

**CITY OF ESCALON**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2013**

# CITY OF ESCALON, CALIFORNIA

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# CITY OF ESCALON CALIFORNIA

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## INDEPENDENT AUDITOR'S REPORT

To The City Council  
City of Escalon  
State Of California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escalon, State of California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## **Opinions**

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

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escalon, State of California's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory section has 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.

*Clendenin Bird & Company, PC*  
CLENDENIN BIRD & COMPANY, PC

Modesto, California  
October 23, 2013

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

This discussion and analysis of the City of Escalon's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. The City's financial statements for the fiscal year ended June 30, 2013 are presented in accordance with GASB-34. Please read Management's Discussion and Analysis in conjunction with the City's financial statements, notes and supplementary schedules.

**FINANCIAL HIGHLIGHTS**

- The City's governmental activities total assets exceeded liabilities (net assets) at the close of the fiscal year by \$36.1 million. Of this amount, \$2.1 million is in unrestricted net assets, which is available to meet the City's ongoing financial obligations. The net assets of the business-type activities exceeded liabilities (net assets) by \$19.0 million.
- In the City's governmental activities, general and program revenues exceeded expenditures by \$1.6 million. A large portion of the excess revenues were used for capital improvement projects not included in governmental activities. City program expenses totaled \$3.8 million for 2013. Public Safety costs comprised \$2.0 million or 53% of this amount.
- In the City's business-type activities, expenditures exceeded revenues by \$.12 million.
- The City's General Fund ended the year with a fund balance of \$2,171,957 a decrease of \$206,135 from the previous year. Revenues were \$114,758 more than budgeted. Expenditures were \$344,893 less than budgeted. The decrease to the fund balance is primarily due to the contribution to the Debt Service for the Civic Center.
- The City's governmental activities debt decreased by \$239,779 during the current fiscal year. The City's business-type activities debt decreased by \$247,724.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. These statements include all activities of the City of Escalon using the integrated approach as prescribed by GASB Statement No. 34. The government-wide Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements show how City services are financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**REPORTING THE CITY AS A WHOLE**

**Government-wide financial statements.** The government-wide financial statements report information about the City as a whole, providing readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the accrual basis of

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

accounting, which is similar to the accounting method used by most private sector companies. All the current year's revenues and expenses are taken into account in the statement of activities regardless of when cash is received or paid.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as one indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed in the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs. Therefore, revenues and expenses are reported on this statement for some items that will result in cash flows in future fiscal periods.

- Over time, increases or decreases in the City's net assets can be an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities include police, public works, community development (building and planning), grants and special programs, and general government. Sales tax, property tax, vehicle license fees, transient occupancy tax, user fees, franchise fees, and federal and state grants finance these activities.
- Business-type activities include fees charged to customers to help to cover the costs of certain services it provides. The City's water, sewer, and storm systems and as well as the City's Dial-a-Ride transit program are included here.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements.** The fund financial statements provide detailed information about the City's most significant *funds* – not the City as a whole. 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. Some funds are required to be established by State law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other resources.

*Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial resources that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The differences of results in the governmental funds financial statements to those in the government-wide financial statement are shown in reconciliations following the governmental funds financial statements.

*Propriety funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net assets** As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. Below is a table showing the City's net assets as of June 30, 2013.

<b>City of Escalon</b>							
<b>Net Assets as June 30, 2013</b>							
(In Millions)							
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>				<b>% Chg</b>
	2012	2013	2012	2013	2012	2013	2013
<b>Cash and Investments</b>	6.6	7.1	3.9	4.0	10.5	11.0	5.0%
<b>Other Assets</b>	0.3	0.3	0.05	0.06	0.4	0.4	13.3%
<b>Capital Assets</b>	33.3	34.3	16.7	16.3	50.0	50.6	1.2%
<b>TOTAL ASSETS</b>	40.2	41.7	20.7	20.3	60.9	62.0	2.0%
<b>Long-term Liabilities outstanding</b>	5.2	4.9	1.4	1.2	6.6	6.2	-6.7%
<b>Other Liabilities</b>	0.5	0.6	0.16	0.16	0.7	0.8	16.6%
<b>TOTAL LIABILITIES</b>	5.7	5.5	1.6	1.4	7.3	6.9	-4.5%
<b>Net Assets:</b>							
<b>Invested in capital assets, net of</b>							
<b>Related debt</b>	28.1	29.4	15.2	15.1	43.3	44.5	2.7%
<b>Restricted</b>	4.2	4.6	0.0	0.0	4.2	4.6	10.0%
<b>Unrestricted</b>	2.3	2.2	3.8	3.9	6.1	6.0	-1.1%
<b>TOTAL NET ASSETS</b>	34.6	36.2	19.0	18.9	53.6	55.1	2.8%

Some columns may not total due to rounding

Of the total net assets for both Governmental and Propriety activities, \$44.5 million is the City's investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure) less any related debt used to acquire those assets which is still outstanding.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

Restricted net assets amount to \$4.6 million. Restricted net assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.

Unrestricted net assets are those resources which may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net assets are \$2.2 million.

**Governmental Activities** Total governmental revenues exceeded expenditures by \$1.6 million. Governmental activities ended the year with Net Assets of \$36.2 million, an increase of 5%.

**Business-type Activities** Expenditures of the City's business-type activities exceeded revenues by \$0.12 million. Business-type activities ended the year with Net Assets of \$18.9 million, a decrease of less than 1%.

Below is a table showing the governmental and proprietary activities of the City for the year ended June 30, 2013.

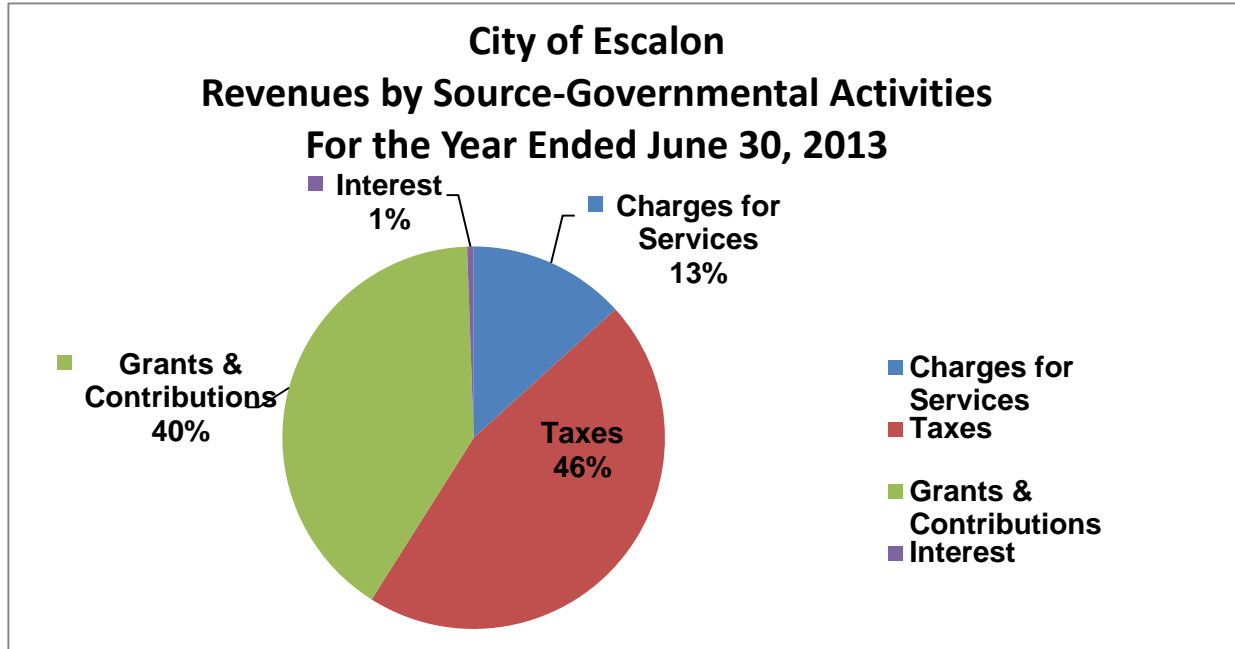
**Governmental and Proprietary Activities  
For Fiscal Year Ending June 30, 2013  
(In Millions)**

	Governmental Activities		Business-type Activities		Total		Total % Chg
	2012	2013	2012	2013	2012	2013	2013
<b>REVENUES</b>							
<b>Program Revenues</b>							
Charges for Services	0.5	0.7	2.3	2.4	2.8	3.1	10.1%
Grants and contributions	0.9	2.2	0.3	0.2	1.2	2.4	98.4%
<b>General Revenues</b>							
Taxes	2.5	2.5	0.0	0.0	2.5	2.5	-2.0%
Interest	0.04	0.03	0.01	0.01	0.05	0.04	-21.0%
Other							
<b>Total Revenues</b>	<b>4.0</b>	<b>5.4</b>	<b>2.6</b>	<b>2.6</b>	<b>6.6</b>	<b>8.0</b>	<b>21.2%</b>
<b>EXPENSES</b>							
Governmental activities	4.3	3.8			4.3	3.8	-11.7%
Business-type activities			2.5	2.7	2.5	2.7	5.7%
<b>Total Expenses</b>	<b>4.3</b>	<b>3.8</b>	<b>2.5</b>	<b>2.7</b>	<b>6.9</b>	<b>6.5</b>	<b>-5.3%</b>
<b>TRANSFERS</b>							
	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Increase in net assets</b>	<b>-0.3</b>	<b>1.6</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.3</b>	<b>1.5</b>	<b>642.8%</b>
<b>Beginning net assets</b>	<b>34.9</b>	<b>34.6</b>	<b>19.0</b>	<b>19.0</b>	<b>53.9</b>	<b>53.6</b>	<b>-0.6%</b>
<b>Ending net assets</b>	<b>34.6</b>	<b>36.2</b>	<b>19.1</b>	<b>18.9</b>	<b>53.6</b>	<b>55.1</b>	<b>0.0</b>

