

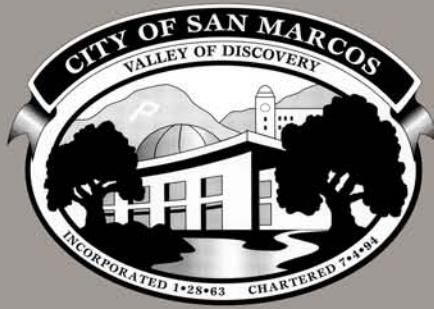


CITY OF SAN MARCOS  
CALIFORNIA

**Comprehensive Annual Financial Report**  
For Fiscal Year Ended June 30, 2009

# CITY OF SAN MARCOS CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009



**City Manager** | Paul Malone  
**Finance Director** | Liliane G. Serio

*Prepared by the City of San Marcos Finance Department*

# CITY OF SAN MARCOS CALIFORNIA

## MISSION STATEMENT

“TO IMPROVE THE QUALITY OF LIFE  
OF THOSE WHO LIVE, WORK OR VISIT SAN MARCOS,  
BY PROVIDING A SAFE, FAMILY ATMOSPHERE  
THAT IS RICH AND DIVERSE IN CULTURAL  
AND NATURAL RESOURCES AND PROMOTES ECONOMIC  
AND EDUCATIONAL OPPORTUNITIES.”



**CITY OF SAN MARCOS**  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2009

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION:**

Title Page	i
Table of Contents	iii
Letter of Transmittal	v
Organization Chart	ix
List of Principal Officials	x
GFOA Certificate of Achievement for Excellence in Financial Reporting	xi

**FINANCIAL SECTION:**

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Assets and Liabilities	28
Notes to Basic Financial Statements	29
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	64
Low and Moderate Income Housing Special Revenue Fund	65
Note to Required Supplementary Information	66
Supplementary Schedules:	
Non-Major Governmental Funds:	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72
Non-Major Special Revenue Funds:	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	76

**CITY OF SAN MARCOS**  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2009

**TABLE OF CONTENTS (Continued)**

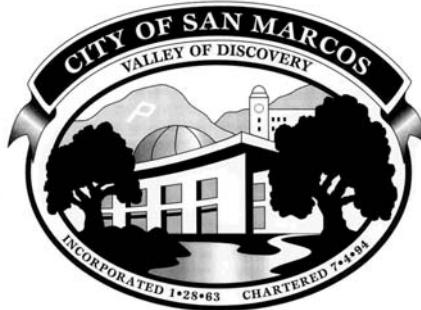
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	78
Gas Tax Fund	79
Traffic Safety Fund	79
Community Facilities District 98-02 Fund	80
Affordable Housing Assurance Fund	81
Street Lighting District Fund	82
Senior Nutrition Grant Fund	83
Community Development Block Grant Fund	84
HOME Grant Fund	85
Traffic Congestion Relief Fund	86
Proposition 1B Fund	87
Non-Major Debt Service Funds:	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	89
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Redevelopment Agency Fund	90
San Marcos Public Facilities Authority Fund	91
Non-Major Capital Projects Funds:	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Fiduciary Funds:	
Combining Balance Sheet	96
Combining Statement of Changes in Assets and Liabilities	98

**STATISTICAL SECTION (UNAUDITED):**

Net Assets by Component	104
Changes in Net Assets	106
Fund Balances of Governmental Funds	110
Changes in Fund Balances of Governmental Funds	112
Assessed Value and Estimated Actual Value of Taxable Property	114
Direct and Overlapping Property Tax Rates	116
Principal Property Taxpayers	118
Property Tax Levies and Collections	119
Ratios of Outstanding Debt by Type	120
Ratios of General Bonded Debt Outstanding	122
Direct and Overlapping Debt	124
Legal Debt Margin Information	126
Pledged-Revenue Coverage	128
Demographic and Economic Statistics	130
Principal Employers	131
Full-Time and Part-Time City Employees by Function	132
Operating Indicators by Function	133
Capital Asset Statistics by Function/Program	134

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December 24, 2009

Honorable Mayor, Members of the City Council  
and Citizens of the City of San Marcos:

It is our pleasure to present the fiscal year 2008-09 Comprehensive Annual Financial Report (CAFR) for the City of San Marcos. This report has been prepared in conformity with generally accepted accounting principles (GAAP) and has been audited in accordance with generally accepted auditing standards by Mayer Hoffman McCann P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, if any, and evaluating the overall financial statement presentation. The auditors concluded that there was a reasonable basis for rendering an unqualified opinion. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

## PROFILE OF THE GOVERNMENT

San Marcos is located approximately twenty-four miles north of downtown San Diego and ninety miles south of Los Angeles, in the northern coastal/inland region of San Diego County. The Cerros Las Posas, Merriam and San Marcos foothills and a series of valleys are the chief topographic features. The City is accessible to San Diego, Orange, Imperial, San Bernardino, Riverside and Los Angeles counties. It is

### CITY COUNCIL:

Jim Desmond, Mayor

Hal Martin, Vice-Mayor

Mike Preston

Chris Orlando

Rebecca Jones

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situated along the State Highway 78 corridor and is bordered by Escondido to the east, Vista to the north and west, Carlsbad to the south and west, and unincorporated areas of the County to the north and south. The City covers approximately 33.1 square miles including the City's sphere of influence.

For the last two decades, North San Diego County has been the fastest growing area in the County. With the largest amount of available residential land in North County, San Marcos has been the fastest growing area in the region since the early 1980's. Over the past 10 years, San Marcos has seen its population increase from 54,977 to 83,149, for an average annual growth of 4.6%.

San Marcos is a charter city, incorporated in 1963 and chartered on July 4, 1994. The City operates under a council/manager form of government. The City Council is comprised of five council members, elected at large on a staggered basis for a term of four years. The Mayor is directly elected for a four-year term. The City Council appoints the City Manager and the City Attorney.

The City provides its residents a full range of services including community development, police and fire protection, the construction and maintenance of highways, streets, and other infrastructure, and recreational activities and cultural events. Water and sewage treatment services are provided by the Vallecitos Water District, a special district located within the City.

These financial statements present the financial position of the City and its components units, entities for which the City is considered to be financially accountable. The components units of the City are the San Marcos Redevelopment Agency, the San Marcos Public Facilities Authority, the California Mobilehome Financing Authority, and the San Marcos Community Foundation. Additional information on these entities can be found in the notes to the financial statements.

The budget is enacted legally through adoption of an appropriation resolution prior to July 1 of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function, and department. The City Manager is authorized to transfer budgeted amounts between departments/functions as long as the total City budget is not exceeded.

## **LOCAL ECONOMY**

The City of San Marcos has a well-balanced land use mix as a result of a comprehensive general plan update completed during fiscal year 1987-88. The City's total labor force (the number of persons who work or are available for work) averaged 31,273 from January through October 2009. The number of employed workers in the labor force during that same period averaged 28,218, resulting in an unemployment rate of 9.67% compared to the County's unemployment rate of 9.76%. Employment has traditionally been strong but the current economic downturn that is affecting the nation is definitely affecting the region as well.

San Marcos is the home to the campus of the California State University, San Marcos, which opened in the fall of 1992 on 305 acres, less than one-half mile south of city hall. Ultimate enrollment at this four-year school is estimated at 35,000 students. Palomar Community College, where students can complete a two-year degree, obtain vocational training or take general education courses is also located within the City.

## **LONG-TERM FINANCIAL PLANNING**

The City annually prepares a three-year operating budget and a seven-year capital improvement projects budget. The fiscal year 2009/2010 through 2010/2012 operating budget as adopted, projected that, barring any further major reductions in City revenues as a result of economic factors, the City would

maintain a balanced budget with revenues slightly exceeding operating expenditures over the next three years.

Over the last decades, the City has developed thoughtfully and diligently with a focus on creating a strong economic base and safe, well-rounded neighborhoods. The City is currently working on the San Marcos Downtown Creek District project that will include upscale retail, fine dining, entertainment and lifestyle options, and live-work housing units. Other projects, such as the Palomar Station and University District will bring smart growth developments to the community, providing distinct neighborhoods tailored specifically for San Marcos' diverse population.

## **RELEVANT FINANCIAL POLICIES**

The City's policy is to maintain operating expenditures at or slightly under projected revenues. Unreserved, undesignated fund balance in the General Fund is maintained at approximately 10% of budgeted appropriations. Any excess of revenues over expenditures is designated for future capital projects, equipment replacement and contingencies.

## **MAJOR INITIATIVES**

San Marcos' capital program for the next seven years includes a total of 103 projects at a cost of \$449 million. Sixty-two of these projects will either be started, on going and/or be completed by the end of the 2010 fiscal year at a cost of \$79 million.

Hollandia Park, set on 30-acres near Mission Hills High School, opened in October of 2008. It is one of the largest active parks in San Marcos, with a skate park, picnic area, lighted softball fields, a lighted multi-use sports field, amphitheatre, climbing wall, open space, horseshoe pits, dog park, caretaker residence, trails and other amenities.

The City broke ground on the new Sunset Park in August of 2008. The phased development of this 19-acre park in the West City area is expected to go on until 2012. Phase I will include picnic and open field play areas, sports fields, court sports, and accompanying support facilities. Phase II and III will include the design and construction of a recreation center and youth building. The total estimated cost is \$17.2 million with a portion of the cost financed with Workforce Housing Grants.

In the fall of 2009, the City kicked off a comprehensive update of its General Plan. The General Plan establishes a framework for achieving the City's goals for the future. Topics addressed in the General Plan include land use and development, transportation, open spaces and resource conservation. In this process, the City will be paying special attention to its long-term strategies for greenhouse gas emissions reduction and environmental sustainability. A comprehensive public participation program has been established so that the General Plan reflects the goals of the community.

## **AWARDS AND ACKNOWLEDGEMENTS**

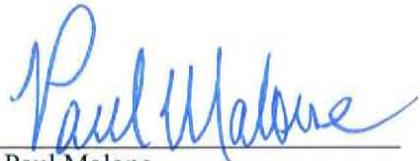
**Award Programs....** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Marcos for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive this award a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

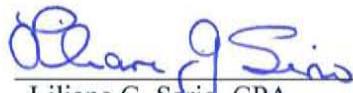
The certificate is valid for a period of one year only. The City has received this award for the past twelve consecutive years. We believe the current report continues to conform to the program requirements, and we are submitting it to GFOA for its consideration.

**Acknowledgements....** The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Our sincere appreciation goes to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

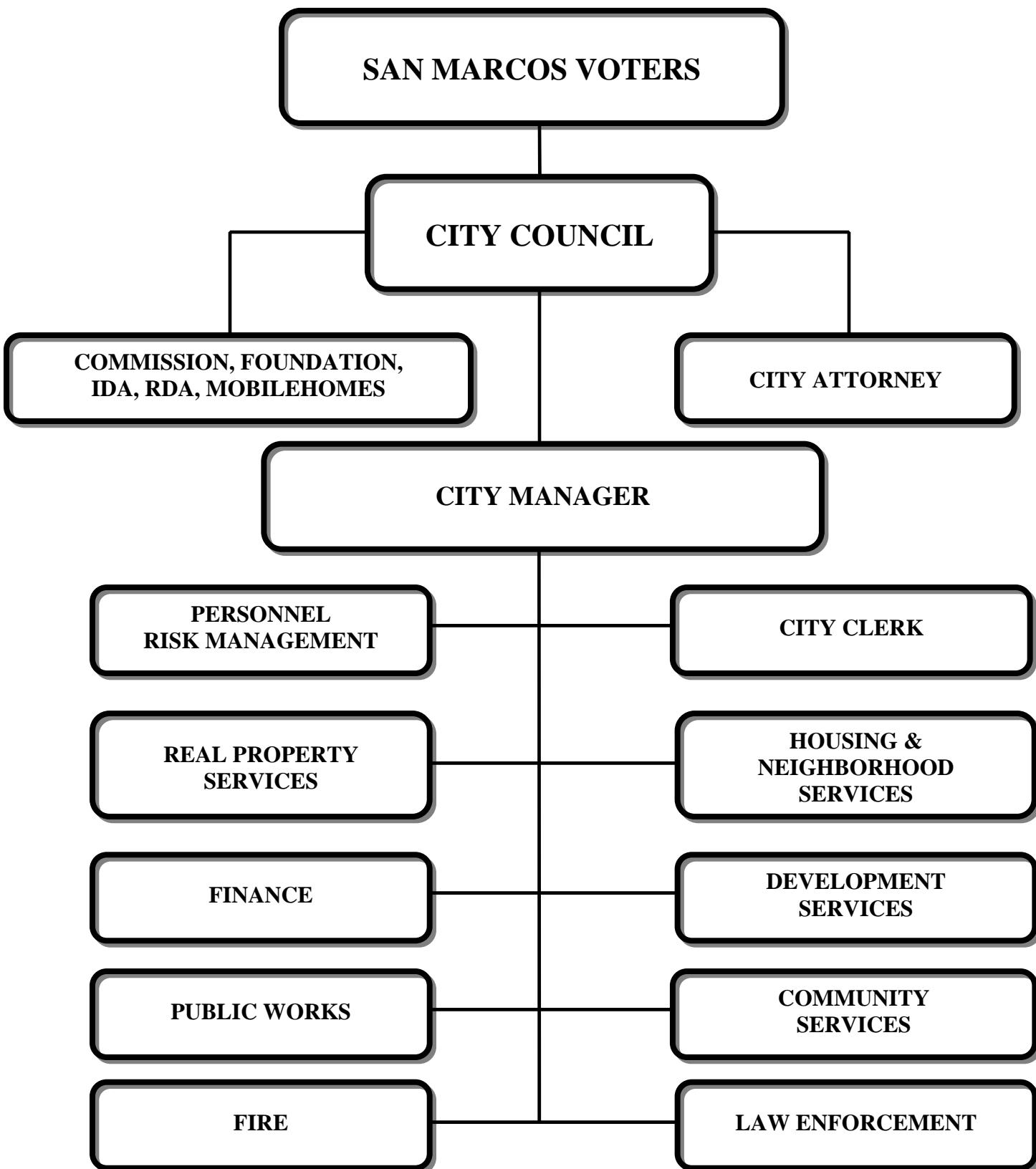


Paul Malone  
City Manager



Liliane G. Serio, CPA  
Finance Director

**CITY OF SAN MARCOS**  
**Organizational Chart**  
**June 30, 2009**



## **CITY OF SAN MARCOS LIST OF PRINCIPAL OFFICIALS**

### **City Council**

Mayor	Jim Desmond
Vice Mayor	Hal Martin
Councilmember	Mike Preston
Councilmember	Chris Orlando
Councilmember	Rebecca Jones

### **Administration**

City Manager	Paul Malone
Deputy City Manager	Lydia Romero
City Attorney	Helen Holmes Peak
City Clerk	Susie Vasquez

### **Department/Division Heads**

Development Services Director	Charlie Schaffer
Public Works Director	Richard Cook
Finance Director	Liliane G. Serio
Human Resources/Risk Management	Donna French
Community Services Director	Craig Sargent-Beach
Fire Chief	Todd Newman
Engineering Division Director/City Engineer	Mike Edwards
Building Division Director	Carl Blaisdell
Planning Division Director	Jerry Backoff
Real Property Services Director	Ellen Hegarty
Housing & Neighborhood Services Director	Karl Schwarm
Sheriff Station Captain	Don Crist

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

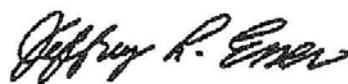
City of San Marcos  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

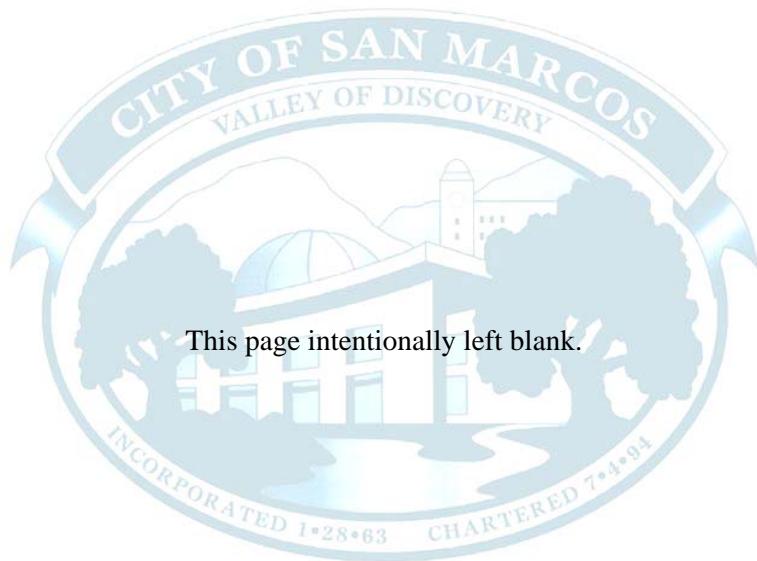
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President



Executive Director





**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

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City Council  
City of San Marcos, California

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of San Marcos. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of the City of San Marcos, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Marcos's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



City Council  
City of San Marcos, California  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009 on our consideration of the City of San Marcos's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayo Hoffman McCormick, P.C.*

Irvine, California  
December 23, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial performance of the City of San Marcos provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were 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. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of the government.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the City operates like a business, i.e. the Municipal Utility and the Creekside Marketplace Funds.
  - *Fiduciary funds* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as an *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

### Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities

in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, should be considered such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

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

- Governmental activities – Most of the City's basic services are reported in this category, such as general government, community development, public safety, highways and streets, and culture and recreation. Sales taxes, property taxes, state subventions, charges for services and other revenues finance most of these activities.
- Business-type activities – The City accounts for the Creekside Marketplace Shopping Center and the Discovery Valley Utility activities as business enterprises. The shopping center is owned and operated by the City and its principal source of income is rental revenue. The City's intent for the Discovery Valley Utility enterprise is to eventually charge a fee to customers to help it cover all or most of the cost of the services accounted for in this fund.

#### Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets 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. 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. The relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* is described in a reconciliation following the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A summary of the government-wide *statement of net assets* follows:

### **NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 366,576,427	\$ 361,506,202	\$ 7,625,076	\$ 4,419,039	\$ 374,201,503	\$ 365,925,241
Capital assets, net	612,766,727	581,419,309	29,072,130	29,454,485	641,838,857	610,873,794
<b>Total assets</b>	<b>979,343,154</b>	<b>942,925,511</b>	<b>36,697,206</b>	<b>33,873,524</b>	<b>1,016,040,360</b>	<b>976,799,035</b>
Long-term debt	343,824,179	352,519,027			343,824,179	352,519,027
Other liabilities	43,298,524	37,859,138	927,074	954,616	44,225,598	38,813,754
<b>Total liabilities</b>	<b>387,122,703</b>	<b>390,378,165</b>	<b>927,074</b>	<b>954,616</b>	<b>388,049,777</b>	<b>391,332,781</b>
Net assets:						
Invested in capital assets,						
net of related debt	460,101,619	430,516,043	29,072,130	29,454,485	489,173,749	459,970,528
Restricted	129,614,536	113,249,148			129,614,536	113,249,148
Unrestricted	2,504,296	8,782,155	6,698,002	3,464,423	9,202,298	12,246,578
<b>Total net assets</b>	<b>\$ 592,220,451</b>	<b>\$ 552,547,346</b>	<b>\$ 35,770,132</b>	<b>\$ 32,918,908</b>	<b>\$ 627,990,583</b>	<b>\$ 585,466,254</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$628 million at the close of the fiscal year.

The largest portion of the City's net assets (\$489.2 million or 78%) reflects its investment in capital assets (i.e., land, building, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net assets (\$129.6 million or 20.6%) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, had a balance of \$9.2 million at the end of the fiscal year.

Overall, the City's net assets increased by \$42.5 million (7.3%) during the current fiscal year. Approximately \$6.4 million (15%) of this increase is attributable to capital assets contributed by developers.

A summary of the government-wide *statement of activities* follows:

### CHANGE IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 25,251,155	\$ 25,176,232	\$ 3,789,846	\$ 4,069,128	\$ 29,041,001	\$ 29,245,360
Operating contributions						
and grants	2,135,832	2,505,258			2,135,832	2,505,258
Capital contributions						
and grants	18,916,094	44,448,900			18,916,094	44,448,900
General revenues:						
Property taxes	12,718,633	13,146,445			12,718,633	13,146,445
Tax increment, net	45,214,569	45,397,153			45,214,569	45,397,153
Sales taxes	13,432,391	15,615,135			13,432,391	15,615,135
Transient occupancy						
taxes	330,412	383,001			330,412	383,001
Franchise taxes	2,442,412	2,148,183			2,442,412	2,148,183
Gain on sale of capital assets	3,180,648				3,180,648	
Motor vehicle license						
fees	283,349	356,472			283,349	356,472
Investment income	6,226,240	11,275,635	134,040	179,169	6,360,280	11,454,804
Other	3,372,210	1,628,030			3,372,210	1,628,030
<b>Total revenues</b>	<b>133,503,945</b>	<b>162,080,444</b>	<b>3,923,886</b>	<b>4,248,297</b>	<b>137,427,831</b>	<b>166,328,741</b>
<b>Expenses</b>						
General government	14,639,790	14,175,161			14,639,790	14,175,161
Community development	4,815,602	4,912,297			4,815,602	4,912,297
Public safety	28,733,922	27,983,233			28,733,922	27,983,233
Highways and streets	22,255,327	26,257,535			22,255,327	26,257,535
Culture and recreation	7,401,782	7,115,650			7,401,782	7,115,650
Interest on long-term debt	15,984,417	17,742,768			15,984,417	17,742,768
Creekside Marketplace			1,072,662	1,002,389	1,072,662	1,002,389
<b>Total expenses</b>	<b>93,830,840</b>	<b>98,186,644</b>	<b>1,072,662</b>	<b>1,002,389</b>	<b>94,903,502</b>	<b>99,189,033</b>
Increase in net assets before transfers	39,673,105	63,893,800	2,851,224	3,245,908	42,524,329	67,139,708
Transfers		2,750,000		(2,750,000)		
Change in net assets	39,673,105	66,643,800	2,851,224	495,908	42,524,329	67,139,708
Net assets, beginning	552,547,346	485,903,546	32,918,908	32,423,000	585,466,254	518,326,546
<b>Net assets, ending</b>	<b>\$ 592,220,451</b>	<b>\$ 552,547,346</b>	<b>\$ 35,770,132</b>	<b>\$ 32,918,908</b>	<b>\$ 627,990,583</b>	<b>\$ 585,466,254</b>

#### Governmental Activities

The cost of all Governmental Activities in the current fiscal year was \$93.8 million. As shown on the Statement of Activities, \$25.3 million of the cost was paid by those who directly benefited from the programs, \$21.1 million was financed by contributions and grants received from other governmental

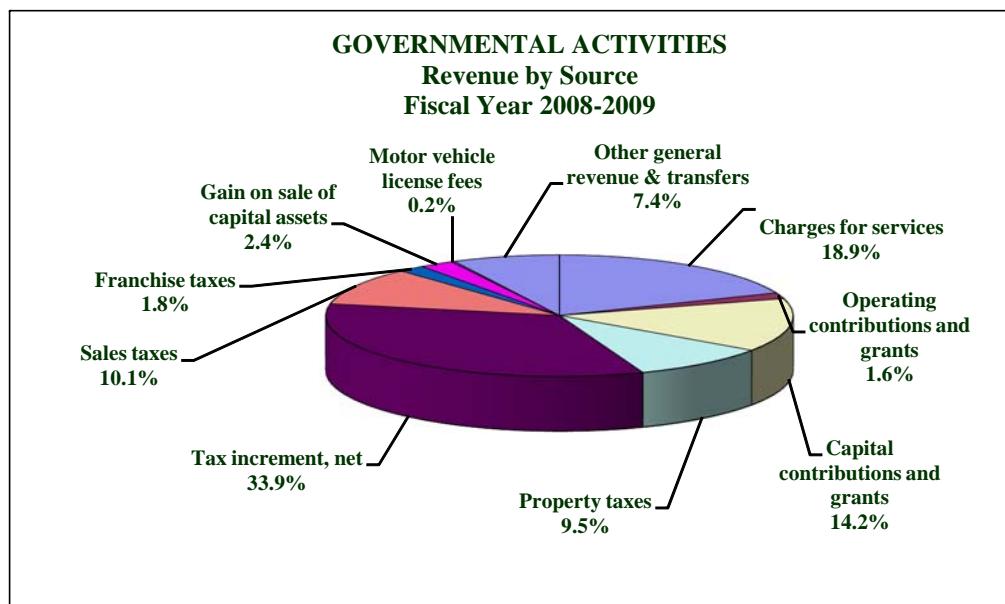
organizations, developers, and property owners for both capital and operating activities, and \$71.7 million was subsidized through taxes.

