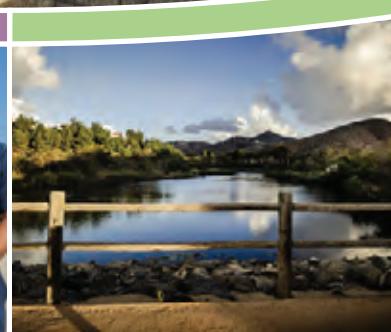




City of San Marcos, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019



SAN MARCOS
Discover Life's Possibilities



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

CITY MANANGER: JACK GRIFFIN
FINANCE DIRECTOR: LISA FOWLER

Prepared by the City of San Marcos Finance Department



MISSION STATEMENT

The City of San Marcos strives to improve the quality of life for those who live, work or visit San Marcos by providing a safe, family-oriented atmosphere that is rich in cultural diversity and natural resources while promoting economic and educational opportunities.

City of San Marcos

Comprehensive Annual Financial Report For the Year Ended June 30, 2019

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Transmittal Letter.....

January 28, 2020

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) fiscal year 2018-19 Comprehensive Annual Financial Report (CAFR). 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 Rogers, Anderson, Malody & Scott, LLP, 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 unmodified (clean) 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. Management asserts that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

GAAP requires 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 the MD&A and should be read in conjunction.

www.san-marcos.net

CITY OF SAN MARCOS, CALIFORNIA

1 Civic Center Drive | San Marcos, CA 92069 | (760) 744-1050



CITY OF SAN MARCOS PROFILE

The City was incorporated in 1963 and chartered on July 4, 1994. According to historical legends, the Spaniards, while pursuing the Native Americans in the late 18th century, came upon a fertile valley, which was named Los Vallecitos de San Marcos (Little Valleys of Saint Mark). Today, often nicknamed still as "Valley of Discovery", the City offers rugged beautiful rolling hills, bustling commercial districts, and leading educational institutions.

The City 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 (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 situated along the State Highway 78 corridor (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 San Diego County to the north and south. The City's sphere of influence extends covers approximately thirty-three square miles.

The City continues to be the smallest yet fastest growing population along the 78 Corridor with an estimated population of 98,369 as reported by the Department of Finance. The City's population has grown an average of 1.7% a year since 2010 and is projected to grow by an additional 9% or 12,130 people by 2025.

The City continues to have the largest amount of available residential land in North County with a median household income of \$70,417, one of the highest along the 78 corridor.

The City delivers a full range of municipal services under the Council-Manager form of government, and offers an outstanding quality of life for its residents. Public facilities include an expanding citywide trail system, a variety of parks, recreational facilities and a County library. The City provides a diverse array of services for seniors and youth, extensive continuing educational programs, concerts, team sports, and special events.

City Council:

The City Council is comprised of five council members for a term of four years, on a staggered basis. The Mayor is directly elected, at large, for a four year term. The City Council appoints the City Manager and the City Attorney. The City Council, the City's chief policy-making body, enacts laws known as ordinances, sets policies known as resolutions and adopts an annual operating and Capital Improvement Program budget. The City Council also oversees a variety of advisory commissions, such as the Traffic Commission and Planning Commission, to address specific issues. These advisory commission members are appointed by the City Council.



ECONOMIC CONDITIONS AND OUTLOOK

Education & Employment:

The City is home to several academic institutions with the second highest educational attainment among the five 78 corridor cities. The City is home to the San Marcos Unified School District (SMUSD) which has achieved local and state recognition for the excellence and is ranked fifth in the county. A number of higher education institutions, including California State University San Marcos and Palomar College, also have established campuses in the City. The continued growth of these academic institutions contributes to the creation, support and sustainability of a professional workforce within the City.

The City is home to a diverse and well balanced base of employers including wholesale trade, retail trade, food services, healthcare and manufacturing. The City is a major force in North County's economic landscape with approximately 46,259 jobs, over 4,330 businesses and an annual gross domestic product totaling approximately \$8 billion.

Real Estate Market:

Home price growth has decreased slightly over the past year, after a strong recovery following the economic downturn. Real estate values in the City have seen an average annual appreciation of 4.14% since 2000 with median home prices reported at \$612,250, slightly below the County average. However, the City has seen a steady stream of housing stock construction at a stable rate compared to other cities throughout the region with more opportunities for new development.

Local Trends:

Economic development in the City continues to be robust. Even with reduced land supply, the City has created new interest in infill development opportunities with new commercial, residential and mixed-use development projects to produce additional revenue streams.

Property tax revenue remains stable. The San Diego County Assessor's Office has certified the property assessment roll value reflecting a 6.94 percent increase in the City's 2018 assessed value growth over the 2017 roll.

Sales tax revenue increased slightly, by 2.3 percent, in 2018 compared to 2017 receipts, but is forecasted to level off. The 2019 sales tax revenue is anticipated to produce a minimal increase compared to 2018.

Capital & Infrastructure Improvements:

As North San Diego County continues to grow the challenges of increased traffic and congestion, affordable housing, and demand for services intensifies. The City Council continues to balance these competing priorities within the framework of their strategic themes of dynamic and responsive service delivery, economic development, good governance, quality of life, and planning for the future through the Capital Improvement Program (CIP).



The CIP budget reflects the City's foreseeable needs over the next five years and is developed in accordance with the City Council adopted policies and priorities in mind. The proposed FY 2019-20 through FY 2022-24 CIP budget appropriation was \$34.3 million. Approximately \$23.3 million of this appropriation will be focused in the "Creek District" projects, which are intended to mitigate traffic congestion, provide recreational opportunities and additional services for the community.

The City Council's adoption of the Fiscal Management Policy provides for a general fund contribution to the City's Infrastructure, City Facility and Vehicles and Equipment funds to plan for the rehabilitation and replacement of City infrastructure. A total of \$1.5 million has been appropriated for use in the FY 2019-20 Operating and CIP Budget. Furthermore, the Fiscal Management Policy provides direction to increase the annual set aside amount by a minimum of 0.5 percent per year, when a surplus exists, with a goal of reaching 6 to 10 percent of the operating budget within a ten year period. The long term impact of this policy will allow for investment of millions of dollars in the City's aging infrastructure over time to ensure continued prosperity.

Long Range Financial Forecast:

A five-year general fund financial forecast (Forecast) is developed as part of the budgeting process which serves to guide the long-range fiscal planning and budget development process. The Forecast details the City's major revenue and expenditure items to provide long-term trend analysis and projections. Projected revenue is sufficient to cover budgeted expenditures the City Council adopted FY 2019-20 Operating budget with expenditures of approximately \$80.5 million, an increase of \$3.5 million, or 5 percent, from the prior year adopted budget. The increase is driven by an increased investment in infrastructure, an increase in the law enforcement contract with the San Diego Sheriff's Department, and rising salary and benefits costs.

However, current economic indicators and revenue forecasts reflect a diminishing positive outlook over the next five years as the City is expected to experience increases in general fund expenditures that may outpace the increases in available revenues, in spite of efforts to diligently reduce expenses. The City has proactively taken steps to mitigate increased costs by increasing employee contributions to the CalPERS retirement plan, capping the City's share of healthcare premiums and a one-time lump sum payment to the existing unfunded liability. Implementation of a second tier retirement plan in 2012 and adoption of the state-mandated third tier pension plan (PEPRA) in 2013 also helps to mitigate future pension cost increases. It will be necessary in the coming years for the City and its collective bargaining groups, through negotiations, to work collaboratively toward solutions to help relieve the City's growing pension burden.

The City's commitment to maintaining the General Fund Reserve Policy, which requires unassigned fund balance (liquid, spendable assets) to be divided into three categories designated as the Catastrophic/Emergency Reserve, One-time Recurring Savings/Opportunity Reserve and Economic Contingency/Pension Stabilization Reserve. At year end, the unassigned general fund balance shall be maintained at a minimum of forty-percent of the annual operating expenditures. This figure is then allocated between the Catastrophic/Emergency Reserve (33.3 percent), One-time Recurring Savings/Opportunity Reserve (33.3 percent), and Economic Contingency/Pension Budget Stabilization Reserve (33.3 percent).



The General Fund Reserve Policy is reviewed annually by the City Council as part of the annual operating budget review and adoption process.

The City continues to focus on the City Council strategic goals such as, comprehensive planning and action in land use and transportation, infrastructure funding, economic development and the development of fiscal policies to provide financial resilience & prosperity.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Awards and Recognitions:

The City is dedicated to meeting the social, recreational, educational, cultural, commercial and retail needs of the community. The City's efforts to continually meet the needs of its citizens have resulted in a variety of awards and recognitions, as follows:

- The California Association for Local Economic Development (CALED) recently honored the City of San Marcos with an Award of Excellence—its highest prize—for helping local businesses grow over the past two years
- A Parks & Recreation Park Ranger won the 2019 Parks and Recreation Champion Award presented by the County of San Diego Department of Parks and Recreation.
- The City received an award from the Government Finance Officers Association (GFOA) for "excellence in financial reporting" for the FY 2017-18 CAFR.

Acknowledgments:

Management wishes to express appreciation to staff for their dedication and contribution throughout the year and assistance with the preparation of the CAFR.

Special acknowledgement must be given to the City Council for their dedication to directing the City's financial in a responsible, professional and progressive manner.

Respectfully submitted,



Lisa Fowler
Finance Director

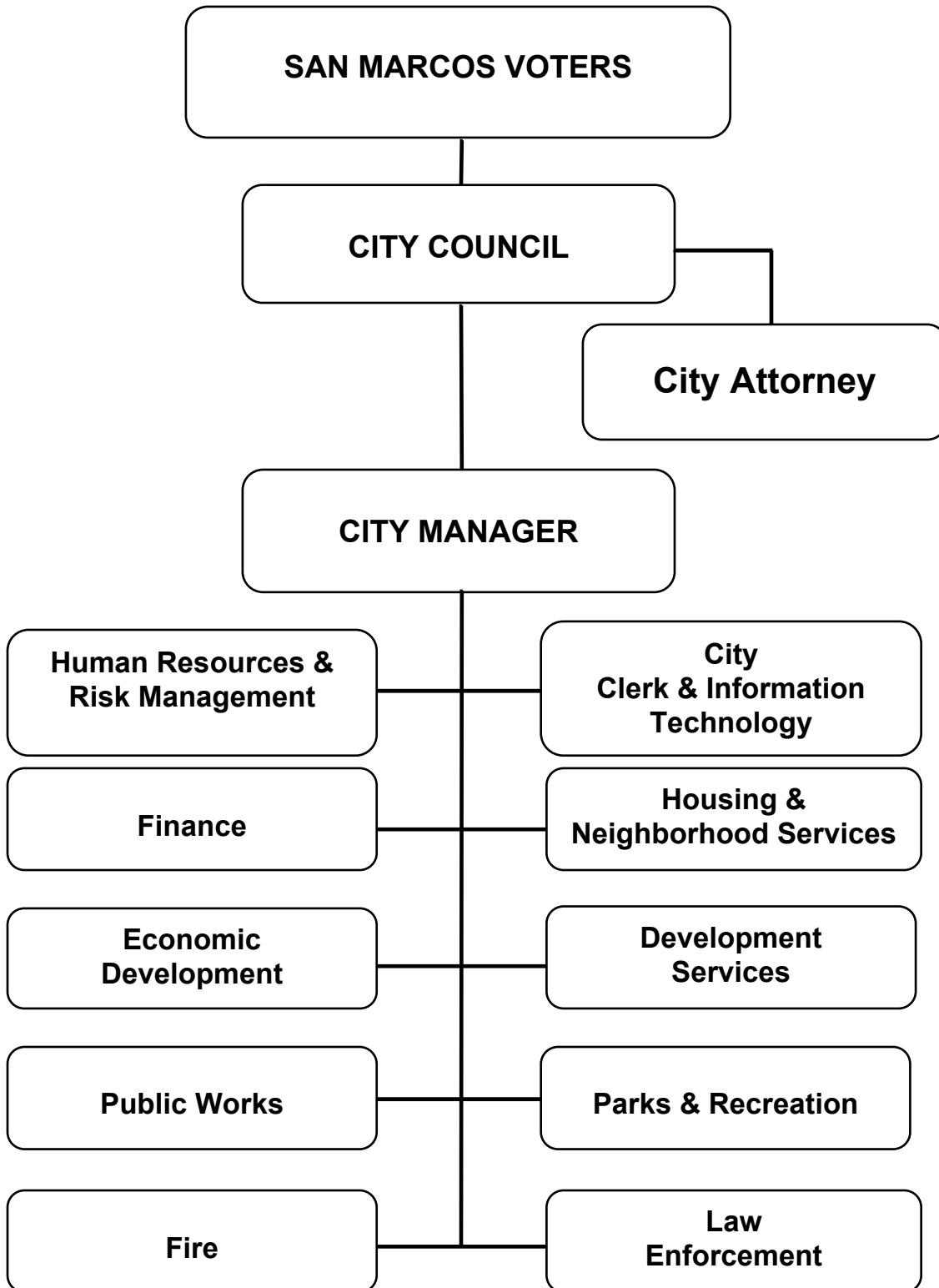


Jack Griffin
City Manager

City of San Marcos

Organizational Chart

June 30, 2019



City of San Marcos

List of Principal Officials

June 30, 2019

City Council

Mayor	Rebecca Jones
Mayor Pro Tem	Sharon Jenkins
Council Member	Jay Petrek
Council Member	Maria Nunez
Council Member	Randy Walton

Administration

City Manager/Treasurer	Jack Griffin
Deputy City Manager/Public Works Director	Matthew Little
Deputy City Manager/Human Resources & Risk Director	Michelle Bender
City Attorney	Helen Holmes Peak
City Clerk/IT Director	Phillip Scollick

Department/Division Heads

Development Services Director	Dahvia Lynch
Economic Development Manager	Tess Sangster
Finance Director	Lisa Fowler
Fire Chief	Daniel Barron
Parks and Recreation Director	Buck Martin
Sheriff Station Captain	Dave Brown



Government Finance Officers Association

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, 2018

Christopher P. Morrill

Executive Director/CEO



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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INDEPENDENT AUDITOR'S REPORT

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Phillip H. Waller, CPA (Partner Emeritus)
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MANAGERS / STAFF

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Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Ye Ying Stella Xia, CPA, MSBA

The Honorable City Council
of the City of San Marcos
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Marcos (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of the City's proportional share of the plans' net pension liability and related ratios as of the measurement date, schedule of changes in net OPEB liability and related ratios as of the measurement date, the schedules of plan contributions, and budgetary comparison information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the non-major fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Rogers, Anderson, Malody & Scott, LLP." The signature is written in a cursive, flowing style.

