,673	20,841
Fund Balance, Beginning of Year	<u>127,481</u>	<u>127,481</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 124,313</u>	<u>\$ 145,154</u>	<u>\$ 20,841</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Mobile Home Park Assessment Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Special Assessments	\$ 42,000	\$ 41,724	\$ (276)
Investment Earnings	<u>700</u>	<u>688</u>	<u>(12)</u>
Total Revenues	<u>42,700</u>	<u>42,412</u>	<u>(288)</u>
EXPENDITURES			
Current:			
General Government	<u>46,490</u>	<u>32,818</u>	<u>13,672</u>
Total Expenditures	<u>46,490</u>	<u>32,818</u>	<u>13,672</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,790)	9,594	13,384
Fund Balance, Beginning of Year	<u>73,349</u>	<u>73,349</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 69,559</u>	<u>\$ 82,943</u>	<u>\$ 13,384</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Street Lighting Tax Special Revenue Fund
Year Ended June 30, 2018

	<u>Final</u> <u>Budget</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Property Taxes	\$ 299,590	\$ 304,475	\$ 4,885
Investment Earnings	9,600	7,393	(2,207)
Other Revenue	<u>-</u>	<u>2,137</u>	<u>2,137</u>
Total Revenues	<u>309,190</u>	<u>314,005</u>	<u>4,815</u>
EXPENDITURES			
Current:			
Public Works	<u>142,000</u>	<u>123,796</u>	<u>18,204</u>
Total Expenditures	<u>142,000</u>	<u>123,796</u>	<u>18,204</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	167,190	190,209	23,019
Fund Balance, Beginning of Year	<u>781,415</u>	<u>781,415</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 948,605</u>	<u>\$ 971,624</u>	<u>\$ 23,019</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Roadway Lighting District Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Special Assessments	\$ 332,240	\$ 330,759	\$ (1,481)
Investment Earnings	6,000	4,794	(1,206)
Other Revenue	-	3,087	3,087
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>338,240</u>	<u>338,640</u>	<u>400</u>
EXPENDITURES			
Current:			
Public Works	348,092	311,556	36,536
Debt Service:			
Principal	<u>7,110</u>	<u>7,107</u>	<u>3</u>
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>355,202</u>	<u>318,663</u>	<u>36,539</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,962)	19,977	36,939
Fund Balance, Beginning of Year	<u>549,959</u>	<u>549,959</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 532,997</u>	<u>\$ 569,936</u>	<u>\$ 36,939</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Paramedic Equipment Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment Earnings	\$ -	\$ 122	\$ 122
Other Revenues	<u>-</u>	<u>3,076</u>	<u>3,076</u>
Total Revenues	<u>-</u>	<u>3,198</u>	<u>3,198</u>
EXPENDITURES			
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	3,198	3,198
Fund Balance, Beginning of Year	<u>13,438</u>	<u>13,438</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 13,438</u></u>	<u><u>\$ 16,636</u></u>	<u><u>\$ 3,198</u></u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - CFD 2015-1 Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment Earnings	\$ -	\$ 21	\$ 21
Other Revenues	<u>1,520</u>	<u>1,519</u>	<u>(1)</u>
Total Revenues	<u>1,520</u>	<u>1,540</u>	<u>20</u>
EXPENDITURES			
Public Works	<u>1,500</u>	<u>224</u>	<u>1,276</u>
Total Expenditures	<u>1,500</u>	<u>224</u>	<u>1,276</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20	1,316	1,296
Fund Balance, Beginning of Year	<u>1,978</u>	<u>1,978</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,998</u></u>	<u><u>\$ 3,294</u></u>	<u><u>\$ 1,296</u></u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - SAFE Program Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment Earnings	\$ 500	\$ 627	\$ 127
Total Revenues	<u>500</u>	<u>627</u>	<u>127</u>
EXPENDITURES			
Current:			
Public Safety	<u>24,000</u>	<u>20,161</u>	<u>3,839</u>
Total Expenditures	<u>24,000</u>	<u>20,161</u>	<u>3,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,500)	(19,534)	3,966
Fund Balance, Beginning of Year	<u>85,156</u>	<u>85,156</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 61,656</u>	<u>\$ 65,622</u>	<u>\$ 3,966</u>

City of Santee
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - CASp Certification Special Revenue Fund
Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 7,100	\$ 7,693	\$ 593
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	7,100	7,693	593
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current:			
Public Safety	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,100	7,693	593
Fund Balance, Beginning of Year	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Fund Balance, End of Year	<u>\$ 7,100</u>	<u>\$ 7,693</u>	<u>\$ 593</u>

City of Santee
Non-Major Governmental Funds
June 30, 2018

Capital Projects Funds

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

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

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

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

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

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

TransNet Fund - is used to account for the City's share of the one-half cent sales tax.

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

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

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

City of Santee
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2018
(with comparative information for prior year)

	Regional Transportation Congestion Improvements	Traffic Signal	Drainage	Forester Creek Development	Park In-Lieu
ASSETS					
Cash and Investments	\$ 1,412,677	\$ 706,586	\$ 2,766,380	\$ -	\$ 2,374,286
Interest Receivable	5,118	2,731	10,319	-	7,352
Deposits	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>\$ 1,417,795</u>	 <u>\$ 709,317</u>	 <u>\$ 2,776,699</u>	 <u>\$ -</u>	 <u>\$ 2,381,638</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Deferred Inflows of Resources:					
Unavailable Revenue -					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	1,417,795	709,317	2,776,699	-	2,381,638
Assigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>1,417,795</u>	 <u>709,317</u>	 <u>2,776,699</u>	 <u>-</u>	 <u>2,381,638</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 1,417,795</u>	 <u>\$ 709,317</u>	 <u>\$ 2,776,699</u>	 <u>\$ -</u>	 <u>\$ 2,381,638</u>

<u>TransNet</u>	<u>TDA</u>	<u>Traffic Mitigation</u>	<u>Utility Undergrounding</u>	<u>Total Non-Major Capital Projects Funds</u>	
				<u>2018</u>	<u>2017</u>
\$ -	\$ 4,865	\$ 2,595,424	\$ 178,194	\$ 10,038,412	\$ 5,872,754
-	20	9,497	712	35,749	16,780
-	-	-	-	-	457,398
-	-	-	-	-	133,402
<u>\$ -</u>	<u>\$ 4,885</u>	<u>\$ 2,604,921</u>	<u>\$ 178,906</u>	<u>\$ 10,074,161</u>	<u>\$ 6,480,334</u>
<u>\$ -</u>	<u>\$ 4,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,009</u>	<u>\$ 30,255</u>
-	876	2,604,921	-	9,891,246	6,290,745
-	-	-	178,906	178,906	159,334
-	876	2,604,921	178,906	10,070,152	6,450,079
<u>\$ -</u>	<u>\$ 4,885</u>	<u>\$ 2,604,921</u>	<u>\$ 178,906</u>	<u>\$ 10,074,161</u>	<u>\$ 6,480,334</u>