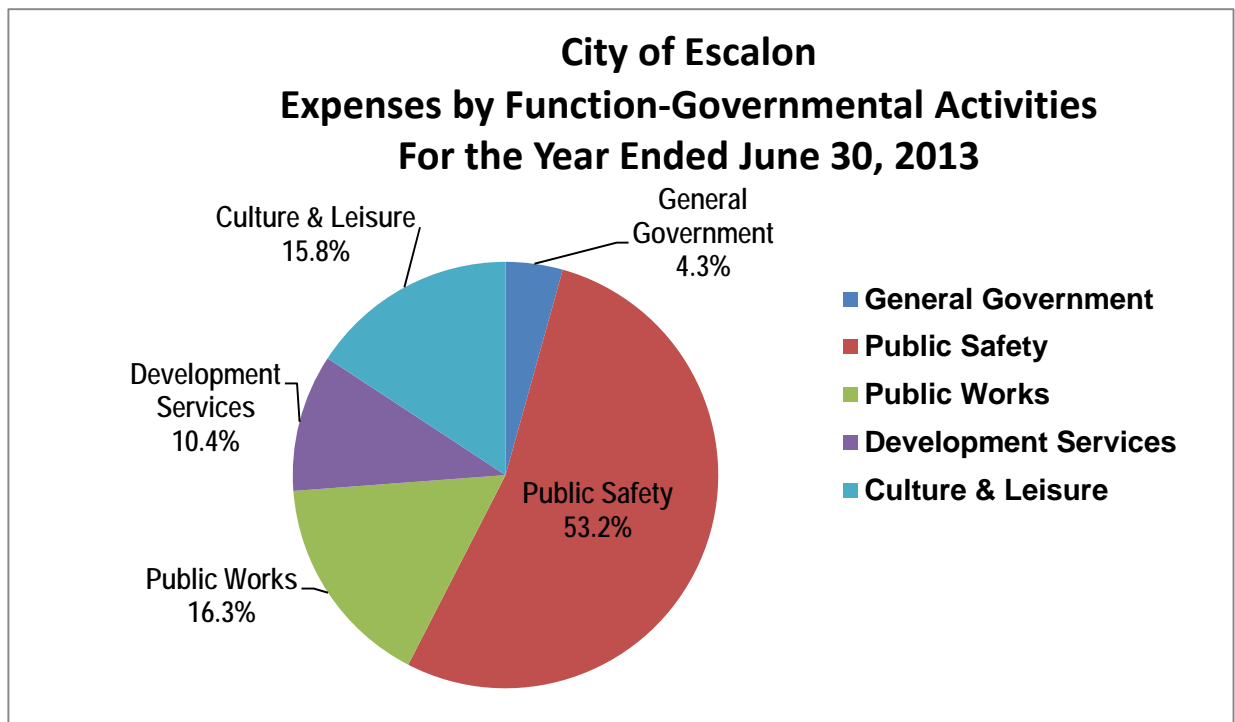
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**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

Total governmental revenues for the year were \$5.5 million. Sales, property and other tax revenue comprise 46.0% of the total revenues. There was an increase in the Grants & Contributions primarily due to funding for capital improvement projects.



Total governmental expenses for the year were \$3.8 million. Public Safety accounts for \$2.0 million or 53.2% of the total governmental activities expenses. Expenses by function or program for governmental activities are shown in the graph below.



**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds ended the year with a combined fund balance of \$6.8 million. Of the total combined fund balance, \$6.0 million or 89% is unreserved and is available for spending at the City's discretion within the limitations of the fund's purpose. Major fund balance changes are noted below:

- General Fund revenues remained stable at \$2.8 million which is slightly lower than the previous fiscal year. Included in the \$2.8 million is \$70,000.00 of building and planning fees that were not included in the budget. The City has experienced a decline in the property tax the fiscal year of 3.4%.
- General Fund expenditures exceeded revenues by \$.02 million which is a decrease of 96% from the previous fiscal year.
- General Fund expenditures totaled \$2.8 million; this is a decrease of 14% from the previous fiscal year. The decrease was largely due to unanticipated engineering credits from capital improvements projects and decline in staffing.
- Public Safety costs were \$1.9 million or 67% of total General Fund expenditures.
- Significant revenue of other non-major governmental funds is comprised of gasoline tax, local transportation funds, and mitigation fees for capital projects and recreation fees.

**General Fund Budgetary Highlights.**

The City's General Fund revenues of \$2,780,748 were \$114,758 more than the final budgeted revenues of \$2,665,990.

The General Fund expenditures of \$2,806,190 were \$344,893 less than the final budget of \$3,151,083. Contributing factors were Public Safety actual expenditures were \$138,941 less than budgeted. Development Services actual expenditures were \$117,822 less than budgeted and Culture and Leisure actual expenditures were \$65,820 less than budgeted.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**CAPITAL AND DEBT ADMINISTRATION**

**Capital Assets** As of June 30, 2013, the City's Governmental Funds had \$34.3 million and the Business-type activities had \$16.3 million invested in a broad range of capital assets including land, construction in progress, building, equipment and infrastructure.

**Capital Assets  
As of June 30, 2013  
(In millions)**

	Governmental Activities		Business-type Activities		Total		Total % Chg
	2012	2013	2012	2013	2012	2013	2013
<b>Land</b>	9.8	10.2	4.5	4.5	14.3	14.7	2.80%
<b>Infrastructure</b>	17.2	19.3	15.8	15.8	33.0	35.1	6.35%
<b>Construction in Progress</b>	2.3	0.2	0.0	0.0	2.3	0.2	-90.87%
<b>Buildings and Improvements</b>	11.2	12.6	1.4	1.4	12.6	14.0	10.86%
<b>Equipment</b>	1.7	1.8	1.2	1.3	2.9	3.1	5.54%
<b>Accumulated Depreciation</b>	-8.9	-9.7	-6.2	-6.7	-15.1	-16.4	8.54%
<b>TOTAL CAPITAL ASSETS</b>	<b>33.3</b>	<b>34.3</b>	<b>16.7</b>	<b>16.3</b>	<b>50.0</b>	<b>50.6</b>	<b>1.29%</b>

Major capital asset additions during fiscal year 2013 include:

- *Completion of the McHenry Widening project*
- *Purchase of parcel – Third Street*

**Long-term Debt** At year end, the City's governmental activities had \$4,940,044 in long-term debt and \$128,885 in compensated absences. The City did not issue any new debt during the year.

Business-type activities, at year end, had \$1,220,470 in outstanding long-term debt and \$31,238 in compensated absences. The City did not issue any new debt during the year.

**Long-Term Debt  
June 30, 2013  
(In millions)**

	Governmental Activities		Business-type Activities		Total		Total % Chg
	2012	2013	2012	2013	2012	2013	2013
<b>Refunding Lease</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
<b>Notes Payable</b>	5.20	4.94	0.81	0.59	6.01	5.53	-8.11%
<b>Revenue Bonds</b>	0.00	0.00	0.65	0.64	0.65	0.64	-2.31%
<b>Compensated Absences</b>	0.16	0.13	0.03	0.03	0.19	0.16	-15.14%
<b>TOTAL</b>	<b>5.36</b>	<b>5.07</b>	<b>1.49</b>	<b>1.25</b>	<b>7.30</b>	<b>6.32</b>	<b>-13.42%</b>

Some columns may not total due to rounding

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013**

The City's long-term liabilities, except for compensated absences, relate to the acquisition and construction/remodel of capital assets. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for 2013-2014, City management looked at the following factors:

**REVENUE**

- An increase of 1% in Property Tax revenues from FY 12-13 mid-year adopted budget.
- An increase of 1% in Sales tax revenues from FY 12-13 Mid-year adopted budget.
- A slight increase in construction permits & planning fees of \$14,500
- A decrease of \$7,000 in the Recreation Department due to the elimination of the City running the snack bar and fireworks booth.

**EXPENDITURES**

- An increase of \$26,722 in Public Employee Retirement System (PERS) costs.
- Continuation of a conservative approach when apply administrative charges to the Capital Improvement Projects.
- A decrease of \$87,000 in employee salary and benefit cost with a Senior Sergeant as Acting Police Chief and the back fill of a vacant Sergeant.
- A decrease of \$90,000 with the elimination of a City Clerk/HR Administrator position.
- A decrease of \$53,000 with the reorganization of positions within the Recreation Department.

For fiscal year 2013-2014, the City's general fund operating revenues are projected to decrease by \$24,768 or .8%. General fund operating expenditures are budgeted to decrease by \$148,351 or 4.7%. Total operational budgeted revenues and expenses for the fiscal year are budgeted at \$2.9 and \$2.9 million, respectively. Due to the continuing economic uncertainty surrounding the State of California's financial condition, the City management has taken a position of conservative revenue projection while maintaining existing departmental spending limits.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Escalon's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Director, City of Escalon, 2060 McHenry Ave., Escalon, California 95320.

**CITY OF ESCALON**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2013**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<u>Primary Government</u>		<u>Totals</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Proprietary</u> <u>Activities</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>				
Cash And Investments	6,204,105	3,654,784	9,858,889	9,761,022
Accounts Receivable	850,261	321,070	1,171,331	786,391
Loans Receivable	253,657	6,895	260,552	267,343
Bond Issue Cost	55,536	54,603	110,139	118,486
Prepaid Expenses	18,718	0	18,718	12,053
Capital Assets (Net Of Accumulated Depreciation):				
Land	10,165,042	4,466,605	14,631,647	14,249,405
Construction In Progress	210,044	0	210,044	2,267,708
Buildings And Improvements	10,572,868	10,388,972	20,961,840	20,126,733
Equipment And Vehicles	394,040	927,740	1,321,780	1,408,840
Infrastructure	12,982,276	512,409	13,494,685	11,913,529
Total Assets	<u>41,706,547</u>	<u>20,333,078</u>	<u>62,039,625</u>	<u>60,911,510</u>
<b>LIABILITIES</b>				
Accounts Payable And Other	398,873	86,876	485,749	343,912
Current Liabilities	75,452	45,754	121,206	111,143
Compensated Absences	128,885	31,238	160,123	187,213
Long-Term Liabilities:				
Due Within One Year	250,145	169,079	419,224	487,503
Due In More Than One Year	4,689,899	1,051,391	5,741,290	6,160,513
Total Liabilities	<u>5,543,254</u>	<u>1,384,338</u>	<u>6,927,592</u>	<u>7,290,284</u>
<b>NET ASSETS</b>				
Invested In Capital Assets				
Net Of Related Debt	29,384,226	15,075,256	44,459,482	43,318,200
Restricted For:				
Capital Projects	5,125,645	0	5,125,645	4,608,992
Community Development Projects	( 445,186)	0	( 445,186)	( 413,883)
Debt Service	0	0	0	0
Unrestricted	2,098,608	3,873,484	5,972,092	6,107,917
Total Net Assets	<u>36,163,293</u>	<u>18,948,740</u>	<u>55,112,033</u>	<u>53,621,226</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