San Bernardino, California
January 28, 2020

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

The management of the City of San Marcos (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found beginning on page i of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$997,133,918 (net position). Of this amount, \$141,300,932 represents unrestricted net position, which represents the majority of investments in real estate and joint venture.
- The City's total net position decreased \$4,033,609 from the prior fiscal year mainly attributable to the sale of real property.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$205,365,799, an increase of \$1,803,582 in comparison with the prior year. Approximately 14.6% of this amount or \$30,065,341 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$41,503,557, or approximately 53.7% of total general fund expenditures.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The discussion and analysis provided here is intended to serve as an introduction to the City of San Marcos' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

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

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

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community development, public safety, highways, streets, and parks, and culture and recreation. The business-type activities of the City include Creekside Marketplace.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following component units: the San Marcos Community Foundation (Foundation), the San Marcos Public Facilities Authority (Facilities Authority), the California Mobile home Financing Authority (CAMPFA), and the San Marcos Public Financing Authority (Financing Authority), for which the City is financially accountable. The Foundation, Facilities Authority, CAMPFA, and the Financing Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

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

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the San Marcos Affordable Housing Fund, and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget, as noted in the table of contents.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprises fund to account for the activity of Creekside Marketplace, a City-owned shopping center.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Creekside Marketplace, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

The City maintains two different types of fiduciary funds. The Agency Fund account for deposits held in trust for specific purposes and the Private-Purpose Trust Fund account for the City of San Marcos Successor Agency.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 30-90 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's schedule of changes in the net pension liability and related ratios (miscellaneous employees), schedule of City's proportionate share of the net pension liability and related ratios as of the measurement date (safety employees), schedules of plan contributions (both miscellaneous and safety employees), schedule of changes in the net OPEB liability and related ratios, and general fund and major special revenue funds' budgetary schedules.

Required supplementary information can be found on pages 91-99 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 105-133 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$997,133,918, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 384,325,798	\$ 377,251,116	\$ 95,597,747	\$ 95,253,529	\$ 479,923,545	\$ 472,504,645
Capital assets, net	598,291,209	606,007,505	-	-	598,291,209	606,007,505
Total assets	982,617,007	983,258,621	95,597,747	95,253,529	1,078,214,754	1,078,512,150
Deferred outflows of resources	13,930,209	18,646,802	-	-	13,930,209	18,646,802
Non-current liabilities	76,153,665	79,530,692	-	-	76,153,665	79,530,692
Other liabilities	14,657,598	13,248,774	303,753	281,374	14,961,351	13,530,148
Total Liabilities	90,811,263	92,779,466	303,753	281,374	91,115,016	93,060,840
Deferred inflows of resources	3,896,029	2,930,585	-	-	3,896,029	2,930,585
Net position						
Net investment in capital assets	592,856,145	599,739,265	-	-	592,856,145	599,739,265
Restricted	262,976,841	258,133,996	-	-	262,976,841	258,133,996
Unrestricted	46,006,938	48,322,111	95,293,994	94,972,155	141,300,932	143,294,266
Total net position	\$ 901,839,924	\$ 906,195,372	\$ 95,293,994	\$ 94,972,155	\$ 997,133,918	\$ 1,001,167,527

By far, the largest portion of the City's net position (59.5%) reflects its investment in capital assets (e.g., land, buildings, furniture and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (26.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$141,300,932 is unrestricted, however, that amount represents the majority of investments in real estate and joint venture.

At the end of the current fiscal year, the City is able to report positive balances for both the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position decreased \$4,033,609 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2019**

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$4,355,448 from the prior fiscal year for an ending balance of \$901,839,924. The increase in the overall net position of governmental activities is the result of regular current year operating activities.

City of San Marcos' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 26,117,934	\$ 26,518,082	\$ 5,609,161	\$ 5,510,983	\$ 31,727,095	\$ 32,029,065
Operating contributions and grants	15,647,743	17,606,841	-	-	15,647,743	17,606,841
Capital contributions and grants	4,578,379	4,437,779	-	-	4,578,379	4,437,779
General revenues:						
Property taxes	24,109,119	21,542,823	-	-	24,109,119	21,542,823
Transient occupancy taxes	1,376,615	1,303,446	-	-	1,376,615	1,303,446
Business license tax	242,274	232,733	-	-	242,274	232,733
Motor vehicle license	395	49,502	-	-	395	49,502
Franchise fees	4,136,203	4,042,123	-	-	4,136,203	4,042,123
Rental income	5,689,979	5,477,226	-	-	5,689,979	5,477,226
Sales taxes shared state revenue, unrestricted	17,651,420	17,270,634	-	-	17,651,420	17,270,634
In lieu sales tax, unrestricted	12,357	4,209	-	-	12,357	4,209
Investment income, restricted	-	-	-	-	-	-
Investment income, unrestricted	2,645,824	1,305,351	32,217	6,759	2,678,041	1,312,110
Gain (loss) on disposal of capital assets	4,521,104	258,282	-	-	4,521,104	258,282
Miscellaneous	393,461	223,593	-	-	393,461	223,593
Total Revenues	<u>107,122,807</u>	<u>100,272,624</u>	<u>5,641,378</u>	<u>5,517,742</u>	<u>112,764,185</u>	<u>105,790,366</u>
Expenses						
General government	24,545,665	19,444,881	-	-	24,545,665	19,444,881
Community development	5,036,267	6,368,611	-	-	5,036,267	6,368,611
Public safety	42,703,434	40,504,526	-	-	42,703,434	40,504,526
Highways, streets and parks	39,333,558	32,201,548	-	-	39,333,558	32,201,548
Culture and recreation	4,025,485	4,209,685	-	-	4,025,485	4,209,685
Interest on long-term debt	183,846	295,292	-	-	183,846	295,292
Creekside Marketplace	-	-	969,539	771,106	969,539	771,106
Total Expenses	<u>115,828,255</u>	<u>103,024,543</u>	<u>969,539</u>	<u>771,106</u>	<u>116,797,794</u>	<u>103,795,649</u>
Increase in Net Position Before Transfers	(8,705,448)	(2,751,919)	4,671,839	4,746,636	(4,033,609)	1,994,717
Transfers	<u>4,350,000</u>	<u>5,000,000</u>	<u>(4,350,000)</u>	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(4,355,448)	2,248,081	321,839	(253,364)	(4,033,609)	1,994,717
Net Position, Beginning	<u>906,195,372</u>	<u>903,947,291</u>	<u>94,972,155</u>	<u>95,225,519</u>	<u>1,001,167,527</u>	<u>999,172,810</u>
Net Position, Ending	<u>\$ 901,839,924</u>	<u>\$ 906,195,372</u>	<u>\$ 95,293,994</u>	<u>\$ 94,972,155</u>	<u>\$ 997,133,918</u>	<u>\$ 1,001,167,527</u>

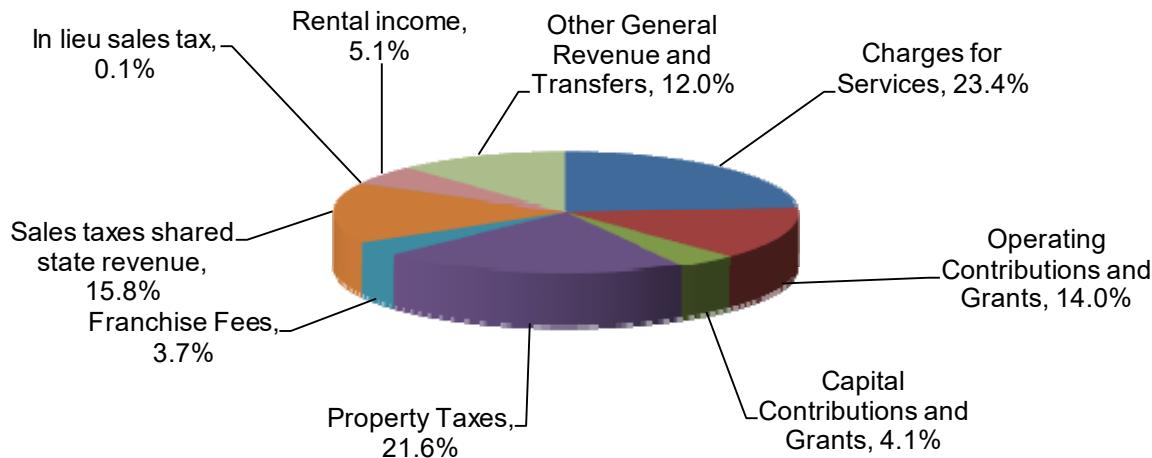
City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2019**

GOVERNMENTAL ACTIVITIES **Revenue by Source**

Revenue Source	2019	Percent of Total	Increase (Decrease) From 2018	Percent Increase (Decrease)
Charges for services	\$ 26,117,934	23.4%	\$ (400,148)	-1.5%
Operating contributions and grants	15,647,743	14.0%	(1,959,098)	-12.5%
Capital contributions and grants	4,578,379	4.1%	140,600	3.1%
Property taxes	24,109,119	21.6%	2,566,296	10.6%
Franchise fees	4,136,203	3.7%	94,080	2.3%
Sales taxes shared state revenue	17,651,420	15.8%	380,786	2.2%
In lieu sales tax	12,357	0.1%	8,148	65.9%
Rental income	5,689,979	5.1%	212,753	3.7%
Other general revenue and transfers	<u>13,529,673</u>	<u>12.0%</u>	<u>5,156,766</u>	<u>38.1%</u>
Total revenue	<u><u>\$ 111,472,807</u></u>	<u><u>99.8%</u></u>	<u><u>\$ 6,200,183</u></u>	<u><u>5.6%</u></u>

GOVERNMENTAL ACTIVITIES **Revenue by Source** **Fiscal Year 2018-19**



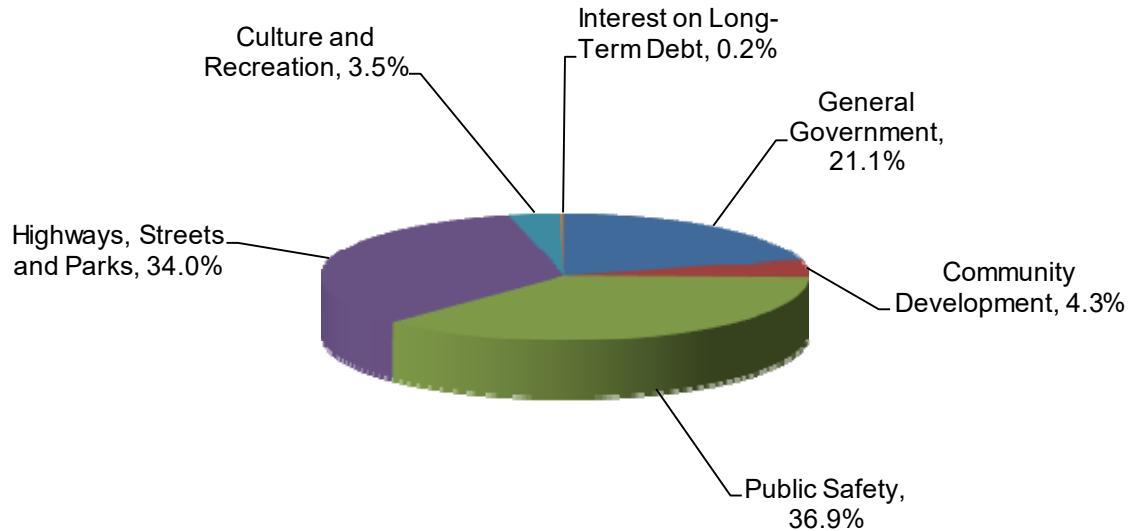
City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2019**

GOVERNMENTAL ACTIVITIES **Expense by Function**

Function	2019	Percent of Total	Increase (Decrease) From 2018	Percent Increase (Decrease)
General government	\$ 24,545,665	21.1%	\$ 5,100,784	20.8%
Community development	5,036,267	4.3%	(1,332,344)	-26.5%
Public safety	42,703,434	36.9%	2,198,908	5.1%
Highways, streets and parks	39,333,558	34.0%	7,132,010	18.1%
Culture and recreation	4,025,485	3.5%	(184,200)	-4.6%
Interest on long-term debt	183,846	0.2%	(111,446)	-60.6%
Total expenses	\$ 115,828,255	100.0%	\$ 12,803,712	11.1%

GOVERNMENTAL ACTIVITIES **Expenses by Function** **Fiscal Year 2018-19**



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive. Overall net position increased to an ending balance of \$95,293,994. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center. The total increase in net position for business-type activities was \$321,839 or 0.3% from the prior fiscal year. This is due to the transfer out of funding to the General Fund in excess of the net operating income from the rental activity.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of San Marcos' *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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2019, the City's governmental funds reported combined fund balances of \$205,365,799, an increase of \$1,803,592 in comparison to the prior year. Approximately 14.6% or \$30,065,341 of this amount constitutes an *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable, restricted, or assigned* to indicate that it is 1) not in spendable form (\$64,997,746), 2) restricted for particular purposes (\$99,243,047), or 3) assigned for particular purposes (\$11,059,665).