The City reported program revenues of \$46.3 million and general revenues of \$87.2 million. Overall, the City's financial position has improved from the previous year.

The following table summarizes and presents governmental activities revenue by source and percentages for the fiscal year ended June 30, 2009 along with the percentage changes from the preceding year:

**GOVERNMENTAL ACTIVITIES**  
**Revenue by Source**

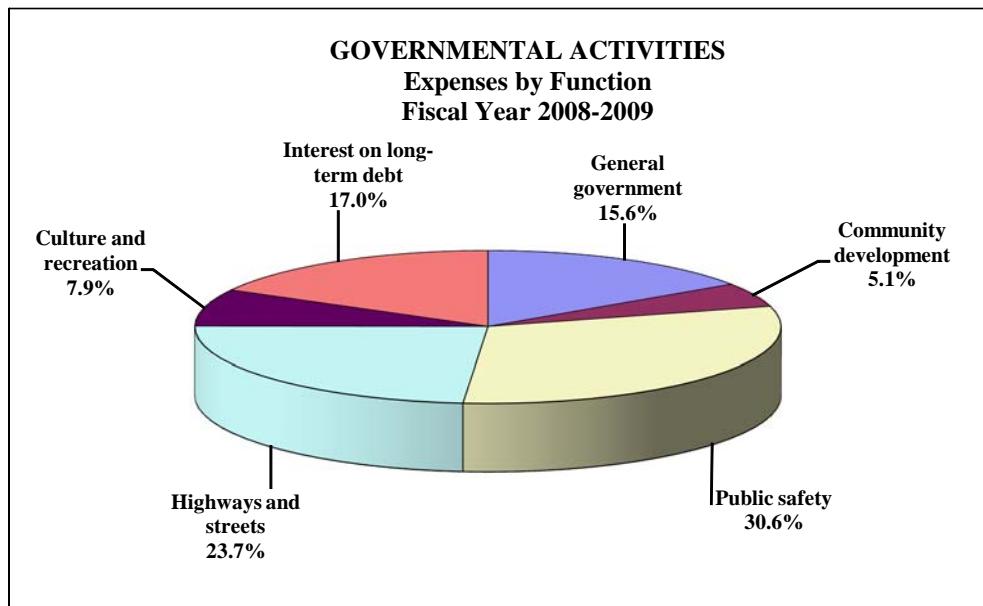
<b>REVENUE SOURCE</b>	<b>Fiscal Year 2008-2009</b>	<b>Percent of Total</b>	<b>Increase (Decrease)</b>		<b>Percent Increase (Decrease)</b>
			<b>From 2007-2008</b>	<b>Percent Increase (Decrease)</b>	
Charges for services	\$ 25,251,155	18.9%	\$ 74,923	0.3%	
Operating contributions and grants	2,135,832	1.6%	(369,426)	-14.7%	
Capital contributions and grants	18,916,094	14.2%	(25,532,806)	-57.4%	
Property taxes	12,718,633	9.5%	(427,812)	-3.3%	
Tax increment, net	45,214,569	33.9%	(182,584)	-0.4%	
Sales taxes	13,432,391	10.1%	(2,182,744)	-14.0%	
Franchise taxes	2,442,412	1.8%	294,229	13.7%	
Gain on sale of capital assets	3,180,648	2.4%	3,180,648	0.0%	
Motor vehicle license fees	283,349	0.2%	(73,123)	-20.5%	
Other general revenue & transfers	9,928,862	7.4%	(6,107,804)	-38.1%	
<b>TOTAL REVENUE</b>	<b>\$ 133,503,945</b>	<b>100.0%</b>	<b>\$ (31,326,499)</b>		<b>-19.0%</b>



The following table summarizes and presents governmental activities expenses by function and percentages for the fiscal year ended June 30, 2009 along with the percentage changes from the previous year:

**GOVERNMENTAL ACTIVITIES**  
**Expenses by Function**

<b>FUNCTION</b>	<b>Fiscal Year 2008-2009</b>	<b>Percent of Total</b>	<b>Increase (Decrease)</b>	
			<b>From 2007-2008</b>	<b>Percent Increase (Decrease)</b>
General government	\$ 14,639,790	15.6%	\$ 464,629	3.3%
Community development	4,815,602	5.1%	(96,695)	-2.0%
Public safety	28,733,922	30.6%	750,689	2.7%
Highways and streets	22,255,327	23.7%	(4,002,208)	-15.2%
Culture and recreation	7,401,782	7.9%	286,132	4.0%
Interest on long-term debt	<u>15,984,417</u>	<u>17.0%</u>	<u>(1,758,351)</u>	<u>-9.9%</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 93,830,840</u></b>	<b><u>100.0%</u></b>	<b><u>\$ (4,355,804)</u></b>	<b>-4.4%</b>



**Business-Type Activities**

The City's business-type activities consists of the Creekside Marketplace Enterprise Fund which accounts for the activity of a City-owned shopping center, and the Municipal Utility Enterprise Fund which was created a number of years ago to account for the Discovery Valley Utility activities. Net assets increased by \$2.9 million or 8.7% in the Enterprise Funds mainly as a result of revenues exceeding expenses in the Creekside Marketplace Fund. For the Municipal Utility Fund, the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. To date only start up costs have been incurred in this Fund and no revenue has been generated.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$225.7 million, with a decrease of \$40.5 million from the previous year. Of this total amount, \$81 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for noncurrent assets (\$21.5 million), low and moderate income housing (\$35.3 million), debt service (\$10.9 million), capital projects (\$68.3 million), and other purposes (\$8.7 million).

### Major Funds

The **General Fund** is the chief operating fund of the City. It represents \$58.3 million or 25.8% of the combined fund balances of the governmental funds. At the end of the current fiscal year, unreserved fund balance of the General Fund of \$43.6 million, constituted 74.7% of total fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 73.5% of total General Fund expenditures and transfers, while total fund balance represents 98.4% of that same amount.

The fund balance of the City's General Fund increased by \$835,098 during the current year. Revenues decreased by \$990,835 (1.87%) and expenditures increased by \$994,654 (1.71%) as follows:

<b>General Fund Revenue</b>				
	<b>Fiscal Year 2008-2009</b>	<b>Fiscal Year 2007-2008</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
<b>Revenue:</b>				
Taxes and special assessments	\$ 26,607,624	\$ 29,289,094	\$ (2,681,470)	-9.16%
Licenses and permits	4,229,537	3,907,123	322,414	8.25%
Intergovernmental	1,340,297	1,758,935	(418,638)	-23.80%
Charges for services/developer fees	11,777,111	11,766,343	10,768	0.09%
Fines and forfeitures	292,642	269,365	23,277	8.64%
Use of money and property	5,585,247	5,822,082	(236,835)	-4.07%
Miscellaneous	2,193,428	203,779	1,989,649	976.38%
<b>Total Revenue</b>	<b>\$ 52,025,886</b>	<b>\$ 53,016,721</b>	<b>\$ (990,835)</b>	<b>-1.87%</b>

<b>General Fund Expenditure</b>				
	<b>Fiscal Year 2008-2009</b>	<b>Fiscal Year 2007-2008</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
<b>Expenditure:</b>				
General government	\$ 10,696,535	\$ 10,086,579	\$ 609,956	6.05%
Community development	4,563,412	4,546,173	17,239	0.38%
Public safety	27,392,057	26,225,302	1,166,755	4.45%
Highways and streets	8,878,013	8,051,387	826,626	10.27%
Culture and recreation	6,793,120	6,389,424	403,696	6.32%
Capital outlay	305,516	2,327,941	(2,022,425)	-86.88%
Debt service	385,858	393,051	(7,193)	-1.83%
<b>Total Expenditure</b>	<b>\$ 59,014,511</b>	<b>\$ 58,019,857</b>	<b>\$ 994,654</b>	<b>1.71%</b>

*Taxes and special assessments*, including property taxes, property tax in-lieu of motor vehicle license fees, and sales tax came in at 99.5% of budget or \$124,226 under expectation. The actual decline from year to year was \$2.7 million (9.15%). Sales tax went down by \$2.2 million (14%) and property taxes by \$337,000 (5%) as a result of a nationwide and local economic downturn.

Included in *Licenses and Permits* are franchise fees that are collected from utilities operating within City limits that provide gas and electricity, trash collection, and cable services. These fees were up by \$294,229 (13.7%) due mostly to the collection of PEG (Public, Education, and Government) fees which were initiated this year.

*Intergovernmental revenues* include motor vehicle license fees (MVLF), federal and state grants and recycling revenues. MVLF were down by \$73,000 (20.5%) presumably due to a decrease in car sales statewide. Federal and state subventions were \$101,600 (24.7%) less than the preceding year. Recycling revenues declined by \$263,160 (30.5%) as a result of a major drop in commodity prices.

*Use of Money and Property* includes interest earnings on investments and rental income. Several new tenants resulted in over half a million (13.4%) increase in rental income in this fiscal year whereas interest earnings on the City's portfolio were over \$760,000 (43.7%) lower due to unfavorable financial market conditions.

Included in *Miscellaneous* revenue in the current year is a \$1.55 million settlement from the County of San Diego in connection with Bradley Park and \$200,000 from the San Marcos Unified School District for a right of entry.

The net change in expenditures from the preceding year consisted mainly of increases in salaries and benefits (\$1.0 million or 3.5%), workers compensation claims (\$274,240), attorney services (\$268,670), sheriff contract services (\$728,510), contract maintenance (\$513,540), and consulting services (\$343,040), offset by decreases in fuel costs (\$329,820) and capital outlay (\$2.02 million).

The **Low and Moderate Income Housing Fund** accounts for the tax increment which is required to be set-aside under Section 33334.2 of the California Health and Safety Code to increase, improve or preserve the community's supply of low and moderate income housing. This fund ended the year with a \$36.4 million fund balance all of which is reserved for low and moderate income housing purposes and noncurrent assets. Net decrease in fund balance was \$24.4 million. Tax increment decreased by \$236,975 (1.6%) as a result of a decline in assessed valuation in Project Areas No. 2 and 3 and delinquencies. Loans of \$39.1 million were made to housing corporations to effect the construction of low and moderate income housing projects.

The **Redevelopment Agency Debt Service Fund** accounts for the accumulation of resources for the payment of principal, interest, and related costs of the Agency long-term debt. This fund ended the year with a \$50 million fund balance. Reserves for noncurrent assets and payment of debt service totaled \$17.1 million, resulting in an unreserved fund balance of \$32.9 million. As in the Low and Moderate Income Housing Fund, tax increment decreased by \$679,651 (1.4%).

The **Redevelopment Agency Capital Projects Fund** accounts for the administrative expenditures of the Agency and redevelopment activity. Fund balance at the end of the year was \$56 million, \$61.7 million of which was reserved for capital projects (bond proceeds). The deficit of \$5.6 million will be eliminated from future tax increment collections. The net decrease in fund balance of \$31.2 million was mostly the result of capital projects expenditures to further redevelopment within the community.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original appropriation budget and the final amended budget of the General Fund were as follows:

<b>General Fund Appropriations</b>				
	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
<b>Appropriations:</b>				
General government	\$ 10,773,127	\$ 10,412,321	\$ (360,806)	-3.47%
Community development	4,723,910	4,700,798	(23,112)	-0.49%
Public safety	28,147,509	27,911,838	(235,671)	-0.84%
Highways and streets	8,280,138	8,937,912	657,774	7.36%
Culture and recreation	7,168,555	7,007,623	(160,932)	-2.30%
Capital outlay	1,355,781	823,990	(531,791)	-64.54%
Debt service	385,860	385,860	-	0.00%
Transfers	175,000	175,000	-	
<b>Total Appropriations</b>	<b>\$ 61,009,880</b>	<b>\$ 60,355,342</b>	<b>\$ (654,538)</b>	<b>-1.08%</b>

Appropriations were reduced by a net of \$654,538 (1.08%) at mid-year due to the severe economic downturn that was facing the City and Nation. Savings in salaries and benefits of slightly over \$793,000 were realized as a result of employee negotiations with the various bargaining groups. Law enforcement services were reduced by \$325,000 due to the elimination of a School Resource Officer and a three-month vacancy. The fuel budget was reduced by \$200,000 as a result of a decrease in the price per gallon. Capital outlay, including computers, software and vehicle replacements was amended by approximately \$625,000. On the other end, the Storm Water Program budget was increased by \$696,000 to provide for additional Regional Quality Water Control Board monitoring expenditures. Finally, additional overtime of \$550,000 was budgeted in the Fire Department as a consequence of an extensive fire season.

On the revenue side, estimates were reduced by a net total of over \$616,000. Sales taxes and property taxes were revised downward by \$2.7 million; franchise fees by \$111,350; interest income by \$660,000; recycling revenues by \$350,000; motor vehicle license fees by \$170,330; and a transfer from the Creekside Marketplace Fund by \$1.85 million. These shortfalls were partially offset with one-time revenues of \$3.1 million from the sale of property; \$1.55 million settlement from the County of San Diego in connection with Bradley Park; and \$200,000 from the San Marcos Unified School District for a right of entry.

Ending fund balance was \$1.16 million higher than projected. Revenues and other financing sources ended the year slightly over budget (\$68,246), while savings of \$1.1 million were realized on the expenditure side.

## CAPITAL ASSETS

The City's investment in capital assets net of accumulated depreciation for its governmental activities as of June 30, 2009, amounted to \$612.8 million. This included land, land improvements, buildings, furniture and equipment, and infrastructure. The total net increase in capital assets was \$31.3 million (5.4%). The major additions to capital assets were as follows:

- A parcel was purchased for redevelopment along Grand Avenue. Several parcels were purchased in the San Marcos Creek Specific Plan Area in connection with a number of infrastructure projects.
- Infrastructures including right of way from new development of \$6.4 million were donated/taken over for maintenance by the City.
- Hollandia and Montiel Parks were completed and capitalized and Sunset Park was under construction.
- Several street construction/widening and expansion projects were either completed or in progress at the end of the year including the turn lanes at San Marcos Boulevard/Mission Road/Rancheros; the drainage improvements on Boardwalk/Via Vera Cruz; the reconstruction of Barham Drive/Woodland to Opper; the San Marcos Creek undercrossing/West side of Highway 78 to the Recreation Vehicle Mall; the Grand Avenue Bridge at Discovery; the South Santa Fe/Rancho Santa Fe to Bosstick; the Twin Oaks Over the Hill; the San Marcos Boulevard/Rancho Santa Fe to Acacia; and the San Marcos Creek/Craven to Bent.

A summary of capital assets follows. Additional information can be found in note 9 to the financial statements.

**CAPITAL ASSETS**  
**(Net of Depreciation)**  
**Governmental Activities**

	<b>Fiscal Year</b> <b>2008-2009</b>	<b>Fiscal Year</b> <b>2007-2008</b>	<b>Net</b> <b>Change</b>
Land	\$ 239,192,525	\$ 227,993,693	\$ 11,198,832
Land improvements	28,631,370	14,636,648	13,994,722
Buildings	56,823,814	51,930,063	4,893,751
Furniture and equipment	4,521,237	5,747,049	(1,225,812)
Infrastructure	198,831,082	203,069,513	(4,238,431)
Construction in progress	84,766,699	78,042,343	6,724,356
 <b>Total</b>	 <b>\$ 612,766,727</b>	 <b>\$ 581,419,309</b>	 <b>\$ 31,347,418</b>

For the business-type activities, capital assets totaled \$29.1 million at June 30, 2009. There were no significant changes from the previous year.

## DEBT ADMINISTRATION

At year-end, the City and its component units had a number of debt issues outstanding including \$13.75 million of tax allocation bonds and \$289.61 of revenue bonds. Total bonded debt decreased by \$6.4 million or 2.1%. The City maintains ratings on its various bonds of “A, AA, and A-“ from Standard & Poor’s.

A summary of the City’s long-term debt is as follows:

### LONG-TERM DEBT OUTSTANDING Governmental Activities

	<b>Fiscal Year 2008-2009</b>	<b>Fiscal Year 2007-2008</b>	<b>Net Change</b>
Bonds payable, net	\$ 302,571,592	\$ 308,935,221	\$ (6,363,629)
Note payable	1,035,245	1,231,685	(196,440)
Capital leases payable	-	377,845	(377,845)
Cooperation agreement	29,959,866	31,611,278	(1,651,412)
Compensated absences	5,006,530	4,485,559	520,971
Due to other governments	5,250,946	5,877,439	(626,493)
<b>Total</b>	<b>\$ 343,824,179</b>	<b>\$ 352,519,027</b>	<b>\$ (8,694,848)</b>

Additional information on the City’s long-term debt can be found in note 10 of the notes to the basic financial statements.

## FACTORS AFFECTING NEXT YEAR’S BUDGET

The economic data that was released in the months of October and November suggest that the U.S. economy is stabilizing and the recession is ending. Third quarter Gross Domestic Product (GDP) growth was 2.8% according to the Bureau of Economic Analysis. GDP growth is down 2.5% year-over-year. It is expected that growth in the fourth quarter will be around 3%. Moody’s estimates that real GDP growth will be 2% in 2010 and then accelerate to 4% in 2011. Yet, the expectation is that it will be several years before the City’s major revenue sources will go back to the level they were prior to the economic downturn.

Incorporated in the City’s revenue projections over the next three years are transfers from the Creekside Marketplace Enterprise Fund of \$3.84, \$4.9, and \$6.35 million to compensate for the projected revenue shortfalls. Because of these transfers, budget cuts, a hiring “freeze” and deferral of any significant capital outlay from the operating budget, San Marcos expects to weather the economic crisis over the next three years without reverting to serious budget cuts that could potentially affect the level of services to the community. Both our revenues and expenditures will be closely monitored over the next several months.

## **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's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1 Civic Center Drive, San Marcos, California, 92069.

CITY OF SAN MARCOS

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments (note 3)	\$ 144,278,397	\$ 6,703,131	\$ 150,981,528
Cash and investments with fiscal agents (note 3)	92,309,705		92,309,705
Receivables:			
Taxes and special assessments	3,156,977		3,156,977
Accounts	1,241,383		1,241,383
Interest	754,462	17,350	771,812
Notes (note 4)	93,288,404		93,288,404
Other (note 8)	947,384	895,055	1,842,439
Due from other governments	2,575,765		2,575,765
Prepaid items	558,711		558,711
Deposits	2,299,012	9,540	2,308,552
Deferred charges (note 2)	5,942,048		5,942,048
Net investment in direct financing lease (note 7)	4,145,002		4,145,002
Land held for resale	15,079,177		15,079,177
Capital assets, not depreciated (note 9)	352,590,594	11,865,697	364,456,291
Capital assets, net of depreciation (note 9)	260,176,133	17,206,433	277,382,566
<b>Total assets</b>	<b>979,343,154</b>	<b>36,697,206</b>	<b>1,016,040,360</b>
<b>Liabilities:</b>			
Accounts payable	9,051,803		9,051,803
Accrued liabilities	8,265,189		8,265,189
Claims payable	503,482		503,482
Due to other governments	23,988,350		23,988,350
Unearned revenue (note 5)	124,631	895,055	1,019,686
Deposits payable	1,365,069	32,019	1,397,088
Noncurrent liabilities (note 10):			
Due within one year	12,401,664		12,401,664
Due in more than one year	331,422,515		331,422,515
<b>Total liabilities</b>	<b>387,122,703</b>	<b>927,074</b>	<b>388,049,777</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	460,101,619	29,072,130	489,173,749
Restricted/expendable for:			
Low and moderate income housing	115,805,089		115,805,089
Landscape Maintenance	8,999,420		8,999,420
Other purposes	3,904,177		3,904,177
Restricted/nonexpendable	905,850		905,850
Unrestricted	2,504,296	6,698,002	9,202,298
<b>Total net assets</b>	<b>\$ 592,220,451</b>	<b>\$ 35,770,132</b>	<b>\$ 627,990,583</b>

See accompanying notes to basic financial statements.

**CITY OF SAN MARCOS**  
**Statement of Activities**  
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 14,639,790	\$ 7,121,094	\$ 52,197	
Community development	4,815,602	1,501,973	105,068	\$ 1,099,578
Public safety	28,733,922	8,293,907	230,885	
Highways and streets	22,255,327	6,744,066	1,604,418	17,473,809
Culture and recreation	7,401,782	1,590,115	143,264	342,707
Interest on long-term debt	15,984,417			
Total governmental activities	93,830,840	25,251,155	2,135,832	18,916,094
Business-type activities:				
Creekside Marketplace	1,072,662	3,789,846		
Total	\$ 94,903,502	\$ 29,041,001	\$ 2,135,832	\$ 18,916,094

General revenues:

Taxes:

Property taxes

Tax increment, net

Sales taxes

Transient occupancy taxes

Franchise taxes

Gain on sale of capital assets

Motor vehicle license fees, unrestricted

Investment income, unrestricted

Other

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (7,466,499)		\$ (7,466,499)
(2,108,983)		(2,108,983)
(20,209,130)		(20,209,130)
3,566,966		3,566,966
(5,325,696)		(5,325,696)
<u>(15,984,417)</u>		<u>(15,984,417)</u>
(47,527,759)		(47,527,759)
	<hr/> <u>\$ 2,717,184</u>	<hr/> <u>2,717,184</u>
<u>(47,527,759)</u>	<u>2,717,184</u>	<u>(44,810,575)</u>
12,718,633		12,718,633
45,214,569		45,214,569
13,432,391		13,432,391
330,412		330,412
2,442,412		2,442,412
3,180,648		3,180,648
283,349		283,349
6,226,240	134,040	6,360,280
<u>3,372,210</u>	<u>134,040</u>	<u>3,372,210</u>
<u>87,200,864</u>	<u>134,040</u>	<u>87,334,904</u>
39,673,105	2,851,224	42,524,329
<u>552,547,346</u>	<u>32,918,908</u>	<u>585,466,254</u>
<hr/> <u>\$ 592,220,451</u>	<u>\$ 35,770,132</u>	<u>\$ 627,990,583</u>

**CITY OF SAN MARCOS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

Assets				Low and Moderate Income Housing	Redevelopment Agency Debt Service
	General				
Cash and investments (note 3)	\$ 46,936,896		\$ 35,056,572		\$ 39,708,928
Cash and investments with fiscal agents (note 3)					10,850,533
Receivables:					
Taxes and special assessments	1,805,539		303,173		982,820
Accounts	1,158,718		13,961		67,454
Interest	129,503		166,426		201,919
Notes (note 4)			88,989,387		863,665
Other (note 8)	744,210				
Due from other governments	171,544				
Due from other funds (note 6)	1,241,525				16,153,645
Advances to other funds (note 6)			225,359		5,404,880
Prepaid items	558,711				
Deposits	771,931				
Net investment in direct financing lease (note 7)					4,145,002
Land held for resale	13,397,269		823,560		
<b>Total assets</b>	<b>\$ 66,915,846</b>		<b>\$ 125,578,438</b>		<b>\$ 78,378,846</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 5,400,435		\$ 96,186		\$ 1,910
Accrued liabilities	1,105,141		63,851		
Claims payable		503,482			
Due to other funds (note 6)					
Due to other governments					23,988,350
Advances from other funds (note 6)					225,359
Deferred revenue (note 5)	868,840		88,989,387		4,208,667
Deposits	729,966		32,987		
<b>Total liabilities</b>	<b>8,607,864</b>		<b>89,182,411</b>		<b>28,424,286</b>
Fund balances:					
Reserved for:					
Noncurrent assets	13,397,269		1,048,919		6,204,880
Prepaid items	558,711				
Deposits	771,931				
Low and moderate income housing			35,347,108		
Landscape maintenance					
Debt service					10,850,533
Capital projects					
Other purposes					
Unreserved, designated (note 15)	37,521,231				
Unreserved, undesignated, reported in:					
General Fund	6,058,840				
Special revenue funds					
Debt service funds					32,899,147
Capital projects					
<b>Total fund balances</b>	<b>58,307,982</b>		<b>36,396,027</b>		<b>49,954,560</b>
<b>Total liabilities and fund balances</b>	<b>\$ 66,915,846</b>		<b>\$ 125,578,438</b>		<b>\$ 78,378,846</b>

See accompanying notes to basic financial statements.

Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 220,196	\$ 22,355,805	\$ 144,278,397
80,631,928	827,244	92,309,705
181,004	65,445	3,156,977
	1,250	1,241,383
	75,610	754,462
	3,435,352	93,288,404
	203,174	947,384
	2,404,221	2,575,765
		17,395,170
		5,630,239
		558,711
546,744	980,337	2,299,012
		4,145,002
	858,348	15,079,177
\$ 81,579,872	\$ 31,206,786	\$ 383,659,788

\$ 2,933,622	\$ 619,650	\$ 9,051,803
1,072,512	74,219	2,315,723
		503,482
16,153,645	1,241,525	17,395,170
		23,988,350
5,404,880		5,630,239
	3,638,526	97,705,420
	602,116	1,365,069
<u>25,564,659</u>	<u>6,176,036</u>	<u>157,955,256</u>

546,744	858,348	21,509,416
		558,711
	93,664	1,412,339
		35,347,108
	5,845,298	5,845,298
		10,850,533
61,127,125	7,174,966	68,302,091
	905,850	905,850
		37,521,231
		6,058,840
	10,127,713	10,127,713
	24,911	32,924,058
<u>(5,658,656)</u>		<u>(5,658,656)</u>
<u>56,015,213</u>	<u>25,030,750</u>	<u>225,704,532</u>
<u>\$ 81,579,872</u>	<u>\$ 31,206,786</u>	<u>\$ 383,659,788</u>

**CITY OF SAN MARCOS**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2009**

Fund balances of governmental funds \$ 225,704,532

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$721,922,428 and the accumulated depreciation is \$109,155,701. 612,766,727

Cost of issuance of bonds is deferred and amortized over the life of the bonds in the Statement of Net Assets whereas it is expended in the funds in the year of issuance (note 2). 5,942,048

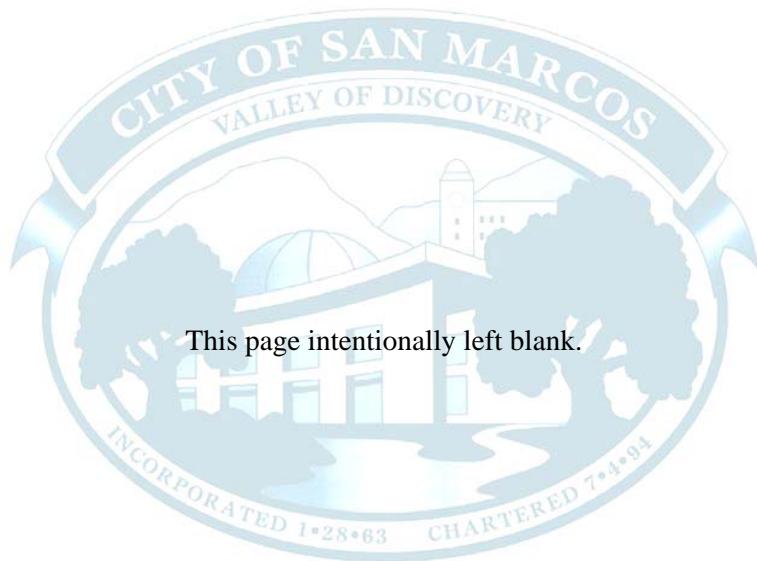
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds (note 5). 97,580,789

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (note 2). (343,824,179)

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds (5,949,466)

Net assets of governmental activities \$ 592,220,451

See accompanying notes to basic financial statements.



**CITY OF SAN MARCOS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	General	Low and Moderate Income Housing	Redevelopment Agency Debt Service
<b>Revenues:</b>			
Taxes and special assessments	\$ 26,607,624	\$ 14,737,707	\$ 47,937,014
Licenses and permits	4,229,537		
Intergovernmental	1,340,297		
Charges for services	11,777,111		
Developer fees	292,642		
Fines and forfeitures	5,585,247	1,826,904	2,463,404
Use of money and property	2,193,428	257,472	433,647
Miscellaneous			
 Total revenues	 52,025,886	 16,822,083	 50,834,065
 <b>Expenditures:</b>			
<b>Current:</b>			
General government	10,696,535	873,154	596,447
Community development	4,563,412	39,123,428	
Public safety	27,392,057		
Highways and streets	8,878,013		
Culture and recreation	6,793,120		
Tax increment distributions to other governmental agencies			18,086,645
Capital outlay	305,516	77,307	
<b>Debt service:</b>			
Principal	377,845		8,702,410
Interest and fiscal charges	8,013		15,536,594
 Total expenditures	 59,014,511	 40,073,889	 42,922,096
 Excess (deficiency) of revenues over expenditures	 (6,988,625)	 (23,251,806)	 7,911,969
 <b>Other financing sources (uses):</b>			
Long-term debt issued (note 10)			730,998
Sale of capital assets	3,180,648		
Transfers in (note 6)	4,892,297		1,588,932
Transfers out (note 6)	(249,222)	(1,163,558)	(42,525)
 Total other financing sources (uses)	 7,823,723	 (1,163,558)	 2,277,405
 Net change in fund balances	 835,098	 (24,415,364)	 10,189,374
 Fund balances, beginning	 57,472,884	 60,811,391	 39,765,186
 Fund balances, ending	 \$ 58,307,982	 \$ 36,396,027	 \$ 49,954,560

See accompanying notes to basic financial statements.

Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
	\$ 4,814,938	\$ 94,097,283
		4,229,537
	9,066,389	10,406,686
	6,827	11,783,938
	3,773,174	3,773,174
		292,642
\$ 501,459	1,045,305	11,422,319
695,578	864,221	4,444,346
<u>1,197,037</u>	<u>19,570,854</u>	<u>140,449,925</u>
911,055	256,215	13,333,406
	183,162	43,870,002
		27,392,057
	2,299,979	11,177,992
	306,514	7,099,634
31,091,769	7,807,247	18,086,645
		39,281,839
30,831	401,440	9,481,695
	335,789	<u>15,911,227</u>
<u>32,033,655</u>	<u>11,590,346</u>	<u>185,634,497</u>
<u>(30,836,618)</u>	<u>7,980,508</u>	<u>(45,184,572)</u>
42,525	811,173	730,998
(425,374)	249,222	3,991,821
	(4,892,297)	6,772,976
<u>(382,849)</u>	<u>(3,831,902)</u>	<u>(6,772,976)</u>
<u>(31,219,467)</u>	<u>4,148,606</u>	<u>4,722,819</u>
<u>87,234,680</u>	<u>20,882,144</u>	<u>266,166,285</u>
<u>\$ 56,015,213</u>	<u>\$ 25,030,750</u>	<u>\$ 225,704,532</u>

**CITY OF SAN MARCOS**  
**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, 2009**

Net change in fund balances - total govermental funds	\$ (40,461,753)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$36,125,676 exceeded depreciation of \$11,188,499.	24,937,177
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	
	6,410,241
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	923,283
Long-term loans are reported as expenditures in the governmental funds but not on the statement of activities.	39,309,266
The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
This amount is the net effect of these differences in the treatment of long-term debt and related items (note 2).	8,987,681
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (note 2).	<u>(432,790)</u>
Change in net assets of governmental activities	<u>\$ 39,673,105</u>

See accompanying notes to basic financial statements.

**CITY OF SAN MARCOS**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	Enterprise Funds			Total
	Creekside	Marketplace	Utility	
	Assets			
<b>Current assets:</b>				
Cash and investments (note 3)	\$ 6,641,299	\$ 61,832	\$ 6,703,131	
<b>Receivables:</b>				
Interest	17,174	176	17,350	
Deposits	<u>9,540</u>	<u>      </u>	<u>9,540</u>	
Total current assets	<u>6,668,013</u>	<u>62,008</u>	<u>6,730,021</u>	
<b>Noncurrent assets:</b>				
Other receivable (note 8)	895,055			895,055
<b>Capital assets (note 9):</b>				
Land	11,865,697			11,865,697
Buildings, net of depreciation	<u>17,206,433</u>	<u>      </u>	<u>17,206,433</u>	
Total noncurrent assets	<u>29,967,185</u>	<u>      </u>	<u>29,967,185</u>	
Total assets	<u>36,635,198</u>	<u>62,008</u>	<u>36,697,206</u>	
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Deposits	32,019			32,019
<b>Long-term liabilities:</b>				
Unearned revenue (note 5)	<u>895,055</u>	<u>      </u>	<u>895,055</u>	
Total liabilities	<u>927,074</u>	<u>      </u>	<u>927,074</u>	
<b>Net Assets</b>				
Invested in capital assets	29,072,130			29,072,130
Unrestricted	<u>6,635,994</u>	<u>62,008</u>	<u>6,698,002</u>	
Total net assets	<u>\$ 35,708,124</u>	<u>\$ 62,008</u>	<u>\$ 35,770,132</u>	

See accompanying notes to basic financial statements.

**CITY OF SAN MARCOS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Enterprise Funds		
	Creekside	Marketplace	Utility
	Total		
<b>Operating revenues:</b>			
Rental income	\$ 3,252,310		\$ 3,252,310
Common area maintenance charges	<u>537,536</u>		<u>537,536</u>
 Total operating revenues	 <u>3,789,846</u>		 <u>3,789,846</u>
<b>Operating expenses:</b>			
Property management	327,168		327,168
Janitorial	105,623		105,623
Repair and maintenance	257,516		257,516
Depreciation	<u>382,355</u>		<u>382,355</u>
 Total operating expenses	 <u>1,072,662</u>		 <u>1,072,662</u>
 Operating income	 2,717,184		 2,717,184
<b>Non-operating revenues:</b>			
Investment income	<u>132,417</u>	\$ 1,623	<u>134,040</u>
 Change in net assets	 2,849,601	 1,623	 2,851,224
 Net assets, beginning	 <u>32,858,523</u>	 <u>60,385</u>	 <u>32,918,908</u>
 Net assets, ending	 <u>\$ 35,708,124</u>	 <u>\$ 62,008</u>	 <u>\$ 35,770,132</u>

**CITY OF SAN MARCOS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<b>Enterprise Funds</b>		
	<b>Creekside Marketplace</b>	<b>Utility</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Payments to suppliers for goods and services	\$ (723,306)	\$ (48)	\$ (723,354)
Receipts from customers	<u>4,137,870</u>		<u>4,137,870</u>
Net cash provided by (used for) operating activities	3,414,564	(48)	3,414,516
<b>Cash flows from investing activities:</b>			
Interest received	<u>139,190</u>	<u>1,707</u>	<u>140,897</u>
Net increase (decrease) in cash and cash equivalents	3,553,754	1,659	3,555,413
Cash and cash equivalents, beginning	<u>3,087,545</u>	<u>60,173</u>	<u>3,147,718</u>
Cash and cash equivalents, ending	<u><u>\$ 6,641,299</u></u>	<u><u>\$ 61,832</u></u>	<u><u>\$ 6,703,131</u></u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 2,717,184		\$ 2,717,184
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Change in assets and liabilities			
Depreciation expense	382,355		382,355
Decrease in deposits	323,027		323,027
Decrease in accounts payable		(48)	(48)
Decrease in deposits payable	<u>(8,002)</u>		<u>(8,002)</u>
Net cash provided by (used for) for operating activities	<u><u>\$ 3,414,564</u></u>	<u><u>\$ (48)</u></u>	<u><u>\$ 3,414,516</u></u>

**CITY OF SAN MARCOS**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

Assets	
Cash and investments (note 3)	\$ 3,450,560
Cash and investments with fiscal agents (note 3)	17,842,815
Receivables:	
Special assessments	115,608
Interest	<u>59,045</u>
 Total assets	 <u>\$ 21,468,028</u>

Liabilities	
Due to bondholders	\$ 18,209,033
Deposits payable	<u>3,258,995</u>
 Total liabilities	 <u>\$ 21,468,028</u>

See accompanying notes to basic financial statements.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description and Scope of the Reporting Entity:

The City of San Marcos, California (the City) was incorporated on January 25, 1963 and became a Charter City on July 4, 1994. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, public safety, public works, culture and recreation, and community development.

As required by generally accepted accounting principles, these financial statements present the financial position of the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City.

Based upon the above criteria, the component units of the City are the San Marcos Redevelopment Agency (the Agency), the San Marcos Public Facilities Authority (the Authority), the California Mobilehome Financing Authority (CAMPFA), and the San Marcos Community Foundation (the Foundation).

Since the City Council serves as the governing board for these component units, all of these entities are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the City's operations, and so data from these units is reported with the data of the City (primary government).

The Redevelopment Agency of the City of San Marcos was established pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of San Marcos. The City provides management assistance to the Agency, and the members of the City Council also act as the governing body of the Agency.

The San Marcos Public Facilities Authority is a joint powers Authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated June 1989, between the City of San Marcos and the Redevelopment Agency of the City of San Marcos. Its purpose is to facilitate financing for public capital improvements of the City and the Agency.

The California Mobilehome Financing Authority is a joint powers Authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Powers Agreement dated May 9, 1995, between the City of San Marcos and the Redevelopment Agency of the City of San Marcos. Its purpose is to facilitate financing for public capital improvements to be owned by its members and to establish a vehicle which may reduce local borrowing costs and promote the greater use of existing and new financial instruments and mechanisms.

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

The San Marcos Community Foundation was established and by-laws were adopted on October 27, 1987. On June 10, 1988 the San Marcos Community Foundation was incorporated and organized under the California Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Foundation provides financial and other assistance to worthy programs which benefit the City and residents of San Marcos. Assets of the Foundation are reported in a Permanent Fund as only the interest earnings on the original principal of \$1,000,000 can be spent on Foundation activity. The amount that is available for spending is the balance over the original endowment and is reported on the balance sheet as unreserved, undesignated. No less than 4% or more than 5% of total assets may be distributed in any one year as long as total assets do not fall below the original principal.

Separate financial statements of the Agency are available at City Hall, 1 Civic Center Drive, San Marcos, California, 92069-2949. Financial statements are not prepared for the other entities.

**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 City and its blended 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 user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to 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 classified as program revenues are reported 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 Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund Financial Statements. Agency funds use the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

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 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. Reimbursements under state and federal grants are accrued if received within 180 days. Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise fees, vehicle license fees, highway users tax, interest, and some state and federal grants.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

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

The Low and Moderate Income Housing Fund accounts for the tax increment which is required to be set-aside under Section 33334.2 of the California Health and Safety Code to increase, improve or preserve the community's supply of low and moderate income housing.

The Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related costs of the Agency long-term debt.

The Redevelopment Agency Capital Projects Fund accounts for the administrative expenditures of the Redevelopment Agency and redevelopment capital projects.

The City reports the following major proprietary fund:

The Creekside Marketplace Enterprise Fund accounts for the activities of a City-owned shopping center.

Additionally, the City reports the following fund type:

The Agency Funds account for assets held by the City in a custodial capacity. These funds include refundable deposits and also account for the collection of special assessments levied on various Assessment Districts and Community Facilities Districts property owners for the payment of debt service on no commitment debt.

For both the government-wide and proprietary fund financial statements, the City applies all Governmental Accounting Standards Board (GASB) pronouncements currently in effect as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletin of the Committee on Accounting Procedure issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

The effect of interfund activity associated with significant interfund allocations has been eliminated from the Government-wide financial statements. Other interfund services provided and used between functions have not been eliminated from the Government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services and lease revenue. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for the enterprise funds include the cost of sales and services, and general and administrative expenses. 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 and then unrestricted resources as needed.

**Deposits and Investments:**

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The State Treasurer's Investment Pool 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.

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

Prepaid Items:

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

Land Held for Resale:

Land held for resale is valued at the lower of cost or market. Land held for resale is offset by a fund balance reserve in the fund financial statements to indicate that the asset does not constitute available, spendable resources.

Capital Assets:

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Depreciation starts the year following acquisition.

	<u>Years</u>
Buildings	50
Furniture and equipment	5-10
Infrastructure	20-50

Compensated Absences:

Vacation pay is payable to employees at the time used or upon termination of employment. Sick leave accrued but unused is cumulative from year to year. Employees are allowed to cash out sick leave hours over certain balances once a year and upon termination. All vacation pay and applicable sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All compensated absences are liquidated in the General Fund.

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

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

**Postemployment Benefits Other Than Pensions:**

The City does not provide postemployment benefits, other than pensions, that are material to the financial statements.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets:**

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$343,824,179 difference are as follows:

Bonds payable	\$303,360,000
Less: Deferred charge on refunding	(5,909,690)
Issuance discount	(394,799)
Plus: Issuance premium	5,516,081
Note payable	1,035,245
Cooperation agreement	29,959,866
Compensated absences	5,006,530
Due to other governments	<u>5,250,946</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$343,824,179</u>

Another element of the reconciliation is cost of issuance of \$5,942,048 which is deferred and amortized over the life of the bonds in the Statement of Net Assets as opposed to expended in the funds in the year of issuance.

**CITY OF SAN MARCOS**  
 Notes to Basic Financial Statements (Continued)  
 June 30, 2009

Explanation of Certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(8,987,681) difference are as follows:

Debt issued or incurred:	
Cooperation agreement	\$ 730,998
Principal repayments:	
Bonds	(6,525,000)
Note payable	(196,440)
Capital lease payments	(377,845)
Cooperation agreement	(2,382,410)
Due to other governments	(626,493)
Amortization of:	
Deferred charges/cost of issuance	228,138
Deferred charge on bond refunding	356,102
Bond issuance discount	14,855
Bond issuance premium	<u>(209,586)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets – governmental activities</i>	<u>\$ (8,987,681)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$432,790 difference are as follows:

Change in compensated absences	\$ 520,971
Change in accrued interest	<u>(88,181)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 432,790</u>

**3. CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 150,981,528
Cash and investments with fiscal agents	92,309,705

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

**Statement of fiduciary assets and liabilities:**

Cash and investments	3,450,560
Cash and investments with fiscal agents	<u>17,842,815</u>
<b>Total Cash and Investments</b>	<b><u>\$ 264,584,608</u></b>

Cash and investments at June 30, 2009 consisted of the following:

Demand deposits	\$ 2,441,553
Local Agency Investment Pool (LAIF)	80,169,354
California Asset Management Pool (CAMP)	48,599,074
Federal Agency Securities	108,648,153
Investment agreements	2,694,680
Money market mutual funds	<u>22,031,794</u>
<b>Total Cash and Investments</b>	<b><u>\$ 264,584,608</u></b>

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

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

<u>Investment Type</u> <u>Authorized by State Law</u>	<u>Authorized By City Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Bankers' Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	30 days	50%	None
Reverse Repurchase Agreements	No	1 year	20%	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
California Asset Management Program (CAMP)	Yes	N/A	None	None
County Pooled Investment Funds	No	N/A	None	None
JPA Investment Pools	No	N/A	None	None

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

**Investments Authorized by Debt Agreements:**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Repurchase Agreements	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Contracts	None	None	None

**Disclosures Relating to Interest Rate Risk:**

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

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

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 60 Months	More Than 60 Months
Federal agency securities	\$ 23,222,110		\$ 23,222,110	
LAIF	80,169,354	\$ 80,169,354		
CAMP	48,599,074	48,599,074		
Held by bond trustees:				
Money market mutual funds	22,031,794	22,031,794		
Investment contracts	2,694,680			\$ 2,694,680
Federal agency securities	85,426,043	68,391,864	\$ 17,034,179	
 Total	 \$262,143,055	 \$219,192,086	 \$ 40,256,289	 \$ 2,694,680

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

**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. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Total	Rating as of Year End		
		Minimum Legal Rating	AAA	Not Rated
Federal agency securities	\$ 23,222,110	N/A	\$ 23,222,110	
LAIF	80,169,354	N/A		\$ 80,169,354
CAMP	48,599,074	N/A	48,599,074	
Held by bond trustees:				
Money market mutual funds	22,031,794	A	22,031,794	
Investment contracts	2,694,680	N/A		2,694,680
Federal agency securities	<u>85,426,043</u>	N/A	<u>85,426,043</u>	
Total	<u><u>\$262,143.055</u></u>		<u><u>\$179,279.021</u></u>	<u><u>\$ 82,864,034</u></u>

**Concentration of Credit Risk:**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer other than external investment pools and mutual funds that represent 5% or more of the total City investments (or 5% or more of any major fund or nonmajor funds in the aggregate) are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 83,668,360
Fund	Issuer/Type	Reported Amount
Redevelopment Agency Debt Service Fund	Federal Home Loan Bank	\$ 3,998,236
	Federal Home Loan Mortgage Corporation	2,663,192
Redevelopment Agency Capital Projects Fund	Federal Home Loan Bank	68,301,727

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

Custodial Credit Risk:

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

The California Government Code 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. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy requires that all securities owned by the City be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and by the City.

Managed Investment Pools:

The City 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.

The City is a voluntary participant in the California Asset Management Pool (CAMP), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. The contract creating CAMP specifies the types of investments that can be made by the investment portfolio which include U.S. government securities, securities of federally sponsored agencies, repurchase agreements, bankers' acceptances, negotiable certificates of deposit and commercial paper.

**4. NOTES RECEIVABLE**

At June 30, 2009, notes receivable consisted of the following:

The City of San Marcos Redevelopment Agency has made various loans to individuals to acquire and own property within mobile home parks. These loans are at various low simple interest rates. Principal and interest are due in 30 years from the date of the note unless the property is sold or the individual no longer qualifies under low or moderate income requirements. Due to the long-term nature of the loans, deferred revenue has been recorded in the Low and Moderate Income Housing Special Revenue Fund.

\$ 2,457,094

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

The City of San Marcos Redevelopment Agency has made several loans to various housing developers for the acquisition, construction or rehabilitation of low and moderate housing. The loans were made in fiscal years 1997 through 2009 at various amounts and at interest rates ranging from 3% to 5.9% per annum. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. Due to the long-term nature of the loans, deferred revenue has been recorded in the Low and Moderate Income Housing Special Revenue Fund.

86,031,520

In July 1989, the City of San Marcos Redevelopment Agency entered into an Agreement of Cooperation with the San Diego County Office of Education for the option of borrowing \$800,000 from the Agency for the acquisition of land for a joint use facility with the San Marcos Unified School District. On June 9, 1998, the Office of Education borrowed the funds. The loan is at an interest rate equal to the interest rate of the debt instrument used by the Agency to fund the loan and is compounded annually on the balance of the loan. Beginning in the Trigger Year, 39% of the District's portion of General District Tax Revenues (after deduction of the 2% revenues) is to be allocated to repayment of the loan until the principal and interest have been repaid. Due to the long-term nature of the loan, fund balance has been reserved in the San Marcos Redevelopment Agency Debt Service Fund for the principal portion and the accrued interest of \$63,665 has been deferred.

863,665

In June 2001, the City loaned \$1,320,000 to a developer for the acquisition, development and construction of a commercial pad. The loan has a term of thirty years and bears an interest rate of 3%. Payments from residual receipts, if any, are to be made on an annual basis beginning with May 15 of the year first following the date the project is completed. Due to the long-term nature of the loan, deferred revenue has been recorded. The balance at June 30, 2009 includes accrued interest of \$203,918.

1,523,918

In December 2004, the City loaned \$700,000 to Assisted Living Foundation of America (ALFA), a non-profit corporation, to assist with the development of a 120 unit senior housing project. The loan is payable in full on June 1, 2038 and bears an interest rate of 1%. Due to the long-term nature of the loan, deferred revenue has been recorded. The balance at June 30, 2009 includes accrued interest of \$23,722.

723,722

In March 2006, the City loaned \$700,000 to ALFA to assist with the development of a 100-unit affordable rental housing project. The loan is payable in full on June 1, 2040 and bears an interest rate of 3%. Due to the long-term nature of the loan, deferred revenue has been recorded. The balance at June 30, 2009 includes accrued interest of \$42,000.

742,000

The City has provided loans to several individuals under a Federal (HOME) mortgage assistance loan program. The loans are to be repaid in 30 years and bear an interest rate of 3%. Deferred revenue has been recorded due to the long-term nature of the notes.

445,712

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

The City of San Marcos Redevelopment Agency has provided loans to individuals under a mortgage assistance program. The loans are to be repaid in 30 years and bear an interest of 3%. Deferred revenue has been recorded in the Low and Moderate Income Housing Fund due to the long-term nature of the notes.