City of Santee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Projects Funds
Year Ended June 30, 2018
(with comparative information for prior year)

	Regional Transportation Congestion Improvements	Traffic Signal	Drainage	Forester Creek Development
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Developer Fees	1,079,459	163,669	1,170,790	-
Investment Earnings	7,049	4,976	18,233	-
Other Revenue	<u>38,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Revenues	 <u>1,124,690</u>	 <u>168,645</u>	 <u>1,189,023</u>	 <u>-</u>
EXPENDITURES				
Current:				
Public Works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>1,124,690</u>	 <u>168,645</u>	 <u>1,189,023</u>	 <u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(405,410)</u>	<u>-</u>	<u>(761,100)</u>	<u>(23,852)</u>
 Total Other Financing Sources (Uses)	 <u>(405,410)</u>	 <u>-</u>	 <u>(761,100)</u>	 <u>(23,852)</u>
 Net Change in Fund Balances	 719,280	 168,645	 427,923	 (23,852)
Fund Balances - Beginning of Year	<u>698,515</u>	<u>540,672</u>	<u>2,348,776</u>	<u>23,852</u>
Fund Balances - End of Year	<u>\$ 1,417,795</u>	<u>\$ 709,317</u>	<u>\$ 2,776,699</u>	<u>\$ -</u>

Park In-Lieu	TransNet	TDA	Traffic Mitigation	Utility Undergrounding	Total Non-Major Capital Projects Funds	
					2018	2017
\$ -	\$ 1,577,113	\$ 228,354	\$ -	\$ -	\$ 1,805,467	\$ 1,949,802
2,025,953	-	-	1,483,549	-	5,923,420	1,395,153
8,316	1,993	42	14,161	19,572	74,342	18,616
-	-	-	-	-	38,182	-
<u>2,034,269</u>	<u>1,579,106</u>	<u>228,396</u>	<u>1,497,710</u>	<u>19,572</u>	<u>7,841,411</u>	<u>3,363,571</u>
-	7,400	-	-	-	7,400	-
-	517,935	-	-	-	517,935	501,038
-	437,278	-	-	-	437,278	455,803
-	962,613	-	-	-	962,613	956,841
<u>2,034,269</u>	<u>616,493</u>	<u>228,396</u>	<u>1,497,710</u>	<u>19,572</u>	<u>6,878,798</u>	<u>2,406,730</u>
-	-	-	-	-	-	140,417
<u>(289,749)</u>	<u>(1,178,025)</u>	<u>(335,510)</u>	<u>(265,079)</u>	<u>-</u>	<u>(3,258,725)</u>	<u>(5,650,788)</u>
<u>(289,749)</u>	<u>(1,178,025)</u>	<u>(335,510)</u>	<u>(265,079)</u>	<u>-</u>	<u>(3,258,725)</u>	<u>(5,510,371)</u>
1,744,520	(561,532)	(107,114)	1,232,631	19,572	3,620,073	(3,103,641)
<u>637,118</u>	<u>561,532</u>	<u>107,990</u>	<u>1,372,290</u>	<u>159,334</u>	<u>6,450,079</u>	<u>9,553,720</u>
<u>\$ 2,381,638</u>	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ 2,604,921</u>	<u>\$ 178,906</u>	<u>\$ 10,070,152</u>	<u>\$ 6,450,079</u>



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STATISTICAL SECTION

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City of Santee
Description of Statistical Section Contents
June 30, 2018

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

<u>Contents</u>	<u>Pages</u>
<u>Financial Trends</u> - these schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	104-112
<u>Revenue Capacity</u> – these schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	113-117
<u>Debt Capacity</u> – these schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	118-124
<u>Demographic and Economic Information</u> – these schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	125-127
<u>Operating Information</u> - these schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	128-130

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

	Fiscal Year			
	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 107,177,454	\$ 110,906,766	\$ 147,929,745	\$ 160,604,789
Restricted	36,161,243	29,617,019	33,791,161	18,434,571
Unrestricted	6,680,429	9,339,445	6,410,313	4,922,805
 Total Governmental Activities Net Position	 <u>\$ 150,019,126</u>	 <u>\$ 149,863,230</u>	 <u>\$ 188,131,219</u>	 <u>\$ 183,962,165</u>

⁽¹⁾ Reduction in FY 2015 net position is due primarily to the implementation of GASB 68 and GASB 71 related to pension liability.

Fiscal Year					
2013	2014	2015 ⁽¹⁾	2016	2017	2018
\$ 159,505,509	\$ 167,953,925	\$ 181,378,029	\$ 176,071,642	\$ 174,642,185	\$ 172,108,751
21,242,368	22,882,344	20,088,351	19,771,922	16,828,134	23,944,194
6,632,478	7,614,356	(18,330,721)	(15,907,455)	(17,759,223)	(24,076,572)
<u>\$ 187,380,355</u>	<u>\$ 198,450,625</u>	<u>\$ 183,135,659</u>	<u>\$ 179,936,109</u>	<u>\$ 173,711,096</u>	<u>\$ 171,976,373</u>

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

	Fiscal Year			
	2009	2010	2011	2012
EXPENSES				
Governmental Activities:				
General Government	\$ 5,501,610	\$ 8,542,271	\$ 4,682,937	\$ 3,526,811
Public Safety	23,178,880	22,545,498	21,861,690	22,637,123
Public Works	11,590,092	11,020,154	13,079,415	11,444,433
Community Development	5,255,186	3,858,262	3,770,231	1,966,844
Parks and Recreation	2,229,089	1,623,225	2,343,298	2,177,699
Interest and Fiscal Charges	1,100,391	1,007,602	1,775,353	2,018,935
Total Governmental Activities Expenses	<u>48,855,248</u>	<u>48,597,012</u>	<u>47,512,924</u>	<u>43,771,845</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	310,270	196,858	199,368	507,618
Public Safety	4,178,966	4,015,758	3,848,784	4,065,732
Public Works	1,206,380	1,874,517	1,978,691	2,075,855
Community Development	1,282,335	1,025,890	609,272	501,688
Parks and Recreation	403,240	365,291	374,573	408,696
Operating Grants and Contributions	2,370,810	1,971,632	2,390,589	2,241,007
Capital Grants and Contributions	5,982,114	5,887,508	4,026,070	4,288,068
Total Governmental Activities Program Revenues	<u>15,734,115</u>	<u>15,337,454</u>	<u>13,427,347</u>	<u>14,088,664</u>
Net Revenues (Expenses) From Governmental Activities	(33,121,133)	(33,259,558)	(34,085,577)	(29,683,181)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes	22,960,655	22,593,962	21,610,723	13,610,976
Sales Taxes	7,305,578	7,123,397	7,984,974	7,898,623
Franchise Taxes	2,390,366	280,549	2,681,909	2,289,425
Other Taxes	288,283	2,253,092	106,357	269,764
Motor Vehicle In Lieu, Unrestricted	192,047	167,621	262,529	28,716
Investment Earnings	1,412,129	496,415	417,358	80,480
Miscellaneous	88,451	188,626	280,286	946,398
Total Governmental Activities	<u>34,637,509</u>	<u>33,103,662</u>	<u>33,344,136</u>	<u>25,124,382</u>
Extraordinary Item ⁽¹⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,983,001</u>
Changes in Net Position From Governmental Activities	<u>\$ 1,516,376</u>	<u>\$ (155,896)</u>	<u>\$ (741,441)</u>	<u>\$ (575,798)</u>