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<b>Functions/Programs</b>	<b>Expenses</b>
<b>Primary Government:</b>	
<b>Governmental Activities:</b>	
General Government	166,273
Public Safety	2,039,977
Public Works	623,171
Community Development	184,263
Culture And Leisure	604,688
Interest on Long-Term Debt	<u>215,000</u>
Total Governmental Activities	<u>3,833,372</u>
<b>Business-Type Activities</b>	
Water Services	886,395
Sewer Services	1,397,949
Storm Drain Services	215,651
Transit Services	<u>184,425</u>
Total Business-Type Activities	<u>2,684,420</u>
Total Primary Government	<u>6,517,792</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue And Changes In Net Assets Primary Government			
Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Proprietary Activities	Total	
					2013	2012
144,753	0	0	( 21,520)	0	( 21,520)	21,770
99,287	192,730	0	( 1,747,960)	0	( 1,747,960)	( 1,847,726)
119,686	0	2,014,169	1,510,684	0	1,510,684	99,262
133,800	0	0	( 50,463)	0	( 50,463)	( 363,850)
226,371	0	0	( 378,317)	0	( 378,317)	( 575,327)
0	0	0	( 215,000)	0	( 215,000)	( 224,937)
<u>723,897</u>	<u>192,730</u>	<u>2,014,169</u>	<u>( 902,576)</u>	<u>0</u>	<u>( 902,576)</u>	<u>( 2,890,808)</u>
1,041,180	0	0	0	154,785	154,785	181,620
1,164,974	0	0	0	( 232,975)	( 232,975)	( 255,039)
178,908	0	0	0	( 36,743)	( 36,743)	( 11,268)
5,930	156,205	0	0	( 22,290)	( 22,290)	128,278
<u>2,390,992</u>	<u>156,205</u>	<u>0</u>	<u>0</u>	<u>( 137,223)</u>	<u>( 137,223)</u>	<u>43,591</u>
<u>3,114,889</u>	<u>348,935</u>	<u>2,014,169</u>	<u>( 902,576)</u>	<u>( 137,223)</u>	<u>( 1,039,799)</u>	<u>( 2,847,217)</u>
<b>General Revenues:</b>						
Taxes:						
Property Tax			1,262,567	0	1,262,567	1,307,047
Sales Tax			779,142	0	779,142	766,916
Motor Vehicle Tax			3,694	0	3,694	3,555
Franchise Tax			237,987	0	237,987	219,324
Other Taxes			205,829	0	205,829	238,550
Investment Earnings			29,597	11,790	41,387	52,479
Transfers			( 13,828)	13,828	0	0
Total General Revenues And Transfers			<u>2,504,988</u>	<u>25,618</u>	<u>2,530,606</u>	<u>2,587,871</u>
Change In Net Assets			1,602,412	( 111,605)	1,490,807	( 259,346)
Net Assets - Beginning			<u>34,560,881</u>	<u>19,060,345</u>	<u>53,621,226</u>	<u>53,880,572</u>
Net Assets - Ending			<u>36,163,293</u>	<u>18,948,740</u>	<u>55,112,033</u>	<u>53,621,226</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<u>General</u>	<u>Measure K</u>	<u>Transportation Mitigation Fund</u>
<b>Assets</b>			
Cash And Investments	1,846,385	261,217	796,203
Accounts Receivable	174,996	565,859	395
Loans Receivable	253,657	0	0
Due From Other Funds	173,783	0	1,404,298
Prepaid Expenses	18,718	0	0
Total Assets	<u>2,467,539</u>	<u>827,076</u>	<u>2,200,896</u>
<b>Liabilities</b>			
Accounts Payable	220,130	60,673	0
Compensated Absences	0	0	0
Due To Other Funds	0	0	0
Loans Payable	0	0	0
Other Liabilities	75,452	0	0
Total Liabilities	<u>295,582</u>	<u>60,673</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable	253,657	0	0
Restricted	0	766,403	2,200,896
Committed	960,072	0	0
Assigned	288,211	0	0
Unassigned	670,017	0	0
Total Fund Balances	<u>2,171,957</u>	<u>766,403</u>	<u>2,200,896</u>
Total Liabilities And Fund Balances	<u>2,467,539</u>	<u>827,076</u>	<u>2,200,896</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Transportation Fund	City Hall Fees Fund	Other Funds	Total Governmental Funds	
			2013	2012
977,813	10,982	2,311,505	6,204,105	6,247,859
54,420	3	54,588	850,261	375,715
0	0	0	253,657	257,785
0	0	4,940,044	6,518,125	6,755,250
0	0	0	18,718	12,053
<u>1,032,233</u>	<u>10,985</u>	<u>7,306,137</u>	<u>13,844,866</u>	<u>13,648,662</u>
0	0	118,070	398,873	250,423
0	0	0	0	0
0	1,303,991	274,090	1,578,081	1,575,428
0	0	4,940,044	4,940,044	5,179,823
0	0	0	75,452	69,787
<u>0</u>	<u>1,303,991</u>	<u>5,332,204</u>	<u>6,992,450</u>	<u>7,075,461</u>
0	0	0	253,657	257,785
1,032,233	0	1,769,145	5,768,677	4,359,479
0	0	384,201	1,344,273	1,065,235
0	0	65,330	353,541	1,930,006
0	( 1,293,006)	( 244,743)	( 867,732)	( 1,039,304)
<u>1,032,233</u>	<u>( 1,293,006)</u>	<u>1,973,933</u>	<u>6,852,416</u>	<u>6,573,201</u>
<u>1,032,233</u>	<u>10,985</u>	<u>7,306,137</u>	<u>13,844,866</u>	<u>13,648,662</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2013**

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Total fund balances - governmental funds 6,852,416

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	10,165,042	
Construction In Progress	210,044	
Infrastrutture net of \$6,345,054 accumulated depreciation	12,982,276	
Buildings and Improvements, net of \$1,995,318 accumulated depreciation	10,572,868	
Equipment and Vehicles, net of \$1,390,919 accumulated depreciation	394,040	
Total capital assets		34,324,270

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

Notes payable	( 4,940,044)	
Compensated absences	( 128,885)	
Total long-term liabilities		( 5,068,929)

Deferred Bond issuance cost are not current assets or financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet 55,536

Total net assets - governmental activities 36,163,293

**CITY OF ESCALON  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<u>General</u>	<u>Measure K</u>	<u>Transportation Mitigation Fund</u>
<b>Revenues</b>			
Property Tax	1,262,567	0	0
Sales Tax	779,142	0	0
Other Tax And Franchises	273,572	0	0
Licenses And Permits	110,504	0	0
Fines And Forfeitures	24,614	0	0
Investment Earnings	18,280	922	1,962
Intergovernmental	8,609	1,798,195	0
Impact Fees	0	0	81,990
Service Charges And Miscellaneous	303,460	0	0
Total Revenues	<u>2,780,748</u>	<u>1,799,117</u>	<u>83,952</u>
<b>Expenditures</b>			
Current			
General Government	4,131	0	0
Public Safety	1,951,791	0	0
Public Works	161,686	0	0
Community Development	99,583	0	0
Culture And Leisure	503,642	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	85,357	1,498,020	0
Total Expenditures	<u>2,806,190</u>	<u>1,498,020</u>	<u>0</u>
Excess (Deficiency) Of Revenues Over Expenditures	( 25,442)	301,097	83,952
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	275,086	0	0
Operating Transfers Out	( 455,779)	0	0
Total Other Financing Sources (Uses)	<u>( 180,693)</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	( 206,135)	301,097	83,952
Fund Balance - Beginning	<u>2,378,092</u>	<u>465,306</u>	<u>2,116,944</u>
Fund Balance- Ending	<u><u>2,171,957</u></u>	<u><u>766,403</u></u>	<u><u>2,200,896</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Transportation Fund	City Hall Fees Fund	Other Funds	Total Governmental Funds	
			2013	2012
0	0	0	1,262,567	1,307,047
0	0	0	779,142	766,916
0	0	0	273,572	255,097
0	0	0	110,504	59,002
0	0	0	24,614	20,673
2,267	9	6,157	29,597	38,774
178,047	0	417,485	2,402,336	1,148,186
0	8,057	139,767	229,814	0
0	0	34,006	337,466	428,300
<u>180,314</u>	<u>8,066</u>	<u>597,415</u>	<u>5,449,612</u>	<u>4,023,995</u>
0	0	0	4,131	0
0	0	43,889	1,995,680	2,086,634
0	0	0	161,686	169,823
0	0	75,451	175,034	417,267
0	0	4,750	508,392	623,004
0	0	239,779	239,779	229,842
0	0	215,000	215,000	224,937
38,291	6,872	228,327	1,856,867	1,808,616
<u>38,291</u>	<u>6,872</u>	<u>807,196</u>	<u>5,156,569</u>	<u>5,560,123</u>
<u>142,023</u>	<u>1,194</u>	<u>( 209,781)</u>	<u>293,043</u>	<u>( 1,536,128)</u>
36,361	0	455,779	767,226	664,652
0	0	( 325,275)	( 781,054)	( 674,060)
<u>36,361</u>	<u>0</u>	<u>130,504</u>	<u>( 13,828)</u>	<u>( 9,408)</u>
178,384	1,194	( 79,277)	279,215	( 1,545,536)
<u>853,849</u>	<u>( 1,294,200)</u>	<u>2,053,210</u>	<u>6,573,201</u>	<u>8,118,737</u>
<u>1,032,233</u>	<u>( 1,293,006)</u>	<u>1,973,933</u>	<u>6,852,416</u>	<u>6,573,201</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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Net change in fund balances - total governmental funds 279,215

The changes in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,856,867) exceeded depreciation (\$799,245) in the current period. 1,057,622

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net assets. 239,779

Bond Issuance Cost Expense ( 3,830)

The recording of accrued compensated absences does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. The liability is included in the statement of activities. 29,628