500,773

Total notes receivable \$ 93,288,404

**5. DEFERRED/UNEARNED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable Revenue	Unearned Revenue
Fees receivable from property owners under various agreements	\$ 947,384	
Rental revenue received prior to recognition date		\$ 124,631
Long-term loans to mobile home owners	2,457,094	
Long-term loans to developers for the acquisition, construction or rehabilitation of low and moderate income housing		87,497,241
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,523,918	
Investment in direct financing lease	4,145,002	
Long-term loans to individuals under a mortgage assistance program		946,485
Accrued interest on long-term loan to County Office of Education	63,665	
 Total deferred/earned revenue for governmental funds	 <u><u>\$97,580,789</u></u>	 <u><u>\$ 124,631</u></u>

The Creekside Marketplace Enterprise Fund also reported unearned revenue of \$895,055 in conjunction with a receivable from a contractor as a result of a settlement agreement involving future rent losses (see note 8).

**6. INTERFUND RECEIVABLES AND TRANSFERS**

*Short-term loans between funds (Due to/Due from) were as follows at June 30, 2009:*

Receivable Fund	Payable Fund	Amount
General Fund	Non-major governmental funds	\$ 1,241,525
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	<u>16,153,645</u>
Total		<u><u>\$ 17,395,170</u></u>

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

The loans from the General Fund to the non-major governmental funds and from the Redevelopment Agency Debt Service Fund to the Redevelopment Agency Capital Projects Fund were made to eliminate short-term cash deficits.

*Long-term loans between funds (Advances to/Advances from) were as follows at June 30, 2009:*

The Low and Moderate Income Housing Special Revenue Fund loaned \$419,755 to the San Marcos Redevelopment Agency Debt Service Fund to fund the fiscal year 2003/2004 Educational Revenue Augmentation Fund (ERAFF) payment. The loan bears an interest rate of 3.0% and is to be repaid in ten years in annual installments of \$49,208. The balance outstanding at June 30, 2009 was \$225,359.

The Redevelopment Agency Debt Service Fund loaned \$5,404,880 to the Redevelopment Agency Capital Projects Fund to fund the purchase of property for future redevelopment. The loan accrues interest at the City's average monthly investment portfolio rate and is to be repaid over the next fifteen years to the extent that funds are available.

*Interfund transfers were as follows:*

	Transfers In				
	General Fund	RDA Debt Service	RDA Capital Projects	Non-major Governmental	Total Transfers Out
<b>Transfers Out:</b>					
General Fund				\$ 249,222	\$ 249,222
Low & Moderate Income Housing		\$ 1,163,558			1,163,558
RDA Debt Service			\$ 42,525		42,525
RDA Capital Projects		425,374			425,374
Non-major Governmental	\$ 4,892,297				4,892,297
<b>Total Transfers In:</b>	<b>\$ 4,892,297</b>	<b>\$ 1,588,932</b>	<b>\$ 42,525</b>	<b>\$ 249,222</b>	<b>\$ 6,772,976</b>

The transfers of \$249,222 from the General Fund to the non-major governmental funds were to fund various capital project costs.

The transfer of \$1,163,558 from the Low and Moderate Income Housing Special Revenue Fund to the Redevelopment Agency Debt Service Fund was to fund the debt service payments on the \$9,465,000 1997 Series A Tax Allocation bonds and the \$7,490,000 1998 Series A Tax Allocation bonds.

The transfer of \$42,525 from the RDA Debt Service Fund to the RDA Capital Projects Fund was to transfer the balance of the capitalized interest account to the redevelopment account.

The transfer of \$425,374 from the RDA Capital Projects fund to the RDA Debt Service fund was to fund the escrowed portion of debt service payments for the \$36,165,000 2006 Tax Allocation Revenue Bonds.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

The transfers of \$4,892,297 from nonmajor governmental funds to the General Fund was mainly to reimburse the General Fund for lighting and landscape cost incurred within the Lighting and Landscape District and Community Facilities District 98-02 (\$4,710,823).

**7. NET INVESTMENT IN DIRECT FINANCING LEASE**

In fiscal year 1992-93, the Agency entered into a direct financing lease with the San Marcos Unified School District whereby the Agency has agreed to lease 50% of the Public Works Yard to the School District, with a purchase option at the end of the lease. The lease was amended in fiscal year 2001/02 due to the refinancing of the Civic Center/Public Works Yard Bond issue.

The terms of the amended lease call for semi-annual payments of \$98,906 including interest at 5.87% each July and January 15 commencing July 15, 2002 to July, 2031 and payments of \$62,663 with no interest from July 15, 2002 to July 15, 2022. The following lists the components of the net investment in the direct financing lease as of June 30, 2009:

Total minimum lease payments to be received	\$ 6,142,663
Less unearned income	<u>1,997,661</u>
Net investment in direct financing lease	<u>\$ 4,145,002</u>

At June 30, 2009, the future minimum lease payments are as follows:

<u>Year Ending</u>	
<u>June 30</u>	
2010	\$ 323,138
2011	323,138
2012	323,138
2013	323,138
2014	323,138
2015-2019	1,615,689
2020-2024	1,427,699
2025-2029	989,057
2030-2031	<u>494,528</u>
	<u>\$ 6,142,663</u>

A net investment in direct financing lease and corresponding deferred revenue amount have been recorded in the Redevelopment Agency Debt Service Fund to account for the net present value of the lease payments at June 30, 2009.

**CITY OF SAN MARCOS**  
 Notes to Basic Financial Statements (Continued)  
 June 30, 2009

**8. OTHER RECEIVABLES**

At June 30, 2009, other receivables consisted of the following:

**Governmental Funds:**

In fiscal year 1992-93, the City entered into an agreement whereby Scripps Memorial Hospital has agreed to pay \$300,000 per year in public facilities fees for eight years. The City has recorded a receivable and deferred revenue for the future payments.	\$ 600,000
The City has entered into agreements with several property owners whereby certain public facilities fees are being deferred. The revenue has been deferred in the governmental funds.	139,241
Other	<u>208,143</u>
Total other receivables – governmental funds	<u><u>\$ 947,384</u></u>

**Proprietary Funds:**

In June 2004, the City entered into a Release and Settlement Agreement with a contractor whereby \$974,652 is to be remitted to the City over the next fifty years as compensation for the loss of lease space. Payments of \$1,624 are to be made on the fifteenth day of each month beginning on or about June 15, 2005 through May 15, 2055. The receivable has been recorded in the Creekside Marketplace Enterprise Fund along with unearned revenue.

\$ 895,055

**9. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 were as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 227,993,693	\$ 12,010,005	\$ (811,173)	\$ 239,192,525
Land improvements	14,636,648	13,994,722		28,631,370
Construction in progress	<u>78,042,343</u>	<u>28,339,732</u>	<u>(21,615,376)</u>	<u>84,766,699</u>
Total capital assets, not being depreciated	<u>320,672,684</u>	<u>54,344,459</u>	<u>(22,426,549)</u>	<u>352,590,594</u>
Capital assets being depreciated:				
Buildings	68,446,929	6,261,635		74,708,564
Furniture and equipment	16,367,640	213,878	(835,787)	15,745,731
Infrastructure	<u>274,735,045</u>	<u>4,142,494</u>		<u>278,877,539</u>
Total assets being depreciated	<u>359,549,614</u>	<u>10,618,007</u>	<u>(835,787)</u>	<u>369,331,834</u>

**CITY OF SAN MARCOS**  
 Notes to Basic Financial Statements (Continued)  
 June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Less accumulated depreciation for:				
Buildings	(16,516,866)	(1,367,884)		(17,884,750)
Furniture and equipment	(10,620,591)	(1,439,690)	835,787	(11,224,494)
Infrastructure	<u>(71,665,532)</u>	<u>(8,380,925)</u>		<u>(80,046,457)</u>
Total accumulated depreciation	<u>(98,802,989)</u>	<u>(11,188,499)</u>	835,787	<u>(109,155,701)</u>
Total capital assets being depreciated, net	<u>260,746,625</u>	<u>(570,492)</u>		<u>260,176,133</u>
Total governmental activities	<u>\$ 581,419,309</u>	<u>\$ 53,773,967</u>	<u>\$ (22,426,549)</u>	<u>\$ 612,766,727</u>

**Business type activities:**

Capital assets, not being depreciated:				
Land	\$ 11,865,697			\$ 11,865,697
Capital assets being depreciated:				
Buildings	19,117,758			19,117,758
Less accumulated depreciation	<u>(1,528,970)</u>	<u>\$ (382,355)</u>		<u>(1,911,325)</u>
Total capital assets being depreciated, net	<u>17,588,788</u>	<u>(382,355)</u>		<u>17,206,433</u>
Total business type activities	<u>\$ 29,454,485</u>	<u>\$ (382,355)</u>	<u>\$ -</u>	<u>\$ 29,072,130</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General government	\$ 891,860	
Community development	107,493	
Public safety	1,034,711	
Highways and streets	8,963,139	
Culture and recreation	<u>191,296</u>	
Total depreciation expense – governmental activities	<u>\$ 11,188,499</u>	

Assets acquired through capital leases are as follows:

Furniture and equipment	\$ 3,659,433
Less: accumulated depreciation	<u>(2,796,840)</u>
Total	<u>\$ 862,593</u>

**CITY OF SAN MARCOS**  
 Notes to Basic Financial Statements (Continued)  
 June 30, 2009

**10. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$309,885,000		\$ 6,525,000	\$303,360,000	\$6,750,000
Plus (less) deferred amounts:					
Issuance premium	5,725,667		209,586	5,516,081	
Issuance discount	(409,654)		(14,855)	(394,799)	
Charge on refunding	(6,265,792)		(356,102)	(5,909,690)	
Total bonds payable	308,935,221		6,363,629	302,571,592	6,750,000
Note payable	1,231,685		196,440	1,035,245	91,971
Capital leases payable	377,845		377,845		
Cooperation agreement	31,611,278	\$ 730,998	2,382,410	29,959,866	2,483,039
Compensated absences	4,485,559	2,101,192	1,580,221	5,006,530	2,436,978
Due to other governments	5,877,439		626,493	5,250,946	639,676
<b>Total</b>	<b>\$352,519,027</b>	<b>\$ 2,832,190</b>	<b>\$11,527,038</b>	<b>\$343,824,179</b>	<b>\$12,401,664</b>

In November 2001, the San Marcos Public Facilities Authority issued \$54,055,000 2001 Public Improvement Refunding Revenue Bonds Series A, to refund the \$58,425,000 1993 Public Improvement Refunding Revenue Bonds, Series A. The bonds consist of serial bonds maturing from 2002 to 2021 in annual installments ranging from \$830,000 to \$2,025,000 and term bonds of \$11,680,000 and \$14,770,000 maturing in 2026 and 2031, respectively. Interest is payable on February 1 and August 1, commencing February 1, 2002 at rates ranging from 2.10% to 5.0%. Bonds maturing on or after August 1, 2012 are subject to optional redemption, in whole or in part, on any date on or after August 1, 2011. Bonds maturing on August 1, 2026 and 2031 are subject to mandatory redemption on August 1 of each year commencing in 2022 and 2027, respectively. The reserve requirement was fully funded at the end of the fiscal year.

\$ 46,720,000

In July 1997, the Redevelopment Agency issued \$9,465,000 1997 Series A Tax Allocation Bonds to finance the acquisition, construction and rehabilitation of affordable housing. The bonds consist of serial bonds of \$1,645,000 maturing from 1998 to 2007 in annual installments of \$135,000 to \$200,000 and term bonds of \$7,820,000 maturing October 1, 2027. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 1997 at rates ranging from 4.2% to 6%. Bonds maturing on or after October 1, 2008 are subject to optional redemption, in whole or in part, on any date on or after October 1, 2007. Bonds maturing on October 1, 2027 are subject to mandatory sinking fund redemption, in part, on October 1 of each year commencing 2008. The reserve requirement was fully funded at the end of the fiscal year.

7,610,000

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

In April 1998, the Redevelopment Agency issued \$7,490,000 1998 Series 1998A Tax Allocation Bonds to finance the acquisition and rehabilitation of an affordable housing project. The bonds consist of serial bonds of \$1,525,000 maturing from 1999 to 2009 in annual installments of \$110,000 to \$175,000 and term bonds of \$5,965,000 maturing October 1, 2028. Interest is payable semi-annually on April 1 and October 1 commencing October 1, 1998 at rates ranging from 3.95% to 5.67%. Bonds maturing on or after October 1, 2008 are subject to optional redemption, in whole or in part, on any date on or after October 1, 2007. Bonds maturing on October 1, 2028 are subject to mandatory sinking fund redemption, in part, on October 1, of each year commencing October 1, 2010. The reserve requirement was fully funded at the end of the fiscal year.

6,140,000

In May 2003, the San Marcos Public Facilities Authority issued \$69,740,000, 2003 Tax Allocation Revenue Bonds, Series A, to currently refund the Authority's Tax Allocation Bonds, 1993 Series A and to provide funds for certain capital projects. The bonds consists of serial bonds of \$33,810,000 maturing from 2004 to 2022 in annual installments of \$545,000 to \$2,395,000 and term bonds of \$9,110,000 and \$26,820,000 maturing August 1, 2026 and 2033, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2003 at rates ranging from 2.50% to 5.25%. Bonds maturing on and after August 1, 2014 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2013. A premium of \$2,645,051 is being amortized over the life of the debt. The reacquisition price exceeded the net carrying amount of the old debt by \$1,756,751. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The reserve requirement was fully funded at the end of the year.

63,855,000

In May 2003, the San Marcos Public Facilities Authority issued \$21,360,000, 2003 Tax Allocation Revenue Bonds, Series B, to currently refund a portion of the Senior Tax Allocation Bonds, Series 1999, to fully refund the Subordinate Tax Allocation bonds, Series 1999, and to provide funds for certain capital projects. The bonds consists of serial bonds of \$2,360,000 maturing from 2004 to 2009 in annual installments of \$355,000 to \$490,000 and term bonds of \$1,780,000, \$6,465,000 and \$10,755,000 maturing August 1, 2013, 2023 and 2033, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2003 at rates ranging from 1.75% to 5.79%. Bonds maturing on and after August 1, 2014 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2013. The reacquisition price exceeded the net carrying amount of the old debt by \$280,136. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The reserve requirement was fully funded at the end of the year.

19,400,000

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

In May 2005, the San Marcos Public Facilities Authority issued \$30,235,000, 2005 Tax Allocation Revenue Bonds (Project Areas No. 1 and 3 Refunding Project), Series A, to advance refund the Senior Tax Allocation Bonds (Project Area No. 1), Series 1999, and the 1999 Subordinate Tax Increment Revenue Bonds (Project Area No. 3), Series A. The bonds consists of serial bonds of \$7,655,000 maturing from 2006 to 2020 in annual installments of \$95,000 to \$995,000 and term bonds of \$5,175,000 and \$16,865,000 maturing August 1, 2025 and 2034, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2005 at rates ranging from 2.80% to 5.00%. Bonds maturing on and after August 1, 2016 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2015. A premium of \$1,210,789 is being amortized over the life of the debt. The reacquisition price exceeded the net carrying amount of the old debts by \$3,567,007. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The reserve requirement was fully funded at the end of the year.

29,035,000

In May 2005, the San Marcos Public Facilities Authority issued \$33,265,000, 2005 Tax Allocation Revenue Bonds (Project Area No. 1 Refunding and Financing Project), Series B, to refund the Taxable Tax Allocation Refunding Bonds (Project Area No. 1), Series 1999, repay certain loans made by the City to the Agency, and reimburse the Agency for expenditures made in connection with certain redevelopment activities. The bonds consists of serial bonds of \$7,805,000 maturing from 2005 to 2015 in annual installments of \$150,000 to \$925,000 and term bonds of \$5,380,000, \$6,915,000, and \$13,165,000 maturing August 1, 2020, 2025 and 2034, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2005 at rates ranging from 3.30% to 5.35%. Bonds maturing on and after August 1, 2016 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2015. A discount of \$259,360 is being amortized over the life of the debt. The reacquisition price exceeded the net carrying amount of the old debt by \$1,815,137. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The reserve requirement was fully funded at the end of the year.

31,150,000

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

In June 2005, the San Marcos Public Facilities Authority issued \$61,735,000, 2005 Tax Allocation Revenue Bonds (Project Areas No. 2 and No. 3 Financing Project), Series C, to finance certain capital projects of the Agency and the City. The bonds consists of serial bonds of \$23,015,000 maturing from 2006 to 2025 in annual installments of \$880,000 to \$1,410,000 and term bonds of \$4,475,000, \$18,135,000, and \$16,110,000 maturing August 1, 2028, 2035 and 2038, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2005 at rates ranging from 2.55% to 5.00%. Bonds maturing on and after August 1, 2016 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2015. A premium of \$2,674,921 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the year.

58,455,000

In April 2006, the San Marcos Public Facilities Authority issued \$36,165,000, 2006 Tax Allocation Revenue Bonds (Project Area No. 3 Financing Project), Series A, to finance certain capital projects of the Agency. The bonds consists of serial bonds of \$5,970,000 maturing from 2007 to 2016 in annual installments of \$25,000 to \$700,000; term bonds of \$3,145,000, \$4,910,000, \$7,610,000, and \$8,095,000 maturing August 1, 2020, 2025, 2031, and 2036, respectively; and special term bonds of \$590,000, \$710,000 and \$5,135,000 maturing August 1, 2011, 2016, and 2036, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2006 at rates ranging from 3.25% to 4.80%. Bonds maturing on and after August 1, 2017 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2016. A discount of \$116,318 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the year.

34,910,000

In August 2006, the San Marcos Public Facilities Authority issued \$6,740,000, 2006 Lease Revenue Refunding Bonds to refund the San Marcos Public Facilities Authority Lease Revenue Bonds, Series 1999. The proceeds of the bonds were deposited in an irrevocable escrow to prepay the 1999 bonds. The bonds consist of serial bonds of \$4,140,000 maturing from 2006 to 2021 in annual installments of \$195,000 to \$345,000 and term bonds of \$1,125,000 and \$1,475,000 maturing November 4, 2024 and 2028, respectively. Interest is payable semi-annually on May 1 and November 1 commencing November 1, 2006 at rates ranging from 3.6% to 4.8%. A discount of \$69,998 is being amortized over the life of the debt. The reacquisition price exceeded the net carrying amount of the old debt by \$105,273. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. The reserve requirement was fully funded at the end of the year.

6,085,000

Total bonds payable

\$303,360,000

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

The bond documents for the San Marcos Public Facilities Authority 2003 Tax Allocation Revenue Bonds Series A and B, the 2005 Tax Allocation Revenue Bonds Series A and B, and the 2006 Lease Revenue Refunding Bonds include a Reserved Fund Surety provided by FGIC for the purpose of funding 50% of the reserve requirement for each series of the bonds. Per section 3.04(d) of the indenture for the bonds, if the rating of the claims paying ability of FGIC falls below a rating of "A", the Authority shall either (i) deposit into the account of the Reserve Fund for which the surety was issued an amount equal to the reserve requirement over the ensuing year in equal installments on at least a monthly basis, or (ii) replace the Reserve Fund Surety with a Reserve Fund Surety meeting the Reserve Fund Surety requirements within six months of such occurrence. In March 2008, FGIC's rating was downgraded below "A" triggering the downgrade language described above. The Authority has enacted option (i) and has begun making installments into the Reserve Fund to meet the requirements of the indenture.

Bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 6,750,000	\$ 14,634,762	\$ 21,384,762
2011	6,990,000	14,376,901	21,366,901
2012	7,260,000	14,096,140	21,356,140
2013	7,555,000	13,794,988	21,349,988
2014	7,865,000	13,471,592	21,336,592
2015-2019	42,395,000	61,779,620	104,174,620
2020-2024	53,185,000	50,066,838	103,251,838
2025-2029	65,605,000	35,074,906	100,679,906
2030-2034	69,670,000	17,553,201	87,223,201
2035-2039	<u>36,085,000</u>	<u>3,830,839</u>	<u>39,915,839</u>
<b>Total</b>	<b><u>\$303,360,000</u></b>	<b><u>\$238,679,787</u></b>	<b><u>\$542,039,787</u></b>

Note Payable:

On February 3, 1998, the City purchased property from the Vallecitos Water District through the issuance of a \$1,829,520 promissory note. Annual payments of \$148,909 from the Public Facility Fund, including interest at the rate of 5.5%, are due each February 1 through 2018.

\$ 1,035,245

The annual requirements to amortize the note payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 91,971	\$ 56,938	\$ 148,909
2011	97,029	51,880	148,909
2012	102,365	46,544	148,909

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	107,996	40,913	148,909
2014	113,935	34,974	148,909
2015-2018	521,949	73,688	595,637
<b>Total</b>	<b>\$ 1,035,245</b>	<b>\$ 304,937</b>	<b>\$ 1,340,182</b>

**Cooperation Agreement:**

In fiscal year 1993-94, the Redevelopment Agency entered into a cooperation agreement with the County of San Diego (County) to alleviate any financial burden or detriment caused to the County as a result of amending the Redevelopment Plan for Project Area No. 1. The amount owed to the County increases each year by an annual amount equal to the County's portion of actual Agency tax revenue after deducting the housing set-aside. The unpaid principal and interest amount bears a 4% annual interest rate between fiscal year 1993-94 and the trigger year (the fiscal year in which the amount of tax revenue that has been allocated and paid to the Agency exceeds the amount of \$100,000,000) and a floating interest rate thereafter. Payments consisting of 68% of the County's portion of tax increment are to be made annually beginning in the trigger year. Beginning in fiscal year 2012-13, the Agency is to annually pay the County the following percentages of gross Agency tax revenue:

2012-13 through 2017-18	25%
2018-19 through 2022-23	30%
2023-24 through 2027-28	35%
2028-29 through 2032-33	40%
2033-34 through 2037-38	45%
2038-39 and thereafter	50%

Once the County has been fully paid all principal and interest, if the Agency is still entitled to receive Agency tax revenue, annual payments to the County will equal the County's portion after deducting the housing set-aside.

**\$ 29,959,866**

**Due to Other Governments:**

In March 1997, the County of San Diego filed a claim against the City of San Marcos Redevelopment Agency involving disputes over the amount of Redevelopment Tax Increment Revenue to be paid to the County. The case was settled and the Agency has to pay the County a predetermined amount annually commencing December 15, 1998 and ending December 15, 2019 for a total of \$9,872,085.

**\$ 5,250,946**

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

**11. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Diego (the County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than two percent per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

**12. RETIREMENT**

**Plan Description:**

The City of San Marcos 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

**Funding Policy:**

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City pays a portion of the contribution required of City employees on their behalf and for their account. For the year ended June 30, 2009, the amount contributed by the City on behalf of the employees was \$1,557,273. The City is also required to contribute at an actuarially determined rate. The rates for 2009 were 21.118% for miscellaneous employees, and 22.609% for safety, as a percentage of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

**Annual Pension Cost:**

For the year ended June 30, 2009, the City's annual pension cost (employer contribution) of \$4,083,506 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. GASB Statement No. 27 requires that the actuarial valuation use data as of a valuation date not more than twenty-four months before the beginning of the employer's fiscal year. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases from 3.25% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS

**CITY OF SAN MARCOS**  
 Notes to Basic Financial Statements (Continued)  
 June 30, 2009

unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the valuation date is seventeen years for safety and twenty-four years for miscellaneous employees.

The Schedule of Funding Progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHEDULE OF FUNDING PROGRESS**

**MISCELLANEOUS PLAN**

Actuarial Valuation Date	Entry-Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Covered Payroll
6/30/06	\$53,016,146	\$34,913,954	\$ 18,102,192	65.9%	\$ 10,406,464	174.0%
6/30/07	59,967,833	40,684,283	19,283,550	67.8	11,585,825	166.4
6/30/08	66,454,307	45,696,056	20,758,251	68.8	12,386,440	167.6

PERS requires plans with less than 100 active members as of June 30, 2004 to participate in a risk pool. Mandated pooling was effective for the Safety Plan with the June 30, 2005 actuarial valuation. For each of the fiscal years shown below, the City has contributed at the actuarial determined rate provided by PERS' actuaries.

**ANNUAL PENSION COST (MISCELLANEOUS)**

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/07	19.010%	\$ 2,090,927	100%	-
6/30/08	20.424	2,329,161	100%	-
6/30/09	21.118	2,638,492	100%	-

**ANNUAL PENSION COST (SAFETY)**

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/07	22.357%	\$ 1,273,951	100%	-
6/30/08	22.252	1,360,347	100%	-
6/30/09	22.609	1,445,014	100%	-

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

**Defined Contribution Pension Plan:**

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 plan. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council has resolved to pay 1.9% for City employees of the required contribution. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2009, the City's total payroll and covered payroll was \$1,302,346. The City made employer contributions of \$25,254 (1.9% of current covered payroll), and employees contributed \$72,422 (5.6% of current covered payroll).