Major Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$30,443,892, while the total fund balance increased by \$1,627,497 or 1.6% to \$106,501,303. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 39.4% of total general fund expenditures, while total fund balance represents approximately 137.7% of that same amount.

The San Marcos Affordable Housing Special Revenue Fund accounts for funds intended to improve or preserve the community's supply of affordable housing. This fund ended the year with a fund balance of \$41,296,708. To assist with the construction of affordable housing projects, \$667,711 was loaned to housing developers during the fiscal year. Overall, developer loan activity was down from the prior year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

The Capital Improvement Capital Projects Fund accounts for capital projects funded with Federal and other grants and developer contributions. This fund ended the year with a fund balance of \$21,224.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund, as presented in the CAFR and for purposes of financial reporting in conformity with generally accepted accounting principles (GAAP), is comprised of four funds including the General Operating Fund, and the Infrastructure Replacement/Rehabilitation Fund, Facilities Replacement/Rehabilitation Fund, and the Vehicle & Equipment Acquisition/Replacement Fund (Rehabilitation and Replacement Funds). However, in the City's approved budget document, these funds are separately presented.

During the year, amendments to increase original budgeted appropriations were authorized by the City Council. The operating expenditure budget was increased by \$3,664,233 due to an increase in mid-year general operating contract costs, for a total amended expenditure budget of \$79,295,928 for FY 2018-19 inclusive of the General Fund and the Rehabilitation and Replacement Funds. Other minor amendments to reallocate appropriations among departments took place. The movement of the appropriations between departments was not significant and did not increase the overall operating budget.

The General Fund revenues exceeded budgeted revenues by approximately \$6.7 million in FY 2018-19. The excess revenue was due in part to one time revenue from the sale of real property of \$5.2 million and an increase in recurring operating revenues of \$1.1 million. The one-time revenue and operating surplus was appropriated per the City's Fiscal Management Policy by City Council.

The General Fund expenditure budget came in slightly higher than the amended budget by approximately \$1.9 million. The higher than anticipated expenditure amounts were in part due to the services provided by the Fire Department and resulted in reimbursement.

The overall General Fund Budget for FY 2018-19 was approximately \$5.5 million more than projected due to the additional revenues, as noted above.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$598,291,209 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture and equipment, and infrastructure. The total decrease in capital assets for the current fiscal year was \$7,716,296 or approximately 1.27% due to capital asset dispositions and depreciations, offset by current fiscal year capital asset additions.

City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2019**

City of San Marcos' Capital Assets (Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Improvements	\$ 321,361,375	\$ 324,053,596	\$ -	\$ -	\$ 321,361,375	\$ 324,053,596
Buildings	41,626,358	43,087,615	-	-	41,626,358	43,087,615
Furniture and Equipment	7,257,776	6,954,137	-	-	7,257,776	6,954,137
Infrastructure	197,900,290	209,047,096	-	-	197,900,290	209,047,096
Construction in progress	30,145,410	22,865,061	-	-	30,145,410	22,865,061
Total	\$ 598,291,209	\$ 606,007,505	\$ -	\$ -	\$ 598,291,209	\$ 606,007,505

The progress and completion of several capital asset & infrastructure improvements during the fiscal year including, but not limited to the completion of the annual street rehabilitation project, design completion of the San Marcos Creek Specific Plan projects and the replacement of Fire Department equipment.

Additional information on the City's capital assets can be found in Note 7 on pages 53-54 of this report.

Non-Current Liabilities. At the end of the current fiscal year, the City had total non-current outstanding liabilities of \$76,153,665. Of this amount, \$3,215,000 is debt backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises pension-related debt, OPEB debt, note and loans payables, worker's compensation claims, compensated absences, and capital leases.

City of San Marcos' Non-Current Outstanding Liabilities

	Governmental Activities			Net Change
	2019	2018		
Compensated absences	\$ 4,296,365	\$ 4,479,651	\$ (183,286)	
Claims payable	1,424,859	1,420,926	3,933	
Capital leases payable	1,334,885	1,731,711	(396,826)	
Loans payable - Safety Center	3,215,000	3,492,221	(277,221)	
Loans payable - CEC	943,664	1,108,642	(164,978)	
Net pension liability	58,274,143	59,258,541	(984,398)	
Net OPEB liability	6,664,749	8,039,000	(1,374,251)	
Total	\$ 76,153,665	\$ 79,530,692	\$ (3,377,027)	

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2019

The City's total debt decreased by \$3,377,027, or 4.2% during the current fiscal year. Decrease was due to principal reduction as result of on-going debt service payments. Additional information on the City's long-term debt can be found in Note 8, on pages 54-57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the City is discussed in the accompanying Transmittal Letter.

The City continued its projection of growth approach to the FY 2019-20 General Fund operating budget at a slightly more conservative pace. The approved budget for FY 2019-20 projects a 4.5% growth in spending over the prior year.

Significant line item expenditure increases included increases in health care and pension costs of approximately \$2.2 million and a 5.5% increase to the Sheriff's contract costs which resulted in a \$ 1.9 million increase in contractual services. Anticipated changes by CalPERS, to their investment assumption rate may continue to impact future budgeted costs. Included in this growth is the appropriation of approximately \$1.5 million from the City's Rehabilitation and Replacement Funds.

The recommended FY 2019-20 operating budget was balanced and in compliance with the City Council's General Fund Reserve policy. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the budget preparation, can be obtained from the City's FY 2019-20 budget book, available on the City's website or through the Finance Department.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. 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 Position June 30, 2019

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	\$ 134,950,314	\$ 786,229	\$ 135,736,543	\$ 4,009
Cash and investments with fiscal agents (note 2)	782,002	-	782,002	-
Investments in real estate (note 2)	53,181,000	94,000,000	147,181,000	-
Investment in joint venture (note 2)	7,020,386	-	7,020,386	-
Receivables:				
Taxes and special assessments	3,031,522	-	3,031,522	-
Accounts	2,922,753	80,573	3,003,326	-
Interest	318,046	3,013	321,059	29
Notes (note 3)	162,944,953	-	162,944,953	-
Other (note 4)	775,691	700,125	1,475,816	-
Due from other governments	1,017,579	-	1,017,579	-
Advances to Successor Agency (note 17)	12,254,663	-	12,254,663	-
Deposits	742,676	27,807	770,483	1,254,825
Prepays	29,442	-	29,442	-
Land held for resale	4,354,771	-	4,354,771	-
Capital assets, not depreciated (note 7)	351,506,785	-	351,506,785	-
Capital assets, net of depreciation (note 7)	246,784,424	-	246,784,424	-
Total Assets	982,617,007	95,597,747	1,078,214,754	1,258,863
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	13,643,336	-	13,643,336	-
Loss on defeasance of debt	58,485	-	58,485	-
OPEB related	228,388	-	228,388	-
Total Deferred Outflows of Resources	13,930,209	-	13,930,209	-
LIABILITIES				
Accounts payable	8,749,783	42,589	8,792,372	8,121
Accrued liabilities	1,702,056	-	1,702,056	-
Unearned revenue (note 6)	2,720,869	181,054	2,901,923	-
Deposits payable	1,484,890	80,110	1,565,000	-
Noncurrent liabilities (note 8):				
Due within one year	3,988,779	-	3,988,779	-
Due in more than one year	7,225,994	-	7,225,994	-
Net pension liability	58,274,143	-	58,274,143	-
Net OPEB liability	6,664,749	-	6,664,749	-
Total Liabilities	90,811,263	303,753	91,115,016	8,121
DEFERRED INFLOWS OF RESOURCES				
Pension related	1,532,708	-	1,532,708	-
OPEB related	2,363,321	-	2,363,321	-
Total Deferred Outflows of Resources	3,896,029	-	3,896,029	-
NET POSITION				
Net investment in capital assets (note 10)	592,856,145	-	592,856,145	-
Restricted for:				
Permanent fund - not expendable	-	-	-	1,000,000
Permanent fund - expendable	-	-	-	250,742
Affordable housing	204,874,361	-	204,874,361	-
Transportation	6,752,432	-	6,752,432	-
Lighting and landscape	14,734,771	-	14,734,771	-
Capital improvements	1,008,537	-	1,008,537	-
Public facilities	32,732,977	-	32,732,977	-
Other purposes	2,873,763	-	2,873,763	-
Unrestricted	46,006,938	95,293,994	141,300,932	-
Total Net Position	\$ 901,839,924	\$ 95,293,994	\$ 997,133,918	\$ 1,250,742

The accompanying notes are an integral part of these financial statements.

City of San Marcos

Statement of Activities For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 24,545,665	\$ 1,330,187	\$ 667,621	\$ -
Community development	5,036,267	1,705,867	6,709,607	441,521
Public safety	42,703,434	11,569,928	303,759	-
Highways, streets, and parks	39,333,558	9,130,253	7,727,939	4,136,858
Culture and recreation	4,025,485	2,381,699	238,817	-
Interest on long-term debt	<u>183,846</u>	-	-	-
Total governmental activities	115,828,255	26,117,934	15,647,743	4,578,379
Business-type activities:				
Creekside Marketplace	<u>969,539</u>	<u>5,609,161</u>	-	-
Total Primary Government	<u>\$ 116,797,794</u>	<u>\$ 31,727,095</u>	<u>\$ 15,647,743</u>	<u>\$ 4,578,379</u>
Component Unit:				
Permanent Fund Community Foundation	\$ 71,223	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 71,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

	Net (Expense) Revenue and Changes in Net Position			Permanent Fund
	Governmental Activities	Business-Type Activities	Total	Community Foundation
Functions/Programs				
Governmental activities:				
General government	\$ (22,547,857)	\$ -	\$ (22,547,857)	\$ -
Community development	3,820,728	-	3,820,728	-
Public safety	(30,829,747)	-	(30,829,747)	-
Highways, streets, and parks	(18,338,508)	-	(18,338,508)	-
Culture and recreation	(1,404,969)	-	(1,404,969)	-
Interest on long-term debt	(183,846)	-	(183,846)	-
Total governmental activities	(69,484,199)	-	(69,484,199)	-
Business-type activities:				
Creekside Marketplace	-	4,639,622	4,639,622	-
Total Primary Government	(69,484,199)	4,639,622	(64,844,577)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(71,223)
Total Component Unit	-	-	-	(71,223)
General revenues:				
Taxes:				
Property taxes	24,109,119	-	24,109,119	-
Transient occupancy taxes	1,376,615	-	1,376,615	-
Business license tax	242,274	-	242,274	-
Motor vehicle license tax	395	-	395	-
Franchise fees	4,136,203	-	4,136,203	-
Rental income	5,689,979	-	5,689,979	-
Sales taxes shared state revenue, unrestricted	17,651,420	-	17,651,420	-
Sales tax in lieu, unrestricted	12,357	-	12,357	-
Investment income, restricted	-	-	-	63,372
Investment income, unrestricted	2,645,824	32,217	2,678,041	-
Gain on disposal and sale of capital assets	4,521,104	-	4,521,104	-
Miscellaneous income	393,461	-	393,461	-
Transfers (note 5)	4,350,000	(4,350,000)	-	-
Total general revenues and transfers	65,128,751	(4,317,783)	60,810,968	63,372
Change in Net Position	(4,355,448)	321,839	(4,033,609)	(7,851)
Net Position, Beginning	906,195,372	94,972,155	1,001,167,527	1,258,593
Net Position, Ending	\$ 901,839,924	\$ 95,293,994	\$ 997,133,918	\$ 1,250,742

City of San Marcos

Balance Sheet - Governmental Funds June 30, 2019

	Special Revenue		Total		
	San Marcos	Affordable Housing	Capital Improvements	Non-Major Governmental Funds	Total
ASSETS	General				
Cash and investments (note 2)	\$ 46,486,355	\$ 26,259,676	\$ 4,440,834	\$ 57,763,449	\$ 134,950,314
Cash and investments with fiscal agents (note 2)	-	-	-	782,002	782,002
Investments in real estate (note 2)	53,181,000	-	-	-	53,181,000
Investment in joint venture (note 2)	7,020,386	-	-	-	7,020,386
Receivables:					
Taxes and special assessments	3,002,118	-	-	29,404	3,031,522
Accounts	2,878,674	1,712	-	42,367	2,922,753
Interest	111,988	60,097	10,443	135,518	318,046
Notes, net (note 3)	1,203,150	159,372,594	-	2,369,209	162,944,953
Other, net (note 4)	655,175	-	-	120,516	775,691
Due from other governments	427,039	-	253,339	337,201	1,017,579
Advances to other funds (note 5)	-	2,515,771	-	-	2,515,771
Due from other funds (note 5)	455,105	-	-	-	455,105
Advances to Successor Agency (note 17)	-	12,254,663	-	-	12,254,663
Deposits	742,676	-	-	-	742,676
Land held for resale	4,053,684	301,087	-	-	4,354,771
Total Assets	\$ 120,217,350	\$ 200,765,600	\$ 4,704,616	\$ 61,579,666	\$ 387,267,232
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,474,608	\$ 46,438	\$ 2,321,627	\$ 907,110	\$ 8,749,783
Accrued liabilities	1,538,847	15,362	-	135,148	1,689,357
Advances from other funds (note 5)	2,515,771	-	-	-	2,515,771
Due to other funds (note 5)	-	-	-	455,105	455,105
Unearned revenue (note 6)	499,006	-	2,221,863	-	2,720,869
Deposits payable	1,300,101	34,498	139,902	10,389	1,484,890
Total Liabilities	11,328,333	96,298	4,683,392	1,507,752	17,615,775
Deferred Inflows of Resources:					
Unavailable revenue (note 6)	2,387,714	159,372,594	-	2,525,350	164,285,658
Fund Balances (note 9):					
Nonspendable:					
Land held for resale	4,053,684	-	-	-	4,053,684
Deposits	742,676	-	-	-	742,676
Investments in real estate (note 2)	53,181,000	-	-	-	53,181,000
Investment in joint venture (note 2)	7,020,386	-	-	-	7,020,386
Restricted:					
Affordable housing	-	41,296,708	-	-	41,296,708
Transportation	-	-	-	6,752,432	6,752,432
Lighting and landscape	-	-	-	14,715,520	14,715,520
Capital improvements	-	-	21,224	987,313	1,008,537
Public facilities	-	-	-	32,596,087	32,596,087
Other purposes	-	-	-	2,873,763	2,873,763
Assigned (note 9)	11,059,665	-	-	-	11,059,665
Unassigned	30,443,892	-	-	(378,551)	30,065,341
Total Fund Balances	106,501,303	41,296,708	21,224	57,546,564	205,365,799
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 120,217,350	\$ 200,765,600	\$ 4,704,616	\$ 61,579,666	\$ 387,267,232

The accompanying notes are an integral part of these financial statements.