Changes in net assets of governmental activities 1,602,414

**CITY OF ESCALON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>2013</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2012 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Property Tax	1,328,500	1,272,500	1,262,567	( 9,933)	1,307,047
Sales Tax	765,000	784,000	779,142	( 4,858)	766,916
Other Tax And Franchise Fees	254,800	263,400	273,572	10,172	255,063
Licenses And Permits	62,525	53,850	110,504	56,654	59,002
Intergovernmental	1,750	1,750	8,609	6,859	62,368
Fines And Forfeitures	19,600	19,600	24,614	5,014	20,373
Investment Earnings	23,475	19,975	18,280	( 1,695)	21,743
Service Charges And Miscellaneous	236,990	250,915	303,460	52,545	370,299
<b>Total Revenues</b>	<u>2,692,640</u>	<u>2,665,990</u>	<u>2,780,748</u>	<u>114,758</u>	<u>2,862,811</u>
<b>EXPENDITURES</b>					
General Government	0	0	4,131	4,131	0
Public Safety	2,023,830	2,090,732	1,951,791	( 138,941)	2,058,717
Public Works	181,118	171,692	161,686	( 10,006)	164,825
Community Development	329,734	217,405	99,583	( 117,822)	340,515
Culture And Leisure	572,617	569,462	503,642	( 65,820)	615,867
Capital Outlay	45,000	101,792	85,357	( 16,435)	73,870
<b>Total Expenditures</b>	<u>3,152,299</u>	<u>3,151,083</u>	<u>2,806,190</u>	<u>( 344,893)</u>	<u>3,253,794</u>
Excess (Deficiency) Of Revenues Over Expenditures	( 459,659)	( 485,093)	( 25,442)	459,651	( 390,983)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	263,725	263,725	275,086	11,361	208,873
Transfers Out	0	0	( 455,779)	( 455,779)	( 455,779)
<b>Total Other Financing Sources And (Uses)</b>	<u>263,725</u>	<u>263,725</u>	<u>( 180,693)</u>	<u>( 444,418)</u>	<u>( 246,906)</u>
<b>Net Change In Fund Balance</b>	( 195,934)	( 221,368)	( 206,135)	15,233	( 637,889)
Fund Balance - Beginning	<u>2,377,792</u>	<u>2,377,792</u>	<u>2,377,792</u>	<u>0</u>	<u>3,015,681</u>
Fund Balance - Ending	<u>2,181,858</u>	<u>2,156,424</u>	<u>2,171,657</u>	<u>15,233</u>	<u>2,377,792</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>2013</b>			<b>Variance With Final Budget Over (Under)</b>	<b>2012 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
General Government					
Management And Support	12,000	50,111	58,675	8,564	19,980
Total General Government	<u>12,000</u>	<u>50,111</u>	<u>58,675</u>	<u>8,564</u>	<u>19,980</u>
Public Safety					
Police	1,892,353	1,953,774	1,829,442	( 124,332)	1,944,226
Street Lights	83,962	84,082	75,934	( 8,148)	73,370
Animal Control	80,515	80,661	64,518	( 16,143)	59,815
Weed Abatement	0	12,715	12,710	( 5)	0
Total Public Safety	<u>2,056,830</u>	<u>2,131,232</u>	<u>1,982,604</u>	<u>( 148,628)</u>	<u>2,077,411</u>
Public Works					
Public Works	0	0	0	0	35,196
Street Maintenance (Trees)	41,423	41,423	33,107	( 8,316)	23,561
Street Maintenance	139,695	141,450	128,579	( 12,871)	141,264
Total Public Works	<u>181,118</u>	<u>182,873</u>	<u>161,686</u>	<u>( 21,187)</u>	<u>200,021</u>
Community Development					
Planning	76,112	68,552	55,855	( 12,697)	60,202
Building Regulation	59,067	52,319	47,852	( 4,467)	62,655
Engineering	194,555	96,534	( 4,124)	( 100,658)	217,658
Total Community Development	<u>329,734</u>	<u>217,405</u>	<u>99,583</u>	<u>( 117,822)</u>	<u>340,515</u>
Culture And Leisure					
Parks	153,033	148,338	129,593	( 18,745)	155,083
Recreation	301,182	299,615	263,366	( 36,249)	306,153
Library	46,120	46,638	43,198	( 3,440)	59,647
Community Center	72,282	74,871	67,485	( 7,386)	94,984
Total Culture And Leisure	<u>572,617</u>	<u>569,462</u>	<u>503,642</u>	<u>( 65,820)</u>	<u>615,867</u>
Total General Fund	<u>3,152,299</u>	<u>3,151,083</u>	<u>2,806,190</u>	<u>( 344,893)</u>	<u>3,253,794</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
MEASURE K  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>2013</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	<b>2012 Actual</b>
	<b>Original</b>	<b>Final</b>		<b>With Final Budget Over (Under)</b>	
<b>REVENUES</b>					
Interest Income	800	800	922	122	1,357
Intergovernmental	<u>2,150,000</u>	<u>2,190,000</u>	<u>1,798,195</u>	( <u>391,805</u> )	<u>567,564</u>
Total Revenues	<u>2,150,800</u>	<u>2,190,800</u>	<u>1,799,117</u>	( <u>391,683</u> )	<u>568,921</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Capital Outlay	<u>1,850,000</u>	<u>1,890,000</u>	<u>1,498,020</u>	( <u>391,980</u> )	<u>282,606</u>
Total Expenditures	<u>1,850,000</u>	<u>1,890,000</u>	<u>1,498,020</u>	( <u>391,980</u> )	<u>282,606</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>300,800</u>	<u>300,800</u>	<u>301,097</u>	<u>297</u>	<u>286,315</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	300,800	300,800	301,097	297	286,315
Fund Balance - Beginning	<u>465,306</u>	<u>465,306</u>	<u>465,306</u>	<u>0</u>	<u>178,991</u>
Fund Balance - Ending	<u><u>766,106</u></u>	<u><u>766,106</u></u>	<u><u>766,403</u></u>	<u><u>297</u></u>	<u><u>465,306</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
TRANSPORTATION MITIGATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>2013</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	<b>2012 Actual</b>
	<b>Original</b>	<b>Final</b>		<b>With Final Budget Over (Under)</b>	
<b>REVENUES</b>					
Interest Income	4,500	4,500	1,962	( 2,538)	3,795
Impact Fees	42,115	0	81,990	81,990	0
Total Revenues	<u>46,615</u>	<u>4,500</u>	<u>83,952</u>	<u>79,452</u>	<u>3,795</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Capital Outlay	1,050,000	0	0	0	0
Total Expenditures	<u>1,050,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) Of Revenues Over Expenditures	( 1,003,385)	4,500	83,952	79,452	3,795
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	( 1,003,385)	4,500	83,952	79,452	3,795
Fund Balance - Beginning	<u>2,116,944</u>	<u>2,116,944</u>	<u>2,116,944</u>	<u>0</u>	<u>2,113,149</u>
Fund Balance - Ending	<u>1,113,559</u>	<u>2,121,444</u>	<u>2,200,896</u>	<u>79,452</u>	<u>2,116,944</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>2013</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2012 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	1,500	1,500	2,267	767	2,592
Intergovernmental	123,494	123,494	178,047	54,553	147,049
Miscellaneous Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>124,994</u>	<u>124,994</u>	<u>180,314</u>	<u>55,320</u>	<u>149,641</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Capital Outlay	<u>32,000</u>	<u>39,000</u>	<u>38,291</u>	( <u>709</u> )	<u>9,966</u>
Total Expenditures	<u>32,000</u>	<u>39,000</u>	<u>38,291</u>	( <u>709</u> )	<u>9,966</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>92,994</u>	<u>85,994</u>	<u>142,023</u>	<u>56,029</u>	<u>139,675</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	36,361	36,361	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>36,361</u>	<u>36,361</u>	<u>0</u>
Net Change In Fund Balance	92,994	85,994	178,384	92,390	139,675
Fund Balance - Beginning	<u>853,849</u>	<u>853,849</u>	<u>853,849</u>	<u>0</u>	<u>714,174</u>
Fund Balance - Ending	<u><u>946,843</u></u>	<u><u>939,843</u></u>	<u><u>1,032,233</u></u>	<u><u>92,390</u></u>	<u><u>853,849</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
CITY HALL FEES  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	2013				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2012 Actual
	Original	Final			
<b>REVENUES</b>					
Interest Income	15	15	9 (	6)	1,153
Impact Fees	<u>3,175</u>	<u>0</u>	<u>8,057</u>	<u>8,057</u>	<u>0</u>
Total Revenues	<u>3,190</u>	<u>15</u>	<u>8,066</u>	<u>8,051</u>	<u>1,153</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Capital Outlay	<u>0</u>	<u>7,400</u>	<u>6,872</u>	<u>( 528)</u>	<u>1,292,561</u>
Total Expenditures	<u>0</u>	<u>7,400</u>	<u>6,872</u>	<u>( 528)</u>	<u>1,292,561</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>3,190</u>	<u>( 7,385)</u>	<u>1,194</u>	<u>8,579</u>	<u>(1,291,408)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	3,190	( 7,385)	1,194	8,579	(1,291,408)
Fund Balance - Beginning	(1,294,200)	(1,294,200)	( 1,294,200)	0	( 2,792)
Fund Balance - Ending	<u>(1,291,010)</u>	<u>(1,301,585)</u>	<u>( 1,293,006)</u>	<u>8,579</u>	<u>(1,294,200)</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS**