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 3,461,397	\$ 4,152,628	\$ 5,766,971	\$ 6,575,847	\$ 7,772,714	\$ 7,445,329
21,912,185	23,416,772	23,427,308	24,321,086	26,069,863	28,327,605
12,633,715	13,787,911	15,058,755	21,112,813	19,022,773	16,461,625
112,300	96,033	114,060	104,282	106,108	315,174
2,081,222	2,036,868	2,004,958	2,568,283	2,708,167	3,265,037
369,970	369,935	511,712	499,695	489,461	455,071
<u>40,570,789</u>	<u>43,860,147</u>	<u>46,883,764</u>	<u>55,182,006</u>	<u>56,169,086</u>	<u>56,269,841</u>
636,843	657,770	629,965	710,476	1,547,383	473,990
3,781,291	4,082,952	3,970,360	3,784,014	4,852,436	4,113,655
2,640,602	2,893,212	3,118,374	3,490,444	4,070,185	4,398,192
-	-	-	-	-	7,693
608,905	649,552	698,557	773,992	754,659	783,200
2,725,883	2,776,841	2,422,390	2,757,140	1,844,943	2,965,914
6,695,663	17,532,392	18,761,627	8,008,366	4,016,506	11,925,270
<u>17,089,187</u>	<u>28,592,719</u>	<u>29,601,273</u>	<u>19,524,432</u>	<u>17,086,112</u>	<u>24,667,914</u>
(23,481,602)	(15,267,428)	(17,282,491)	(35,657,574)	(39,082,974)	(31,601,927)
13,242,248	13,351,823	14,224,160	14,717,412	16,107,853	17,151,586
8,227,675	9,460,428	11,492,706	13,842,272	12,814,078	12,645,534
3,922,344	2,753,606	2,875,723	2,912,740	2,803,436	2,871,885
366,834	574,132	620,267	745,340	854,709	886,764
29,755	24,625	23,787	22,516	25,426	30,057
44,038	94,421	122,434	185,129	103,861	163,160
298,671	78,663	3,397	32,615	148,598	1,458
<u>26,131,565</u>	<u>26,337,698</u>	<u>29,362,474</u>	<u>32,458,024</u>	<u>32,857,961</u>	<u>33,750,444</u>
-	-	-	-	-	-
<u>\$ 2,649,963</u>	<u>\$ 11,070,270</u>	<u>\$ 12,079,983</u>	<u>\$ (3,199,550)</u>	<u>\$ (6,225,013)</u>	<u>\$ 2,148,517</u>

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

	Fiscal Year			
	2009	2010	2011 ⁽¹⁾	2012
GENERAL FUND				
Reserved	\$ 86,142	\$ 552,035	\$ -	\$ -
Unreserved	10,779,715	10,157,084	-	-
Nonspendable	-	-	14,252	18,518
Restricted	-	-	6	1,750,001
Committed	-	-	31,002	23,750
Assigned	-	-	2,945,718	3,048,930
Unassigned	-	-	6,903,668	5,008,142
Total General Fund	<u>\$ 10,865,857</u>	<u>\$ 10,709,119</u>	<u>\$ 9,894,646</u>	<u>\$ 9,849,341</u>
ALL OTHER GOVERNMENT FUNDS				
Reserved	\$ 22,443,286	\$ 12,009,265	\$ -	\$ -
Unreserved, Reported In:				
Special Revenue Funds	2,035,375	2,292,415	-	-
Debt Service Fund	8,157,255	5,849,173	-	-
Capital Projects Funds	3,238,070	10,795,318	-	-
Nonspendable	-	-	71,400	-
Restricted	-	-	64,671,520	17,756,123
Committed	-	-	375,324	280,658
Assigned	-	-	737,258	674,637
Unassigned	-	-	(354,752)	(314,762)
Total All Other Governmental Funds	<u>\$ 35,873,986</u>	<u>\$ 30,946,171</u>	<u>\$ 65,500,750</u>	<u>\$ 18,396,656</u>

⁽¹⁾ In FY 2011 the City implemented GASB 54 which required changes to the classification of the components of fund balance.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
20,512	580,563	21,245	1,710,623	23,134	468,208
1,575,001	1,400,001	1,225,001	1,050,009	875,015	700,017
35,680	117,804	435,805	46,075	160,546	639,025
3,770,108	2,578,208	2,094,317	2,162,409	4,413,608	3,188,318
4,779,461	6,081,591	7,419,965	9,406,341	9,509,653	9,217,418
<u>\$ 10,180,762</u>	<u>\$ 10,758,167</u>	<u>\$ 11,196,333</u>	<u>\$ 14,375,457</u>	<u>\$ 14,981,956</u>	<u>\$ 14,212,986</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	185	-
20,758,594	22,217,863	24,280,101	18,721,910	15,953,119	23,244,183
1,536,726	1,230,004	925,180	1,764,251	995,094	1,904,822
167,710	171,076	441,060	380,506	431,044	450,616
(166,758)	(167,206)	(691,953)	-	-	-
<u>\$ 22,296,272</u>	<u>\$ 23,451,737</u>	<u>\$ 24,954,388</u>	<u>\$ 20,866,667</u>	<u>\$ 17,379,442</u>	<u>\$ 25,599,621</u>