City of San Marcos

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2019

Fund balances of governmental funds	\$ 205,365,799
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain prepaid insurance costs associated with the issuance of long-term debt are amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.	29,442
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	
Capital assets, not depreciated	\$ 351,506,785
Capital assets, being depreciated	479,343,481
Less: accumulated depreciation	<u>(232,559,057)</u> 598,291,209
Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position.	58,485
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. Therefore, interest payable is not reported as a liability in governmental funds.	(12,699)
Deferred inflows and outflows of resources related to pensions have not been reported in the governmental funds.	
Pension related deferred outflows of resources	\$ 13,643,336
Pension related deferred inflows of resources	<u>(1,532,708)</u> 12,110,628
Deferred inflows and outflows of resources related to OPEB have not been reported in the governmental funds.	
OPEB related deferred outflows of resources	\$ 228,388
OPEB related deferred inflows of resources	<u>(2,363,321)</u> (2,134,933)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	\$ (4,296,365)
Claims payable	(1,424,859)
Capital lease financing	(1,334,885)
Loans payable	(4,158,664)
Net pension liability	(58,274,143)
Net OPEB liability	<u>(6,664,749)</u> (76,153,665)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>164,285,658</u>
Net position of governmental activities	<u>\$ 901,839,924</u>

City of San Marcos

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2019

	Special Revenue			Total	
	General	San Marcos Affordable Housing	Capital Improvements	Non-Major Governmental Funds	Total
REVENUES					
Taxes and special assessments	\$ 25,728,009	\$ -	\$ -	\$ 8,413,709	\$ 34,141,718
Licenses and permits	4,829,046	-	-	-	4,829,046
Intergovernmental	18,139,780	-	3,254,764	4,418,442	25,812,986
Charges for services	16,112,574	-	-	-	16,112,574
Developer fees	59,442	2,439,618	-	2,718,582	5,217,642
Fines and forfeitures	498,336	-	-	-	498,336
Investment and rental income	7,580,559	1,501,148	105,508	2,309,506	11,496,721
Miscellaneous	1,057,096	505,659	255,737	55,232	1,873,724
Total Revenues	74,004,842	4,446,425	3,616,009	17,915,471	99,982,747
EXPENDITURES					
Current:					
General government	21,452,470	409,667	-	-	21,862,137
Community development	3,615,194	993,114	-	187,471	4,795,779
Public safety	37,782,655	-	-	-	37,782,655
Highways, streets and parks	10,316,770	-	-	8,258,910	18,575,680
Culture and recreation	3,470,439	-	-	289,539	3,759,978
Capital outlay	165,790	-	11,292,853	7,800,055	19,258,698
Debt service:					
Principal	473,384	-	-	408,420	881,804
Interest and fiscal charges	45,003	-	-	88,535	133,538
Total Expenditures	77,321,705	1,402,781	11,292,853	17,032,930	107,050,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,316,863)	3,043,644	(7,676,844)	882,541	(7,067,522)
OTHER FINANCING SOURCES (USES)					
Loss from sale of land held for resale	-	-	-	(638,939)	(638,939)
Sale of general capital assets	5,160,043	-	-	-	5,160,043
Transfers in (note 5)	4,978,884	142,500	5,884,961	853,178	11,859,523
Transfers out (note 5)	(5,194,567)	-	(315,934)	(1,999,022)	(7,509,523)
Total Other Financing Sources (Uses)	4,944,360	142,500	5,569,027	(1,784,783)	8,871,104
Net Change in Fund Balances	1,627,497	3,186,144	(2,107,817)	(902,242)	1,803,582
Fund Balances, Beginning	104,873,806	38,110,564	2,129,041	58,448,806	203,562,217
Fund Balances, Ending	\$ 106,501,303	\$ 41,296,708	\$ 21,224	\$ 57,546,564	\$ 205,365,799

The accompanying notes are an integral part of these financial statements.

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, 2019

Net change in fund balances - total governmental funds \$ 1,803,582

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 depreciation exceeded capital outlays in the current period.

Capital asset expenditures capitalized	\$ 11,907,019
Depreciation expense, net of deletions to capital assets	<u>(19,623,315)</u>
	(7,716,296)

Certain revenues in the governmental funds are deferred inflows of resources because they are measurable but not available under the modified accrual basis of accounting. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents the change during the year.

Long-term loans receivable	3,863,956
----------------------------	-----------

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments on long-term debt	\$ 881,804
Changes in pension related items	(3,008,857)
Changes in OPEB related items	<u>(308,682)</u>
	(2,435,735)

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.

Change in compensated absences	\$ 183,286
Change in claims payable	(3,933)
Change in accrued interest	(41,515)
Amortization of prepaid insurance	(2,944)
Amortization of deferred loss	<u>(5,849)</u>
	129,045
Change in net position of governmental activities	<u>\$ (4,355,448)</u>

City of San Marcos

Statement of Net Position - Proprietary Funds June 30, 2019

	Enterprise Funds	
	Creekside	
	Marketplace	
ASSETS		
Current Assets:		
Cash and investments (note 2)	\$ 786,229	
Investments in real estate (note 2)	94,000,000	
Receivables:		
Accounts	80,573	
Interest	3,013	
Deposits	<u>27,807</u>	
Total Current Assets	<u>94,897,622</u>	
Noncurrent Assets:		
Other receivable (note 4)	<u>700,125</u>	
Total Noncurrent Assets	<u>700,125</u>	
Total Assets	<u>95,597,747</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	42,589	
Deposits payable	80,110	
Unearned revenue	<u>181,054</u>	
Total Liabilities	<u>303,753</u>	
NET POSITION		
Unrestricted	<u>95,293,994</u>	
Total Net Position	<u>\$ 95,293,994</u>	

The accompanying notes are an integral part of these financial statements.

City of San Marcos

**Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds
For the Year Ended June 30, 2019**

	Enterprise Funds
	Creekside
	Marketplace
OPERATING REVENUES	
Rental income	\$ 4,816,523
Common area maintenance charges	<u>792,638</u>
Total Operating Revenues	<u>5,609,161</u>
OPERATING EXPENSES	
Property management	409,574
Janitorial	167,825
Repair and maintenance	<u>392,140</u>
Total Operating Expenses	<u>969,539</u>
Operating Income	4,639,622
NON-OPERATING REVENUE	
Investment income	<u>32,217</u>
Income Before Transfers	4,671,839
TRANSFERS	
Transfers out (note 5)	<u>(4,350,000)</u>
Total Transfers	<u>(4,350,000)</u>
Change in Net Position	321,839
Net Position, Beginning	<u>94,972,155</u>
Net Position, Ending	<u>\$ 95,293,994</u>

City of San Marcos

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds
	Creekside
	Marketplace
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 5,603,937
Payments to suppliers for goods and services	<u>(969,539)</u>
Net cash provided by operating activities	<u>4,634,398</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from settlement agreement	19,493
Transfer to general fund	<u>(4,350,000)</u>
Net cash (used for) noncapital financing activities	<u>(4,330,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>32,188</u>
Net increase in cash and cash equivalents	336,079
Cash and cash equivalents, beginning	<u>450,150</u>
Cash and cash equivalents, ending	<u>\$ 786,229</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 4,639,622
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in operating receivables:	
Accounts receivable	(75,397)
Deposit receivable	47,794
Increase (decrease) in operating liabilities:	
Accounts payable	1,956
Unearned revenue	<u>20,423</u>
Net cash provided by for operating activities	<u>\$ 4,634,398</u>

The accompanying notes are an integral part of these financial statements.

City of San Marcos

Statement of Fiduciary Net Position **Fiduciary Funds** **June 30, 2019**

	<u>Agency Funds</u>	<u>Private-Purpose Trust Funds</u>
ASSETS		
Cash and investments (note 2)	\$ 3,506,917	\$ 5,200,668
Receivables:		
Special assessments	35,662	-
Interest	827	30,381
Direct financing lease	-	2,173,429
Prepaid expenses	-	316,043
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	<u>12,842,041</u>	<u>51,647,718</u>
Total Assets	<u>\$ 16,385,447</u>	<u>59,368,239</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt		<u>10,752,762</u>
LIABILITIES		
Accounts payable	\$ 247,131	1,975
Accrued liabilities	-	11,549
Accrued interest payable	-	2,549,864
Due to other governments	-	5,755
Deposits payable	3,302,296	-
Due to bondholders	12,836,020	-
Noncurrent Liabilities:		
Due within one year	-	12,010,000
Due in more than one year	<u>-</u>	<u>273,403,117</u>
Total Liabilities	<u>\$ 16,385,447</u>	<u>287,982,260</u>
NET POSITION (DEFICIT)		
Held in trust for other taxing entities		<u>\$ (217,861,259)</u>

The accompanying notes are an integral part of these financial statements.

City of San Marcos

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2019

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Tax	\$ 24,746,350
Income from property and investments	819,118
Other revenue	<u>134,711</u>
 Total Additions	 <u>25,700,179</u>
DEDUCTIONS	
General and administrative	3,412,976
Interest expense and fees	10,577,338
Loss on disposition of capital assets	<u>3,907,369</u>
 Total Deductions	 <u>17,897,683</u>
 Change in Net Position	 7,802,496
 Net Position (Deficit), Beginning	 <u>(225,663,755)</u>
 Net Position (Deficit), Ending	 <u>\$ (217,861,259)</u>

The accompanying notes are an integral part of these financial statements.

City of San Marcos

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of 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, community development, public safety, highways, streets and parks, public works, and culture and recreation.

These financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units

Component units are entities for which the City is considered to be financially accountable, in accordance with generally accepted accounting principles. 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 (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and data from these units are combined with data of the primary government. Based on the criteria above, the City has four component units, one discretely presented component unit and three blended component units. These component units are described as follows:

Discretely Presented Component Unit

- The *San Marcos Community Foundation* (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. As part of the by-laws, the City of San Marcos is to provide financial and investment services to the Foundation at no cost. 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 restricted fund balance. 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A) Description of Reporting Entity, (continued)

Component Units, (continued)

Blended Component Units

- The *San Marcos Public Facilities Authority* (Facilities Authority) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Facilities Authority exists under a Joint Exercise of Power Agreement dated June 1989, between the City of San Marcos and the former Redevelopment Agency of the City of San Marcos (now the Successor Agency). Its purpose is to facilitate financing for public capital improvements of the City and the Agency.
- The *California Mobilehome Financing Authority* (CAMPFA) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. CAMPFA exists under a Joint Exercise of Powers Agreement dated May 9, 1995, between the City of San Marcos and the former Redevelopment Agency of the City of San Marcos (now the Successor Agency). 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.
- The *San Marcos Public Financing Authority* (Financing Authority) was established pursuant to a Joint Exercise of Powers Agreement, dated December 14, 1993, a subsequently amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, each by and between the City and the Fire Protection District (FPD). The Financing Authority was created for the purpose of financing and refinancing of public capital improvements for, and working capital requirements of, the City, the FPD or any other local agency, including community facilities districts created by the City or the FPD, through the construction and/or acquisition by the Financing Authority of such public capital improvements and/or by the Financing Authority of bonds of the City, FPD or any other local agency pursuant the bond purchase agreements and/or the lending of funds by the Financing Authority to the City, the FPD or any other local agency. The Financing Authority is governed by a board of five directors, which is composed of the member of the City Council. The Executive Director of the Financing Authority is the City Manager of the City. The Financing Authority is specifically granted all of the powers specified in the Bond Law, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or negotiated sale. The Financing Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed. The Financing Authority has no independent staff, and consequently it will be completely dependent upon the officers and employees of the City to administer its program.

Separate financial statements are not prepared for these entities.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B) Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its blended component units. 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 classified as program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions has not been eliminated in the statement of activities.

Fund Financial Statements

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.

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

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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.

D) Fund Classifications

The City reports the following major governmental funds:

General Fund

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.