**JUNE 30, 2013**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>Business-Type Activities-Enterprise Funds</b>					
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Storm Drain Fund</b>	<b>Transit Fund</b>	<b>Totals</b>	
					<b>2013</b>	<b>2012</b>
<b>Assets</b>						
Cash And Investments	1,638,618	1,601,467	391,480	23,219	3,654,784	3,513,163
Accounts Receivable	106,166	155,956	246	58,702	321,070	410,676
Loan Receivable	0	6,895	0	0	6,895	9,558
Fixed Assets	8,196,132	11,289,760	3,210,330	257,372	22,953,594	22,937,901
Accumulated Depreciatio (	3,549,743)	( 2,214,448)	( 834,055)	( 59,622)	( 6,657,868)	( 6,240,201)
Loan Fees	42,500	12,103	0	0	54,603	59,120
Work In Progress	0	0	0	0	0	1,866
Total Assets	<u>6,433,673</u>	<u>10,851,733</u>	<u>2,768,001</u>	<u>279,671</u>	<u>20,333,078</u>	<u>20,692,083</u>
<b>Liabilities</b>						
Accounts Payable	34,383	30,386	2,848	19,259	86,876	93,489
Customer Deposits	0	43,416	0	0	43,416	39,957
Compensated Absences	15,251	11,284	4,703	0	31,238	28,700
Other Liabilities	0	2,338	0	0	2,338	1,399
Loan Payable	635,000	0	0	0	635,000	655,000
Bond Payable	0	585,470	0	0	585,470	813,193
Total Liabilities	<u>684,634</u>	<u>672,894</u>	<u>7,551</u>	<u>19,259</u>	<u>1,384,338</u>	<u>1,631,738</u>
<b>Net Assets</b>						
Invested In Capital Assets,						
Net Of Related Debt	4,011,389	8,489,842	2,376,275	197,750	15,075,256	15,231,373
Restricted For Debt Serv.	0	0	0	0	0	0
Unrestricted	<u>1,737,650</u>	<u>1,688,997</u>	<u>384,175</u>	<u>62,662</u>	<u>3,873,484</u>	<u>3,828,972</u>
Total Net Assets	<u>5,749,039</u>	<u>10,178,839</u>	<u>2,760,450</u>	<u>260,412</u>	<u>18,948,740</u>	<u>19,060,345</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2013  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>Business-Type Activities-Enterprise Funds</b>					
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Storm</b>		<b>Totals</b>	
			<b>Drain Fund</b>	<b>Transit Fund</b>	<b>2013</b>	<b>2012</b>
<b>Operating Revenues</b>						
Service Charges	1,074,539	952,602	178,908	5,930	2,211,979	2,158,937
Intergovernmental	0	0	0	156,205	156,205	255,163
Miscellaneous Revenues	58,538	0	0	0	58,538	163,244
Total Operating Revenues	<u>1,133,077</u>	<u>952,602</u>	<u>178,908</u>	<u>162,135</u>	<u>2,426,722</u>	<u>2,577,344</u>
<b>Operating Expenses</b>						
Employee Services	244,600	222,570	68,385	5,692	541,247	597,666
Supplies And Services	910,982	487,872	104,864	149,225	1,652,943	1,479,363
Depreciation	202,942	142,818	42,402	29,508	417,670	392,634
Total Operating Expenses	<u>1,358,524</u>	<u>853,260</u>	<u>215,651</u>	<u>184,425</u>	<u>2,611,860</u>	<u>2,469,663</u>
Operating Income (Loss)	( 225,447)	99,342	( 36,743)	( 22,290)	( 185,138)	107,681
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	5,986	4,867	924	13	11,790	13,705
Connection Fees	31,897	88,578	0	0	120,475	13,454
Development Fees	0	0	0	0	0	0
Development Contribution	0	0	0	0	0	0
Amortization of Bond Issuance Cost	( 2,500)	( 2,017)	0	0	( 4,517)	( 4,517)
Interest Expense	( 36,925)	( 31,118)	0	0	( 68,043)	( 73,027)
Total Nonoperating Revenues (Expenses)	<u>( 1,542)</u>	<u>60,310</u>	<u>924</u>	<u>13</u>	<u>59,705</u>	<u>( 50,385)</u>
Income Before Transfers	( 226,989)	159,652	( 35,819)	( 22,277)	( 125,433)	57,296
Operating Transfer In	0	0	0	13,828	13,828	415,350
Operating Transfer Out	0	0	0	0	0	( 405,942)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,828</u>	<u>13,828</u>	<u>9,408</u>
Change In Net Assets	( 226,989)	159,652	( 35,819)	( 8,449)	( 111,605)	66,704
Total Net Assets - Beginning	<u>5,976,028</u>	<u>10,019,187</u>	<u>2,796,269</u>	<u>268,861</u>	<u>19,060,345</u>	<u>18,993,641</u>
Total Net Assets - Ending	<u>5,749,039</u>	<u>10,178,839</u>	<u>2,760,450</u>	<u>260,412</u>	<u>18,948,740</u>	<u>19,060,345</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>Business-Type Activities-Enterprise Funds</b>				<b>Totals</b>	
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Storm Drain Fund</b>	<b>Transit Fund</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts From Customers And Users	1,131,912	946,805	178,960	261,313	2,518,990	2,536,976
Payments To Suppliers	( 914,239)	( 482,472)	( 104,889)	( 153,560)	(1,655,160)	(1,528,461)
Payments To Employees	( 243,361)	( 221,653)	( 68,003)	( 5,692)	( 538,709)	( 603,468)
Net Cash Provided By Operating Activities	<u>( 25,688)</u>	<u>242,680</u>	<u>6,068</u>	<u>102,061</u>	<u>325,121</u>	<u>405,047</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer Ins	0	0	0	13,828	13,828	415,350
Transfer Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 405,942)</u>
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,828</u>	<u>13,828</u>	<u>9,408</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Connection Fees	31,897	88,578	0	0	120,475	13,454
Development Fees	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	0
Purchase Of Capital Assets	0	0	0	( 13,827)	( 13,827)	( 230,040)
Principal Paid On Capital Debt	( 20,000)	( 227,723)	0	0	( 247,723)	( 238,626)
Interest Paid On Capital Debt	( 36,925)	( 31,118)	0	0	( 68,043)	( 73,027)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>( 25,028)</u>	<u>( 170,263)</u>	<u>0</u>	<u>( 13,827)</u>	<u>( 209,118)</u>	<u>( 528,239)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	<u>5,986</u>	<u>4,867</u>	<u>924</u>	<u>13</u>	<u>11,790</u>	<u>13,705</u>
Net Cash Provided By Investing Activities	<u>5,986</u>	<u>4,867</u>	<u>924</u>	<u>13</u>	<u>11,790</u>	<u>13,705</u>
Net Increase In Cash And Cash Equivalents	( 44,730)	77,284	6,992	102,075	141,621	( 100,079)
Cash And Equivalents, July 1	<u>1,683,348</u>	<u>1,524,183</u>	<u>384,488</u>	<u>( 78,856)</u>	<u>3,513,163</u>	<u>3,613,242</u>
Cash And Equivalents, June 30	<u>1,638,618</u>	<u>1,601,467</u>	<u>391,480</u>	<u>23,219</u>	<u>3,654,784</u>	<u>3,513,163</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	Business-Type Activities-Enterprise Funds					
	Sewer Fund	Water Fund	Storm		Totals	
			Drain Fund	Transit Fund	2013	2012
Operating Income	( 225,447)	99,342	( 36,743)	( 22,290)	( 185,138)	107,681
Adjustments To Reconcile Operating Income						
To Net Cash Provided (Used) By Operating Activities						
Depreciation Expense	202,942	142,818	42,402	29,508	417,670	392,634
Receipts From Interfund Services Provided						
Accounts Receivable	( 1,165)	( 5,797)	52	99,177	92,267	( 39,605)
Increase (Decrease) In						
Accounts Payable	( 3,257)	1,941	( 25)	( 4,334)	( 5,675)	( 48,426)
Compensated Absences	1,239	917	382	0	2,538	( 5,802)
Customer Deposits	<u>0</u>	<u>3,459</u>	<u>0</u>	<u>0</u>	<u>3,459</u>	<u>( 1,435)</u>
Net Cash Provided (Used) By Operating Activities	<u>( 25,688)</u>	<u>242,680</u>	<u>6,068</u>	<u>102,061</u>	<u>325,121</u>	<u>405,047</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Escalon, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management and Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using the full accrual accounting for all of the City’s activities, except for infrastructure (roads, streets, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The more significant of the City’s accounting policies are described below:

**A. Financial Reporting Entity**

The accompanying basic financial statements present the financial activity of the City of Escalon (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City’s reporting entity to be misleading or incomplete. The City has one component unit, Escalon Public Facilities Corporation (the Corporation). The City Council serves as the Board of the Public Facilities. Therefore, this entity is reported as blended component unit within the City’s comprehensive annual financial report (CAFR). Both the City and its blended component unit have a June 30 year-end.

**City of Escalon**

The City (primary government) was incorporated on March 12, 1957 under the general laws of the State of California. The City provides the full range of municipal services as contemplated by statute. Services provided include sewer, water, storm drain, transit, public safety (police and civil defense), street construction and maintenance, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**City of Escalon (continued)**

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four year terms. The Mayor is appointed by the City Council for a two year term. The City Council appoints a City Manager and City Attorney. In addition the City Council sits as the governing board of the City's one component unit, Escalon Public Facilities Corporation.

*Component Unit* – Escalon Public Facilities Corporation was established on January 11, 2008 and is a separate governmental entity. The Corporation is responsible for the administration and providing services for the public facilities. The Corporation financial data and transactions are included within the Debt Service Fund; no separate financial report is issued for the Corporation.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources. Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.) net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Measure K Fund**- To account for receipts and disbursements of the Measure K funds.

The **Transportation Mitigation Fund**- To account for development impact fees collected. These fees are used for infrastructure and capital expenditure resulting from new developments.

**Transportation Fund** - To account for the City's allocation of local transportation revenues for streets, roads, and sidewalk improvements, and payments for rail services.

**City Hall Fund** - To account for funds received from developer fees collected to mitigate the additional impact on the City's administration functions as a result of the anticipated growth in the community.

The city reports the following major proprietary funds.

The **Water Fund** accounts for the activities of the City's water service.

The **Sewer Fund** accounts for the activities of the City's sewer service.

The **Storm Drain Fund** accounts for the activities of the City's storm drain operation.

The **Transit Fund** accounts for the activities of the City's transit service.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Liabilities, Net Assets or Equity**

**1. Cash and Investments**

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**1. Cash and Investments (continued)**

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types of investments. Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan associations
- Bankers Acceptances
- State Treasurer's Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits
- Small Business Administration Loans
- Other products which are totally guaranteed and insured by the U.S government.

Investments for the City are reported at fair value. LAIF operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

For purposes of the statement of cash flows, the city has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool and restricted, non-pooled investment with initial maturities of three months or less.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (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 a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

**3. Property Taxes**

Property taxes are levied on the first day of January by the county assessor, and are payable to the county tax collector in two installments.

The first installment is due November 1st, and is delinquent on December 10th, the second installment is due February 1st and is delinquent on April 10th. Taxes become a lien on the property on January 1st, and on the date of transfer of title, and the date of new construction.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**3. Property Taxes (continued)**

The minimum property value which is taxed is \$2,000; however, tax bills are prepared for properties valued at less than \$2,000 if there is a special assessment to be collected. Article 13A of the California Constitution states, "The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the counties and apportioned according to law to the districts within the counties."