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

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Taxes:				
Property	\$ 22,960,655	\$ 22,823,768	\$ 22,107,239	\$ 14,266,895
Sales	7,305,578	7,123,397	7,984,974	7,898,623
Other	3,513,140	3,507,045	4,242,582	4,032,606
Special Assessments	811,593	729,894	1,649,594	1,664,583
Intergovernmental	4,194,836	4,192,870	3,424,883	2,327,765
Licenses and Permits	1,047,037	913,222	817,009	97,044
Fines and Forfeitures	275,462	255,907	234,620	151,965
Developer Fees	2,338,126	2,724,653	1,460,682	2,166,434
Charges for Services	6,297,619	6,677,290	3,512,338	4,741,495
Use of Money and Property	1,980,121	746,071	542,125	550,469
Other Revenue	1,289,798	369,209	572,394	1,109,946
Total Revenues	<u>52,013,965</u>	<u>50,063,326</u>	<u>46,548,440</u>	<u>39,007,825</u>
EXPENDITURES				
Current:				
General Government	5,366,139	8,450,809	5,148,805	3,597,817
Public Safety	22,976,757	22,377,455	21,685,377	22,497,381
Public Works	12,287,940	9,679,650	10,462,124	10,292,254
Community Development	5,575,680	4,280,822	3,737,357	2,147,005
Parks and Recreation	13,658,020	13,127,234	1,856,313	1,400,142
Debt Service:				
Principal Retirement	772,982	670,000	5,137,178	1,007,602
Interest and Fiscal Charges	1,100,957	1,012,907	1,084,293	2,620,760
Bond Issuance Costs	-	-	430,582	-
Total Expenditures	<u>61,738,475</u>	<u>59,598,877</u>	<u>49,542,029</u>	<u>43,562,961</u>
Excess (deficiency) of Revenues Over (under) Expenditures	<u>(9,724,510)</u>	<u>(9,535,551)</u>	<u>(2,993,589)</u>	<u>(4,555,136)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	13,855,417	24,379,163	3,001,510	7,709,261
Transfers Out	(13,855,417)	(24,379,163)	(3,001,510)	(7,709,261)
Capital Lease	-	-	-	-
Issuance of Long-term Debt	-	4,450,998	35,666,957	3,005,840
Discount on Bonds	-	-	(618,555)	-
Premium on Long-term Debt	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>4,450,998</u>	<u>35,048,402</u>	<u>3,005,840</u>
Extraordinary Item ⁽¹⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,600,103)</u>
Net Change in Fund Balances	<u>\$ (9,724,510)</u>	<u>\$ (5,084,553)</u>	<u>\$ 32,054,813</u>	<u>\$ (47,149,399)</u>
Debt Service as a Percentage of Noncapital Expenditures ⁽²⁾	4.1%	3.7%	13.6%	9.3%

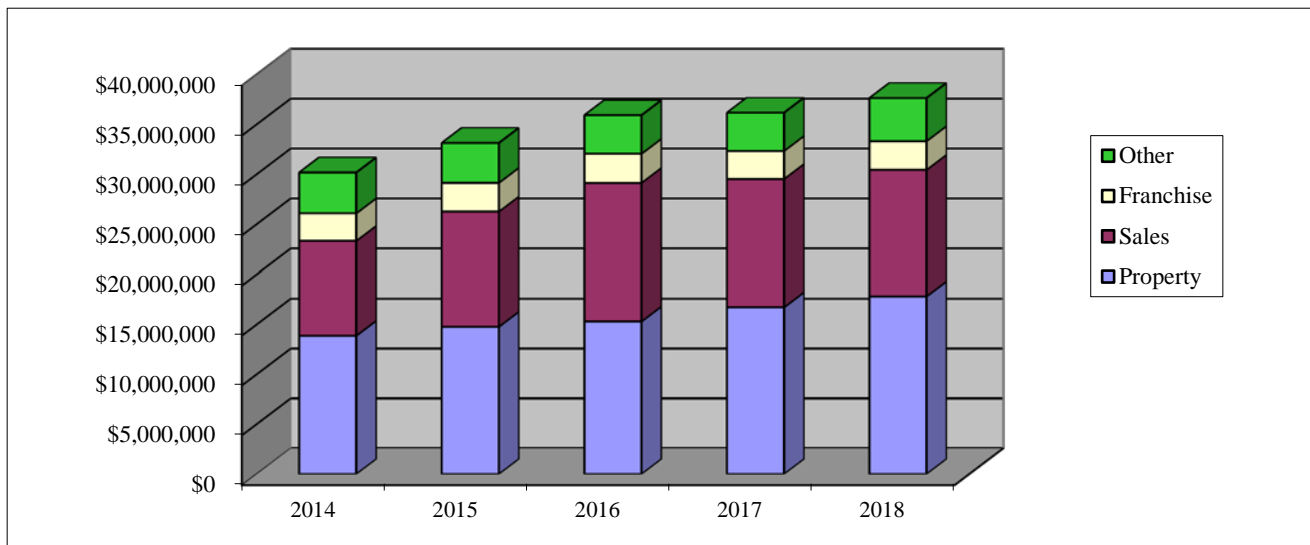
⁽¹⁾ Extraordinary item as a result of the dissolution of the Santee Community Development Corporation.

⁽²⁾ Ratio of total debt service to noncapital expenditures is calculated by dividing total debt service expenditures (principal and interest) by total noncapital expenditures (the difference between total expenditures and capital expenditures). For purposes of this calculation capital expenditures are defined as capital asset additions as presented in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 13,758,489	\$ 13,886,610	\$ 14,785,930	\$ 15,311,705	\$ 16,728,874	\$ 17,813,396
8,227,675	9,460,428	11,492,706	13,842,272	12,814,078	12,645,534
5,616,942	5,153,900	5,148,174	4,977,021	4,765,174	5,305,578
1,685,246	1,687,180	1,724,079	1,799,217	1,874,402	1,883,090
4,579,832	5,505,496	5,740,458	3,752,831	3,498,568	3,268,990
163,157	184,984	161,431	165,258	168,512	157,522
157,459	153,385	211,411	218,241	213,785	210,855
2,220,091	3,148,366	1,373,348	3,703,007	1,960,901	9,002,746
5,027,855	5,504,980	5,083,759	5,663,982	7,198,261	6,723,181
167,153	214,129	260,638	361,187	169,156	309,310
545,885	324,676	384,764	717,545	1,288,924	537,159
<u>42,149,784</u>	<u>45,224,134</u>	<u>46,366,698</u>	<u>50,512,266</u>	<u>50,680,635</u>	<u>57,857,361</u>
3,788,514	4,227,876	6,054,182	6,243,184	6,842,093	6,193,346
22,005,803	23,497,665	23,885,753	24,660,671	28,324,248	27,588,902
10,753,548	14,009,804	14,691,262	19,020,068	13,394,895	12,616,533
112,300	96,033	114,060	104,282	106,108	315,174
3,196,823	1,357,107	3,359,775	1,535,812	3,125,495	1,736,471
697,917	775,665	930,981	1,016,325	1,201,480	1,193,930
372,069	372,185	573,680	524,483	567,042	528,649
-	-	-	-	-	-
<u>40,926,974</u>	<u>44,336,335</u>	<u>49,609,693</u>	<u>53,104,825</u>	<u>53,561,361</u>	<u>50,173,005</u>
<u>1,222,810</u>	<u>887,799</u>	<u>(3,242,995)</u>	<u>(2,592,559)</u>	<u>(2,880,726)</u>	<u>7,684,356</u>
4,186,442	5,215,185	7,052,320	11,702,655	6,114,047	5,141,199
(4,186,442)	(5,215,185)	(7,052,320)	(11,702,655)	(6,114,047)	(5,141,199)
-	-	-	1,683,962	-	-
3,008,227	895,071	4,500,000	-	-	-
-	-	-	-	-	-
-	-	858,075	-	-	-
<u>3,008,227</u>	<u>895,071</u>	<u>5,358,075</u>	<u>1,683,962</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>\$ 4,231,037</u>	<u>\$ 1,782,870</u>	<u>\$ 2,115,080</u>	<u>\$ (908,597)</u>	<u>\$ (2,880,726)</u>	<u>\$ 7,684,356</u>
3.2%	4.1%	5.2%	3.4%	3.9%	3.4%