**13. INSURANCE**

The City is a member of the California Joint Powers Insurance Authority (the Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**General Liability** - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on a member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies (4b) subject to a \$3,000,000 annual aggregate deductible (4c) and a quota-sharing agreement whereby the Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City's property currently has all-risk property insurance protection in the amount of \$117,633,535. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City currently has earthquake protection in the amount of \$95,082,766. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Environmental Insurance - The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Special Event Tenant User Liability Insurance - The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Workers Compensation:

The City is a member of the Public Agency Self-Insurance System (PASIS) which is a joint powers authority of nine fire districts in San Diego County and the City of San Marcos. PASIS' purpose is to provide for payment of workers' compensation claims, purchase claims examiner services, general counsel services and excess insurance coverage. Members are responsible for paying their own claims and related expenses.

For claims arising prior to July 1, 2001, the City was responsible for the first \$250,000 of each loss. For claims arising during the year ended June 30, 2002, the deductible amount was \$400,000. The deductible for claims arising after June 30, 2002 is \$500,000. PASIS carries excess insurance through a commercial insurance company to cover amounts over the self-insured retention. PASIS requires the City to maintain a minimum of \$500,000 cash deposit with the Authority. At June 30, 2009, the City had \$662,911 on deposit with PASIS and claims payable of \$503,482. Both are included within the General Fund.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

**14. JOINT VENTURES**

a) The San Marcos Fire Protection District (the District) is a member of the North County Dispatch Joint Powers Authority (the JPA). The JPA was formed on June 11, 1984 by the Rancho Santa Fe Fire Protection District, the Solana Beach Fire Department, the Encinitas Fire Protection District, the Vista Fire Department, and the San Marcos Fire Protection District. The purpose of the JPA is to provide dispatching and emergency communication services for fire protection, security, and medical services. Each member provides an annually determined contribution towards the ongoing operation. In the event of dissolution of the JPA, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement. The activities of the JPA are supervised by a board consisting of five directors who are appointed by each member governing bodies. Summarized audited information of the JPA for the fiscal year ended June 30, 2009, the most current available information, is as follows:

Total assets	\$ 2,180,351
Liabilities	<u>(762,880)</u>
Net assets	<u>\$ 1,417,471</u>
Revenues	\$ 2,993,578
Expenditures	<u>(2,822,111)</u>
Change in net assets	<u>\$ 171,467</u>

The District's share of the JPA's assets, liabilities, equity, and changes therein during the year are not available. Separate financial statements of the JPA are available at 16936 El Fuego, Rancho Santa Fe, California 92067.

b) The San Marcos Redevelopment Agency and the City of Holtville have entered into a Joint Exercise of Powers Agreement dated November 15, 1995, to create the Mobilehome Financing Authority (MFA). The purpose of the MFA is a) to provide for the financing of public capital improvements for a local agency through the acquisition by the MFA of such public capital improvements, and/or the purchase by the MFA of obligations of a local agency pursuant to bond purchase agreements, and/or the loan of funds to a local agency and b) to provide for the acquisition, construction, maintenance or operation of certain housing facilities by the MFA. The Board of Directors consists of three members of the City Council of the City of Holtville and two members of the Board of Directors of the Agency. The Agency's share of the MFA's assets, liabilities, equity, and changes therein during the year are not available. Separate financial statements are not prepared for the MFA.

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

**15. DESIGNATIONS OF FUND BALANCE**

The General Fund unreserved fund balance was designated as follows at June 30, 2009:

Redevelopment agency loans	\$ 3,000,000
Capital projects	12,000,000
Economic/litigation contingency	9,653,763
Equipment replacement	2,867,468
Employee compensation contingency	<u>10,000,000</u>
 Total unreserved, designated	 <u>\$ 37,521,231</u>

**16. ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICT BONDS AND CONDUIT DEBT**

Bonds issued to finance public improvement projects in certain assessment districts and community facilities districts are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for the collection of special assessments from the property owners and the payment of principal and interest to the bondholders. The City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying financial statements. The balance in the reserve account at the end of the fiscal year for each bond issue was above the reserve requirement.

	Amount of Issue	Outstanding June 30, 2009
City of San Marcos Community Facilities District No. 88-1, Series 1999, Improvement Area #1, 2, 3	\$ 33,560,000	\$ 25,465,000
City of San Marcos Community Facilities District No. 91-01, Special Tax Bonds, 2004 Series B	3,690,000	2,935,000
City of San Marcos Assessment District No. 2-1993 Refunding Bonds	2,729,950	155,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2004 Series A (Improvement Area A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, R2)	33,805,000	31,120,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2004 Series A (Improvement Area C2B, I1, I2)	14,035,000	13,380,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Bonds, Series 2004 (Improvement Area No. 1)	22,500,000	21,130,000

**CITY OF SAN MARCOS**  
 Notes to Basic Financial Statements (Continued)  
 June 30, 2009

	<u>Amount of Issue</u>	<u>Outstanding June 30, 2009</u>
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2006 Series B (Improvement Area F2/V2, J, T, V1A)	13,660,000	13,455,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, Series 2007 (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	26,405,000	<u>26,120,000</u>
Total outstanding		<u>\$ 133,760,000</u>

The City, the Redevelopment Agency, the San Marcos Public Facilities Authority and the California Mobilehome Financing Authority have issued bonds to provide financing for the acquisition, construction and/or development of various residential dwelling units, industrial facilities, school facilities, facilities for the elderly and rental housing for low and moderate income persons. However, neither the faith and credit nor the general taxing power of the City, Agency or Authorities have been pledged to the payments of the bonds. Furthermore, the City, Agency or Authorities do not have any obligations for the payments of the bonds in the case of default. Therefore, none of the following obligations are included in the accompanying financial statements.

	<u>Outstanding June 30, 2009</u>
\$2,300,000 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Villa Serena Apartments), 2000 Series A	\$ 1,996,939
\$6,000,000 City of San Marcos Mobile Home Park Revenue Bonds, Series 1999 (Valle Verde)	6,000,000
\$9,304,230 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Autumn Ridge) Series 2000	8,915,977
\$15,800,000 Redevelopment Agency of the City of San Marcos Variable Rate Demand Multifamily Housing Revenue Bonds (Grandon Village) Series 2002A & 2002A-T	13,390,000
\$44,175,000 California Mobilehome Park Financing Authority Mobile Home Park Revenue Bonds (Palomar Estates East & West) Series 2003A & B	40,465,000
\$56,860,000 San Marcos Public Financing Authority Tax Increment Pass-through Revenue Refunding Bonds, San Marcos Unified School District, 2006 Series A	54,735,000

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

	<u>Outstanding</u> <u>June 30, 2009</u>
\$44,640,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Refunding Bonds, Series 2006 A, B, C (Union City Tropics)	43,115,000
\$11,655,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Bonds, Series 2001 A, B, C (Fresno/Oceano)	10,547,716
\$21,985,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Bonds, Series 2001 A, B, C (Rancho Vallecitos)	<u>20,380,000</u>
	<u><u>\$ 199,545,632</u></u>

**17. COMMITMENTS AND CONTINGENCIES**

The City is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from those actions will not result in a material adverse effect on the City's financial position.

When adopting its budget for fiscal year 2009-10, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2009-10 and 2010-11. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time.

**18. DEFEASED BONDS**

During the fiscal year ended June 30, 1994, the San Marcos Public Facilities Authority defeased \$31,740,000 of its \$50,000,000 1991 Series bonds by purchasing United States government securities with unexpended 1991 Series bond proceeds, and depositing those securities in an irrevocable trust with an escrow agent. The outstanding balance of the 1991 defeased bonds of \$31,740,000 is scheduled to mature in January 2019.

In May 2005, the San Marcos Public Facilities Authority issued \$30,235,000 2005 Tax Allocation Revenue Bonds Series A to refund \$28,025,000 outstanding 1999 Series A Subordinate Tax Increment Revenue Bonds and \$2,640,000 outstanding 1999 Senior Tax Allocation Bonds. Net proceeds of \$30,583,198 (including a premium of \$1,210,789 and after the payment of underwriting fees, insurance, and other issuance costs), plus \$3,648,809 of 1999 bond debt service reserves and other available moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full redemption of the 1999 bonds on August 1, 2009. The balance outstanding of the 1999 Subordinate Tax Increment Bonds and the 1999 Senior Tax Allocation Bonds at June 30, 2009 were \$26,745,000 and \$2,490,000, respectively.

**CITY OF SAN MARCOS**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2009**

In May 2005, the San Marcos Public Facilities Authority issued \$33,265,000 2005 Tax Allocation Revenue Bonds Series B to refund \$11,005,000 outstanding 1999 Taxable Tax Allocation Refunding Bonds, to repay certain loans made by the City to the Agency, and to reimburse the Agency for expenditures made in connection with certain redevelopment activities. Net proceeds of \$11,437,223 (after the payment of underwriting fees, insurance, other issuance costs and the funding of capitalized interest), plus \$1,382,914 of 1999 bond debt service reserves and other available moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full redemption of the 1999 bonds by August 1, 2009. The balance of the 1999 Taxable Tax Allocation refunding Bonds at June 30, 2009 was \$10,240,000.

**19. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Expenditures exceeded appropriation control levels in the Affordable Housing Assurance Special Revenue Fund (\$19,444) and the San Marcos Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund (\$15,832,067). The latter variance was due to the Board approved loans that have been made to housing corporations to construct low and moderate income housing. Several of these projects moved forward earlier than anticipated due to the state of the economy and the willingness of previous owners to sell their property.

**20. PLEDGED REVENUES**

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a % of Pledged Revenue
<b>Non Set-Aside Tax Increment:</b>			
Project Area No. 1	\$ 12,498,359	\$ 7,416,429	59%
Project Area No. 2	6,535,108	3,832,921	59
Project Area No. 3	12,310,466	8,478,886	69
<b>Set-Aside Tax Increment</b>	<b>14,737,707</b>	<b>1,188,101</b>	<b>8</b>

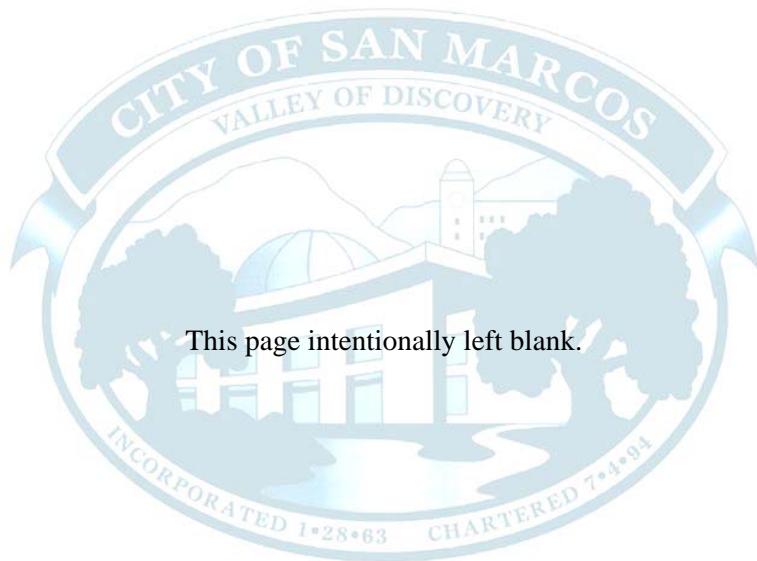
Non set-aside tax increment pledged revenue is gross increment net of set-aside tax increment in Project Area No.1 and net of set-aside tax increment and tax increment pass through payments in Project Areas No. 2 and No. 3.

**CITY OF SAN MARCOS**  
Notes to Basic Financial Statements (Continued)  
June 30, 2009

**21. STATE ISSUANCE OF DEBT**

On July 28, 2009, legislation was signed into law that enabled the State of California to borrow a portion of the property tax revenue due to be remitted to local governments in fiscal year 2009-10. This action was taken to replace a portion of the shortfall in state revenues associated with current economic conditions. The amount to be borrowed in fiscal year 2009-10 from each local government represents approximately 8% of the general levy property taxes received by that local government in fiscal year 2008-09 (approximately \$1.3 million for the City of San Marcos).

On November 10, 2009, the California Statewide Communities Development Authority (CSCDA) issued debt to provide participating local governments all of the revenues that had been authorized to be borrowed by the State in its fiscal year 2009-10 budget. The bonds provide for the borrowed funds to be remitted to the participating local governments in two installments (on January 15, 2010 and on May 3, 2010). The City of San Marcos participated in this program.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF SAN MARCOS**  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes and special assessments	\$ 29,476,400	\$ 26,731,850	\$ 26,607,624	\$ (124,226)
Licenses and permits	4,238,918	4,122,023	4,229,537	107,514
Intergovernmental	1,430,380	1,060,466	1,340,297	279,831
Charges for services	10,673,662	11,025,298	11,777,111	751,813
Developer fees	738,700	738,700		(738,700)
Fines and forfeitures	257,300	257,300	292,642	35,342
Use of money and property	7,746,465	7,009,673	5,585,247	(1,424,426)
Miscellaneous	88,425	1,838,425	2,193,428	355,003
<b>Total revenues</b>	<b>54,650,250</b>	<b>52,783,735</b>	<b>52,025,886</b>	<b>(757,849)</b>
<b>Expenditures:</b>				
Current:				
General government	10,773,127	10,412,321	10,696,535	(284,214)
Community development	4,723,910	4,700,798	4,563,412	137,386
Public safety	28,147,509	27,911,838	27,392,057	519,781
Highways and streets	8,280,138	8,937,912	8,878,013	59,899
Culture and recreation	7,168,555	7,007,623	6,793,120	214,503
Capital outlay	1,355,781	823,990	305,516	518,474
Debt service:				
Principal	377,847	377,847	377,845	2
Interest and fiscal charges	8,013	8,013	8,013	
<b>Total expenditures</b>	<b>60,834,880</b>	<b>60,180,342</b>	<b>59,014,511</b>	<b>1,165,831</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(6,184,630)</b>	<b>(7,396,607)</b>	<b>(6,988,625)</b>	<b>407,982</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	25,000	3,125,000	3,180,648	55,648
Transfers in	5,971,850	4,121,850	4,892,297	770,447
Transfers out	(175,000)	(175,000)	(249,222)	(74,222)
<b>Total other financing sources (uses)</b>	<b>5,821,850</b>	<b>7,071,850</b>	<b>7,823,723</b>	<b>751,873</b>
<b>Net change in fund balance</b>	<b>(362,780)</b>	<b>(324,757)</b>	<b>835,098</b>	<b>1,159,855</b>
<b>Fund balance, beginning</b>	<b>57,472,884</b>	<b>57,472,884</b>	<b>57,472,884</b>	
<b>Fund balance, ending</b>	<b>\$ 57,110,104</b>	<b>\$ 57,148,127</b>	<b>\$ 58,307,982</b>	<b>\$ 1,159,855</b>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**Low and Moderate Income Housing Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes and special assessments	\$ 14,837,000	\$ 14,837,000	\$ 14,737,707	\$ (99,293)
Use of money and property	2,068,000	2,068,000	1,826,904	(241,096)
Gain on sale of land held for resale	25,000	25,000		(25,000)
Miscellaneous	93,728	93,728	257,472	163,744
<b>Total revenues</b>	<b>17,023,728</b>	<b>17,023,728</b>	<b>16,822,083</b>	<b>(201,645)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,412,822	1,412,822	873,154	539,668
Community development	21,000,000	21,000,000	39,123,428	(18,123,428)
Capital outlay	1,829,000	1,829,000	77,307	1,751,693
<b>Total expenditures</b>	<b>24,241,822</b>	<b>24,241,822</b>	<b>40,073,889</b>	<b>(15,832,067)</b>
<b>Deficiency of revenues over expenditures</b>	<b>(7,218,094)</b>	<b>(7,218,094)</b>	<b>(23,251,806)</b>	<b>(16,033,712)</b>
<b>Other financing uses:</b>				
Transfers out	(1,188,100)	(1,188,100)	(1,163,558)	24,542
Net change in fund balance	(8,406,194)	(8,406,194)	(24,415,364)	(16,009,170)
<b>Fund balance, beginning</b>	<b>60,811,391</b>	<b>60,811,391</b>	<b>60,811,391</b>	<b></b>
<b>Fund balance, ending</b>	<b>\$ 52,405,197</b>	<b>\$ 52,405,197</b>	<b>\$ 36,396,027</b>	<b>\$ (16,009,170)</b>

**CITY OF SAN MARCOS**  
Note to Required Supplementary Information  
June 30, 2009

**1. BUDGETARY INFORMATION**

The City follows these procedures in establishing its budgetary data:

- 1) During May or June, the City Manager submits to the City Council a proposed operating budget for all funds of the City for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at City Council meetings to obtain citizens' comments during June.
- 3) Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.

The level of budgetary control (the level on which expenditures may not exceed budgeted appropriations) is the individual fund level. The City Manager is authorized to transfer budgeted amounts between departments/functions as long as the total City budget is not exceeded. Any transfer exceeding the adopted City budget must have City Council approval. Appropriations were reduced by a net of \$654,538 in the General Fund.

Budgets for all governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the General, Special Revenue, and Debt Service Funds, except for the Center Drive Maintenance District Special Revenue Fund and the California Mobilehome Park Financing Authority Debt Service Fund. Annual budgets are not adopted for the Capital Projects Funds. Therefore, budget and actual financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Unencumbered appropriations lapse at the end of the fiscal year.

## ***NON-MAJOR GOVERNMENTAL FUNDS***

### ***Special Revenue Funds***

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**The Gas Tax Fund** is used to account for a portion of the operations of the street maintenance department. Financing is provided by the City's share of State gasoline taxes. These taxes are used exclusively to maintain streets in accordance with State law.

**The Traffic Safety Fund** is used to account for traffic safety expenditures. Financing is provided by City-assessed traffic signal fees and traffic fines collected by the State.

**The Community Facilities District 98-02 Fund** is used to account for the cost of providing street lighting and landscape services to certain properties. The benefiting properties are assessed for a portion of the cost.

**The Affordable Housing Assurance Fund** is used to account for in-lieu revenue received from developers to provide affordable housing.

**The Street Lighting District Fund** is used to account for the cost of providing street lighting services to certain properties. The benefiting properties are assessed for a portion of the cost.

**The Senior Nutrition Grant Fund** is used to account for Federal grant revenues received through the County of San Diego for the operations of the Senior Nutrition Center.

**The Community Development Block Grant Fund** is used to account for transactions related to the Community Development Block Grant Program provided by the Federal Government. Funds are mostly utilized for capital improvement projects benefiting low and moderate income areas within the City.

**The HOME Grant Fund** is used to account for transactions related to the HOME Grant provided by the Federal Government. The grant is used to fund the San Marcos Mortgage Assistance Program.

**The Traffic Congestion Relief Fund** is used to account for monies received from the State under Assembly Bill 2928. These monies must be used only for street and highway pavement maintenance, and rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

**The Proposition 1B Fund** is used to account for monies received from the State under Senate Bill 1266. These monies must be used only for improvement to transportation facilities such as street and highway pavement maintenance, and rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

**The Center Drive Maintenance District Fund** is used to account for the cost of providing street maintenance services to certain properties. The benefiting properties are assessed for a portion of the cost.

## ***NON-MAJOR GOVERNMENTAL FUNDS (Continued)***

### **Debt Service Funds**

Debt service funds are used to account for debt service transactions including revenue collection and payments of principal and interest on long-term obligations.

**The California Mobilehome Park Financing Authority Fund** is used to account for the accumulation of resources for and the payment of principal and interest of the California Mobilehome Park Financing Authority debt.

**The San Marcos Public Facilities Authority Fund** is used to account for the accumulation of resources for and the payment of principal and interest of the various debt obligations of the San Marcos Public Facilities Authority.

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**The Transportation Development Act Fund** is used to account for revenues received and expenditures made for transportation development, transit and related studies. Funding is provided to the City as a secondary recipient under agreements with the County and with the San Diego Association of Governments.

**The Public Facility Fund** is used to account for fees received under the City's Public Facilities Financing Plan and the related capital improvements. The plan identifies facilities necessary to accommodate growth and ensure funding is available to pay for development's share of public facilities.

**The Capital Improvements Fund** is used to account for capital projects funded with Federal and other grants and the General Fund.

**The Community Facilities District 99-1 Fund** is used to account for the proceeds of bonds issued by the City of San Marcos Community Facilities District 99-1 pursuant to the Mello-Roos Community Facilities Act of 1982. The proceeds are used to finance, refinance or provide reimbursement for the cost of land, buildings, equipment and other public capital improvements.

**The Transportation Sales Tax Fund** is used to account for receipts and expenditures of money associated with the widening of State Highway 78 and other local public capital improvements.

**The Community Facilities District 02-01 Fund** is used to account for the proceeds of bonds issued by the City of San Marcos Community facilities District 02-01 pursuant to the Mello-Roos Community Facilities Act of 1982. The proceeds are used to finance, refinance or provide reimbursement for the cost of land, buildings, equipment and other public capital improvements.

## ***NON-MAJOR GOVERNMENTAL FUNDS (Continued)***

### **Permanent Fund**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

**The Community Foundation Fund** is used to account for the principal trust amount received and the related interest income. The interest portion can be used to provide financial and other assistance to worthy programs which benefit the City and its residents.