The City has elected under state law (TEETER) to receive all of the annual property assessments in three installments as follows:

December	55%
April	40%
June	<u>5%</u>
	<u>100%</u>

**4. Prepaid Items**

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

**5. Restricted Assets**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**6. Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant, equipment and infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service life using the straight-line method.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**6. Capital Assets (Continued)**

Assets are depreciated as follows:

Buildings and Improvements	50 years
Machinery and Equipment	3-15 years
Improvements	40 years
Streets and Roads	40 years
Traffic Signals	30 years
Curb, Gutter, Sidewalks, & Median Curbs	50 years
Storm Drains	100 years
Water System	50 years
Sewer System	50-65 years

**7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay is reported in the governmental and proprietary funds. The changes of the compensated absences were as follows:

	Governmental Activities	Business Type Activities	Totals
Beginning Balance	158,513	28,700	187,213
Additions	134,054	28,655	162,709
Deletions	( 163,682)	( 26,117)	( 189,799)
Ending Balance	<u>128,885</u>	<u>31,238</u>	<u>160,123</u>

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**8. Long-Term Obligations** (continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Net Assets and Fund Equity**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based 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 classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. Non-spendable and Restricted fund balances represent the restricted classifications, and Committed, Assigned, and Unassigned represent the unrestricted classifications.

- Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that are constrained for specific purposes which are externally (outside the City) imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that are constrained for specified purpose that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned fund balance represents limitations imposed by management.
- Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**9. Net Assets and Fund Equity (continued)**

	General	Measure K	Transportation Mitigation Fund	Transportation Fund	City Hall Fees	Other Funds	Totals
<b>Fund Balances:</b>							
<b>Nonspendable</b>	253,657	0	0	0	0	0	253,657
<b>Restricted To:</b>							
Streets and Highway	0	766,403	2,200,896	1,032,233	0	797,420	4,796,952
Housing	0	0	0	0	0	813,189	813,189
Public Safety	0	0	0	0	0	51,086	51,086
Community Development	0	0	0	0	0	107,450	107,450
<b>Committed To:</b>							
Capital Projects	0	0	0	0	0	319,676	319,676
Community Development	0	0	0	0	0	3,300	3,300
Park and Recreation	0	0	0	0	0	61,225	61,225
Reserves	960,072	0	0	0	0	0	960,072
<b>Assigned To</b>							
Equipment Reserve	233,000	0	0	0	0	0	233,000
Debt Services	55,211	0	0	0	0	0	55,211
Streets and Highway	0	0	0	0	0	8,506	8,506
Park and Recreation	0	0	0	0	0	56,824	56,824
<b>Unassigned</b>	<u>670,017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 1,293,006)</u>	<u>( 244,743)</u>	<u>( 867,732)</u>
Total Fund Balances	<u>2,171,957</u>	<u>766,403</u>	<u>2,200,896</u>	<u>1,032,233</u>	<u>( 1,293,006)</u>	<u>1,973,933</u>	<u>6,852,416</u>

**10. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the general fund, and special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council can make supplemental budgetary appropriations throughout the year.

**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**B. Deficit Fund Equity**

For the year ended June 30, 2013, the following funds have a deficit fund balance:

Police Dept. Fees Fund	\$70,960
Library Fees Fund	\$173,783
City Hall Fund	\$1,293,006

Future revenues are expected to offset the Police Dept. Fees, Library Fees and City Hall Funds.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash And Investments**

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

Statement of net assets:

Cash and investments	<u>9,858,889</u>
Total cash and investments	<u>9,858,889</u>

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

Cash on hand	415
Deposits with financial institutions	1,423,389
Investments in LAIF	<u>8,435,085</u>
Total cash and investments	<u>9,858,889</u>

**Investments Authorized by the City's Investment Policy**

The City's investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF). The City's investment policy also authorizes cash to be invested in Certificates of Deposits, Bankers Acceptances, and Passbook Savings Demand Deposits. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

**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

**CITY OF ESCALON**  
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**Disclosures Relating to Interest Rate Risk (continued)**

fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 9.27 months.

		<u>Maturity Date</u>
State investment pool	<u>8,435,085</u>	9.27 months average maturity
Total	<u>8,435,085</u>	

**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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

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

**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 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Custodial Credit Risk (continued)**

Beginning January 1, 2013, funds deposited in a non-interest bearing transaction account no longer will receive unlimited deposit insurance covered by FDIC. All depositor's accounts at an insured depository institution including all non-interest bearing transactions accounts will be insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000) for each deposit insurance ownership category.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Investment in State Investment Pool**

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

**Deferred Compensation Plan**

The City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them and distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for exclusive benefit of plan participants and their beneficiaries. Since the assets held under the plan are not the City's property and are not subject to claims by general creditors of the City, does not report the deferred compensation plan assets on its financial statements.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**B. Accounts Receivable**

Receivables at June 30, 2013 for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

	General	Measure K	Transport. Mitigation	Transport. Fund	City Hall	Non-Major Govern- mental	Total
Governmental Activities:							
Utility Billing	89,644	0	0	0	0	0	89,644
Intergovernmental	60,241	505,815	0	53,971	0	49,684	669,711
Other	25,111	146	395	449	3	4,904	31,008
Total	<u>174,996</u>	<u>505,961</u>	<u>395</u>	<u>54,420</u>	<u>3</u>	<u>54,588</u>	<u>790,363</u>

	Sewer	Water	Storm Drain	Transit	Total
Business-Type Activities:					
Utility Billing	92,740	155,122	0	0	247,862
Intergovernmental	0	0	0	58,702	58,702
Other	13,426	834	246	0	14,506
Total	<u>106,166</u>	<u>155,956</u>	<u>246</u>	<u>58,702</u>	<u>321,070</u>

**C. Loans Receivable**

The City modified a housing loan in the amount of \$335,000 on January 1, 2010 to the prior City Manager Carl Greeson. The principal and interest payments are due monthly. Commencing on January 1, for 30 years, the unpaid principal balance of this note will bear interest at the rate of 5.5%. The balance of loan was \$253,657 at June 30, 2013.

The City has a loan program to assist employees with purchase of personal computers. These loans are for a maximum of \$3,000, bear no interest and are repaid by monthly payroll deductions. As of June 30, 2013, the outstanding is \$2,383.

**D. Evaluation of Subsequent Events**

The City has evaluated subsequent events through October 23, 2013, the date which the financial statements were available to be issued.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**E. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental-type Activities</b>				
Capital assets not being depreciated:				
Land	9,782,800	412,622	0	10,195,422
Construction in progress	<u>2,265,842</u>	<u>1,785,337</u>	<u>( 3,841,135)</u>	<u>210,044</u>
Total capital assets not being depreciated	<u>12,048,642</u>	<u>2,197,959</u>	<u>( 3,841,135)</u>	<u>10,405,466</u>
Capital assets being depreciated:				
Infrastructure	17,201,474	2,095,476	0	19,296,950
Equipment and vehicles	1,728,358	56,601	0	1,784,959
Building and improvements	<u>11,220,221</u>	<u>1,347,965</u>	<u>0</u>	<u>12,568,186</u>
Total capital assets being depreciated	<u>30,150,053</u>	<u>3,500,042</u>	<u>0</u>	<u>33,650,095</u>
Less accumulated depreciation for:				
Infrastructure	( 5,904,282)	( 440,772)	0	( 6,345,054)
Equipment and vehicles	( 1,287,706)	( 103,213)	0	( 1,390,919)
Building and improvements	<u>( 1,740,058)</u>	<u>( 255,260)</u>	<u>0</u>	<u>( 1,995,318)</u>
Total accumulated depreciation	<u>( 8,932,046)</u>	<u>( 799,245)</u>	<u>0</u>	<u>( 9,731,291)</u>
Net capital assets being depreciated	<u>21,218,007</u>	<u>2,700,797</u>	<u>0</u>	<u>23,918,804</u>
Total net capital assets - Governmental-type activities	<u>33,266,649</u>	<u>4,898,756</u>	<u>( 3,841,135)</u>	<u>34,324,270</u>

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

**Government Activities:**

General Government	176,168
Public Safety	56,072
Public Works	461,047
Community Development	1,141
Culture and Leisure	<u>104,817</u>
Total Depreciation Expense – Government Activities	<u>799,245</u>

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**E. Capital Assets (continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	4,466,605	0	0	4,466,605
Construction In Progress	<u>1,866</u>	<u>0</u>	<u>( 1,866)</u>	<u>0</u>
Total capital assets not being depreciated	<u>4,468,471</u>	<u>0</u>	<u>( 1,866)</u>	<u>4,466,605</u>
Capital assets being depreciated:				
Infrastructure	15,852,777	0	0	15,852,777
Equipment and vehicles	1,260,000	15,694	0	1,275,694
Building and improvements	<u>1,358,518</u>	<u>0</u>	<u>0</u>	<u>1,358,518</u>
Total capital assets being depreciated	<u>18,471,295</u>	<u>15,694</u>	<u>0</u>	<u>18,486,989</u>
Less accumulated depreciation for:				
Infrastructure	( 5,206,208)	( 257,597)	0	( 5,463,805)
Equipment and vehicles	( 656,310)	( 106,975)	0	( 763,285)
Building and improvements	<u>( 377,680)</u>	<u>( 53,098)</u>	<u>0</u>	<u>( 430,778)</u>
Total accumulated depreciation	<u>( 6,240,198)</u>	<u>( 417,670)</u>	<u>0</u>	<u>( 6,657,868)</u>
Net capital assets being depreciated	<u>12,231,097</u>	<u>( 401,976)</u>	<u>0</u>	<u>11,829,121</u>
Total net capital assets - Business-type activities	<u>16,699,568</u>	<u>( 401,976)</u>	<u>( 1,866)</u>	<u>16,295,726</u>
<b>Business - Type Activities:</b>				
Water			142,818	
Sewer			202,942	
Storm Drain			42,402	
Transit			<u>29,508</u>	
Total Depreciation Expense – Business-Type Activities			<u>417,670</u>	

**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**F. Transfers**

Interfund transfers for the year ended June 30, 2013 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	275,086	455,779
Community Civic Center	455,779	0
Transportation	36,361	0
Gas Tax	0	100,000
COPS Grant	0	84,121
CDBG		37,927
SLESF	0	67,399
Traffic Safety	0	22,000
Transit Security	0	13,828
Transit	<u>13,828</u>	<u>0</u>
Total	<u><u>781,054</u></u>	<u><u>781,054</u></u>

**G. Long-Term Debt**

**Governmental-Type Activities:**

Capital Lease

The City entered into a capital lease agreement with the Escalon Public Facilities Corporation for the purchase of and improvements to the Civic Center and renovation of the Community Center. At the end of the lease term the City will take ownership of all leased property. Under the agreement the City will make monthly installments of \$37,898.24 per month of principal and interest at 4.24% until January 25, 2028. The capital lease outstanding balance is \$4,940,044 as of June 30, 2013.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**G. Long-Term Debt (continued)**

Year Ending June 30	Principal	Interest	Total
2014	250,145	204,634	454,779
2015	260,960	193,819	454,779
2016	272,242	182,537	454,779
2017	284,012	170,767	454,779
2018	296,291	158,488	454,779
2019-2023	1,685,142	588,850	2,273,992
2024-2028	1,891,252	193,053	2,084,305
	<u>4,940,044</u>	<u>1,692,148</u>	<u>6,632,192</u>

**Business-Type Activities:**

The City has an installment agreement with Municipal Finance Corporation which refinanced the Surface Water Treatment Plant Notes. Payments on the installment agreement are due semi-annually, principal and interest at 4.05%. The agreement balance as of June 30, 2013 is \$86,226.