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

Fiscal Year	Real Property				Transient			Total
	Property Taxes	Transfer Tax	Special Assessments	Sales Tax	Franchise Taxes	Occupancy Tax	Gas Tax	
2009	\$22,960,655	\$ 172,957	\$ 811,593	\$ 7,305,577	\$ 2,390,367	\$ 115,327	\$ 834,490	\$ 34,590,966
2010	22,823,768	180,275	729,894	7,123,397	2,253,092	100,274	1,019,995	34,230,695
2011	22,107,239	152,170	1,649,106	7,984,974	2,681,908	106,357	904,765	35,586,519
2012	14,266,895	155,341	1,664,583	7,898,623	2,289,425	112,493	848,229	27,235,589
2013	13,758,489	159,920	1,685,246	8,227,675	3,922,344	206,914	1,327,764	29,288,352
2014	13,886,610	185,883	1,687,180	9,460,428	2,753,606	388,249	1,826,162	30,188,118
2015	14,785,930	188,717	1,724,079	11,492,706	2,875,723	431,550	1,652,184	33,150,889
2016	15,311,705	261,981	1,799,216	13,842,272	2,912,740	483,359	1,318,941	35,930,214
2017	16,728,874	329,650	1,874,402	12,814,078	2,803,436	525,059	1,107,029	36,182,527
2018	17,813,396	351,617	1,883,088	12,645,534	2,871,885	535,417	1,546,929	37,647,866



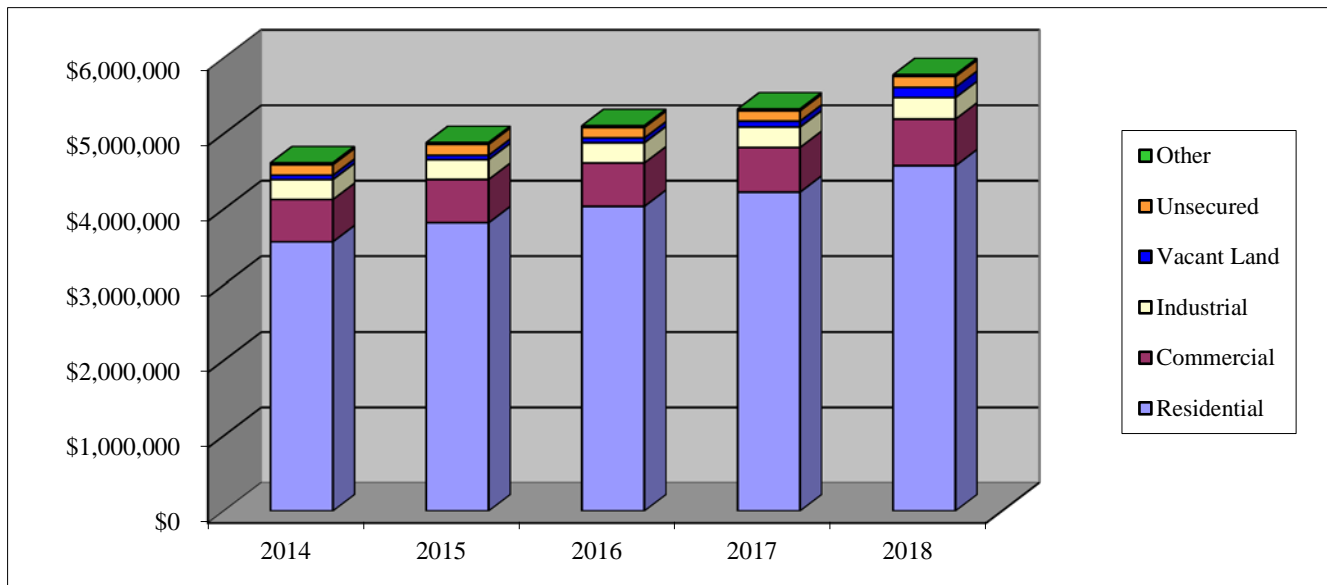
Notes:

As of FY 2012, the decrease in property tax revenue reflects the dissolution of the Santee Community Development Commission and related loss of property tax increment revenue.

Source: City of Santee Finance Department

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

Fiscal Year	Residential	Commercial	Industrial	Vacant Land	Unsecured	Other	Total	Total Direct Tax Rate
2009	\$ 3,561,950	\$ 515,710	\$ 247,445	\$ 121,047	\$ 165,011	\$ 22,870	\$ 4,634,033	0.1795%
2010	3,360,411	544,219	265,789	91,253	164,635	23,634	4,449,941	0.1795%
2011	3,341,134	552,502	268,405	83,098	154,831	23,683	4,423,653	0.1795%
2012	3,436,359	534,663	259,526	79,447	141,332	24,656	4,475,983	0.1795%
2013	3,447,383	549,049	263,455	60,273	138,053	22,911	4,481,124	0.1795%
2014	3,566,552	560,440	263,119	58,748	139,045	22,754	4,610,658	0.1795%
2015	3,818,285	574,896	261,474	59,169	144,163	21,162	4,879,149	0.1795%
2016	4,035,982	575,935	266,134	65,512	138,171	21,584	5,103,318	0.1795%
2017	4,224,067	593,048	269,484	79,809	136,335	21,827	5,324,570	0.1795%
2018	4,573,152	619,187	284,028	137,171	143,176	21,710	5,778,424	0.1795%



Notes:

Exempt values are not included in total.

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

City of Santee
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
City of Santee Direct Rate	<u>0.1795</u> %	<u>0.1795</u> %	<u>0.1795</u> %	<u>0.1795</u> %
Overlapping Rates:				
Santee Elementary School District	0.2201	0.2201	0.2201	0.2201
County of San Diego	0.1997	0.1997	0.1997	0.1997
Grossmont Union High School District	0.1625	0.1625	0.1625	0.1625
Educational Revenue Augmentation Fund	0.1087	0.1087	0.1087	0.1087
Grossmont-Cuyamaca Community College District	0.0616	0.0616	0.0616	0.0616
County Library	0.0269	0.0269	0.0269	0.0269
Padre Dam Municipal Water District	0.0112	0.0112	0.0112	0.0112
Grossmont Healthcare District	0.0105	0.0105	0.0105	0.0105
All Other	<u>0.0193</u>	<u>0.0193</u>	<u>0.0193</u>	<u>0.0193</u>
Total Overlapping Rates	<u>0.8205</u>	<u>0.8205</u>	<u>0.8205</u>	<u>0.8205</u>
Total Direct and Overlapping Rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Voter Approved Rates:				
Santee Elementary School District	0.0281	0.0292	0.0340	0.0331
Grossmont Union High School District	0.0280	0.0587	0.0594	0.0612
Grossmont-Cuyamaca Community College District	0.0226	0.0280	0.0293	0.0308
Metropolitan Water District	0.0043	0.0043	0.0037	0.0037
Grossmont Healthcare District	<u>0.0131</u>	<u>0.0131</u>	<u>0.0132</u>	<u>0.0201</u>
Total Voter Approved Rates	<u>0.0961</u>	<u>0.1333</u>	<u>0.1396</u>	<u>0.1489</u>
Total Tax Rate	<u><u>1.0961</u></u> %	<u><u>1.1333</u></u> %	<u><u>1.1396</u></u> %	<u><u>1.1489</u></u> %

Notes:

The tax rate history above is for Tax Rate Area 016-007 which has the highest total assessed value of all of the tax rate areas in the City of Santee.