San Marcos Affordable Housing Fund

The San Marcos Affordable Housing Fund accounts for the in-lieu revenue received from developers to provide for affordable housing. The fund also accounts for the low and moderate income housing receivables of the former City of San Marcos Redevelopment Agency.

Capital Improvements Fund

The Capital Improvements Fund is used to account for capital projects funded with Federal and other grants and developer contributions.

The City reports the following major proprietary fund:

Creekside Marketplace Fund

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

Agency Funds

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.

Private-Purpose Trust Fund

The Private-Purpose Trust Fund accounts for the activities of the Redevelopment Obligation Retirement Funds, which accumulates resources for obligations previously incurred by the former City of San Marcos Redevelopment Agency.

E) Financial Statement Elements

(1) Cash 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.

(2) 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."

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(2) Receivables and Payables, (continued)

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.

(3) 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.

(4) Land Held for Resale

Land held for resale is valued at the lower of cost or market once such amount becomes determinable upon entering into a contract for sale. Land held for resale is reflected as nonspendable or restricted fund balance in the fund financial statements to indicate that the asset does not constitute available, spendable resources.

(5) Notes Receivable

The accompanying financial statements reflect the recording of certain notes receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property.

(6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(7) Program Revenues

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.

(8) 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 assessed value. The assessed value can only increase each year by inflation with a maximum of 2%. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

(9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(10) 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 and the enterprise funds in the fund financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or more 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 the estimated acquisition value at the time of acquisition.

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

(11) 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(12) 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 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 expensed during the current period.

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.

(13) Postemployment Benefits other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

GASB Statement No. 75, which was implemented in the current year, requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(14) Pension Plans

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

(15) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that the expenses are reported only once in the function in which they are allocated.

(16) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(17) Fund Balances

Fund balances are reported in the fund financial statements in the following classifications:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in physical form (such as inventory) or that are legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by external legal requirements imposed by other governments, external resource providers, or creditors. Restrictions imposed by the City Council do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City Council considers a resolution to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by the City Council or by persons to whom the City Council has delegated the authority to assign amounts for specific purposes. The City Council has not delegated such authority to others in the City, and therefore retains its authority to assign fund balance.

Unassigned Fund Balance – this includes negative fund balance in governmental funds and the remaining spendable amounts which are not included in one of the other classifications in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 135,736,543
Cash and investments with fiscal agents	782,002
Investments in real estate	147,181,000
Investment in joint venture	7,020,386
Statement of fiduciary net position:	
Cash and investments	8,707,585
Cash and investments with fiscal agents	<u>64,489,759</u>
Total Cash and Investments	<u>\$ 363,917,275</u>

Cash and investments at June 30, 2019 consisted of the following:

Demand deposits	\$ 7,190,084
Local Agency Investment Pool (LAIF)	34,021,758
California Asset Management Pool (CAMP)	41,011,491
Federal Agency Securities	24,644,160
U.S. Treasury Obligations	18,695,669
U.S. Corporate	12,100,161
Asset-Backed Securities	2,922,924
Foreign Corporate	753,185
Money Market Mutual Funds	68,376,457
Real Estate	147,181,000
Joint Venture	<u>7,020,386</u>
Total Cash and Investments	<u>\$ 363,917,275</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS, (continued)

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 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	10%	None
Asset-Backed Securities	Yes	5 years	10%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$65 million per entity
California Asset Management Program (CAMP)	Yes	N/A	None	None
County Pooled Investment Funds	No	N/A	None	None

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS, (continued)

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	\$65 million per entity
Investment Contracts	None	None	None

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS, (continued)

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	12 Months or Less	13 to 36 Months	37 to 60 Months	N/A
Federal Agency Securities	\$ 23,691,105	\$ 4,368,688	\$ 14,326,030	\$ 4,996,387	\$ -
U.S. Treasury Obligations	16,162,044	-	8,557,996	7,604,048	-
U.S. Corporate	12,100,161	2,182,161	6,241,261	3,676,739	-
Asset-Backed Securities	2,922,924	316,337	1,146,602	1,459,985	-
Foreign Corporate	753,185	-	753,185	-	-
Money Market Mutual Funds	6,591,376	6,591,376	-	-	-
LAIF	34,021,758	34,021,758	-	-	-
CAMP	41,011,491	41,011,491	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	61,785,081	61,785,081	-	-	-
U.S. Treasury Obligations	2,533,625	-	2,533,625	-	-
Federal Agency Securities	953,055	953,055	-	-	-
Real Estate	147,181,000	-	-	-	147,181,000
Joint Venture	7,020,386	-	-	-	7,020,386
Total	\$ 356,727,191	\$ 151,229,947	\$ 33,558,699	\$ 17,737,159	\$ 154,201,386

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS, (continued)

Credit Risk, (continued)

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	Minimum Legal Rating	Standard & Poor's Rating as of Year End
Federal Agency Securities	\$ 23,691,105	N/A	N/A
U.S. Treasury Obligations	16,162,044	N/A	N/A
U.S. Corporate	12,100,161	N/A	N/A
Asset-Backed Securities	2,922,924	N/A	AAA
Foreign Corporate	753,185	N/A	AA-
Money Market Mutual Funds	6,591,376	N/A	AAA
LAIF	34,021,758	N/A	Not Rated
CAMP	41,011,491	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	61,785,081	A	AAA
U.S. Treasury Obligations	2,533,625	N/A	N/A
Federal Agency Securities	953,055	N/A	N/A
Real Estate	147,181,000	N/A	Not Rated
Joint Venture	<u>7,020,386</u>	N/A	Not Rated
Total	<u>\$ 356,727,191</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 non-major funds in the aggregate) must be disclosed. There are no investments at June 30, 2019 that meet the above criteria.

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS, (continued)

Custodial Credit Risk, (continued)

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. At June 30, 2019, the City deposits (bank balances) were collateralized under California Law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The City may invest up to \$65 million in LAIF funds. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

The City's investment in this pool is reported in the accompanying City's financial statements at net asset value. The net asset value of the City's investment in this pool is 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). LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust.

The Pool's investments are limited to investments permitted by subdivision (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS, (continued)

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The following table presents the balances of the assets measured at fair value on a recurring basis of June 30, 2019.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 23,691,105	\$ -	\$ 23,691,105	\$ -
U.S. Treasury Obligations	16,162,044	-	16,162,044	-
U.S. Corporate	12,100,161	-	12,100,161	-
Asset-Backed Securities	2,922,924	-	2,922,924	-
Foreign Corporate	753,185	-	753,185	-
Held by bond trustees:				
U.S. Treasury Obligations	2,533,625	-	2,533,625	-
Federal Agency Securities	953,055	-	953,055	-
Real Estate	147,181,000	-	-	147,181,000
Joint Venture	7,020,386	-	-	7,020,386
Total Investments by Fair Value Level	213,317,485	\$ -	\$ 59,116,099	\$ 154,201,386
Investments Measured at Net Asset Value (NAV) (which approximates fair value)				
LAIF	34,021,758			
CAMP	41,011,491			
Money Market Mutual Funds	6,591,376			
Held by bond trustees:				
Money Market Mutual Funds	61,785,081			
Total		\$ 356,727,191		

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

3) NOTES RECEIVABLE

At June 30, 2019, notes receivable consisted of the following:

The City loaned \$1,200,000 to AOA San Marcos LLC for construction financing of a mixed use complex. The loan is payable in full in June, 2024 and bears an interest rate of 5.25% per annum. Due to the long-term nature of the loan, deferred revenue has been recorded in the General Fund. The balance at June 30, 2019 includes accrued interest of \$3,150.

\$ 1,203,150

The City of San Marcos affordable housing program 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 Affordable Housing Special Revenue Fund.

1,083,321

The City and former City of San Marcos Redevelopment Agency made several loans to various housing developers for the acquisition, construction or rehabilitation of low and moderate housing. Upon the dissolution of the Redevelopment Agency, these loans were transferred to the City's affordable housing program. The loans were made in fiscal years 1997 through 2011 at various amounts and at interest rates ranging from 0.25% 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 Affordable Housing Special Revenue Fund.

152,584,712

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 in the Affordable Housing Special Revenue Fund. The balance at June 30, 2019 includes accrued interest of \$433,067.

1,753,067

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

3) NOTES RECEIVABLE, (continued)

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 in the Affordable Housing Special Revenue Fund. The balance at June 30, 2019 includes accrued interest of \$93,722.

\$ 793,722

The City made two loans for a total amount of \$1,845,625 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 in the Affordable Housing Special Revenue Fund. The balance at June, 30, 2019 includes accrued interest of \$540,754.

2,386,379

The City has provided loans to several individuals under a Federal (HOME) and a State (CalHOME) mortgage assistance loan programs. The loans are to be repaid in 30 years and bear an interest rate of 3%. Due to the long-term nature of these loans, deferred revenue has been recorded in the HOME Grant and the CalHOME Grant Special Revenue Funds.

2,369,209

The former City of San Marcos Redevelopment Agency provided loans to individuals under a mortgage assistance program. The loans are to be repaid in 30 years and bear an interest of 3%. Upon the dissolution of the Redevelopment Agency, these loans were transferred to the City's affordable housing program. Due to the long-term nature of the loans, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund.

771,393

Total notes receivable

\$ 162,944,953

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

4) OTHER RECEIVABLES

At June 30, 2019, other receivables consisted of the following:

Governmental Funds:

The City has entered into an agreement with a property owner whereby certain public facilities fees are being deferred. The revenue has been deferred in the governmental funds.	\$ 120,516
Other miscellaneous receivables	<u>655,175</u>
Total other receivables – governmental funds	<u>\$ 775,691</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.

\$ 700,125

5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2019:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	<u>\$ 455,105</u>

The loans from the General Fund to the Non-Major Governmental Funds were made to eliminate short-term cash deficits.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

5) INTERFUND RECEIVABLES AND TRANSFERS, (continued)

Long term loans between funds (Advances to/Advances from) were as follows at June 30, 2019:

Receivable Fund	Payable Fund	Amount
San Marcos Affordable Housing	General Fund	<u>\$ 2,515,771</u>

The loan from the San Marcos Affordable Housing Fund to the General Fund was made for the purchase of a proportional share of the Next Generation Regional Communications System (NextGen RCS), which provides public safety and public service radio communications to San Diego and Imperial Counties.

Interfund transfers were as follows:

	Transfers In					Total Transfers Out
	General Fund	San Marcos Affordable Housing	Capital Improvements	Non-Major Governmental Funds		
Transfers Out:						
General Fund	\$ -	\$ 142,500	\$ 4,198,889	\$ 853,178	\$ 5,194,567	
Capital Improvements	315,934				315,934	
Creekside Marketplace Enterprise Fund	4,350,000	-	-	-	4,350,000	
Non-major Governmental Funds	312,950	-	1,686,072	-	1,999,022	
Total Transfers In:	<u>\$ 4,978,884</u>	<u>\$ 142,500</u>	<u>\$ 5,884,961</u>	<u>\$ 853,178</u>	<u>\$ 11,859,523</u>	

All of the transfers were made as budgeted. The transfer of \$4,350,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations. \$4,198,889 from the General Fund to the Capital Improvements Fund was to fund Capital Improvement projects. \$853,178 from General Fund to the Non-Major Governmental Funds was for operational activities. The \$1,686,072 transfers from the Non-Major Governmental Funds to the Capital Improvements Fund were also to fund the CIP projects.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

6) UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable Revenue	Unearned Revenue	Total
Revenue received prior to recognition period	\$ -	\$ 499,006	\$ 499,006
Revenue received from developers prior to earning	-	2,221,863	2,221,863
Revenues earned but not available within 60 days after the close of the fiscal year	513,281	-	513,281
Fees receivable from property owners under various agreements	194,724	-	194,724
Long-term loans to mobile home owners	1,158,177	-	1,158,177
Long-term loans to individuals under a mortgage assistance program	3,065,746	-	3,065,746
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	157,600,663	-	157,600,663
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,753,067	-	1,753,067
Total unavailable/earned revenue for governmental funds	\$ 164,285,658	\$ 2,720,869	\$ 167,006,527

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2019:

Governmental Activities:	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
Capital assets, not depreciated:				
Land	\$ 258,049,393	\$ -	\$ (2,692,221)	\$ 255,357,172
Land improvements	66,004,203	-	-	66,004,203
Construction in progress	22,865,061	9,232,422	(1,952,073)	30,145,410
Total capital assets, not depreciated	<u>346,918,657</u>	<u>9,232,422</u>	<u>(4,644,294)</u>	<u>351,506,785</u>
Capital assets, being depreciated:				
Buildings	73,062,865	-	-	73,062,865
Furniture and equipment	18,839,024	2,294,810	(296,879)	20,836,955
Infrastructure	385,063,874	379,787	-	385,443,661
Total capital assets, being depreciated	<u>476,965,763</u>	<u>2,674,597</u>	<u>(296,879)</u>	<u>479,343,481</u>
Less accumulated depreciation for:				
Buildings	(29,975,250)	(1,461,257)	-	(31,436,507)
Furniture and equipment	(11,884,887)	(1,948,393)	254,101	(13,579,179)
Infrastructure	(176,016,778)	(11,526,593)	-	(187,543,371)
Total accumulated depreciation	<u>(217,876,915)</u>	<u>(14,936,243)</u>	<u>254,101</u>	<u>(232,559,057)</u>
Total capital assets, being depreciated, net	<u>259,088,848</u>	<u>(12,261,646)</u>	<u>(42,778)</u>	<u>246,784,424</u>
Total governmental activities	<u>\$ 606,007,505</u>	<u>\$ (3,029,224)</u>	<u>\$ (4,687,072)</u>	<u>\$ 598,291,209</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