Year Ending June 30	Principal	Interest	Total
2014	<u>86,226</u>	<u>1,746</u>	<u>87,972</u>
Total	<u>86,226</u>	<u>1,746</u>	<u>87,972</u>

The 1984 Safe Drinking Water Bonds is due in semi-annual installments of \$41,449.37 through 2020 with interest of 4.1493%. The proceeds were used for water improvements to meet California's safe water standards. The principal amount unpaid at June 30, 2013 is \$449,244

Year Ending June 30	Principal	Interest	Total
2014	62,853	20,046	82,899
2015	65,484	17,415	82,899
2016	68,197	14,702	82,899
2017	71,106	11,797	82,903
2018	74,058	8,840	82,898
2019-2021	157,545	8,252	165,797
Total	<u>499,244</u>	<u>81,052</u>	<u>580,296</u>

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**G. Long-Term Debt (continued)**

The 2000 Water and Wastewater Revenue Bonds are due in annual installments of \$20,000 to \$55,000 through 2030 with interest of 4.45% - 5.8%. The proceeds were used for wastewater pipe improvements and other related capital improvements. The principal amount unpaid at June 30, 2013 is \$635,000.

Year Ending June 30	Principal	Interest	Total
2014	20,000	35,860	55,860
2015	20,000	34,760	54,760
2016	25,000	33,522	58,522
2017	25,000	32,148	57,148
2018	25,000	30,741	55,741
2019-2023	160,000	127,975	287,975
2024-2028	205,000	76,036	281,036
2029-2031	155,000	13,775	168,775
Total	<u>635,000</u>	<u>384,817</u>	<u>1,019,817</u>

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2013:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Civic Center Lease	5,179,823	0	( 239,779)	4,940,044	250,145
Long-term liabilities of Governmental Activities:	<u>5,179,823</u>	<u>0</u>	<u>( 239,779)</u>	<u>4,940,044</u>	<u>250,145</u>

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Water and Wastewater Bonds	655,000		( 20,000)	635,000	20,000
1984 Safe Drinking Water Bond	559,616		( 60,373)	499,243	62,853
1993 Safe Drinking Water Loan	253,577		( 167,351)	86,226	86,226
Long-term liabilities of Business-Type activities:	<u>1,468,193</u>		<u>( 247,724)</u>	<u>1,220,469</u>	<u>169,079</u>

**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**H. Payables And Other Liabilities**

Payables at June 30, 2013 for the City’s individual major funds and nonmajor funds in the aggregate are as follows:

	General	Measure K	Non-major Govern- mental	Total
<b>Governmental Activities:</b>				
Vendors	220,130	60,673	118,070	398,873
Other Payables	3,794	0	0	3,794
Developer Deposits	71,658	0	0	71,658
Total	<u>295,582</u>	<u>60,673</u>	<u>118,070</u>	<u>474,325</u>

	Sewer	Water	Storm Drain	Transit	Total
<b>Business-Type Activities:</b>					
Vendors	34,383	30,386	2,848	19,259	86,876
Customer Deposits	0	43,416	0	0	43,416
Other Payables	0	2,338	0	0	2,338
Total	<u>34,383</u>	<u>76,140</u>	<u>2,848</u>	<u>19,259</u>	<u>132,630</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The City of Escalon participates with other public entities in a joint exercise of powers agreement, which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers’ compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City’s account for liability losses under \$10,000 and workers’ compensation losses under \$10,000.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**A. Risk Management (Continued)**

The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

The financial position and results of operations for the CSJVRMA, as of June 30, 2012, are presented below:

Total Assets	<u>70,671,479</u>
Total Liabilities	58,388,460
Total Net Assets	<u>12,283,019</u>
Total Liabilities & Retained Earnings	<u>70,671,479</u>
Total Revenues for Year	30,698,619
Total Expenses for Year	<u>31,914,578</u>
Net Income/Loss for Year	<u>(1,215,959)</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess deficit will be divided among the cities in accordance with its governing documents.

**B. Commitments and Contingencies**

The City of Escalon is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**C. Employee Retirement Systems and Plans**

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento CA 95814.

On August 15, 2011, the City approved a second tier to the PERS plan. The new provisions state that employees hired after October 1, 2011 will have different contribution rates. Effective January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) implemented new benefit formulas, final compensation period, and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member as per PEPRA.

Participants are required to contribute 5% (6.38% for public-safety employees) if hired before October 1, 2011; 7% (7% for public-safety employees) if hired on or after October 1, 2011 (second tier); and 6.25% (9.50% for public-safety employees) if hired on or after January 1, 2013 (third tier), of their annual covered salary in the current year. The City makes the contributions required of the City employees on their behalf and for their account for the first and second tier. For employees covered under Tier 3, the City makes no required contributions on behalf of the employees.

The contribution requirements of plan members and the City are established and may be amended by PERS. The City is required to contribute at an actuarially determined rate. The current rate is 23.536% (7.846% if hired on or after October 1, 2011) for non-safety employees, 33.271% (15.358% if hired on or after October 1, 2011) for police employees, of annual covered payroll. If an employee is hired after January 1, 2013 and meets the definition of the new member under PEPRA, the City's contribution rates are 6.25% for miscellaneous and 9.5% for safety.

For June 30, 2013, the City's annual pension cost of \$386,471 for PERS were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of PERS assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 17 years for miscellaneous plan and 19 years for the safety plan.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**C. Employee Retirement Systems and Plans (continued)**

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/11	\$310,027	100%	0
06/30/12	\$370,743	100%	0
06/30/13	\$386,471	100%	0

**COMBINING FINANCIAL STATEMENTS**  
**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

**Police Department Fees** - To account for funds received from developer fees, to be used to finance police facilities upgrades to serve the growth anticipated in the community.

**Public Works** - To account for funds received from developer fees collected to mitigate the additional impact on the City's public works departments as a result of the anticipated growth in the community.

**Park Fund** - To account for park development fees used for acquisition, improvement, and expansion of public parks and playgrounds.

**Planning Fee DIF** - To account for monies received and expended by the City under the Development Initiatives Fund as a component under OTELP to provide participatory planning process expressed by the community.

**CDBG - HUD** - To account for monies received and expended by the City under Section 8 of the Federal Housing and Urban Development Act for housing assistance to low and moderate income families.

**In-Lieu Low Income Housing Program** – To account for monies received and expended by the City to support for affordable housing.

**Recreation Fund** - To account for funds received from user fees, developer fees, and facility lease proceeds for the City's recreation programs.

**Library Fees Fund**- To account for the special sales tax surcharge fee collected and used for additional funding of the libraries.

**RTIF Fund** - To account for monies received and expended by the City under the Regional Transportation Impact Fee program.

**SLESF Fund** – Federal Special Law Enforcement Services Fund to assist local agencies in acquiring equipment, technology and police services.

**Auto Theft Fund** - To account for funds received from the San Joaquin County District Attorney's Office designated for the deterring and investigating of auto theft crimes.

**Gas Tax Funds**- To account for funds received from the State from gas taxes collected on a per gallon basis. These funds are used for street construction and street maintenance.

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### Special Revenue Funds

**Traffic Safety Fund** - To account for funds received from fines from Vehicle Code violations, to be used for traffic safety, but exclusive of compensation of traffic or other police officers.

**Traffic Congestion Fund** - To account for monies received and expended by the City to fund projects to minimize traffic congestion.

**Lighting and Landscaping District** - To account for the money received from the Sunrise Terrace Lighting and Landscape District, Belle Terra Estates, and Westwood Country Estates, for special residential maintenance projects.

**Transit Security Fund** - To account for money received and expended by the City under the California Transit Security Grant Program.

#### Capital Project Fund

**St John at BNSF Fund** - To account for money received and expended by the City for the Street improvements at St John Street.

#### Debt Services

**Civic/COMM Center** - To account for monies for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the Civic Community Center construction project.

**Library** - To account for monies for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**CITY OF ESCALON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>Special Revenue</b>			
	<b>Police Dept Fees Fund</b>	<b>Public Works Fee Fund</b>	<b>Park Fee Fund</b>	<b>Planning Fees Fund</b>
<b>Assets</b>				
Cash And Investments	29,334	319,515	58,158	3,298
Cash with Fiscal Agent	0	0	0	0
Accounts Receivable	13	161	3,067	2
Loans Receivable	0	0	0	0
Due From Other Funds	0	0	0	0
Total Assets	<u>29,347</u>	<u>319,676</u>	<u>61,225</u>	<u>3,300</u>
<b>Liabilities And Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	0	0	0	0
Compensated Absences	0	0	0	0
Other Liabilities	0	0	0	0
Loans Payable	0	0	0	0
Due To Other Funds	100,307	0	0	0
Total Liabilities	<u>100,307</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Nonspendable	0	0	0	0
Restricted	0	0	61,225	3,300
Committed	0	0	0	0
Assigned	0	319,676	0	0
Unassigned	( 70,960)	0	0	0
Total Fund Balances	<u>( 70,960)</u>	<u>319,676</u>	<u>61,225</u>	<u>3,300</u>
Total Liabilities And Fund Balances	<u>29,347</u>	<u>319,676</u>	<u>61,225</u>	<u>3,300</u>

**Special Revenue**

<b>CDBG Block Grants Fund</b>	<b>In-Lieu Low Income Housing Program</b>	<b>Recreation Fund</b>	<b>Library Fund</b>	<b>RTIF Fund</b>	<b>SLESF Fund</b>
0	812,776	56,798	0	50,350	12,441
0	0	0	0	0	0
0	413	26	0	21	25,000
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>813,189</u>	<u>56,824</u>	<u>0</u>	<u>50,371</u>	<u>37,441</u>
0	0	0	0	7,079	800
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	173,783	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>173,783</u>	<u>7,079</u>	<u>800</u>
0	0	0	0	0	0
0	813,189	56,824	0	0	0
0	0	0	0	0	0
0	0	0	0	43,292	36,641
0	0	0	( 173,783)	0	0
<u>0</u>	<u>813,189</u>	<u>56,824</u>	<u>( 173,783)</u>	<u>43,292</u>	<u>36,641</u>
<u>0</u>	<u>813,189</u>	<u>56,824</u>	<u>0</u>	<u>50,371</u>	<u>37,441</u>