**CITY OF SAN MARCOS**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2009**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<b>Assets</b>			
Cash and investments	\$ 15,791,099	\$ 95,614	\$ 6,545,565
Cash and investments with fiscal agents			731,630
Receivables:			
Taxes and special assessments	65,445		
Accounts	250		1,000
Interest	47,848		27,706
Notes	3,435,352		
Other	63,933		139,241
Due from other governments	725,080		1,679,141
Deposits	21,771		71,893
Land held for resale			858,348
 Total assets	 \$ 20,150,778	 \$ 95,614	 \$ 10,054,524
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 303,475		\$ 316,155
Accrued liabilities	73,520		699
Due to other funds	269,327	\$ 70,703	901,495
Deferred revenue	3,499,285		139,241
Deposits	10,389		591,727
 Total liabilities	 4,155,996	 70,703	 1,949,317
Fund balances:			
Reserved for:			
Noncurrent assets			858,348
Deposits	21,771		71,893
Landscape maintenance	5,845,298		7,174,966
Capital projects			
Other purposes			
Unreserved, undesignated	10,127,713	24,911	
 Total fund balances	 15,994,782	 24,911	 8,105,207
 Total liabilities and fund balances	 \$ 20,150,778	 \$ 95,614	 \$ 10,054,524

Permanent Fund		
Community Foundation		Total
\$ 19,141	\$ 22,355,805	
	827,244	
	65,445	
	1,250	
56	75,610	
	3,435,352	
	203,174	
	2,404,221	
886,673	980,337	
	858,348	
<u>\$ 905,870</u>	<u>\$ 31,206,786</u>	

\$ 20	\$ 619,650	
	74,219	
	1,241,525	
	3,638,526	
	602,116	
<u>20</u>	<u>6,176,036</u>	

905,850	858,348	
	93,664	
	5,845,298	
	7,174,966	
	905,850	
	10,152,624	
<u>905,850</u>	<u>25,030,750</u>	

<u>\$ 905,870</u>	<u>\$ 31,206,786</u>	
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**CITY OF SAN MARCOS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2009**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<b>Revenues:</b>			
Taxes and special assessments	\$ 4,814,938		
Intergovernmental	4,784,084		\$ 4,282,305
Charges for services	6,827		
Developer fees	151,858		3,621,316
Use of money and property	408,393	\$ 473,655	163,257
Miscellaneous	283,714		579,707
 Total revenues	 10,449,814	 473,655	 8,646,585
 <b>Expenditures:</b>			
Current:			
General government	256,215		
Community development	183,162		
Highways and streets	2,299,979		
Culture and recreation	113,246		
Capital outlay	1,604,995		6,202,252
Debt service:			
Principal	205,000		196,440
Interest and fiscal charges	270,509		65,280
 Total expenditures	 4,457,597	 475,509	 6,463,972
 Excess (deficiency) of revenues over expenditures	 5,992,217	 (1,854)	 2,182,613
 <b>Other financing sources (uses):</b>			
Sale of Capital Assets			811,173
Transfers in			249,222
Transfers out	(4,892,297)		
 Total other financing sources (uses)	 (4,892,297)		 1,060,395
 Net change in fund balances	 1,099,920	 (1,854)	 3,243,008
 Fund balances, beginning	 14,894,862	 26,765	 4,862,199
 Fund balances, ending	 \$ 15,994,782	 \$ 24,911	 \$ 8,105,207

Permanent Fund Community Foundation	Total
\$ 4,814,938	
9,066,389	
6,827	
3,773,174	
1,045,305	
\$ 800	864,221
800	19,570,854
256,215	
183,162	
2,299,979	
193,268	306,514
	7,807,247
401,440	
335,789	
193,268	11,590,346
(192,468)	7,980,508
811,173	
249,222	
(4,892,297)	
(3,831,902)	
(192,468)	4,148,606
1,098,318	20,882,144
\$ 905,850	\$ 25,030,750

**CITY OF SAN MARCOS**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2009**

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Affordable Housing Assurance	Street Lighting District
<b>Assets</b>					
Cash and investments	\$ 196,384	\$ 467,120	\$ 8,906,972	\$ 4,336,755	
Receivables:					
Taxes and special assessments			62,499		\$ 2,946
Accounts					250
Interest		1,787	29,997	12,438	227
Notes					2,989,640
Other		63,933			
Due from other governments		108,624			
Deposits				21,771	
 Total assets	<u>\$ 305,008</u>	<u>\$ 532,840</u>	<u>\$ 8,999,468</u>	<u>\$ 7,360,604</u>	<u>\$ 3,423</u>
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 31,626	\$ 128,857	\$ 48	\$ 630	
Accrued liabilities	3,988	29,040			
Due to other funds					\$ 3,423
Deferred revenue		63,933		2,989,640	
Deposits		10,389			
 Total liabilities	<u>35,614</u>	<u>232,219</u>	<u>48</u>	<u>2,990,270</u>	<u>3,423</u>
Fund balances:					
Reserved for:					
Deposits				21,771	
Landscape maintenance			5,845,298		
Unreserved, undesignated	<u>269,394</u>	<u>300,621</u>	<u>3,154,122</u>	<u>4,348,563</u>	
 Total fund balances	<u>269,394</u>	<u>300,621</u>	<u>8,999,420</u>	<u>4,370,334</u>	
 Total liabilities and fund balances	<u>\$ 305,008</u>	<u>\$ 532,840</u>	<u>\$ 8,999,468</u>	<u>\$ 7,360,604</u>	<u>\$ 3,423</u>

Senior Nutrition Grant	Community Development Block Grant	HOME Grant	Traffic Congestion Relief	Proposition 1B	Center Drive Maintenance District	Total
						\$ 15,791,099
\$ 55						65,445
		\$ 445,712				250
			1,410	1,873	61	47,848
						3,435,352
16,861	\$ 316,368	115,666	167,561			63,933
						725,080
						21,771
<u>\$ 16,916</u>	<u>\$ 316,368</u>	<u>\$ 561,378</u>	<u>\$ 707,711</u>	<u>\$ 1,211,804</u>	<u>\$ 135,258</u>	<u>\$ 20,150,778</u>
\$ 7,396	\$ 132,797	\$ 2,121				\$ 303,475
1,353	39,139					73,520
7,927	144,432	113,545				269,327
		445,712				3,499,285
						10,389
<u>16,676</u>	<u>316,368</u>	<u>561,378</u>				<u>4,155,996</u>
240			\$ 707,711	\$ 1,211,804	\$ 135,258	21,771
						5,845,298
						10,127,713
240			707,711	1,211,804	135,258	15,994,782
<u>\$ 16,916</u>	<u>\$ 316,368</u>	<u>\$ 561,378</u>	<u>\$ 707,711</u>	<u>\$ 1,211,804</u>	<u>\$ 135,258</u>	<u>\$ 20,150,778</u>

**CITY OF SAN MARCOS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2009**

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Affordable Housing Assurance	Street Lighting District
<b>Revenues:</b>					
Taxes and special assessments			\$ 4,248,333		\$ 538,999
Intergovernmental	\$ 1,338,040	\$ 250,234			
Charges for services			6,827		
Developer fees		25,108			
Use of money and property	461	18,046	251,952	\$ 126,750	
Miscellaneous				115,554	1,224
 Total revenues	 1,338,501	 293,388	 4,507,112	 242,304	 540,223
<b>Expenditures:</b>					
Current:					
General government					256,215
Community development					
Highways and streets		1,069,107			
Culture and recreation					
Capital outlay		549,117		51,000	
 Total expenditures	 1,069,107	 549,117		 307,215	
 Excess (deficiency) of revenues over expenditures	 269,394	 (255,729)	 4,507,112	 (64,911)	 540,223
<b>Other financing uses:</b>					
Transfers out			(4,170,599)		(540,223)
 Net change in fund balances	 269,394	 (255,729)	 336,513	 (64,911)	
 Fund balances, beginning	 556,350	 8,662,907	 4,435,245		
 Fund balances, ending	 \$ 269,394	 \$ 300,621	 \$ 8,999,420	 \$ 4,370,334	 \$ -

Senior Nutrition Grant	Community Development Block Grant	HOME Grant	Traffic Congestion Relief	Proposition 1B	Center Drive Maintenance District	Total
\$ 103,727	\$ 1,099,578	\$ 105,068	\$ 700,925	\$ 1,186,512	\$ 27,606	\$ 4,814,938
						4,784,084
						6,827
						151,858
143			6,786	13,992	235	408,393
39,394					244,320	283,714
143,264	1,099,578	105,068	707,711	1,200,504	272,161	10,449,814
						256,215
	77,755	105,407				183,162
				1,228,721	2,151	2,299,979
113,246						113,246
	1,004,878					1,604,995
113,246	1,082,633	105,407		1,228,721	2,151	4,457,597
30,018	16,945	(339)	707,711	(28,217)	270,010	5,992,217
(29,778)	(16,945)				(134,752)	(4,892,297)
240		(339)	707,711	(28,217)	135,258	1,099,920
		339		1,240,021		14,894,862
\$ 240	\$ -	\$ -	\$ 707,711	\$ 1,211,804	\$ 135,258	\$ 15,994,782

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 1,494,045	\$ 1,494,045	\$ 1,338,040	\$ (156,005)
Use of money and property	10,000	10,000	461	(9,539)
Total revenues	1,504,045	1,504,045	1,338,501	(165,544)
<b>Expenditures:</b>				
Current:				
Highways and streets	<u>1,518,291</u>	<u>1,518,291</u>	1,069,107	449,184
Net change in fund balance	(14,246)	(14,246)	269,394	283,640
Fund balance, beginning				
Fund balance, ending	<u>\$ (14,246)</u>	<u>\$ (14,246)</u>	<u>\$ 269,394</u>	<u>\$ 283,640</u>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Traffic Safety Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			Variance with Final Budget	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive</b>	<b>(Negative)</b>
<b>Revenues:</b>					
Intergovernmental	\$ 381,000	\$ 381,000	\$ 250,234	\$ (130,766)	
Developer fees	15,108	15,108	25,108		10,000
Use of money and property	<u>26,208</u>	<u>26,208</u>	<u>18,046</u>		<u>(8,162)</u>
Total revenues	422,316	422,316	293,388		(128,928)
<b>Expenditures:</b>					
Capital outlay	<u>777,800</u>	<u>777,800</u>	<u>549,117</u>		<u>228,683</u>
Net change in fund balance	(355,484)	(355,484)	(255,729)		99,755
Fund balance, beginning	<u>556,350</u>	<u>556,350</u>	<u>556,350</u>		
Fund balance, ending	<u>\$ 200,866</u>	<u>\$ 200,866</u>	<u>\$ 300,621</u>		<u>\$ 99,755</u>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Community Facilities District 98-02 Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
<b>Revenues:</b>					
Taxes and special assessments	\$ 4,100,000	\$ 4,100,000	\$ 4,248,333	\$ 148,333	
Charges for services			6,827	6,827	
Use of money and property	400,000	400,000	251,952	(148,048)	
<b>Total revenues</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>4,507,112</b>		<b>7,112</b>
<b>Other financing uses:</b>					
Transfers out	(3,550,000)	(3,550,000)	(4,170,599)	(620,599)	
Net change in fund balance	950,000	950,000	336,513	(613,487)	
<b>Fund balance, beginning</b>	<b>8,662,907</b>	<b>8,662,907</b>	<b>8,662,907</b>		
<b>Fund balance, ending</b>	<b>\$ 9,612,907</b>	<b>\$ 9,612,907</b>	<b>\$ 8,999,420</b>		<b>\$ (613,487)</b>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Affordable Housing Assurance Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Developer fees			\$ 126,750	\$ 126,750
Use of money and property	\$ 200,000	\$ 200,000	115,554	(84,446)
Total revenues	200,000	200,000	242,304	42,304
<b>Expenditures:</b>				
<b>Current:</b>				
General government	287,771	287,771	256,215	31,556
Capital outlay			51,000	(51,000)
Total expenditures	287,771	287,771	307,215	(19,444)
Net change in fund balance	(87,771)	(87,771)	(64,911)	22,860
Fund balance, beginning	4,435,245	4,435,245	4,435,245	
Fund balance, ending	\$ 4,347,474	\$ 4,347,474	\$ 4,370,334	\$ 22,860

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Street Lighting District Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			Variance with Final Budget	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive</b>	<b>(Negative)</b>
Revenues:					
Taxes and special assessments	\$ 533,850	\$ 533,850	\$ 538,999	\$ 5,149	
Use of money and property	1,500	1,500	1,224		(276)
Total revenues	535,350	535,350	540,223		4,873
Other financing uses:					
Transfers out	(535,350)	(535,350)	(540,223)		(4,873)
Net change in fund balance					
Fund balance, beginning					
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Senior Nutrition Grant Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 98,000	\$ 98,000	\$ 103,727	\$ 5,727
Use of money and property	4,500	4,500	143	(4,357)
Miscellaneous	<u>41,500</u>	<u>41,500</u>	<u>39,394</u>	<u>(2,106)</u>
Total revenues	144,000	144,000	143,264	(736)
Expenditures:				
Current:				
Culture and recreation	<u>144,000</u>	<u>144,000</u>	<u>113,246</u>	<u>30,754</u>
Excess of revenues over expenditures			30,018	30,018
Other financing uses:				
Transfers out			<u>(29,778)</u>	<u>(29,778)</u>
Net change in fund balance			240	240
Fund balance, beginning				
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240</u>	<u>\$ 240</u>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 1,703,750	\$ 1,703,750	\$ 1,099,578	\$ (604,172)
<b>Expenditures:</b>				
Current:				
Community development	70,750	70,750	77,755	(7,005)
Capital outlay	1,633,000	1,633,000	1,004,878	628,122
Total expenditures	1,703,750	1,703,750	1,082,633	621,117
Excess (deficiency) of revenues over expenditures			16,945	16,945
<b>Other financing uses:</b>				
Transfers out			(16,945)	(16,945)
Net change in fund balance				
Fund balance, beginning				
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**HOME Grant Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>  <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 1,197,393	\$ 1,197,393	\$ 105,068	\$ (1,092,325)
Expenditures:				
Current:				
Community development	<u>1,197,393</u>	<u>1,197,393</u>	<u>105,407</u>	<u>1,091,986</u>
Net change in fund balance				(339) (339)
Fund balance, beginning	<u>339</u>	<u>339</u>	<u>339</u>	
Fund balance, ending	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ -</u>	<u>\$ (339)</u>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Traffic Congestion Relief Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Intergovernmental	\$ 787,954	\$ 787,954	\$ 700,925	\$ (87,029)
Use of money and property			6,786	6,786
Total revenues	787,954	787,954	707,711	(80,243)
Expenditures:				
Highways and streets	787,954	787,954		787,954
Net change in fund balance			707,711	707,711
Fund balance, beginning				
Fund balance, ending	\$ -	\$ -	\$ 707,711	\$ 707,711

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Proposition 1B Special Revenue Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Intergovernmental			\$ 1,186,512	\$ 1,186,512
Use of money and property			13,992	13,992
Total revenues			1,200,504	1,200,504
Expenditures:				
Highways and streets	\$ 1,283,722	\$ 1,283,722	1,228,721	55,001
Net change in fund balance	(1,283,722)	(1,283,722)	(28,217)	1,255,505
Fund balance, beginning	1,240,021	1,240,021	1,240,021	
Fund balance, ending	\$ (43,701)	\$ (43,701)	\$ 1,211,804	\$ 1,255,505

**CITY OF SAN MARCOS**  
**Combining Balance Sheet**  
**Non-Major Debt Service Funds**  
**June 30, 2009**

	California Mobilehome Park Financing Authority	San Marcos Public Facilities Authority	Total
<b>Assets</b>			
Cash and investments with fiscal agents	\$ 3,631	\$ 91,983	<u>\$ 95,614</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Due to other funds		\$ 70,703	\$ 70,703
Fund balances:			
Unreserved, undesignated	<u>\$ 3,631</u>	\$ 21,280	<u>\$ 24,911</u>
Total liabilities and fund balances	<u>\$ 3,631</u>	<u>\$ 91,983</u>	<u>\$ 95,614</u>

**CITY OF SAN MARCOS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Debt Service Funds**  
**For the Year Ended June 30, 2009**

	California Mobilehome Park Financing Authority	San Marcos Public Facilities Authority	Total
<b>Revenues:</b>			
Use of money and property	\$ 16	\$ 473,639	\$ 473,655
<b>Expenditures:</b>			
Debt service:			
Principal		205,000	205,000
Interest and fiscal charges		270,509	270,509
Total expenditures		475,509	475,509
Net change in fund balances	16	(1,870)	(1,854)
Fund balances, beginning	3,615	23,150	26,765
Fund balances, ending	<b>\$ 3,631</b>	<b>\$ 21,280</b>	<b>\$ 24,911</b>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Redevelopment Agency Debt Service Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes and special assessments	\$ 48,158,766	\$ 48,158,766	\$ 47,937,014	\$ (221,752)
Use of money and property	2,529,000	2,529,000	2,463,404	(65,596)
Miscellaneous	433,647	433,647	433,647	
<b>Total revenues</b>	<b>51,121,413</b>	<b>51,121,413</b>	<b>50,834,065</b>	<b>(287,348)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	515,325	515,325	596,447	(81,122)
Tax increment distributions to other governmental agencies	19,270,425	19,270,425	18,086,645	1,183,780
<b>Debt service:</b>				
Principal	8,678,937	8,678,937	8,702,410	(23,473)
Interest and fiscal charges	16,254,388	16,254,388	15,536,594	717,794
<b>Total expenditures</b>	<b>44,719,075</b>	<b>44,719,075</b>	<b>42,922,096</b>	<b>1,796,979</b>
<b>Excess of revenues over expenditures</b>	<b>6,402,338</b>	<b>6,402,338</b>	<b>7,911,969</b>	<b>1,509,631</b>
<b>Other financing sources (uses):</b>				
Long-term debt issued	1,415,048	1,415,048	730,998	(684,050)
Transfers in	1,589,190	1,589,190	1,588,932	(258)
Transfers out			(42,525)	(42,525)
<b>Total other financing sources (uses)</b>	<b>3,004,238</b>	<b>3,004,238</b>	<b>2,277,405</b>	<b>(726,833)</b>
<b>Net change in fund balance</b>	<b>9,406,576</b>	<b>9,406,576</b>	<b>10,189,374</b>	<b>782,798</b>
<b>Fund balance, beginning</b>	<b>39,765,186</b>	<b>39,765,186</b>	<b>39,765,186</b>	
<b>Fund balance, ending</b>	<b>\$ 49,171,762</b>	<b>\$ 49,171,762</b>	<b>\$ 49,954,560</b>	<b>\$ 782,798</b>

**CITY OF SAN MARCOS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**San Marcos Public Facilities Authority Debt Service Fund**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Use of money and property	\$ 481,833	\$ 481,833	\$ 473,639	\$ (8,194)
Expenditures:				
Debt service:				
Principal	205,000	205,000	205,000	
Interest and fiscal charges	270,509	270,509	270,509	
	475,509	475,509	475,509	
	6,324	6,324	(1,870)	(8,194)
Fund balance, beginning	23,150	23,150	23,150	
Fund balance, ending	\$ 29,474	\$ 29,474	\$ 21,280	\$ (8,194)

**CITY OF SAN MARCOS**  
**Combining Balance Sheet**  
**Non-Major Capital Projects Funds**  
**June 30, 2009**

	Transportation Development Act	Public Facility	Capital Improvements
<b>Assets</b>			
Cash and investments	\$ 404,057	\$ 4,864,807	
Cash and investments with fiscal agents			
Receivables:			
Taxes			
Accounts		1,000	
Interest	1,120	12,866	
Other		139,241	
Due from other governments			\$ 1,679,141
Deposits		71,893	
Land held for resale		858,348	
 Total assets	 \$ 405,177	 \$ 5,948,155	 \$ 1,679,141
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 41,582	\$ 15,488	\$ 185,220
Accrued liabilities			699
Due to other funds			901,495
Deferred revenue		139,241	
Deposits			591,727
 Total liabilities	 41,582	 154,729	 1,679,141
Fund balances:			
Reserved for:			
Noncurrent assets		858,348	
Deposits		71,893	
Capital projects	363,595	4,863,185	
 Total fund balances	 363,595	 5,793,426	
 Total liabilities and fund balances	 \$ 405,177	 \$ 5,948,155	 \$ 1,679,141

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
\$ 4,729 731,630	\$ 1,020,508	\$ 251,464	\$ 6,545,565 731,630
8,301	4,702	717	1,000 27,706 139,241 1,679,141 71,893 858,348
<u>\$ 744,660</u>	<u>\$ 1,025,210</u>	<u>\$ 252,181</u>	<u>\$ 10,054,524</u>
\$ 50,574	\$ 23,291	\$ 316,155 699 901,495 139,241 591,727	
<u>50,574</u>	<u>23,291</u>		<u>1,949,317</u>
694,086	1,001,919	\$ 252,181	858,348 71,893 7,174,966
<u>694,086</u>	<u>1,001,919</u>	<u>\$ 252,181</u>	<u>8,105,207</u>
<u>\$ 744,660</u>	<u>\$ 1,025,210</u>	<u>\$ 252,181</u>	<u>\$ 10,054,524</u>

**CITY OF SAN MARCOS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Capital Projects Funds**  
**For the Year Ended June 30, 2009**

	<u>Transportation Development Act</u>	<u>Public Facility</u>	<u>Capital Improvements</u>
<b>Revenues:</b>			
Intergovernmental		\$ 54,410	\$ 1,842,895
Developer fees		3,621,316	
Use of money and property	\$ 12,378	99,040	
Miscellaneous		237,000	342,707
 Total revenues	 12,378	 4,011,766	 2,185,602
<b>Expenditures:</b>			
Capital outlay	180,265	888,546	2,434,824
Debt service:			
Principal		196,440	
Interest and fiscal charges		65,280	
 Total expenditures	 180,265	 1,150,266	 2,434,824
 Excess (deficiency) of revenues over expenditures	 (167,887)	 2,861,500	 (249,222)
 <b>Other financing sources:</b>			
Sale of capital assets		811,173	
Transfers in			249,222
 Total other financing sources (uses)	 811,173	 249,222	
 Net change in fund balances	 (167,887)	 3,672,673	
 Fund balances, beginning	 531,482	 2,120,753	
 Fund balances, ending	 \$ 363,595	 \$ 5,793,426	 \$ -

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
	\$ 2,385,000		\$ 4,282,305
\$ 16,211	29,025	\$ 6,603	3,621,316
			163,257
			579,707
<hr/>	<hr/>	<hr/>	<hr/>
16,211	2,414,025	6,603	8,646,585
50,574	2,648,043		6,202,252
			196,440
			65,280
<hr/>	<hr/>	<hr/>	<hr/>
50,574	2,648,043		6,463,972
(34,363)	(234,018)	6,603	2,182,613
			811,173
			249,222
<hr/>	<hr/>	<hr/>	<hr/>
			1,060,395
(34,363)	(234,018)	6,603	3,243,008
<hr/>	<hr/>	<hr/>	<hr/>
728,449	1,235,937	245,578	4,862,199
\$ 694,086	\$ 1,001,919	\$ 252,181	\$ 8,105,207

**CITY OF SAN MARCOS**  
**Combining Balance Sheet**  
**All Agency Funds**  
**June 30, 2009**

	1915 Act Assessment District	Deposits	Twin Oaks Reimbursement	Community Facilities District 88-1
<b>Assets</b>				
Cash and investments	\$ 17,341	\$ 2,671,785	\$ 585,540	\$ 39,858
Cash and investments with fiscal agents	198,200			4,719,609
Receivables:				
Special assessments				20,638
Interest	216		1,670	51,486
<b>Total assets</b>	<b>\$ 215,757</b>	<b>\$ 2,671,785</b>	<b>\$ 587,210</b>	<b>\$ 4,831,591</b>
<b>Liabilities</b>				
Due to bondholders	\$ 215,757			\$ 4,831,591
Deposits payable		\$ 2,671,785	\$ 587,210	
<b>Total liabilities</b>	<b>\$ 215,757</b>	<b>\$ 2,671,785</b>	<b>\$ 587,210</b>	<b>\$ 4,831,591</b>

Assessment District 93-1	Community Facilities	Community Facilities	Total
	District 99-1	District 02-01	
	\$ 122,873	\$ 13,163	\$ 3,450,560
	10,323,449	2,601,557	17,842,815
	79,768	15,202	115,608
	4,711	962	59,045
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ 10,530,801	\$ 2,630,884	\$ 21,468,028
<hr/>	<hr/>	<hr/>	<hr/>
	\$ 10,530,801	\$ 2,630,884	\$ 18,209,033
			3,258,995
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ 10,530,801	\$ 2,630,884	\$ 21,468,028
<hr/>	<hr/>	<hr/>	<hr/>

**CITY OF SAN MARCOS**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Year Ended June 30, 2009**

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b><u>1915 ACT Assessment District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 14,130	\$ 205,199	\$ 201,988	\$ 17,341
Cash and investments with fiscal agents	269,569	193,541	264,910	198,200
Interest receivable	445	216	445	216
<b>Total assets</b>	<b>\$ 284,144</b>	<b>\$ 398,956</b>	<b>\$ 467,343</b>	<b>\$ 215,757</b>
<b>Liabilities:</b>				
Due to bondholders	<u>\$ 284,144</u>	<u>\$ 179,829</u>	<u>\$ 248,216</u>	<u>\$ 215,757</u>
<b><u>Deposits</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,140,143	\$ 1,087,462	\$ 1,555,820	\$ 2,671,785
<b>Liabilities:</b>				
Deposits payable	<u>\$ 3,140,143</u>	<u>\$ 2,487,469</u>	<u>\$ 2,955,827</u>	<u>\$ 2,671,785</u>
<b><u>Twin Oaks Reimbursement</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 569,373	\$ 16,167	\$ 585,540	
Interest receivable	2,460	1,670	2,460	1,670
<b>Total assets</b>	<b>\$ 571,833</b>	<b>\$ 17,837</b>	<b>\$ 2,460</b>	<b>\$ 587,210</b>
<b>Liabilities:</b>				
Deposits payable	<u>\$ 571,833</u>	<u>\$ 15,740</u>	<u>\$ 363</u>	<u>\$ 587,210</u>

(Continued)

**CITY OF SAN MARCOS**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds (Continued)**  
**For the Year Ended June 30, 2009**

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b><u>Community Facilities District 88-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 51,118	\$ 2,695,144	\$ 2,706,404	\$ 39,858
Cash and investments with fiscal agents	4,718,486	2,852,816	2,851,693	4,719,609
Special assessments receivable	9,532	20,638	9,532	20,638
Interest receivable	<u>52,005</u>	<u>51,486</u>	<u>52,005</u>	<u>51,486</u>
Total assets	<u><u>\$ 4,831,141</u></u>	<u><u>\$ 5,620,084</u></u>	<u><u>\$ 5,619,634</u></u>	<u><u>\$ 4,831,591</u></u>
<b>Liabilities:</b>				
Due to bondholders	<u><u>\$ 4,831,141</u></u>	<u><u>\$ 2,922,547</u></u>	<u><u>\$ 2,922,097</u></u>	<u><u>\$ 4,831,591</u></u>

**Assessment District 93-1**

<b>Assets:</b>				
Cash and investments	\$ 3,472	\$ 32,579	\$ 36,051	
Cash and investments with fiscal agents	462,085	5,793	467,878	
Special assessments receivable	951		951	
Interest receivable	<u>602</u>		<u>602</u>	
Total assets	<u><u>\$ 467,110</u></u>	<u><u>\$ 38,372</u></u>	<u><u>\$ 505,482</u></u>	<u><u>\$ -</u></u>
<b>Liabilities:</b>				
Due to bondholders	<u><u>\$ 467,110</u></u>	<u><u>\$ 5,472</u></u>	<u><u>\$ 472,582</u></u>	<u><u>\$ -</u></u>