7) CAPITAL ASSETS, (continued)

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

Governmental Activities:

General government	\$ 970,363
Public safety	1,799,699
Highways, streets and parks	12,040,684
Culture and recreation	<u>125,497</u>
 Total depreciation expense – governmental activities	<u><u>\$ 14,936,243</u></u>

Assets acquired through capital leases are as follows:

Equipment	\$ 1,933,031
Less: Accumulated depreciation	<u>(723,476)</u>
 Total	<u><u>\$ 1,209,555</u></u>

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Long-term debt					
<i>Direct borrowing:</i>					
Loans payable	\$ 1,108,642	\$ -	\$ (164,978)	\$ 943,664	\$ 166,609
Safety center private placement financing	<u>3,535,000</u>	<u>-</u>	<u>(320,000)</u>	<u>3,215,000</u>	<u>310,000</u>
Subtotal long-term debt	<u>4,643,642</u>	<u>-</u>	<u>(484,978)</u>	<u>4,158,664</u>	<u>476,609</u>
 Other long-term liabilities					
Compensated absences	4,479,651	2,752,558	(2,935,844)	4,296,365	2,661,094
Claims payable	1,420,926	3,933	-	1,424,859	560,000
Capital leases payable	1,731,711	-	(396,826)	1,334,885	291,076
Subtotal other long-term liabilities	<u>7,632,288</u>	<u>2,756,491</u>	<u>(3,332,670)</u>	<u>7,056,109</u>	<u>3,512,170</u>
 Total long-term liabilities	<u><u>\$ 12,275,930</u></u>	<u><u>\$ 2,756,491</u></u>	<u><u>\$ (3,817,648)</u></u>	<u><u>\$ 11,214,773</u></u>	<u><u>\$ 3,988,779</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

8) LONG-TERM LIABILITIES, (continued)

The entire net pension and net OPEB liabilities are reported as a noncurrent liabilities in the accompanying Statement of Net Position in accordance with GASB Statement Nos. 68 and 75, respectively. Net pension and net OPEB liabilities are generally liquidated by the City's General Fund. See notes 11 and 12, respectively, for more information.

Loans Payable - Direct Borrowing

In December 2012, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (the Energy Commission) for the amount of \$602,188. The loan was used to fund various energy savings projects at the City Hall and Public Works Buildings. Semi-annual payments of \$39,344 from the General Fund, including interest at the rate of 1.0%, are due each December 22 and June 22 through year 2021. Semiannual payments due to the Energy Commission shall be made from saving in energy costs or other legally available funds as the City chooses. In the event annual cost savings fail to equal or exceed the amount due under the loan agreement, the agreement may be renegotiated to assure that the repayment amount does not exceed the actual energy savings or avoided costs resulting from the project.

\$ 155,422

In March 2014, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (the Energy Commission) for a preliminarily approved amount of \$1,100,000, at an annual interest rate of 1.0%. The loan is for an energy savings project consisting of retrofitting 2,000 LED streetlight fixtures throughout the City. The City receives the loan proceeds on a cost reimbursement basis. The project was completed, and the amount of the loan was finalized on May 3, 2016 at \$1,049,332. The semi-annual loan repayments of \$48,484 from the Community Facilities District 98-02 and the Street Light District Special Revenue Funds are due each December 22 and June 22 through year 2027. In the event annual cost savings fail to equal or exceed the amount due under the loan agreement, the agreement may be renegotiated to assure that the repayment amount does not exceed the actual energy savings or avoided costs resulting from the project.

788,242

Total loans payable \$ 943,664

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

8) LONG-TERM LIABILITIES, (continued)

Loans Payable - Direct Borrowing, (continued)

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 166,609	\$ 9,046	\$ 175,655
2021	168,302	7,352	175,654
2022	91,106	5,861	96,967
2023	92,020	4,948	96,968
2024	92,931	4,035	96,966
2025-2028	<u>332,696</u>	<u>6,690</u>	<u>339,386</u>
Total	<u>\$ 943,664</u>	<u>\$ 37,932</u>	<u>\$ 981,596</u>

Safety Center Private Placement Financing – Direct Borrowing

In November 2017, the San Marcos Public Financing Authority entered into a private placement financing agreement in the amount of \$3,535,000 to refund the San Marcos Public Facilities Authority 2006 Lease Revenue Refunding Bonds for the construction of a safety center. The interest and principal are due semi-annually on May 1 and November 1 commencing May 1, 2018 at interest rate of 2.37%. Payments due are funded by the revenues generated from the use of the safety center from various entities. The reserve requirement was fully funded at the end of the fiscal year.

\$ 3,215,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 310,000	\$ 76,196	\$ 386,196
2021	320,000	68,849	388,849
2022	335,000	61,265	396,265
2023	340,000	53,325	393,325
2024	345,000	45,267	390,267
2025-2029	<u>1,565,000</u>	<u>100,131</u>	<u>1,665,131</u>
Total	<u>\$ 3,215,000</u>	<u>\$ 405,033</u>	<u>\$ 3,620,033</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

8) LONG-TERM LIABILITIES, (continued)

Compensated Absences

GASB Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The accrued liability for these vested benefits, payable in accordance with various collective bargaining agreements, totals \$4,296,365 as of June 30, 2019.

Claims Payable

Claim and judgment liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The City records the estimated loss, net of any insurance coverage under its self-insurance program (See note 13). The amount outstanding as of June 30, 2019 was \$1,424,859.

Capital Leases Payable

Future lease payments under the capital lease are as follows:

Year Ending June 30,	Principal
2020	\$ 324,338
2021	324,338
2022	323,338
2023	297,105
2024	<u>148,553</u>
Total minimum lease payments	1,417,672
Less amount representing interest	<u>(82,787)</u>
Net present value of minimum lease payments	<u><u>\$ 1,334,885</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

9) FUND BALANCE CLASSIFICATIONS

Fund balance for governmental funds are classified as (1) nonspendable, (2) restricted, (3) assigned, or (4) unassigned. The details of the governmental fund balances as of June 30, 2019 are presented below:

	General	San Marcos Affordable Housing	San Marcos Affordable Housing	Total Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Land held for resale	\$ 4,053,684	\$ -	\$ -	\$ -	\$ 4,053,684
Deposits	742,676	-	-	-	742,676
Investments in real estate	53,181,000	-	-	-	53,181,000
Investment in joint venture	7,020,386	-	-	-	7,020,386
Subtotal	64,997,746	-	-	-	64,997,746
Restricted for:					
Affordable housing	-	41,296,708	-	-	41,296,708
Transportation	-	-	-	6,752,432	6,752,432
Lighting and landscape	-	-	-	14,715,520	14,715,520
Capital improvements	-	-	21,224	987,313	1,008,537
Public facilities	-	-	-	32,596,087	32,596,087
Other purposes	-	-	-	2,873,763	2,873,763
Subtotal	-	41,296,708	21,224	57,925,115	99,243,047
Assigned to:					
Vehicle & equipment acquisition/ replacement	1,199,449	-	-	-	1,199,449
City facilities replacement/ rehabilitation	4,041,660	-	-	-	4,041,660
City infrastructure replacement/ rehabilitation	5,818,556	-	-	-	5,818,556
Subtotal	11,059,665	-	-	-	11,059,665
Unassigned	30,443,892	-	-	(378,551)	30,065,341
Total	\$ 106,501,303	\$ 41,296,708	\$ 21,224	\$ 57,546,564	\$ 205,365,799

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

10) NET POSITION CLASSIFICATIONS

Net position for governmental activities and business-type activities is classified as (1) net investment in capital assets, (2) restricted, or (3) unrestricted. The details of the Net Position as of June 30, 2019 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund	Community Foundation
Net Investment in Capital Assets:					
Capital assets, net of accumulated depreciation	\$ 598,291,209	\$ -	\$ 598,291,209	\$ -	
Loss on defeasance of debt	58,485	-	58,485	-	
Less capital related debt balances:					
Bonds payable	(3,215,000)	-	(3,215,000)	-	
Capital leases payable	(1,334,885)	-	(1,334,885)	-	
Loans payable	(943,664)	-	(943,664)	-	
Total Net Investment in Capital Assets	592,856,145	-	592,856,145	-	
Restricted for:					
Permanent fund - not expendable	-	-	-	1,000,000	
Permanent fund - expendable	-	-	-	250,742	
Affordable housing	204,874,361	-	204,874,361	-	
Transportation	6,752,432	-	6,752,432	-	
Lighting and landscape	14,734,771	-	14,734,771	-	
Capital improvements	1,008,537	-	1,008,537	-	
Public facilities	32,732,977	-	32,732,977	-	
Other purposes	2,873,763	-	2,873,763	-	
Total Restricted	262,976,841	-	262,976,841	1,250,742	
Unrestricted	46,006,938	95,293,994	141,300,932	-	
Total	\$ 901,839,924	\$ 95,293,994	\$ 997,133,918	\$ 1,250,742	

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN

A) General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent multiple-employer defined benefit pension plan and a public agency cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the plan's June 30, 2017 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov.

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (one miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (continued)

Benefits Provided, (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	Prior to January 1, 2013	On or After January 1, 2013
Hire date	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit formula			
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.50%
Required employer contribution rates	10.957%	10.957%	10.957%

	Safety Plan		
	Prior to May 15, 2012	Prior to January 1, 2013	On or After January 1, 2013
Hire date	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit formula			
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	8.99%	8.98%	12.75%
Required employer contribution rates	22.346%	19.353%	12.965%

Employees Covered

At June 30, 2017 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	172
Inactive employees entitled to but not yet receiving benefits	294
Active employees	198
Total	664

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process.

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2019 were \$4,613,016.

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2019 were \$2,456,542. The actual employer payments of \$2,179,053 made to CalPERS by the City during the measurement period ended June 30, 2018 differed from the City's proportionate share of the employer's contributions of \$2,466,752 by \$287,699, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase ⁽¹⁾	3.3% - 14.2%
Investment Rate of Return ⁽²⁾	7.65%
Mortality Rate Table ⁽³⁾	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on the table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website at www.calpers.ca.gov under Forms and Publications.

Long-term Expected Rate of Return

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class¹	Current Target Allocation	Real Return Years 1 - 10²	Real Return Year 11+³
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)
Total	<u><u>100.0%</u></u>		

¹In the System's CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

²An expected inflation of 2.5% used for this period

³An expected inflation of 3.0% used for this period

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The following table shows the Plan's change in net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2017 (VD)	\$ 132,193,941	\$ 90,348,436	\$ 41,845,505
Changes Recognized for the Measurement Period:			
• Service Cost	2,898,829	-	2,898,829
• Interest on the Total Pension Liability	9,287,287	-	9,287,287
• Changes of Benefit Terms	-	-	-
• Changes of Assumptions	(933,150)	-	(933,150)
• Differences between Expected and Actual Experience	283,350	-	283,350
• Net Plan to Plan Resource Movement	-	(225)	225
• Contributions from Employers	-	4,278,656	(4,278,656)
• Contributions from Employees	-	1,126,769	(1,126,769)
• Net Investment Income	-	7,721,226	(7,721,226)
• Benefit Payments, including Refunds of Employee Contributions	(6,202,870)	(6,202,870)	-
• Administrative Expense	-	(140,788)	140,788
• Other Miscellaneous Income/(Expense) ¹	-	(267,358)	267,358
Net Changes during 2017-18	5,333,446	6,515,410	(1,181,964)
Balance at: 6/30/2018 (MD)	\$ 137,527,387	\$ 96,863,846	\$ 40,663,541

Valuation Date (VD), Measurement Date (MD).

¹ During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

The following table shows the cost sharing, multiple-employer Plans' proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (VD)	\$ 69,978,719	\$ 52,565,683	\$ 17,413,036
Balance at: 6/30/2018 (MD)	76,083,067	58,472,465	17,610,602
Net changes during 2017-18	6,104,348	5,906,782	197,566

Valuation Date (VD), Measurement Date (MD).

The City's net pension liability for each of the cost sharing, multiple-employer Plans is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at www.calpers.ca.gov. The City's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018 was as follows:

Safety Plan	
Proportion - June 30, 2017	0.29142%
Proportion - June 30, 2018	0.30014%
Change - Increase (Decrease)	0.00872%

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of each Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plans' Net Pension Liability	\$ 59,446,666	\$ 40,663,541	\$ 25,201,878
Safety Plans' Net Pension Liability	\$ 28,099,140	\$ 17,610,602	\$ 9,017,123

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

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

Difference between projected 5 year straight-line amortization
and actual earnings

All other amounts

Straight-line amortization over the expected average remaining services lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

Recognition of Gains and Losses

For the agent, multiple employer plan, the expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). For the cost sharing, multiple employer plan, the EARSL is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost Sharing Multiple-Employer Plan (PERF C).

The EARSL for the miscellaneous agent plan for the June 30, 2018, measurement date is 3.2 years, which was obtained by dividing the total service years of 2,096 (the sum of remaining service lifetimes of the active employees) by 664 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the PERF C for the measurement period ending June 30, 2018, is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

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

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2017), the net pension liability was \$41,845,505. For the measurement period ending June 30, 2018 (the measurement date), the City incurred a pension expense of \$5,966,395 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,898,829
Interest on Total Pension Liability	9,287,287
Recognized Changes of Assumptions	1,668,255
Recognized Differences between Expected and Actual Experience	(526,923)
Net Plan to Plan Resource Movement	225
Employee Contributions	(1,126,769)
Projected Earnings on Pension Plan Investments	(6,407,073)
Recognized Differences between Projected and Actual	
Earnings on Plan Investments	(235,582)
Administrative Expense	140,788
Other Miscellaneous (Income)/Expense ¹	267,358
Total Pension Expense	\$ 5,966,395

¹During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Report for Pensions (GASB 68).