**CITY OF ESCALON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

**Special Revenue**

	<b>Auto Theft Fund</b>	<b>Gas Tax Funds</b>	<b>Traffic Safety Fund</b>	<b>Traffic Congestion Fund</b>
<b>Assets</b>				
Cash And Investments	14,445	796,357 (	688)	59,290
Cash with Fiscal Agent	0	0	0	0
Accounts Receivable	0	439	3,477	30
Loans Receivable	0	0	0	0
Due From Other Funds	0	0	0	0
Total Assets	<u>14,445</u>	<u>796,796</u>	<u>2,789</u>	<u>59,320</u>
<b>Liabilities And Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	0	104,777	0	0
Compensated Absences	0	0	0	0
Other Liabilities	0	0	0	0
Loans Payable	0	0	0	0
Due To Other Funds	0	0	0	0
Total Liabilities	<u>0</u>	<u>104,777</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	14,445	692,019	2,789	59,320
Unassigned	0	0	0	0
Total Fund Balances	<u>14,445</u>	<u>692,019</u>	<u>2,789</u>	<u>59,320</u>
Total Liabilities And Fund Balances	<u>14,445</u>	<u>796,796</u>	<u>2,789</u>	<u>59,320</u>

Special Revenue			Capital Project	Debt Service		Total Non-Major Funds	
Lighting Landscape District Fund	Police Grant Fund	Transit Fund	St John At BNSF Fund	Civic Center Debt Service	2013	2012	
112,807	( 21,882)	0	8,506	0	2,311,505	2,308,519	
0	0	0	0	0	0	0	
57	21,882	0	0	0	54,588	50,084	
0	0	0	0	0	0	0	
0	0	0	0	4,940,044	4,940,044	5,179,822	
<u>112,864</u>	<u>0</u>	<u>0</u>	<u>8,506</u>	<u>4,940,044</u>	<u>7,306,137</u>	<u>7,538,425</u>	
5,414	0	0	0	0	118,070	29,964	
0	0	0	0	0	0	0	
0	0	0	0	0	0	0	
0	0	0	0	4,940,044	4,940,044	5,179,823	
0	0	0	0	0	274,090	275,428	
<u>5,414</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,940,044</u>	<u>5,332,204</u>	<u>5,485,215</u>	
0	0	0	0	0	0	0	
0	0	0	0	0	934,538	923,380	
0	0	0	0	0	0	0	
0	0	0	8,506	0	1,176,688	1,222,541	
<u>107,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 137,293)</u>	<u>( 92,711)</u>	
<u>107,450</u>	<u>0</u>	<u>0</u>	<u>8,506</u>	<u>0</u>	<u>1,973,933</u>	<u>2,053,210</u>	
<u>112,864</u>	<u>0</u>	<u>0</u>	<u>8,506</u>	<u>4,940,044</u>	<u>7,306,137</u>	<u>7,538,425</u>	

**CITY OF ESCALON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

	<b>Special Revenue</b>			
	<b>Police Dept Fees Fund</b>	<b>Public Works Fee Fund</b>	<b>Park Fee Fund</b>	<b>Planning Fees Fund</b>
<b>Revenues</b>				
Investment Earnings	43	833	117	6
Intergovernmental	0	0	0	0
Property Taxes	0	0	0	0
Other Taxes	0	0	0	0
Impact Fees	15,639	11,448	71,586	1,152
Licenses And Permits	0	0	0	0
Service Charges And Miscellaneous	0	0	3,048	0
Total Revenues	<u>15,682</u>	<u>12,281</u>	<u>74,751</u>	<u>1,158</u>
<b>Expenditures</b>				
General Government	0	0	0	0
Public Safety	0	0	0	0
Public Works	0	0	0	0
Community Development	0	0	0	0
Culture And Leisure	0	0	4,750	0
Debt Service				
Principal	0	0	0	0
Interest & Other Charges	0	0	0	0
Capital Outlay	8,878	0	67,433	0
Total Expenditures	<u>8,878</u>	<u>0</u>	<u>72,183</u>	<u>0</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>6,804</u>	<u>12,281</u>	<u>2,568</u>	<u>1,158</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	6,804	12,281	2,568	1,158
Fund Balance - Beginning	( 77,764)	307,395	58,657	2,142
Fund Balance - Ending	<u>( 70,960)</u>	<u>319,676</u>	<u>61,225</u>	<u>3,300</u>

**Special Revenue**

<b>CDBG Block Grants Fund</b>	<b>In-Lieu Low Income Housing Program</b>	<b>Recreation Fund</b>	<b>Library Fund</b>	<b>RTIF Fund</b>	<b>SLESF Fund</b>
0	2,185	108	0	73	47
37,927	0	0	0	0	100,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	18,493	1,645	19,804	0
0	0	0	0	0	0
0	0	473	0	0	0
<u>37,927</u>	<u>2,185</u>	<u>19,074</u>	<u>1,645</u>	<u>19,877</u>	<u>100,047</u>
0	0	0	0	0	0
0	0	0	0	0	43,889
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,889</u>
<u>37,927</u>	<u>2,185</u>	<u>19,074</u>	<u>1,645</u>	<u>19,877</u>	<u>56,158</u>
0	0	0	0	0	0
( 37,927)	0	0	0	0	( 67,399)
( 37,927)	0	0	0	0	( 67,399)
0	2,185	19,074	1,645	19,877	( 11,241)
<u>0</u>	<u>811,004</u>	<u>37,750</u>	<u>( 175,428)</u>	<u>23,415</u>	<u>47,882</u>
<u>0</u>	<u>813,189</u>	<u>56,824</u>	<u>( 173,783)</u>	<u>43,292</u>	<u>36,641</u>

**CITY OF ESCALON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2012**

**Special Revenue**

	<b>Auto Theft Fund</b>	<b>Gas Tax Funds</b>	<b>Traffic Safety Fund</b>	<b>Traffic Congestion Fund</b>
<b>Revenues</b>				
Investment Earnings	0	2,245	0	159
Intergovernmental	0	173,938	21,499	0
Property Taxes	0	0	0	0
Other Taxes	0	0	0	0
Impact Fees	0	0	0	0
Licenses And Permits	0	0	0	0
Service Charges And Miscellaneous	0	0	0	0
Total Revenues	<u>0</u>	<u>176,183</u>	<u>21,499</u>	<u>159</u>
<b>Expenditures</b>				
General Government	0	0	0	0
Public Safety	0	0	0	0
Public Works	0	0	0	0
Community Development	0	0	0	0
Culture And Leisure	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest & Other Charges	0	0	0	0
Capital Outlay	0	142,611	0	0
Total Expenditures	<u>0</u>	<u>142,611</u>	<u>0</u>	<u>0</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>0</u>	<u>33,572</u>	<u>21,499</u>	<u>159</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	( 100,000)	( 22,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>( 100,000)</u>	<u>( 22,000)</u>	<u>0</u>
Net Change In Fund Balances	0	( 66,428)	( 501)	159
Fund Balance - Beginning	<u>14,445</u>	<u>758,447</u>	<u>3,290</u>	<u>59,161</u>
Fund Balance - Ending	<u>14,445</u>	<u>692,019</u>	<u>2,789</u>	<u>59,320</u>

Special Revenue			Capital Project	Debt Service		Total Non-Major Funds	
Lighting Landscape District Fund	Police Grant Fund	Transit Fund	St John At BNSF Fund	Civic Center Debt Service	2013	2012	
340	0	1	0	0	6,157	8,134	
0	84,121	0	0	0	417,485	371,205	
0	0	0	0	0	0	0	
0	0	0	0	0	0	34	
0	0	0	0	0	139,767	0	
0	0	0	0	0	0	0	
30,485	0	0	0	0	34,006	58,001	
<u>30,825</u>	<u>84,121</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>597,415</u>	<u>437,374</u>	
0	0	0	0	0	0	0	
0	0	0	0	0	43,889	27,917	
0	0	0	0	0	0	4,998	
74,451	0	0	0	1,000	75,451	76,752	
0	0	0	0	0	4,750	7,137	
0	0	0	0	239,779	239,779	229,842	
0	0	0	0	215,000	215,000	224,937	
9,405	0	0	0	0	228,327	149,613	
<u>83,856</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>455,779</u>	<u>807,196</u>	<u>721,196</u>	
( 53,031)	84,121	1	0	( 455,779)	( 209,781)	( 283,822)	
0	0	0	0	455,779	455,779	455,779	
0	( 84,121)	( 13,828)	0	0	( 325,275)	( 218,281)	
0	( 84,121)	( 13,828)	0	455,779	130,504	237,498	
( 53,031)	0	( 13,827)	0	0	( 79,277)	( 46,324)	
<u>160,481</u>	<u>0</u>	<u>13,827</u>	<u>8,506</u>	<u>0</u>	<u>2,053,210</u>	<u>2,099,534</u>	
<u>107,450</u>	<u>0</u>	<u>0</u>	<u>8,506</u>	<u>0</u>	<u>1,973,933</u>	<u>2,053,210</u>	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To The City Council  
City of Escalon  
State of California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Escalon, State of California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Escalon, State of California's basic financial statements, and have issued our report thereon dated October 23, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Escalon, State of California's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Escalon, State of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Escalon, State of California's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Escalon, State of California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clendenin Bird & Company, PC*  
CLENDENIN BIRD & COMPANY, PC

Modesto, California  
October 23, 2013

**REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS  
BASED ON AN EXAMINATION OF GENERAL-PURPOSE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH THE  
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT**

To The City Council  
City of Escalon  
State of California

We have audited the general-purpose financial statements of the City of Escalon, State of California for the year ended June 30, 2013, and have issued our report thereon dated October 23, 2013. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the California Administrative Code Section 6664 of the Transportation Development Act and the allocation instructions of the Stanislaus Area Association of Governments, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Escalon is responsible for the City's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations, noncompliance with which could have a material effect on the general-purpose financial statements of the City.

In our opinion the City of Escalon Transportation Development Act funds were accounted for in conformance with the applicable laws, rules and regulations of the Transportation Development Act and the allocation instructions of the Stanislaus Council of Governments.

*Clendenin Bird & Company, PC*  
**CLENDENIN BIRD & COMPANY, PC**

Modesto, California  
October 23, 2013