(Continued)

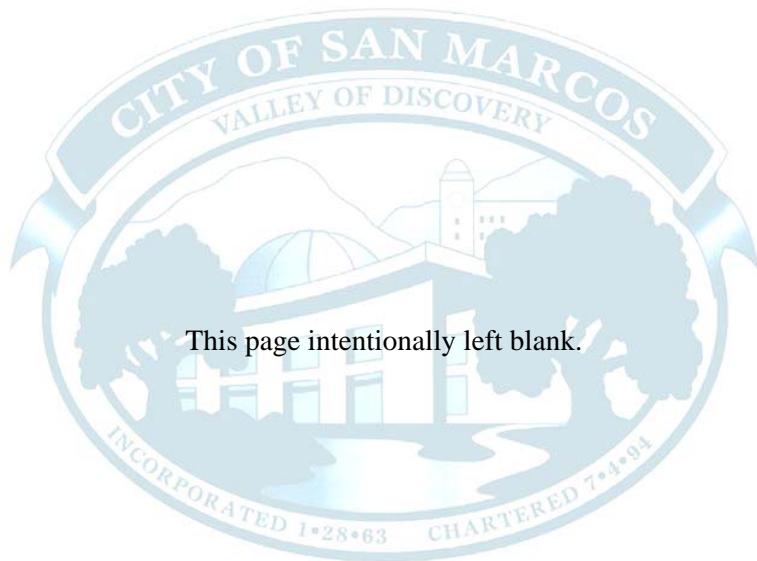
**CITY OF SAN MARCOS**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds (Continued)**  
**For the Year Ended June 30, 2009**

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b><u>Community Facilities District 99-1</u></b>				
Cash and investments	\$ 103,511	\$ 6,583,650	\$ 6,564,288	\$ 122,873
Cash and investments with fiscal agents	10,063,096	6,640,504	6,380,151	10,323,449
Special assessments receivable	42,998	79,768	42,998	79,768
Interest receivable	49,371	4,711	49,371	4,711
<b>Total assets</b>	<b>\$ 10,258,976</b>	<b>\$ 13,308,633</b>	<b>\$ 13,036,808</b>	<b>\$ 10,530,801</b>
<b>Liabilities:</b>				
Due to bondholders	<u>\$ 10,258,976</u>	<u>\$ 6,813,342</u>	<u>\$ 6,541,517</u>	<u>\$ 10,530,801</u>
<b><u>Community Facilities District 02-01</u></b>				
Cash and investments	\$ 16,535	\$ 1,560,956	\$ 1,564,328	\$ 13,163
Cash and investments with fiscal agents	2,683,752	1,559,981	1,642,176	2,601,557
Special assessments receivable	4,272	15,202	4,272	15,202
Interest receivable	3,448	962	3,448	962
<b>Total assets</b>	<b><u>\$ 2,708,007</u></b>	<b><u>\$ 3,137,101</u></b>	<b><u>\$ 3,214,224</u></b>	<b><u>\$ 2,630,884</u></b>
<b>Liabilities:</b>				
Due to bondholders	<u>\$ 2,708,007</u>	<u>\$ 1,590,554</u>	<u>\$ 1,667,677</u>	<u>\$ 2,630,884</u>

(Continued)

**CITY OF SAN MARCOS**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds (Continued)**  
**For the Year Ended June 30, 2009**

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b><u>Total - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,898,282	\$ 12,181,157	\$ 12,628,879	\$ 3,450,560
Cash and investments with fiscal agents	18,196,988	11,252,635	11,606,808	17,842,815
Special assessments receivable	57,753	115,608	57,753	115,608
Interest receivable	<u>108,331</u>	<u>59,045</u>	<u>108,331</u>	<u>59,045</u>
Total assets	<u><u>\$ 22,261,354</u></u>	<u><u>\$ 23,608,445</u></u>	<u><u>\$ 24,401,771</u></u>	<u><u>\$ 21,468,028</u></u>
<b>Liabilities:</b>				
Due to bondholders	\$ 18,549,378	\$ 11,511,744	\$ 11,852,089	\$ 18,209,033
Deposits payable	<u>3,711,976</u>	<u>2,503,209</u>	<u>2,956,190</u>	<u>3,258,995</u>
Total liabilities	<u><u>\$ 22,261,354</u></u>	<u><u>\$ 14,014,953</u></u>	<u><u>\$ 14,808,279</u></u>	<u><u>\$ 21,468,028</u></u>



## ***STATISTICAL SECTION***

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends</b>		104
	These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
<b>Revenue Capacity</b>		114
	These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>		120
	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>		130
	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>		132
	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	

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

**CITY OF SAN MARCOS**  
**Net Assets by Component**  
**Last Seven Fiscal Years (1)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Governmental Activities:</b>			
Invested in capital assets, net of related debt	\$ 200,251,079	\$ 261,321,180	\$ 307,123,731
Restricted/expendable for:			
Capital projects	16,117,423	13,503,228	28,457,759
Low and moderate income housing	35,533,846	44,824,880	56,344,305
Landscape Maintenance	1,476,545	3,542,787	4,876,677
Other purposes	2,038,701	2,252,019	3,104,720
Restricted/nonexpendable	1,000,000	1,000,000	1,000,000
Unrestricted	(3,584,288)	10,903,431	(4,329,030)
Total governmental activities net assets	<u><u>\$ 252,833,306</u></u>	<u><u>\$ 337,347,525</u></u>	<u><u>\$ 396,578,162</u></u>
<b>Business-type activities:</b>			
Invested in capital assets, net of related debt	\$ 26,803,440	\$ 30,590,054	
Unrestricted	\$ (1,214,069)	\$ (1,124,068)	\$ 3,518,958
Total business-type activities net assets	<u><u>\$ (1,214,069)</u></u>	<u><u>\$ 25,679,372</u></u>	<u><u>\$ 34,109,012</u></u>
<b>Primary Government:</b>			
Invested in capital assets, net of related debt	\$ 200,251,079	\$ 288,124,620	\$ 337,713,785
Restricted/expendable for:			
Capital projects	16,117,423	13,503,228	28,457,759
Low and moderate income housing	35,533,846	44,824,880	56,344,305
Other purposes	2,038,701	2,252,019	3,104,720
Restricted/nonexpendable	1,000,000	1,000,000	1,000,000
Unrestricted	(4,798,357)	9,779,363	(810,072)
Total primary government net assets	<u><u>\$ 250,142,692</u></u>	<u><u>\$ 359,484,110</u></u>	<u><u>\$ 425,810,497</u></u>

**Note:**

(1) The City implemented GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", in fiscal year 2003. Therefore, ten years of data is not available.

Fiscal Year

2006	2007	2008	2009
\$ 341,437,352	\$ 376,880,228	\$ 430,516,043	\$ 460,101,619
-	-	-	-
67,616,923	81,735,288	99,574,127	115,805,089
6,888,685	8,722,189	8,662,907	8,999,420
3,287,401	3,937,485	4,012,114	3,904,177
1,000,000	1,000,000	1,000,000	905,850
7,941,869	13,628,356	8,782,155	2,504,296
<b>\$ 428,172,230</b>	<b>\$ 485,903,546</b>	<b>\$ 552,547,346</b>	<b>\$ 592,220,451</b>
<hr/>			
\$ 30,219,195	\$ 29,836,841	\$ 29,454,485	\$ 29,072,130
3,859,791	2,586,159	3,464,423	6,698,002
<b>\$ 34,078,986</b>	<b>\$ 32,423,000</b>	<b>\$ 32,918,908</b>	<b>\$ 35,770,132</b>
<hr/>			
\$ 371,656,547	\$ 406,717,069	\$ 459,970,528	\$ 489,173,749
-	-	-	-
67,616,923	81,735,288	99,574,127	115,805,089
3,287,401	3,937,485	4,012,114	3,904,177
1,000,000	1,000,000	1,000,000	905,850
11,801,660	16,214,515	12,246,578	9,202,298
<b>\$ 455,362,531</b>	<b>\$ 509,604,357</b>	<b>\$ 576,803,347</b>	<b>\$ 618,991,163</b>

**CITY OF SAN MARCOS**  
**Changes in Net Assets**  
**Last Seven Fiscal Years (1)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Expenses:</b>			
<b>Governmental Activities:</b>			
General government	\$ 7,366,218	\$ 7,924,933	\$ 8,712,101
Community development	7,597,702	4,732,002	9,493,749
Public safety	15,623,432	17,841,928	19,739,954
Highways and streets	28,237,775	16,298,484	35,131,582
Culture and recreation	4,298,291	4,333,393	5,087,409
Interest on long-term debt	10,453,675	11,837,828	13,778,060
<b>Total governmental activities expenses</b>	<b><u>73,577,093</u></b>	<b><u>62,968,568</u></b>	<b><u>91,942,855</u></b>
<b>Business-type activities:</b>			
Creekside Marketplace		35,734	771,116
Utility	631,289	288,947	47,908
<b>Total business-type activities expenses</b>	<b><u>631,289</u></b>	<b><u>324,681</u></b>	<b><u>819,024</u></b>
<b>Total primary government expenses</b>	<b><u>74,208,382</u></b>	<b><u>63,293,249</u></b>	<b><u>92,761,879</u></b>
<b>Program Revenues:</b>			
<b>Governmental Activities:</b>			
Charges for services:			
General government	4,360,718	4,371,792	4,753,376
Community development	7,916,848	9,193,518	8,411,715
Public safety	5,834,251	5,867,367	6,395,110
Highways and streets	4,701,141	5,725,413	5,197,553
Culture and recreation	1,127,904	1,075,941	1,210,905
Operating grants and contributions	2,175,637	1,856,922	2,151,934
Capital contributions and grants	49,249,775	95,098,532	65,927,749
<b>Total governmental activities program revenues</b>	<b><u>75,366,274</u></b>	<b><u>123,189,485</u></b>	<b><u>94,048,342</u></b>
<b>Business-type activities:</b>			
Charges for services:			
Creekside Marketplace		404,410	3,435,437
<b>Total business-type activities program revenues</b>		<b><u>404,410</u></b>	<b><u>3,435,437</u></b>
<b>Total primary government program revenues</b>	<b><u>75,366,274</u></b>	<b><u>123,593,895</u></b>	<b><u>97,483,779</u></b>
<b>Net (expenses) revenues:</b>			
Governmental activities	1,789,181	60,220,917	2,105,487
Business-type activities	(631,289)	79,729	2,616,413
<b>Total primary government net (expenses)/revenues</b>	<b><u>1,157,892</u></b>	<b><u>60,300,646</u></b>	<b><u>4,721,900</u></b>

**Note:**

(1) The City implemented GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", in fiscal year 2003. Therefore, ten years of data is not available.

Fiscal Year				
2006	2007	2008	2009	
\$ 10,209,504	\$ 12,936,083	\$ 14,175,161	\$ 14,639,790	
4,559,304	6,445,848	4,912,297	4,815,602	
23,522,750	25,457,293	27,983,233	28,733,922	
47,593,271	35,897,424	26,257,535	22,255,327	
5,936,379	6,806,028	7,115,650	7,401,782	
15,377,060	17,108,204	17,742,768	15,984,417	
<u>107,198,268</u>	<u>104,650,880</u>	<u>98,186,644</u>	<u>93,830,840</u>	
 1,170,953	 1,136,959	 1,002,389	 1,072,662	
20,395	-	-	-	
<u>1,191,348</u>	<u>1,136,959</u>	<u>1,002,389</u>	<u>1,072,662</u>	
 108,389,616	 105,787,839	 99,189,033	 94,903,502	
 5,233,634	 6,116,176	 7,347,275	 7,121,094	
5,787,928	2,996,263	2,037,057	1,501,973	
6,846,519	7,191,131	7,582,159	8,293,907	
6,452,402	6,768,511	6,664,978	6,744,066	
1,372,086	1,502,296	1,544,763	1,590,115	
2,533,966	2,802,258	2,505,258	2,135,832	
30,747,184	38,214,638	44,448,900	18,916,094	
<u>58,973,719</u>	<u>65,591,273</u>	<u>72,130,390</u>	<u>46,303,081</u>	
 3,954,995	 4,192,527	 4,069,128	 3,789,846	
<u>3,954,995</u>	<u>4,192,527</u>	<u>4,069,128</u>	<u>3,789,846</u>	
 62,928,714	 69,783,800	 76,199,518	 50,092,927	
 (48,224,549)	 (39,059,607)	 (26,056,254)	 (47,527,759)	
2,763,647	3,055,568	3,066,739	2,717,184	
<u>(45,460,902)</u>	<u>(36,004,039)</u>	<u>(22,989,515)</u>	<u>(44,810,575)</u>	

(Continued)

CITY OF SAN MARCOS  
 Changes in Net Assets (Continued)  
 Last Seven Fiscal Years (1)  
 (accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
<b>General Revenues and Other Changes in Net Assets:</b>			
Governmental activities:			
Taxes:			
Property taxes	4,453,582	5,076,282	9,261,347
Tax increment, net	16,973,535	22,038,807	27,029,309
Sales taxes	10,621,630	13,385,026	14,906,391
Transient occupancy taxes	245,948	278,980	282,909
Franchise taxes	1,427,468	1,600,211	1,845,266
Gain on sale of capital assets	-	-	-
Motor Vehicle license fees	3,677,475	3,082,158	1,515,555
Investment income	2,842,858	3,186,199	5,906,949
Other	2,527,239	2,449,079	2,158,669
Transfers	(26,803,440)	(5,781,245)	
<b>Total governmental activities</b>	<b>42,769,735</b>	<b>24,293,302</b>	<b>57,125,150</b>
Business-type activities:			
Investment income	10,272	31,982	
Transfers	26,803,440	5,781,245	
<b>Total business-type activities</b>	<b>26,813,712</b>	<b>5,813,227</b>	
<b>Total primary government</b>	<b>42,769,735</b>	<b>51,107,014</b>	<b>62,938,377</b>
<b>Change in Net Assets:</b>			
Governmental activities	44,558,916	84,514,219	59,230,637
Business-type activities	(631,289)	26,893,441	8,429,640
<b>Total primary government</b>	<b>\$ 43,927,627</b>	<b>\$ 111,407,660</b>	<b>\$ 67,660,277</b>

Fiscal Year			
2006	2007	2008	2009
11,502,364	12,716,298	13,146,445	12,718,633
34,534,046	41,975,892	45,397,153	45,214,569
16,329,030	16,153,930	15,615,135	13,432,391
327,632	363,885	383,001	330,412
1,995,384	2,210,341	2,148,183	2,442,412
-	-	-	3,180,648
476,482	448,352	356,472	283,349
9,259,909	15,899,432	11,275,635	6,226,240
2,405,041	2,022,793	1,628,030	3,372,210
2,988,729	5,000,000	2,750,000	-
<u>79,818,617</u>	<u>96,790,923</u>	<u>92,700,054</u>	<u>87,200,864</u>
195,056	288,446	179,169	134,040
(2,988,729)	(5,000,000)	(2,750,000)	-
<u>(2,793,673)</u>	<u>(4,711,554)</u>	<u>(2,570,831)</u>	<u>134,040</u>
<u>77,024,944</u>	<u>92,079,369</u>	<u>90,129,223</u>	<u>87,334,904</u>
31,594,068	57,731,316	66,643,800	39,673,105
(30,026)	(1,655,986)	495,908	2,851,224
<u>\$ 31,564,042</u>	<u>\$ 56,075,330</u>	<u>\$ 67,139,708</u>	<u>\$ 42,524,329</u>

**CITY OF SAN MARCOS**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2000	2001	2002	2003	2004
<b>General Fund:</b>					
Reserved for:					
Noncurrent assets	\$ 9,363,567	\$ 8,200,000	\$ 7,950,000	\$ 11,699,500	\$ 11,812,000
Prepaid items	339,082	355,867	365,320	380,038	377,225
Deposits	488,815	518,307	550,724	562,587	571,066
Unreserved, designated	420,000	2,100,000	11,480,000	18,974,195	26,985,000
Unreserved, undesignated	5,753,556	3,078,418	3,300,665		87,323
<b>Total General Fund</b>	<b>16,365,020</b>	<b>14,252,592</b>	<b>23,646,709</b>	<b>31,616,320</b>	<b>39,832,614</b>
<b>All Other Governmental Funds:</b>					
Reserved for:					
Noncurrent assets	30,021,865	29,153,856	22,859,183	16,162,467	15,631,543
Prepaid items			11,560		
Deposits					
Low and moderate income housing	13,059,070	17,345,981	12,557,544	15,756,971	19,020,746
Landscape maintenance			526,888	910,510	1,319,468
Debt service	21,935,699	13,905,681	10,285,845	11,420,167	8,904,716
Capital projects	36,512,534	22,988,664	34,866,105	53,264,147	47,801,292
Other purposes				1,000,000	1,000,000
Unreserved, reported in:					
Special revenue funds	(4,593,135)	(5,464,232)	3,061,170	2,715,922	6,020,196
Debt service funds	(13,565,174)	(21,221,276)	(16,953,711)	(15,977,920)	(5,498,649)
Capital projects funds	2,541,424	8,786,853	(1,955,701)	8,192,525	(1,913,516)
Permanent fund				113,782	104,770
<b>Total all other governmental funds</b>	<b>85,912,283</b>	<b>65,495,527</b>	<b>65,258,883</b>	<b>93,558,571</b>	<b>92,390,566</b>
<b>Total governmental funds</b>	<b>\$ 102,277,303</b>	<b>\$ 79,748,119</b>	<b>\$ 88,905,592</b>	<b>\$ 125,174,891</b>	<b>\$ 132,223,180</b>

Fiscal Year					
2005		2006		2007	
\$		\$		\$	
414,987		477,867		1,247,217	
583,314		607,328		637,832	
44,232,034		52,052,115		37,344,377	
5,367,873		5,461,289		6,208,292	
<b>50,598,208</b>		<b>58,598,599</b>		<b>58,834,987</b>	
13,650,334		13,210,952		13,090,353	
25,165,312		33,719,308		46,474,660	
1,572,128		3,420,234		2,324,008	
4,994,488		4,660,884		4,682,091	
123,338,627		131,608,970		120,276,053	
1,000,000		1,000,000		1,000,000	
8,597,890		8,441,925		12,544,241	
14,256,219		28,238,856		40,577,486	
(5,883,850)		(13,963,277)		(19,311,650)	
88,283		147,814		249,217	
<b>186,779,431</b>		<b>210,485,666</b>		<b>221,906,459</b>	
\$ 237,377,639		\$ 269,084,265		\$ 280,741,446	
\$ 266,166,285					
\$ 225,704,532					

**CITY OF SAN MARCOS**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year				
	2000	2001	2002 (1)	2003	2004
<b>Revenues:</b>					
Taxes and special assessments	\$ 27,818,390	\$ 31,965,023	\$ 36,818,590	\$ 43,981,688	\$ 56,601,047
Licenses and permits	2,913,312	3,633,110	4,930,546	4,871,768	6,466,027
Intergovernmental	15,437,228	9,867,507	10,752,787	11,487,938	9,841,835
Charges for services	4,967,409	6,167,945	6,498,391	10,663,696	11,188,371
Developer fees	4,802,659	6,858,426	8,036,042	18,068,287	10,910,960
Fines and forfeitures	154,604	132,290	130,045	137,912	141,438
Use of money and property	9,363,159	9,349,177	6,827,996	6,081,552	6,477,568
Gain on sale of land held for resale	70,765	329,852	16,306	90,645	45,304
Contributions from property owners		10,206,131	16,210,264	5,302,996	17,567,040
Miscellaneous	1,832,931	2,989,617	2,260,826	3,548,668	4,059,192
<b>Total Revenues</b>	<b>67,360,457</b>	<b>81,499,078</b>	<b>92,481,793</b>	<b>104,235,150</b>	<b>123,298,782</b>
<b>Expenditures:</b>					
Current:					
General government	7,194,157	8,183,932	6,379,969	6,576,034	6,933,237
Community development	9,231,926	6,081,148	4,505,543	7,463,021	8,450,713
Public safety	10,395,926	11,191,441	13,142,206	14,735,620	17,014,795
Highways and streets	4,323,588	4,701,263	5,349,091	5,760,318	5,427,683
Culture and recreation	2,721,407	3,095,398	3,685,520	4,203,110	4,244,505
Tax increment distrib. to other gov. agencies	5,357,790	6,300,826	7,606,288	9,232,309	12,199,149
Capital outlay	33,366,342	35,946,888	27,787,440	40,816,183	51,577,449
Debt service:					
Principal retirement	7,151,728	20,704,175	8,444,664	9,516,478	3,910,503
Interest and fiscal charges	11,989,037	14,053,128	10,977,909	10,863,390	10,879,082
Payment to bond escrow agent				7,033,707	
Cost of issuance	1,853,068	699,271	1,669,647	2,671,395	
<b>Total expenditures</b>	<b>93,584,969</b>	<b>110,957,470</b>	<b>89,548,277</b>	<b>118,871,565</b>	<b>120,637,116</b>
<b>Excess/(deficiency) of Revenues Over Expenditures</b>	<b>(26,224,512)</b>	<b>(29,458,392)</b>	<b>2,933,516</b>	<b>(14,636,415)</b>	<b>2,661,666</b>
<b>Other financing sources (uses):</b>					
Long-term debt issued	61,911,984	7,085,281	56,951,436	94,101,743	4,375,123
Premium on bonds issued				2,645,051	
Discount on bonds issued			(128,495)		
Payment to bond escrow agent			(52,171,345)	(45,848,180)	
Sale of capital assets	26,625	34,910	1,395,920	7,100	11,500
Transfers in	7,899,085	7,837,347	14,220,560	5,551,195	6,500,817
Transfers out	(7,899,085)	(7,840,607)	(14,044,119)	(5,551,195)	(6,500,817)
<b>Total other financing sources (uses)</b>	<b>61,938,609</b>	<b>7,116,931</b>	<b>6,223,957</b>	<b>50,905,714</b>	<b>4,386,623</b>
<b>Net Change in Fund Balances</b>	<b>\$ 35,714,097</b>	<b>\$ (22,341,461)</b>	<b>\$ 9,157,473</b>	<b>\$ 36,269,299</b>	<b>\$ 7,048,289</b>
Debt service as a percentage of noncapital expenditures	34.86%	47.27%	34.15%	38.54%	21.42%

Notes:

(1) Beginning in fiscal year 2001-02, employee benefit costs are allocated to each function rather than reported in general government.