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2017), the net pension liability for the safety plans is \$17,413,036. For the measurement period ending June 30, 2018 (the measurement date), the City incurred a pension expense of \$4,116,158 for the safety plan.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

As of June 30, 2019, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 384,025	\$ (247,387)	\$ 378,392	\$ (1,435)
Changes of Assumptions	2,663,580	(641,541)	1,727,907	(233,126)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	102,144	-	119,232	-
Change in Employer's Proportion	-	-	1,027,701	(72,335)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	170,797	(336,884)
Pension Contributions Subsequent to Measurement Date	4,613,016	-	2,456,542	-
	<u>\$ 7,762,765</u>	<u>\$ (888,928)</u>	<u>\$ 5,880,571</u>	<u>\$ (643,780)</u>

These amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense. The \$4,613,016 and \$2,456,542 reported as deferred outflows of resources related to the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
2020	\$ 3,185,270	\$ 1,980,472
2021	235,781	1,215,918
2022	(897,401)	(294,161)
2023	(262,829)	(121,980)
2024	-	-
Thereafter	-	-

D) Payable to the Pension Plan

The City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) RETIREMENT PLAN, (continued)

E) 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 the 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, 2019, the City's total payroll and covered payroll for part-time employees was \$1,313,704. The City made employer contributions of \$24,960 (1.9% of current covered payroll), and employees contributed \$73,568 (5.6% of current covered payroll).

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

12) Other Postemployment Benefits (OPEB)

A) General Information about the OPEB Plans

Plan Description

Safety – Agent, Multiple-Employer Defined Benefit Plan

Effective January 12, 1999, the City of San Marcos City Council and the San Marcos Fire Protection District (SMFPD) Board of Directors authorized the merger of the City and SMFPD contracts for the California Public Employees' Retirement System (CalPERS) for the Safety employees. For Safety retirees who retired before the merger, the City continues to contribute the amount necessary to pay the full cost of enrollment in the CalPERS Health Plan, including the enrollment of eligible family members, as passed by resolution by the SMFPD Board of Directors on April 12, 1977. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. For Safety retirees who retired after the merger, the City provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. The scheduled minimum required employer contributions for each eligible retiree under the CalPERS Health Plan are \$136 per month in 2019.

Miscellaneous – Agent, Multiple-Employer Defined Benefit Plan

For non-safety or Miscellaneous employees, the City offers retirees and eligible dependents to continue on the City's miscellaneous employee health plan until they are eligible for Medicare benefits. Retirees may participate in the health plan at their own cost.

The City does not issue any financial report for the plans. A separate financial report is not prepared for the plans.

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	226
Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to, but not yet receiving benefits	14
Total	<u>277</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

12) Other Postemployment Benefits (OPEB), (continued)

A) General Information about the OPEB Plans, (continued)

Contributions

The City pays the portion of the employer related health insurance premiums for the current retirees and their spouses/dependents on a pay-as-you-go basis (no prefunding). For fiscal year ended June 30, 2019, the City paid \$228,388 for other postemployment benefits.

B) Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2018 Measurement Date
Actuarial Valuation Date	June 30, 2018
Contribution Policy	No pre-funding
Discount Rate	3.87%
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Salary increases	3.00%
Medical Trend	Non-Medicare – 7.5% for 2020, decreasing to an ultimate rate of 4.00% in 2076 Medicare – 6.5% for 2020, decreasing to an ultimate rate of 4.00% in 2076
Healthcare Participation	<i>Current Actives:</i> Miscellaneous - 70% Safety - 60% <i>Current Retirees:</i> 100% if covered, 10% re-elect PEMHCA at 65 if waived

Discount Rate

A discount rate of 3.87 percent was used in the valuation for measurement date June 30, 2018.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

12) Other Postemployment Benefits (OPEB), (continued)

B) Net OPEB Liability, (continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	(a) Total OPEB Liability	(b) Fiduciary Net Position	(a) - (b) = (c) Net OPEB Liability
Balance at June 30, 2017 (6/30/16 measurement date)	<u>\$ 8,039,000</u>	\$ -	<u>\$ 8,039,000</u>
Changes recognized for the measurement period:			
Service cost	533,323	-	533,323
Interest	302,110	-	302,110
Differences between expected and actual experience	(1,812,466)	-	(1,812,466)
Changes of assumptions	(130,218)	-	(130,218)
Benefit payments	(267,000)	-	(267,000)
Net changes	<u>(1,374,251)</u>	<u>-</u>	<u>(1,374,251)</u>
Balance at June 30, 2018 (6/30/17 measurement date)	<u>\$ 6,664,749</u>	\$ -	<u>\$ 6,664,749</u>

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB Liability	\$ 7,626,816	\$ 6,664,749	\$ 5,880,757

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

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 5,721,651	\$ 6,664,749	\$ 7,863,112

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

12) Other Postemployment Benefits (OPEB), (continued)

B) Net OPEB Liability, (continued)

OPEB Plan Fiduciary Net Position

As the City is not prefunding with an OPEB trust, Plan Fiduciary Net Position was \$0 at the June 30, 2018 measurement date. The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

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

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$537,070. As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes between expected and actual experience	\$ -	\$ 1,623,667
Changes of assumptions	-	739,654
Contributions to OPEB plan subsequent to the measurement date	<u>228,388</u>	<u>-</u>
Total	<u>\$ 228,388</u>	<u>\$ 2,363,321</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

12) Other Postemployment Benefits (OPEB), (continued)

B) Net OPEB Liability, (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, (continued)

The \$228,388 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2020	\$ (298,363)
2021	(298,363)
2022	(298,363)
2023	(298,363)
2024	(298,363)
Thereafter	(871,506)

13) INSURANCE

A) California Joint Powers Insurance Authority

(1) Description of Self-Insurance Pool Pursuant the Joint Powers Agreement

The City of San Marcos is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §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 lines of coverage. The California JPIA 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

(2) Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpi.org/protection/coverage-programs>.

(3) Purchased Insurance

Pollution Legal Liability Insurance

The City of San Marcos participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of San Marcos. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

(3) Purchased Insurance, (continued)

Property Insurance

The City of San Marcos participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of San Marcos property is currently insured according to a schedule of covered property submitted by the City of San Marcos to the Authority. City of San Marcos property currently has all-risk property insurance protection in the amount of \$180,037,218. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of San Marcos 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. City of San Marcos property currently has earthquake protection in the amount of \$132,977,148. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City of San Marcos purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance

The City of San Marcos further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of San Marcos according to a schedule. The City of San Marcos then pays for the insurance. The insurance is facilitated by the Authority.

(4) Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2018-19.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

13) INSURANCE, (continued)

B) Public Agency Self-Insurance System (PASIS)

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. For claims arising between July 1, 2002 and June 30, 2009, the deductible amount was \$500,000. The deductible for claims arising after June 30, 2009 is \$300,000. 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 \$300,000 cash deposit with PASIS. At June 30, 2019, the City had \$718,163 on deposit with PASIS and claims payable of \$1,424,859.

14) JOINT VENTURES

North County Dispatch Joint Powers Authority

The City is a member of the North County Dispatch Joint Powers Authority (the JPA). The JPA was formed on June 11, 1984, and other member agencies include the Rancho Santa Fe Fire Protection District, the North County Fire Protection District and the cities of Vista, Solana Beach, Oceanside, Encinitas, and Carlsbad. 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 eight directors who are appointed by each member's governing body.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

14) JOINT VENTURES, (continued)

North County Dispatch Joint Powers Authority, (continued)

Summarized audited information of the JPA for the fiscal year ended June 30, 2019, the most current available information, is as follows:

Assets	\$ 5,889,439
Deferred outflows	2,389,022
Liabilities	(1,977,702)
Deferred inflows	(134,958)
<hr/>	<hr/>
Net position	<u>\$ 6,165,801</u>
Revenues	\$ 5,824,904
Expenses	<u>(4,450,635)</u>
Change in net position	<u>\$ 1,374,269</u>

The City's share of the JPA's assets, liabilities, equity, and changes therein during the year is not available and is not material to the City's financial statements. Separate financial statements of the JPA are available at 16936 El Fuego Drive (P.O. Box 410), Rancho Santa Fe, CA 92067.

Rancheros Commercial Park

The former City of San Marcos Redevelopment Agency (the Agency) entered into a Disposition and Development Agreement with LBP Partnership on March 6, 1989. In accordance with that Agreement, the Agency and LBP Partnership formed a Limited Partnership known as Rancheros Commercial Park, a Limited Partnership. The purpose of this Limited Partnership was to engage in the business of leasing, developing, constructing, maintaining and operating certain commercial/ industrial property. Each of the Partners leased to the Partnership certain real property owned by the General and Limited Partners. The capital contributions to be made by Partners were to be adjusted to match, on a percentage basis, the proportionate land areas leased by the Partners to the Partnership. The net profits of the Partnership are allocated to, and net losses suffered by the Partnership are borne by, the Partners in proportion to their respective contributions of capital and real estate. On March 26, 2010, the Agency's interest in this partnership was transferred to the City. The City's equity interest in this Limited Partnership is \$7,020,386 as of June 30, 2019. Separate financial statements for this joint venture are not available.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

15) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS 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.

Type of Debt	Amount of Issue	Outstanding June 30, 2019
City of San Marcos Community Facilities District No. 88-1, Special Tax Refunding Bonds, Series 2012, (Improvement Area No. 1, 2, 3)	\$ 22,425,000	\$ 10,597,253
City of San Marcos Community Facilities District No. 99-01, Special Revenue Refunding Bonds, Series 2012 D (Improvement Area C2B, I1, I2)	12,585,000	10,280,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A (Improvement Area No. 1)	13,820,000	11,310,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B (Improvement Area No. 1)	4,240,000	75,000
City of San Marcos Community Facilities District No. 99-01, 2007 Special Tax Refunding Bonds (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	26,405,000	16,455,000
City of San Marcos Community Facilities District No. 99-01, 2014 Special Tax Refunding Bonds (Improvement Area A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, V1A, CFD 91-01)	32,395,000	26,915,000
Total	\$111,870,000	\$ 75,632,253

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

15) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS BONDS AND CONDUIT DEBT, (continued)

The City, the Successor Agency to the former Redevelopment Agency, the San Marcos Public Facilities Authority, San Marcos Public Financing Authority, and the California Mobile Home 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, Successor 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>Type of Debt</u>	<u>Outstanding June 30, 2019</u>
\$39,815,000 Successor Agency to the San Marcos Redevelopment Agency 2018 Pass-Through Tax Revenue Refunding Bonds Project Area #3 - San Marcos Unified School District	<u>\$ 39,815,000</u>

16) COMMITMENTS AND CONTINGENT LIABILITIES

The City is a defendant in certain legal actions arising in the normal course of operations. The amount of loss, if any, that may result from those actions cannot be reasonably estimated at this time.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill as part of City resolution number 2012-7607.

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

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

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former Redevelopment Agency due to the City are valid enforceable obligations payable by the Successor Agency Trust under the requirements of the Bill. The ability of the Successor Agency to repay the City is dependent upon the sufficiency of available tax revenues to fund such repayment. Revenues are only available for repayment to the extent that all other obligations of the Successor Agency have been provided for in accordance with a complex computation set forth in California Assembly Bill No. 1484. The City believes that there will be sufficient tax revenue to permit eventual repayment in full to the City.

After the date of dissolution, the assets and activities of the dissolved Redevelopment Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City, pending the liquidation and distribution of the assets and liabilities of the former Redevelopment Agency to other taxing entities in accordance with state law.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Net Investment in Direct Financing Lease

In fiscal year 1992-93, the former San Marcos Redevelopment Agency entered into a direct financing lease with the San Marcos Unified School District whereby the Agency had 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. Upon the dissolution of the Redevelopment Agency, this lease was transferred to the Successor Agency of the former Redevelopment Agency.

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 15, 2031 and payments of \$62,663 with no interest from July 15, 2002 to July 15, 2022. A net investment in direct financing lease has been recorded in the Successor Agency Trust to account for the net present value of the lease payments at June 30, 2019.

The following lists the components of the net investment in the direct financing lease as of June 30, 2019:

Total minimum lease payments to be received	\$ 2,911,284
Less unearned income	<u>(737,855)</u>
Net investment in direct financing lease	<u>\$ 2,173,429</u>

At June 30, 2019, the future minimum lease payments are as follows:

Year Ending June 30,	Amount
2020	\$ 323,138
2021	323,138
2022	323,138
2023	260,475
2024	260,475
2025-2029	989,057
2030-2032	<u>431,863</u>
Total	<u>\$ 2,911,284</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Capital Assets

Capital asset activity was as follows for the year ended June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets, not depreciated				
Land	<u>\$ 3,907,369</u>	<u>\$ -</u>	<u>\$ (3,907,369)</u>	<u>\$ -</u>
Total capital assets	<u>\$ 3,907,369</u>	<u>\$ -</u>	<u>\$ (3,907,369)</u>	<u>\$ -</u>

Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within One Year</u>
Bonds payable	\$255,090,000	\$ -	\$ (13,210,000)	\$ 241,880,000	\$ 12,010,000
Plus (less) deferred amounts:					
Issuance premium	10,116,413	-	(505,821)	9,610,592	-
Issuance discount	(2,046,751)	-	157,442	(1,889,309)	-
Total bonds payable	263,159,662	-	(13,558,379)	249,601,283	12,010,000
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	14,754,663	-	(2,500,000)	12,254,663	-
Due to other governments	628,152	-	(346,277)	281,875	-
Total	<u>\$301,817,773</u>	<u>\$ -</u>	<u>\$ (16,404,656)</u>	<u>\$ 285,413,117</u>	<u>\$ 12,010,000</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Bonds Payable

In December 2017, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued \$47,800,000 Tax Allocation Refunding Bonds, Series 2017, to refund the outstanding \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010, (Taxable). The bonds consist entirely of serial bonds of \$47,800,000 maturing from 2018 to 2030 in annual installments of \$3,150,000 to \$4,595,000. Interest is payable semi-annually on April 1 and October 1 commencing April 1, 2018 at rates ranging from 1.5% to 3.25%. Bonds maturing on or after October 1, 2028 are subject to optional redemption, in whole or in part, on any date on or after October 1, 2027. A discount of \$1,000,315 is being amortized over the life of the debt. The reserve requirement was met by the issuance of a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. at the end of the fiscal year.