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.0% fixed amount. This 1.0% is shared by all taxing agencies in which the subject property resides. In addition to the 1.0% fixed amount, property owners are charged taxes at a percentage of assessed property values for the payment of any voter- approved bonds.

Source: HdL, Coren & Cone

Fiscal Year					
2013	2014	2015	2016	2017	2018
<u>0.1795</u> %	<u>0.1795</u> %	<u>0.1795</u> %	<u>0.1795</u> %	<u>0.1795</u> %	<u>0.1795</u> %
0.2201	0.2201	0.2201	0.2201	0.2201	0.2201
0.1997	0.1997	0.1997	0.1997	0.1997	0.1997
0.1625	0.1625	0.1625	0.1625	0.1625	0.1625
0.1087	0.1087	0.1087	0.1087	0.1087	0.1087
0.0616	0.0616	0.0616	0.0616	0.0616	0.0616
0.0269	0.0269	0.0269	0.0269	0.0269	0.0269
0.0112	0.0112	0.0112	0.0112	0.0112	0.0112
0.0105	0.0105	0.0105	0.0105	0.0105	0.0105
0.0193	0.0193	0.0193	0.0193	0.0193	0.0193
<u>0.8205</u>	<u>0.8205</u>	<u>0.8205</u>	<u>0.8205</u>	<u>0.8205</u>	<u>0.8205</u>
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
0.0339	0.0341	0.0332	0.0328	0.0397	0.0371
0.0610	0.0617	0.0612	0.0605	0.0572	0.0661
0.0317	0.0475	0.0465	0.0454	0.0401	0.0467
0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
0.0200	0.0200	0.0200	0.0235	0.0235	0.0235
<u>0.1501</u>	<u>0.1668</u>	<u>0.1644</u>	<u>0.1657</u>	<u>0.1640</u>	<u>0.1770</u>
<u>1.1501</u> %	<u>1.1668</u> %	<u>1.1644</u> %	<u>1.1657</u> %	<u>1.1640</u> %	<u>1.1771</u> %

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Parc One LP	\$ 56,327,000	1	0.97%	\$ -	-	-
Vestar Kimco Santee LP	49,349,538	2	0.85%	43,574,750	1	0.94%
Santee Partners LP	31,684,962	3	0.55%	26,574,210	2	0.57%
Pardee Homes	30,693,743	4	0.53%	-	-	-
LLJ Stratford Somerset LLC	29,532,141	5	0.51%	-	-	-
Walmart Stores LP	29,514,526	6	0.51%	-	-	-
HCA Arbors Apartments LP	29,311,052	7	0.51%	-	-	-
Union City Investments LLC	28,085,698	8	0.49%	-	-	-
M H C Meadowbrook LP	21,919,898	9	0.38%	-	-	-
Santee Retail LP	21,683,863	10	0.38%	-	-	-
MB BP Portfolio LLC	-	-	-	24,719,292	5	0.53%
Pacific Castle Santee LP	-	-	-	23,694,804	6	0.51%
M H C Financing LP Two	-	-	-	19,455,803	7	0.42%
Cox Communications San Diego	-	-	-	19,341,796	8	0.42%
Standard Pacific Corporation	-	-	-	19,302,845	9	0.42%
M S Rialto Sky Ranch California LLC	-	-	-	18,441,748	10	0.40%
Walmart Stores East LP	-	-	-	26,560,844	3	0.57%
HCA Arbors Apartments LLC	-	-	-	25,844,768	4	0.56%
	<u>\$ 328,102,421</u>		<u>5.68%</u>	<u>\$ 247,510,860</u>		<u>5.34%</u>

Source: HdL, Coren & Cone

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

Fiscal Year Ended June 30,	Within the Year of Levy			Collections From Prior Years Levies	Total Collections To Date	Total Collections as a Percent of Levy
	Current Secured Tax Levy	Current Secured Collected	Percent of Levy Collected			
2009	\$20,648,960	\$18,921,417	91.6%	\$ 760,598	\$19,682,015	95.32%
2010	20,688,236	18,949,178	91.6%	777,368	19,726,546	95.35%
2011	20,065,820	18,449,152	91.9%	680,468	19,129,620	95.33%
2012	10,552,974	9,666,064	91.6%	205,818	9,871,882	93.55%
2013	8,929,356	8,317,613	93.1%	176,644	8,494,257	95.13%
2014	9,224,570	8,617,190	93.4%	150,748	8,767,938	95.05%
2015	9,533,083	9,008,105	94.5%	128,092	9,136,197	95.84%
2016	9,962,492	9,475,433	95.1%	120,366	9,595,799	96.32%
2017	10,370,213	10,102,957	97.4%	115,710	10,218,667	98.54%
2018	10,988,905	10,514,034	95.7%	125,684	10,639,718	96.82%

Notes:

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

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

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

Fiscal Year Ended June 30,	Governmental Activities						Debt Per Capita ⁽²⁾
	Tax Allocation Bonds ⁽¹⁾	Lease Revenue Bonds	Notes & Loans	Capital Lease Obligations	Total Governmental Activities	Percentage of Personal Income ⁽²⁾	
2009	\$21,780,000	\$1,650,000	\$ 381,883	\$ -	\$23,811,883	0.99%	\$ 455
2010	21,255,000	1,505,000	4,334,133	500,998	27,595,131	1.22%	521
2011	52,270,000	1,360,000	3,913,515	471,832	58,015,347	2.46%	1,086
2012	-	1,210,000	6,792,181	405,966	8,408,147	0.34%	155
2013	-	1,055,000	8,441,947	453,284	9,950,231	0.38%	183
2014	-	895,000	7,965,871	1,208,766	10,069,637	0.37%	183
2015	-	730,000	13,165,251	970,128	14,865,379	0.50%	267
2016	-	555,000	12,450,459	2,458,347	15,463,806	0.51%	273
2017	-	375,000	11,733,103	2,085,210	14,193,313	0.45%	250
2018	-	190,000	10,998,851	1,741,324	12,930,175	0.42%	229

Notes:

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

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

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

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

Fiscal Year Ended June 30,	Outstanding General Bonded Debt			Percent of Assessed Value ⁽³⁾	Debt Per Capita
	Tax Allocation Bonds ⁽¹⁾	Lease Revenue Bonds ⁽²⁾	Total		
2009	\$ 21,780,000	\$ 1,650,000	\$ 23,430,000	0.51%	\$ 447
2010	21,255,000	1,505,000	22,760,000	0.51%	430
2011	52,270,000	1,360,000	53,630,000	1.21%	1,004
2012	-	1,210,000	1,210,000	0.03%	22
2013	-	1,055,000	1,055,000	0.02%	19
2014	-	895,000	895,000	0.02%	16
2015	-	730,000	730,000	0.01%	13
2016	-	555,000	555,000	0.01%	10
2017	-	375,000	375,000	0.01%	7
2018	-	190,000	190,000	0.00%	3

Notes:

General bonded debt is debt payable with governmental fund resources.