**Fiscal Year**

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$ 71,181,516	\$ 87,121,780	\$ 94,466,701	\$ 97,363,686	\$ 94,097,283
6,179,840	5,116,926	4,753,491	3,907,123	4,229,537
14,537,688	15,192,674	9,093,528	6,587,388	10,406,686
11,495,652	11,544,038	11,486,338	11,429,757	11,783,938
12,589,123	8,809,768	5,774,108	1,776,517	3,773,174
131,081	169,261	181,280	269,365	292,642
9,380,735	13,474,072	19,676,632	19,925,978	11,422,319
48,167	69,577	100,328		
31,808,603		11,424,122		
2,502,536	6,158,895	3,500,561	1,452,870	4,444,346
<u>159,854,941</u>	<u>147,656,991</u>	<u>160,457,089</u>	<u>142,712,684</u>	<u>140,449,925</u>

7,958,025	8,835,833	11,867,052	12,733,906	13,333,406
10,164,579	6,903,003	6,888,307	8,761,007	43,870,002
18,739,876	22,454,034	24,441,222	26,225,302	27,392,057
6,426,645	8,745,457	8,505,218	11,116,298	11,177,992
4,859,702	5,632,449	6,574,206	6,663,925	7,099,634
16,644,360	20,603,185	19,001,916	18,747,685	18,086,645
49,655,461	67,138,844	55,027,905	46,197,846	39,281,839
7,908,488	4,900,575	6,571,846	11,079,781	9,481,695
14,154,572	13,420,348	16,988,635	19,984,462	15,911,227
5,031,723				
3,166,552	935,126	214,172		
<u>144,709,983</u>	<u>159,568,854</u>	<u>156,080,479</u>	<u>161,510,212</u>	<u>185,634,497</u>
<u>15,144,958</u>	<u>(11,911,863)</u>	<u>4,376,610</u>	<u>(18,797,528)</u>	<u>(45,184,572)</u>

129,992,578	40,717,247	8,752,626	1,441,826	730,998
3,885,710				
(259,360)	(116,318)	(69,998)		
(42,020,421)		(6,440,273)		
23,554	17,500	38,216	30,541	3,991,821
5,051,872	10,497,941	17,690,782	32,041,467	6,772,976
(6,664,372)	(7,497,941)	(12,690,782)	(29,291,467)	(6,772,976)
<u>90,009,561</u>	<u>43,618,429</u>	<u>7,280,571</u>	<u>4,222,367</u>	<u>4,722,819</u>
<u>\$ 105,154,519</u>	<u>\$ 31,706,566</u>	<u>\$ 11,657,181</u>	<u>\$ (14,575,161)</u>	<u>\$ (40,461,753)</u>

31.84%                    20.83%                    23.53%                    26.94%                    17.35%

**CITY OF SAN MARCOS**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

**City (1)**

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (3)
2000	\$ 2,878,455,192	\$ 183,171,354	\$ (99,721,447)	\$ 2,961,905,099	0.0883 %
2001	3,231,493,189	191,440,917	(114,480,554)	3,308,453,552	0.0883
2002	3,710,146,845	200,211,006	(154,109,549)	3,756,248,302	0.0883
2003	4,291,608,109	199,482,734	(171,516,035)	4,319,574,808	0.0883
2004	5,013,232,710	241,767,386	(203,515,600)	5,051,484,496	0.0883
2005	6,099,717,310	263,146,015	(225,472,172)	6,137,391,153	0.0883
2006	7,546,999,066	306,344,173	(258,902,856)	7,594,440,383	0.0883
2007	8,917,662,485	332,372,762	(288,440,819)	8,961,594,428	0.0883
2008	9,707,243,947	316,267,589	(336,468,219)	9,687,043,317	0.0883
2009	9,612,859,892	336,188,166	(406,413,814)	9,542,634,244	0.0883

Notes:

- (1) The City assessed valuation includes the Redevelopment Agency incremental value.
- (2) The Redevelopment Agency assessed valuation includes incremental value only.
- (3) Tax Rate Area 13-115.
- (4) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Redevelopment Agency (RDA) (2)

Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate
\$ 1,271,262,054	\$ 124,515,842	\$ (26,101,094)	\$ 1,369,676,802	1.00 %
1,488,288,219	134,780,127	(37,317,861)	1,585,750,485	1.00
1,812,600,311	140,329,846	(71,481,256)	1,881,448,901	1.00
2,206,633,313	139,608,220	(84,166,378)	2,262,075,155	1.00
2,768,984,226	182,013,455	(106,577,232)	2,844,420,449	1.00
3,570,231,758	200,742,283	(123,731,296)	3,647,242,745	1.00
4,632,364,100	243,702,276	(135,521,826)	4,740,544,550	1.00
5,625,496,019	269,320,651	(156,913,713)	5,737,902,957	1.00
6,159,597,590	95,505,864	(204,434,763)	6,050,668,691	1.00
6,099,738,611	278,835,976	(250,921,128)	6,127,653,459	1.00

**CITY OF SAN MARCOS**  
**Direct and Overlapping Property Tax Rates (1)**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

**Allocation of 1% Ad Valorem Property Taxes**

Fiscal Year	City Direct Rate	Total Direct Rate	San Marcos	San Marcos	San Diego County	Other	Total
			Unified School District	Fire Protection District			
2000	0.0883 %	0.0883 %	0.3805 %	0.0632 %	0.2709 %	0.1971 %	1.0000 %
2001	0.0883	0.0883	0.3805	0.0632	0.2709	0.1971	1.0000
2002	0.0883	0.0883	0.3805	0.0632	0.2709	0.1971	1.0000
2003	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000
2004	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000
2005	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000
2006	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000
2007	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000
2008	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000
2009	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200	1.0000

**Notes:**

- (1) Tax rates are for Tax Rate Area 13-115.
- (2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies in which the subject property resides. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various voter-approved bonds.

Source: San Diego County Auditor and Controller Office.

Voter Approved Debt	Total Tax Rate
0.0347	1.0347
0.0319	1.0319
0.0284	1.0284
0.0257	1.0257
0.0238	1.0238
0.0238	1.0238
0.0346	1.0346
0.0349	1.0349
0.0432	1.0432
0.0470	1.0470

**CITY OF SAN MARCOS**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2009			1999		
			Percentage of Total City Taxable Assessed Value			Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
SM Prominence Inc.	\$ 84,068,026	1	1.11 %			
Hunter Industries Inc.	83,059,281	2	1.35	\$ 30,257,985	1	0.99 %
San Elijo Hills Development Company	77,778,507	3	1.02			
Lo Land Assets Limited Partnership	55,182,816	4	0.73			
Grand Plaza LLC	55,146,839	5	0.73			
Urban Villages San Marcos LLC	45,694,037	6	0.60			
California Cove At San Elijo LLC	42,868,824	7	0.56			
Ralphs Grocery Company	39,522,312	8	0.52			
Fieldstone Rancho Santalina LLC	35,078,441	9	0.46			
BLC of California - San Marcos LP	27,552,222	10	0.36			
Scripps Health			19,944,078	2		0.65
Kenneth G & Nancy M Walker Trust			19,867,277	3		0.65
Signet Armorlite Inc.			19,140,584	4		0.63
Napp Systems USA Inc.			17,682,152	5		0.58
Edwards Theatres Circuit Inc.			17,316,030	6		0.57
Judd Wire, Inc.			16,964,335	7		0.55
Prince Alpine Villa Proprties LP			15,290,357	8		0.50
IGPX Mission Park Associates LP			15,070,405	9		0.49
Meadowlark San Marcos LP			14,143,388	10		0.46
Total	<u>\$ 545,951,305</u>		<u>7.44 %</u>	<u>\$ 185,676,591</u>		<u>6.07 %</u>

Source: HDL Coren & Cone.

**CITY OF SAN MARCOS**  
**Property Tax Levies and Collections**  
**Last Eight Fiscal Years (1)**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal			Delinquent Collections (2)	Total Collections to Date			
		Year of the Levy		Percentage of Levy		Amount	Amount	Percentage	
		Year	Amount						
2002	\$ 3,846,738	\$ 3,758,811	97.71	%	\$ 71,845	\$ 3,830,656	99.58	%	
2003	4,377,349	4,262,231	97.37		67,568	4,329,799	98.91		
2004	5,058,512	4,880,776	96.49		77,745	4,958,521	98.02		
2005	6,256,364	5,882,189	94.02		78,862	5,961,051	95.28		
2006	6,908,062	6,472,381	93.69		133,657	6,606,038	95.63		
2007	6,837,608	6,368,465	93.14		184,632	6,553,097	95.84		
2008	6,773,119	6,341,932	93.63		167,455	6,509,387	96.11		
2009	6,183,776	5,932,421	95.94		241,543	6,173,964	99.84		

Notes:

- (1) Information for fiscal years 1999/00 through 2000/01 is not available.
- (2) Includes prior years' delinquent collections, penalties and interest.
- (3) The amounts presented include City and Fire District property taxes.

**CITY OF SAN MARCOS**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					
	General Obligation Bonds		Tax Allocation Bonds		Notes Payable	
	Revenue Bonds				Capital Leases	
2000	\$ 580,000	\$ 80,175,000	\$ 113,135,000	\$ 9,904,505	\$ 2,190,724	
2001	450,000	62,800,000	111,860,000	11,053,309	1,951,913	
2002	310,000	64,090,000	110,290,000	8,068,150	1,566,408	
2003	160,000	60,595,000	148,910,000	5,330,645	1,198,032	
2004	-	58,995,000	148,430,000	6,218,329	756,191	
2005	-	57,645,000	230,450,000	2,498,934	1,447,350	
2006	-	56,435,000	264,975,000	1,846,648	1,305,963	
2007	-	55,490,000	260,715,000	1,436,910	753,855	
2008	-	54,170,000	255,715,000	1,231,685	377,845	
2009	-	52,805,000	250,555,000	1,035,245	-	

Note:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Cooperation Agreement	Due to Other Governments	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 14,181,635	\$ 1,129,380	\$ 221,296,244	12.27 %	\$ 4,025
16,432,749	564,690	205,112,661	10.49	3,555
18,945,185	8,710,984	211,980,727	10.03	3,483
21,608,928	8,371,359	246,173,964	10.84	3,859
24,667,706	7,979,128	247,046,354	9.54	3,677
28,240,032	7,543,702	327,825,018	11.10	4,505
32,335,372	6,947,144	363,845,127	11.08	4,742
34,347,998	6,430,930	359,174,693	10.04	4,500
31,611,278	5,877,439	348,983,247	9.75	4,218
29,959,866	5,250,946	339,606,057	9.06	4,084

**CITY OF SAN MARCOS**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>General Bonded Debt</b>						
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Tax Allocation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>		
2000	\$ 580,000	\$ 80,175,000	\$ 113,135,000	\$ (29,616,583)		
2001	450,000	62,800,000	111,860,000	(13,292,180)		
2002	310,000	64,090,000	110,290,000	(9,812,798)		
2003	160,000	60,595,000	148,910,000	(11,117,716)		
2004	-	58,995,000	148,430,000	(8,904,717)		
2005	-	57,645,000	230,450,000	(4,997,702)		
2006	-	56,435,000	264,975,000	(4,664,734)		
2007	-	55,490,000	260,715,000	(4,807,728)		
2008	-	54,170,000	255,715,000	(4,629,659)		
2009	-	52,805,000	250,555,000	(10,946,147)		

**Note:**

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

Source: City Finance Department.

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		Percent of Assessed Value			
Total	(1)			Per Capita	
\$ 164,273,417	5.546	%	\$ 2,988		
161,817,820	4.891		2,804		
164,877,202	4.389		2,709		
198,547,284	4.596		3,113		
198,520,283	3.930		2,955		
283,097,298	4.613		3,890		
316,745,266	4.171		4,128		
311,397,272	3.475		3,902		
305,255,341	3.151		3,689		
292,413,853	3.064		3,517		

CITY OF SAN MARCOS  
Direct and Overlapping Debt  
As of June 30, 2009

2008-09 City Assessed Valuation:	\$9,642,812,610 (3)
Redevelopment Incremental Valuation:	<u>6,127,663,263</u>
Adjusted Assessed Valuation:	\$3,515,149,347

	Percentage Applicable (1)	Outstanding Debt June 30, 2009	Estimated Share of Overlapping Debt
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	0.190%	\$ 293,425,000	\$ 557,508
Palomar Community College District	4.328%	151,750,000	6,567,740
San Marcos Unified School District Improvement District No. 1	34.334%	14,873,019	5,106,502
San Marcos Unified School District Community Facilities District No. 2	100.00%	2,235,000	2,235,000
San Marcos Unified School District Community Facilities District No. 3	100.00%	2,025,000	2,025,000
San Marcos Unified School District Community Facilities District No. 4	89.262%	23,870,000	21,306,839
Other School Districts	Various	263,425,514	70,512
Palomar Pomerado Hospital	5.882%	418,568,319	24,620,189
San Marcos Community Facilities District No. 88-1	100.00%	25,465,000	25,465,000
San Marcos Community Facilities District No. 91-01	100.00%	2,968,100	2,968,100
San Marcos Community Facilities District No. 99-01	100.00%	84,236,242	84,236,242
San Marcos Community Facilities District No. 2002-01	100.00%	21,130,000	21,130,000
City of San Marcos 1915 Act Bonds	100.00%	181,352	181,352
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>196,469,984</b>

**DIRECT AND OVERLAPPING GENERAL FUND DEBT:**

San Diego County General Fund Obligations	0.984%	462,405,000	4,550,065
San Diego County Pension Obligations	0.984%	986,677,916	9,708,911
San Diego County Superintendent of Schools Obligations	0.984%	16,395,000	161,327
Palomar Community College District General Fund Obligations	4.328%	7,300,000	315,944
San Marcos Unified School District General Fund Obligations	39.978%	5,190,000	2,074,858
Other School District Certificates of Participation	Various	52,715,000	27,827
<b>City of San Marcos General Fund Obligations</b>	<b>100.00%</b>	<b>52,805,000</b>	<b>52,805,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>69,643,932</b>

COMBINED TOTAL DEBT (2)	<u>\$ 266,113,916</u>
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- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds and non-bonded capital lease obligations.
- (3) This is Gross Assessed Value less all other exemptions, not including homeowners exemptions.

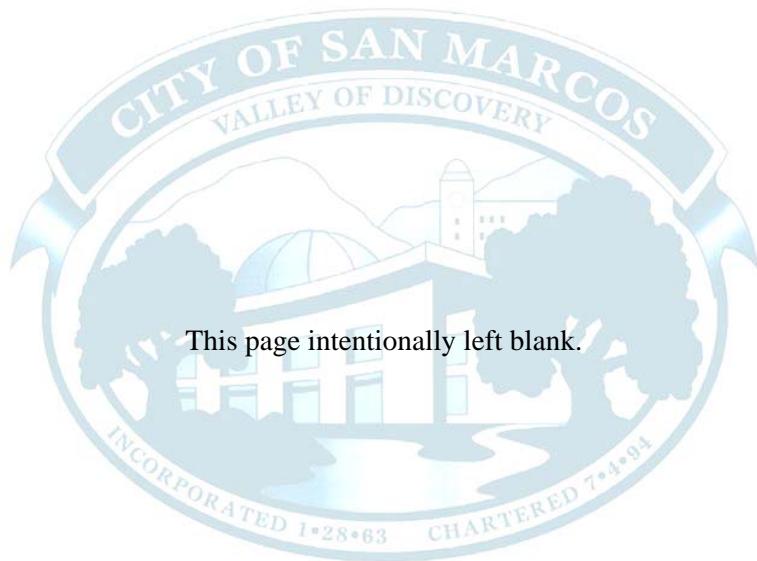
**Ratios to 2008-09 Assessed Valuation:**

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.04%

**Ratios to Adjusted Assessed Valuation:**

Combined Direct Debt (\$52,805,000)	1.50%
Combined Total Debt	7.57%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09:	None
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**CITY OF SAN MARCOS**  
**Legal Debt Margin Information**  
**Last Ten Fiscal years**

	2000	2001	2002	2003	2004
Total assessed valuation	\$ 3,061,626,546	\$ 3,422,934,106	\$ 3,910,357,851	\$ 4,491,090,843	\$ 5,255,000,096
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	765,406,637	855,733,527	977,589,463	1,122,772,711	1,313,750,024
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	114,810,995	128,360,029	146,638,419	168,415,907	197,062,504
Total net debt applicable to limit:					
General obligation bonds	<u>580,000</u>	<u>450,000</u>	<u>310,000</u>	<u>160,000</u>	<u> </u>
Legal debt margin	<u>\$ 114,230,995</u>	<u>\$ 127,910,029</u>	<u>\$ 146,328,419</u>	<u>\$ 168,255,907</u>	<u>\$ 197,062,504</u>
Total debt applicable to the limit as a percentage of debt limit	0.505%	0.351%	0.211%	0.095%	0.000%

Note:

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

Fiscal Year					
2005	2006	2007	2008	2009	
\$ 6,362,863,325	\$ 7,853,343,239	\$ 9,250,035,247	\$ 10,023,511,536	\$ 9,949,048,058	
25%	25%	25%	25%	25%	
1,590,715,831	1,963,335,810	2,312,508,812	2,505,877,884	2,487,262,015	
15%	15%	15%	15%	15%	
238,607,375	294,500,371	346,876,322	375,881,683	373,089,302	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 238,607,375</u>	<u>\$ 294,500,371</u>	<u>\$ 346,876,322</u>	<u>\$ 375,881,683</u>	<u>\$ 373,089,302</u>	
0.000%	0.000%	0.000%	0.000%	0.000%	

CITY OF SAN MARCOS  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Tax Allocation and Revenue Bonds (1)

Redevelopment Agency Low and Moderate Income Housing Fund					Redevelopment Agency Debt Service Fund				
Fiscal Year	Debt Service (2)				Debt Service				Coverage
	Tax Increment Revenue	Principal	Interest	Coverage	Tax Increment Revenue (3)	Principal	Interest		
2000	\$ 3,400,156	\$ 250,000	\$ 946,315	2.84	\$ 11,325,124	\$ 1,945,000	\$ 7,397,852		1.21
2001	4,052,210	260,000	935,313	3.39	13,457,208	2,135,000	8,777,181		1.23
2002	4,919,063	270,000	923,428	4.12	16,255,389	2,480,000	7,607,749		1.61
2003	6,045,339	285,000	910,671	5.06	19,820,881	2,180,000	7,836,869		1.98
2004	7,927,695	295,000	897,050	6.65	25,918,030	1,205,000	8,181,909		2.76
2005	10,155,237	310,000	882,536	8.52	33,083,005	2,275,000	9,314,440		2.85
2006	12,829,183	330,000	866,861	10.72	41,711,486	2,375,000	10,503,910		3.24
2007	14,249,035	340,000	850,170	11.97	46,212,559	5,015,000	13,801,859		2.46
2008	14,974,683	355,000	832,604	12.61	48,616,665	5,770,000	13,966,026		2.46
2009	14,737,707	375,000	813,101	12.40	47,937,014	5,945,000	13,783,236		2.43

Note:

- (1) Tax allocation and revenue bonds are secured by tax increment revenue from the Redevelopment Agency.
- (2) Debt service shown is maximum annual debt service.
- (3) Calculated as gross increment net of set-aside tax increment.

Revenue Bonds - City

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Debt Service

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Revenue	Principal	Interest	Coverage
\$ 649,773		\$ 649,773	1.00
589,443	\$ 120,000	469,443	1.00
1,948,073	1,485,000	463,073	1.00
506,404	130,000	376,404	1.00
504,514	135,000	369,514	1.00
507,234	145,000	362,234	1.00
461,903	255,000	206,903	1.00
472,887	195,000	277,887	1.00
475,509	205,000	270,509	1.00

**CITY OF SAN MARCOS**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income		Per Capita Personal Income (3)	Unemployment Rate (2)
				(3)			
2000	31.20	54,977	3.58 %	\$ 1,803,410,531	\$	32,803	3.70 %
2001	31.20	57,700	4.92	1,955,222,200		33,886	3.90
2002	31.20	60,857	5.56	2,112,894,183		34,719	4.90
2003	31.33	63,785	4.44	2,272,021,700		35,620	4.90
2004	31.33	67,192	5.34	2,589,310,912		38,536	4.50
2005	31.37	72,768	8.30	2,952,124,992		40,569	4.10
2006	31.37	76,725	5.44	3,283,599,825		42,797	4.00
2007	33.10	79,812	4.02	3,578,131,584		44,832	4.60
2008	33.10	82,743	3.27	3,763,813,584		45,488	6.00
2009	33.10	83,149	0.89		(1)	(1)	9.67

(1) Personal income and per capita personal income data for 2009 are unavailable.  
 (2) Final unemployment rate for 2009 is unavailable; rate presented is average unemployment rate for 10 months of 2009.  
 (3) Data presented is for San Diego/Carlsbad/San Marcos economic area.

**Sources:**

Population information provided by the State Department of Finance.

Personal income and unemployment data provided by the U.S. Department of Commerce.

**CITY OF SAN MARCOS**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2009			2000		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Hunter Industries, Inc.	726	1	2.50%	474	2	2.50%
United Parcel Service	467	2	1.61%	150	9	0.79%
Wal-Mart	395	3	1.36%			
Vanpike, Inc.	387	4	1.33%	400	3	2.11%
Costco Wholesale	360	5	1.24%	219	4	1.16%
Oncore Manufacturing Services	320	6	1.10%			
RB III Associates, Inc.	300	7	1.03%	102	20	0.54%
Lusardi Construction Co	300	8	1.03%			
Fry's Electronics	290	9	1.00%			
So. CA Permanente Med Group	231	10	0.80%			
CA State University SM Foundation	230	11	0.79%			
Signet Armorlite, Inc.	214	12	0.74%	555	1	2.93%
Hollandia Dairy Inc.	190	13	0.66%	200	6	1.06%
Fluid Components Intl., LLC	184	14	0.63%	150	10	0.79%
Swanillon Inc.	155	15	0.53%			
24 Hour Fitness	149	16	0.51%			
Home Depot	143	17	0.49%	167	8	0.88%
Hughes Circuits Inc	140	18	0.48%			
Village Square Nursing Center	130	19	0.45%			
Falmat, Inc.	126	20	0.43%			
Napp Systems, Inc.				205	5	1.08%
Ortho Organizers, Inc.				170	7	0.90%
Federal Express				149	11	0.79%
Edward SM 18 Stadium Cinema				145	12	0.77%
Judd Wire				141	13	0.74%
Amistar Corp.				138	14	0.73%
Natural Alternatives				133	15	0.70%
Fish House Vera Cruz				129	16	0.68%
Rex Industries				125	17	0.66%
Reprints, Inc.				117	18	0.62%
L. Schultz, Inc.				115	19	0.61%
<b>Total</b>	<b><u>5,437</u></b>		<b><u>18.75%</u></b>	<b><u>3,984</u></b>		<b><u>21.03%</u></b>

Note:

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

Source: City of San Marcos Business License Directory.

Bureau of Economic Analysis U.S. Department of Commerce.

**CITY OF SAN MARCOS**  
**Full-time and Part-time City Employees by Function**  
**Last Ten Fiscal Years**

Function/Program:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	33	34	35	35	33	35	37	45	51	50
Community development	34	36	36	34	33	38	44	43	40	37
Public safety (1)	39	40	54	55	64	72	85	84	91	94
Highways and streets	35	34	33	33	34	34	36	40	37	35
Culture and recreation	127	124	156	140	163	192	177	173	181	157
<b>Total</b>	<b>268</b>	<b>268</b>	<b>314</b>	<b>297</b>	<b>327</b>	<b>371</b>	<b>379</b>	<b>385</b>	<b>400</b>	<b>373</b>

Notes:

(1) Includes Fire services only. Police services are provided to the City by the County.

Source: City Finance Department.

**CITY OF SAN MARCOS**  
**Operating Indicators by Function**  
**Last Four Fiscal Years (2)**

<u>Function/Program</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
<b>General Government:</b>				
Number of business licenses issued	4,925	5,450	5,161	5,436
Number of requests for public information	144	112	160	176
Number of new hires including part-time	45	128	98	71
Number of invoices processed	11,432	14,616	11,208	11,256
<b>Public Safety:</b>				
<b>Police:</b>				
Contracts with the San Diego County Sheriff's Department for full service law enforcement				
<b>Fire:</b>				
Number of emergency calls	6,477	6,880	6,911	6,955
Number of fire inspections	1,524	1,495	1,459	1,852
<b>Highways and Streets:</b>				
Number of street lights added in current year	45	172	25	17
Number of traffic signals added in current year	11	7	3	4
Miles of streets swept	5,515	14,770	14,770	14,770
Miles of centerline streets added	12	26	7	-
Storm drain structures cleaned and repaired	92	113	114	116
<b>Culture and Recreation:</b>				
Number of facility rentals	362	486	670	669
Number of swim program participants	13,199	13,221	17,688	19,714
Number of adult sports participants	10,562	20,503	21,204	25,961
Number of youth sports participants	8,505	10,366	11,126	12,108
Number of senior nutrition program meals served	21,715	22,500	16,426	15,708
<b>Community Development:</b>				
Number of building permits issued	1,030	836	502	458
Approximate number of building inspections conducted	40,000	41,076	21,554	14,501
Number of new business licenses issued	1,263	1,505	1,307	1,225

**Note:**

- (1) Water and sewage treatment services are provided by the Vallecitos Water District.
- (2) Years prior to fiscal year 2005-06 have not been presented because data for those years is not readily available.

Source: Various City Departments.

**CITY OF SAN MARCOS**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Public Safety:</b>						
Police (1)						
<b>Fire</b>						
Number of fire stations	3	3	3	3	3	3
Number of emergency vehicles	15	17	21	26	26	29
<b>Highways and Streets:</b>						
Miles of streets	150	150	175	175	175	200
Number of street lights	1,902	2,130	2,202	2,202	2,267	2,383
<b>Culture and Recreation:</b>						
Parks	12	12	22	24	25	27
Acres of park land	150	150	261	279	317	331
Pools	2	2	2	2	2	2

**Note:**

(1) The City of San Marcos contracts with the San Diego County Sheriff's Department for full service law enforcement.

Sources: Various City departments.

2006   2007   2008   2009

4	4	4	4
32	33	35	33

212	238	245	245
2,428	2,600	2,625	2,645

27	28	28	30
336	366	373	373
2	2	2	2