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

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

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



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**City of Santee
Direct and Overlapping Debt
June 30, 2018**

Total Assessed Valuation		<u>\$5,778,423,019</u>	
	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/18	Estimated Share of Overlapping Debt
OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES			
Grossmont-Cuyamaca Community College District	12.0290%	\$ 221,660,377	\$ 26,663,527
Palomar Community College District	0.0002%	627,826,320	1,256
Grossmont Union High School District	12.3270%	550,714,538	67,886,581
Poway Unified School District Facilities Improvement Districts	0.0010%	316,735,703	3,167
Lakeside Union School District	0.2980%	38,114,179	113,580
Santee School District	90.8170%	53,035,308	48,165,076
Metropolitan Water District	0.2090%	60,600,000	126,654
Grossmont Healthcare District	11.3120%	<u>261,328,330</u>	<u>29,561,461</u>
Total Overlapping Debt Repaid with Property Taxes		<u>2,130,014,755</u>	<u>172,521,302</u>
OVERLAPPING OTHER DEBT			
San Diego County General Fund Obligations	1.1650%	273,220,000	3,183,013
San Diego County Pension Obligations	1.1650%	558,525,000	6,506,816
San Diego County Superintendent of Schools Obligations	1.1650%	10,785,000	125,645
Grossmont Cuyamaca Community College Dist. Gen. Fd. Obligation	12.0290%	610,000	73,377
Palomar Community College District General Fund Obligations	0.0002%	2,720,000	5
Poway Unified School District General Fund Obligations	0.0004%	61,718,869	247
Santee School District Certificates of Participation	90.8170%	<u>29,929,849</u>	<u>27,181,391</u>
Total Overlapping Other Debt		<u>937,508,718</u>	<u>37,070,495</u>
Total Overlapping Debt		<u>\$3,067,523,473</u>	209,591,797
City Direct Debt			12,930,175
Overlapping Tax Increment Debt (Successor Agency)			<u>42,580,000</u>
Total Direct and Overlapping Debt			<u>\$ 265,101,972</u>

Notes:

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

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

Source: Avenu Insights & Analytics
HdL, Coren & Cone

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

	Fiscal Year			
	2009	2010	2011	2012
Assessed Valuation	\$ 4,634,033	\$ 4,449,941	\$ 4,423,653	\$ 4,475,983
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	1,158,508	1,112,485	1,105,913	1,118,996
Debt Limit Percentage	15%	15%	15%	15%
Debt Limit	173,776	166,873	165,887	167,849
Total Net Debt Applicable to Limit: General Obligation Bonds	-	-	-	-
Legal Debt Margin	<u>\$ 173,776</u>	<u>\$ 166,873</u>	<u>\$ 165,887</u>	<u>\$ 167,849</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0.0%	0.0%	0.0%	0.0%

Notes:

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

Sources: HdL, Coren & Cone
San Diego County Assessor

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 4,481,124	\$ 4,610,658	\$ 4,879,149	\$ 5,103,318	\$ 5,324,570	\$ 5,778,424
25%	25%	25%	25%	25%	25%
1,120,281	1,152,665	1,219,787	1,275,830	1,331,143	1,444,606
15%	15%	15%	15%	15%	15%
168,042	172,900	182,968	191,374	199,671	216,691
-	-	-	-	-	-
<u>\$ 168,042</u>	<u>\$ 172,900</u>	<u>\$ 182,968</u>	<u>\$ 191,374</u>	<u>\$ 199,671</u>	<u>\$ 216,691</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30,	Tax Allocation Bonds			
	Tax Revenues	Debt Service		Coverage
		Principal	Interest	
2009	\$ 6,337,623	\$ 515,000	\$ 922,112	4.41
2010	6,779,176	525,000	908,462	4.73
2011	6,374,690	540,000	893,471	4.45
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-

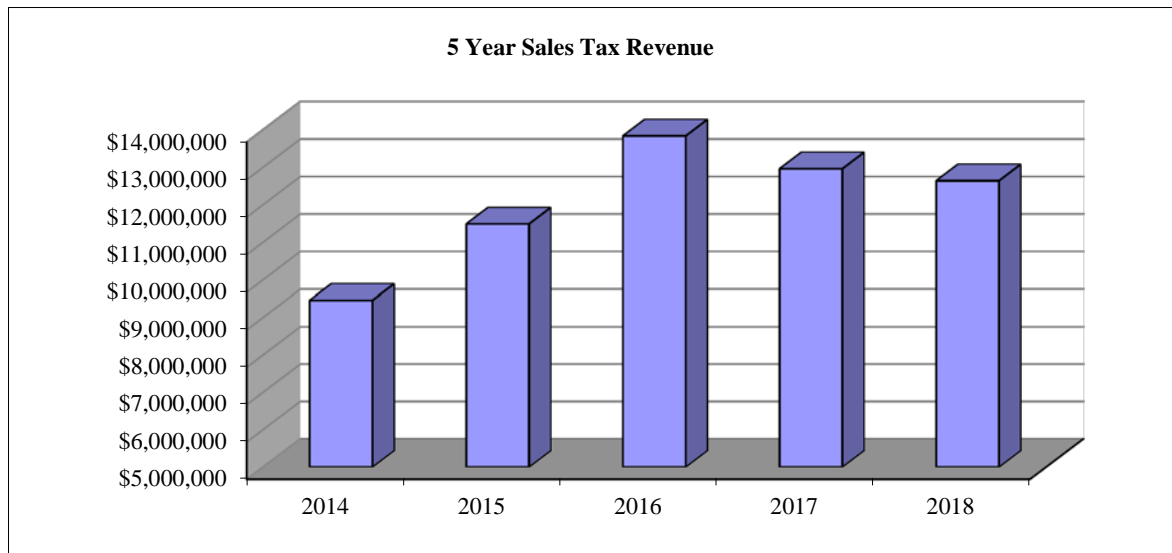
Note:

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

**City of Santee
Top 25 Principal Sales Tax Producers
Fiscal Year Ended June 30, 2018**

Firm	Business Description
7 Eleven	Service Stations
AT&T Mobility	Electronics/Appliance Stores
Bed Bath & Beyond	Home Furnishings
Best Buy	Electronics/Appliance Stores
Chevron	Service Stations
Consolidated Electrical Distributors	Plumbing/Electrical Supplies
Costco	Discount Dept Stores
El Cajon Ford Used Cars	Used Automotive Dealers
GTM Wholesale Liquitadors	Variety Stores
HD Supply	Building Materials
Home Depot	Building Materials
Kalasho KP Mart	Service Stations
Kohls	Department Stores
Lowe's	Building Materials
Old Navy	Family Apparel
Phils BBQ	Fast-Casual Restaurants
Rayo Wholesale Floor	Contractors
RCP Block & Brick	Contractors
Ross	Family Apparel
Sharp Electronics	Office Equipment
Target	Discount Dept Stores
TJ Maxx	Family Apparel
USA Gasoline	Service Stations
Vons	Grocery Stores
Walmart	Discount Dept Stores

Percent of fiscal year total paid by top 25 accounts = 68.29%



Sources: HdL, Coren & Cone
State Board of Equalization
City of Santee Finance Department

City of Santee
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (¹)	Personal Income (in millions) (²)	Per Capita Personal Income (²)	Unemployment Rate (³)
2008	52,367	\$ 2,397	\$ 45,788	5.0%
2009	52,963	2,261	42,705	7.9%
2010	53,413	2,354	44,075	10.5%
2011	54,102	2,490	45,960	10.1%
2012	54,384	2,621	47,792	8.9%
2013	55,110	2,758	49,385	7.7%
2014	55,658	2,946	52,150	6.3%
2015	56,653	3,034	53,544	5.1%
2016	56,725	3,125	54,976	4.6%
2017	56,434	3,063	54,772	3.6%

Sources:

- (¹) State Department of Finance and San Diego Association of Governments
- (²) U.S. Bureau of Economic Analysis, Bureau of Labor Statistics, American Community Survey and San Diego Association of Governments
- (³) State of California Employment Development Department and San Diego Association of Governments

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

Employer	2018			2009		
	Number of Employees	Rank	Percent of Total Employment ⁽¹⁾	Number of Employees	Rank	Percent of Total Employment
Santee Elementary School District	795	1	2.70%	723	1	2.76%
Las Colinas Detention Facility	452	2	1.54%	-	-	-
HD Supply	420	3	1.43%	-	-	-
Sheriff's Department	348	4	1.18%	-	-	-
Costco Wholesale	330	5	1.12%	235	5	0.90%
Edgemoor Skilled Nursing Facility	307	6	1.04%	350	3	1.33%
Walmart	285	7	0.97%	275	4	1.05%
Grossmont Union High School District	239	8	0.81%	188	9	0.72%
T C Construction Co. Inc	228	9	0.78%	-	-	-
Scantibodies Laboratory	225	10	0.77%	215	6	0.82%
Hartford Financial Services	-	-	-	520	2	1.98%
Home Depot	-	-	-	200	7	0.76%
Target	-	-	-	190	8	0.72%
Lowe's	-	-	-	172	10	0.66%
Total	3,629		12.34%	3,068		11.70%

Notes:

This schedule presents data for the ten principal employers as of June 30, 2018 and June 30, 2009.

⁽¹⁾ Total employment of all employers located within City limits as provided by EDD Labor Force Data.
Total Labor Force FY 2018: 29,400

Source: Avenu Insights & Analytics

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

Function	Full-Time Employees as of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	24.75	23.75	23.75	26.05	26.05	26.05	26.30	28.30	28.30	28.30
Public Safety	63.40	60.40	60.40	54.00	54.00	58.00	58.60	58.60	57.60	57.60
Public Works	25.35	22.15	21.65	30.20	29.70	29.70	33.20	35.20	35.20	35.20
Community Development	16.35	17.00	16.50	-	-	-	-	-	-	-
Parks and Recreation	7.55	6.35	6.35	7.00	7.00	7.00	6.00	6.00	6.00	6.00
Total	<u>137.40</u>	<u>129.65</u>	<u>128.65</u>	<u>117.25</u>	<u>116.75</u>	<u>120.75</u>	<u>124.10</u>	<u>128.10</u>	<u>127.10</u>	<u>127.10</u>

Source: City of Santee

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
DEVELOPMENT SERVICES										
Building Permits Issued	752	752	868	938	909	952	1,516	1,826	1,634	1,922
Building Inspections Completed	9,470	5,755	5,310	4,347	4,661	6,946	5,388	6,084	9,838	7,889
Development Applications Processed	121	78	99	161	151	111	113	158	129	97
Street Resurfacing (miles) ⁽¹⁾	23.8	5.9	4.7	5.9	9.9	1.1	6.7	41.8	-	9.6
COMMUNITY SERVICES										
Number of Recreation Classes Offered	350	419	269	202	347	333	367	403	366	410
Number of Recreation Class Participants	2,719	3,454	2,141	1,912	1,859	1,711	1,434	1,811	1,369	1,580
Attendance at City-Wide Special Events	29,250	29,230	30,050	30,509	35,599	43,450	48,000	62,096	73,194	71,800
Number of Facility Rentals	645	836	1,016	983	1,302	1,287	1,350	1,422	1,349	1,392
FIRE										
Emergency Responses	4,670	4,764	4,944	4,722	4,967	4,824	5,060	5,812	5,904	6,213
Fire Prevention & Safety Inspections ⁽²⁾	488	449	525	730	572	543	325	235	182	176
SHERIFF										
Arrests	2,243	2,036	1,889	1,999	2,059	2,398	1,861	1,694	2,033	2,719
Parking Citations Issued	1,798	1,282	1,367	937	920	685	699	489	680	798
Traffic Citations Issued	4,486	5,085	4,244	2,916	3,504	2,129	2,165	1,238	2,552	2,421
Calls for Service	18,353	19,034	19,974	20,591	21,667	20,376	20,686	19,744	16,255	16,645

⁽¹⁾ Street resurfacing projects were in process during FY 2017 and were completed in early FY 2018.

⁽²⁾ Number of Fire Prevention & Safety Inspections for FY 2017 is an estimate, actual data not available due to reporting software issues.

Source: City of Santee

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FIRE										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Apparatus	6	6	6	6	6	6	6	7	7	7
Paramedic Vehicles	4	4	4	4	4	4	4	4	5	5
PUBLIC WORKS										
Streets (lane miles)	114.22	114.22	114.56	114.56	115.32	115.32	115.32	121.42	121.42	121.42
Street Lights	2,747	2,799	2,800	3,171	3,070	3,070	3,207	3,244	3,316	3,335
Traffic Signals	56	56	57	57	57	57	58	59	60	61
PARKS & RECREATION										
Parks	7	8	8	8	8	8	8	9	9	9

Source: City of Santee