\$ 43,205,000

In July 2015, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued \$84,710,000 Tax Allocation Refunding Bonds, Series 2015A, to refund certain outstanding obligations of the Agency. The bonds consists of serial bonds of \$84,710,000 maturing from 2016 to 2034 on October 1 in annual installments of \$2,705,000 to \$6,985,000. Interest is payable semi-annually on October 1 and April 1 commencing October 1, 2015 at rates ranging from 2.00% to 5.00%. Bonds maturing on and after October 1, 2026 are subject to redemption in whole or in part at the option of the Agency on any date on or after October 1, 2025. An original issue premium of \$12,381,067 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.

74,920,000

In July 2015, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued \$139,285,000 Taxable Tax Allocation Refunding Bonds, Series 2015B, to refund certain outstanding obligations of the Agency. The bonds consist of serial bonds of \$44,160,000 maturing from 2016 to 2025 in annual installments of \$5,125,000 to \$6,410,000 and term bonds of \$95,125,000 maturing from 2024 to 2038. Interest is payable semi-annually on October 1 and April 1 commencing October 1, 2015 at rates ranging from 1.09% to 5.002%. Bonds maturing on or after October 1, 2026, other than the Term Bonds maturing on October 1, 2029, are subject to optional redemption, in whole or in part, on any date on or after October 1, 2025. Bonds maturing on October 1, 2024, October 1, 2027, October 1, 2029, October 1, 2034, and October 1, 2038 are subject to redemption in whole, or in part by lot, on October 1, of each year commencing October 1, 2023. A net original discount of \$747,191 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.

123,755,000

Total bonds payable

\$ 241,880,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Bonds Payable, (continued)

In January 2011, the former Redevelopment Agency issued \$52,805,000 2010 Tax Allocation Bonds to finance costs of low and moderate income housing projects, including the acquisition of land and improvements and the construction of certain infrastructure improvements. The bonds consist of serial bonds of \$10,590,000 maturing from 2013 to 2021 in annual installments of \$1,655,000 to \$2,565,000 and term bonds of \$42,215,000 maturing from 2018 to 2030. Interest is payable semi-annually on April 1 and October 1 commencing April 1, 2011 at rates ranging from 3.25% to 8.5%.

These bonds were paid in full in the current year by the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017. As a result of the current refunding, the Successor Agency decreased its debt service cash flow by \$15,193,410, resulting in an economic gain of \$7,052,139 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

Bond debt service requirements to maturity are as follows:

Year Ending				
June 30		Principal	Interest	Total
2020		\$ 12,010,000	\$ 12,771,130	\$ 24,781,130
2021		12,375,000	12,286,380	24,661,380
2022		12,800,000	11,754,491	24,554,491
2023		13,210,000	11,196,091	24,406,091
2024		13,690,000	10,599,741	24,289,741
2025-2029		75,065,000	42,741,648	117,806,648
2030-2034		68,865,000	20,072,494	88,937,494
2035-2039		33,865,000	4,516,047	38,381,047
Total		<u>\$ 241,880,000</u>	<u>\$ 125,938,022</u>	<u>\$ 367,818,022</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Cooperation Agreement

In fiscal year 1993-94, the former Redevelopment Agency entered into a cooperation agreement with the County of San Diego (the 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:

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.

\$ 23,275,296

Advance from the City of San Marcos

The San Marcos Affordable Housing Fund loaned \$24,383,743 to the Fiduciary Funds to fund the fiscal years 2009-10 and 2010-11 Supplemental Educational Revenue Augmentation Fund (SERAF) payments. The loans bear an interest rate equal to the City's average portfolio rate and are to be repaid subject to Health & Safety Code Section 34176(d), under the provisions of Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California.

\$ 12,254,663

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2019

17) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Due to Other Governments

In March 1997, the County of San Diego (County) 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.

\$ 281,875

18) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

As of June 30, 2019, the following funds presented a negative fund balance.

<u>Governmental Funds - Non-Major</u>		
Special Revenue Funds		
Community Development Block Grant		\$ (14,041)
Capital Projects Funds		
Transportation Sales Tax		\$ (442,954)

The Special Revenue Fund's deficit fund balance will be remedied with federal grant reimbursements. The Capital Projects Fund's deficit fund balance will be remedied by requesting reimbursement of CIP expenses.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of San Marcos

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios (continued) Last Ten Years*

Miscellaneous Plan

	Measurement Period 6/30/2014	Measurement Period 6/30/2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,750,478	\$ 2,559,947
Interest	7,817,338	8,083,219
Difference Between Expected and Actual Experience	-	(2,717,435)
Changes of Assumptions	-	(2,000,140)
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)
Net Change in Total Pension Liability	6,508,670	1,338,428
Total Pension Liability - Beginning	104,885,512	111,394,182
Total Pension Liability - Ending (a)	\$ 111,394,182	\$ 112,732,610
PLAN FIDUCIARY NET POSITION		
Net Plan to Plan Resource Movement	\$ -	\$ -
Contributions - Employer	3,469,533	4,558,184
Contributions - Employee	1,094,087	1,302,378
Net Investment Income	10,830,423	1,709,531
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)
Administrative Expense	-	(85,688)
Other Miscellaneous Income/(Expense) ¹	-	-
Net Change in Fiduciary Net Position	11,334,897	2,897,242
Plan Fiduciary Net Position - Beginning	61,873,569	73,208,466
Plan Fiduciary Net Position - Ending (b)	\$ 73,208,466	\$ 76,105,708
Plan Net Pension Liability - Ending (a) - (b)	\$ 38,185,716	\$ 36,626,902
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.72%	67.51%
Covered Payroll	\$ 12,556,977	\$ 14,085,514
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	304.10%	260.03%

* Measurement period June 30, 2014 was the first year of implementation, therefore, only five years are presented.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

¹ During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Report for Pensions (GASB 68).

City of San Marcos

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios (continued)
Last Ten Years*

Miscellaneous Plan, (continued)

Measurement Period 6/30/2016	Measurement Period 6/30/2017	Measurement Period 6/30/2018
\$ 2,553,229	\$ 2,805,674	\$ 2,898,829
8,584,986	8,918,976	9,287,287
898,809	(697,183)	283,350
-	7,506,452	(933,150)
(5,372,003)	(5,737,609)	(6,202,870)
6,665,021	12,796,310	5,333,446
112,732,610	119,397,631	132,193,941
\$ 119,397,631	\$ 132,193,941	\$ 137,527,387
\$ -	\$ -	\$ (225)
4,385,959	9,542,711	4,278,656
1,348,496	1,169,316	1,126,769
438,181	8,627,538	7,721,226
(5,372,003)	(5,737,609)	(6,202,870)
(46,382)	(113,479)	(140,788)
-	-	(267,358)
754,251	13,488,477	6,515,410
76,105,708	76,859,959	90,348,436
\$ 76,859,959	\$ 90,348,436	\$ 96,863,846
\$ 42,537,672	\$ 41,845,505	\$ 40,663,541
64.37%	68.35%	70.43%
\$ 14,012,521	\$ 14,219,367	\$ 14,197,035
303.57%	294.29%	286.42%

City of San Marcos

Required Supplementary Information Schedule of Plan Contributions – Agent Plan Last Ten Years*

Miscellaneous Plan

Fiscal Year	Contributions in Relation to the			Contributions as a Percentage of Covered Payroll	
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Percentage of Covered Payroll
6/30/2015	\$ 4,708,421	\$ (4,708,421)	\$ -	\$ 14,085,514	33.43%
6/30/2016	3,975,080	(3,975,080)	-	14,012,521	28.37%
6/30/2017	4,499,034	(9,499,034)	(5,000,000)	14,219,367	66.80%
6/30/2018	4,274,518	(4,274,518)	-	14,197,035	30.11%
6/30/2019	4,613,016	(4,613,016)	-	14,148,630	32.60%

* Fiscal year 2014-15 (measurement date June 30, 2014) was the first year of implementation, therefore, only five years are presented.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2017, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017, Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2017, Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of San Marcos

Required Supplementary Information

Schedule of City's Proportionate Share of the Plan's Net Pension Liability

and Related Ratios as of the Measurement Date

Last Ten Years*

Safety Plan

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.26294%	\$ 9,862,978	\$ 6,222,192	158.51%	81.42%
6/30/2015	0.27674%	11,402,729	6,725,963	169.53%	80.23%
6/30/2016	0.28729%	14,879,594	8,996,362	165.40%	75.77%
6/30/2017	0.29142%	17,413,036	6,816,670	255.45%	75.12%
6/30/2018	0.30014%	17,610,602	6,582,579	267.53%	76.85%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement period June 30, 2014 was the first year of implementation, therefore, only five years are presented.

City of San Marcos

Required Supplementary Information Schedule of Plan Contributions – Cost Sharing Plan Last Ten Years*

Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 1,938,477	\$ (1,938,477)	\$ -	\$ 6,725,963	28.82%
6/30/2016	1,976,541	(1,976,541)	-	8,996,362	21.97%
6/30/2017	1,550,376	(1,550,376)	-	6,816,670	22.74%
6/30/2018	2,179,053	(2,179,053)	-	6,582,579	33.10%
6/30/2019	2,456,542	(2,456,542)	-	6,690,455	36.72%

* Fiscal year 2014-15 (measurement date June 30, 2014) was the first year of implementation, therefore, only five years are presented.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

City of San Marcos

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

as of the Measurement Date

Last Ten Years*

Fiscal Year Measurement Period	2017-18		2018-19	
	2016-17	2017-18	2016-17	2017-18
Total OPEB Liability				
Service cost	\$ 600,000	\$ 533,323		
Interest	248,000		302,110	
Differences between expected and actual experience	-		(1,812,466)	
Changes of assumptions	(815,000)		(130,218)	
Benefit payments	(206,000)		(267,000)	
Net change in total OPEB liability	(173,000)		(1,374,251)	
Total OPEB liability - beginning	8,212,000		8,039,000	
Total OPEB liability - ending (a)	8,039,000		6,664,749	
Plan Fiduciary Net Position				
Contributions – employer	-		-	
Net investment income	-		-	
Benefit payments	-		-	
Administrative expense	-		-	
Net change in plan fiduciary net position	-		-	
Plan fiduciary net position - beginning	-		-	
Plan fiduciary net position - ending (b)	-		-	
Net OPEB liability - ending (a) - (b)	\$ 8,039,000		\$ 6,664,749	
Plan fiduciary net position as a percentage of the total OPEB liability		0.0%		0.0%
Covered-employee payroll	\$ 25,017,697		\$ 24,297,000	
Net OPEB liability as a percentage of covered payroll		32.1%		27.4%

* Fiscal year 2017-18 (measurement date June 30, 2017) was the first year of implementation, therefore, only two years are presented.

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 24,795,977	\$ 24,795,977	\$ 25,728,009	\$ 932,032
Licenses and permits	5,329,288	5,329,288	4,829,046	(500,242)
Intergovernmental	18,306,028	18,651,849	18,139,780	(512,069)
Charges for services	15,735,475	16,004,121	16,112,574	108,453
Developer fees	15,500	15,500	59,442	43,942
Fines and forfeitures	571,500	571,500	498,336	(73,164)
Investment and rental income	6,616,699	6,616,699	7,580,559	963,860
Miscellaneous	530,410	530,410	1,057,096	526,686
Total Revenues	<u>71,900,877</u>	<u>72,515,344</u>	<u>74,004,842</u>	<u>1,489,498</u>
EXPENDITURES				
Current:				
General government	16,659,392	20,846,961	21,452,470	(605,509)
Community development	4,440,367	4,683,572	3,615,194	1,068,378
Public safety	39,037,324	38,716,228	37,782,655	933,573
Highways, streets and parks	10,859,403	10,707,608	10,316,770	390,838
Culture and recreation	3,990,275	3,816,025	3,470,439	345,586
Capital outlay	-	-	165,790	(165,790)
Debt service:				
Principal	595,173	479,173	473,384	5,789
Interest and fiscal charges	44,761	46,361	45,003	1,358
Total Expenditures	<u>75,626,695</u>	<u>79,295,928</u>	<u>77,321,705</u>	<u>1,974,223</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,725,818)</u>	<u>(6,780,584)</u>	<u>(3,316,863)</u>	<u>3,463,721</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	-	5,160,043	5,160,043
Transfers in	8,169,105	5,256,500	4,978,884	(277,616)
Transfers out	(4,050,105)	(11,707,168)	(5,194,567)	6,512,601
Total Other Financing Sources (Uses)	<u>4,119,000</u>	<u>(6,450,668)</u>	<u>4,944,360</u>	<u>11,395,028</u>
Net Change in Fund Balance	393,182	(13,231,252)	1,627,497	14,858,749
Fund Balance, Beginning	<u>104,873,806</u>	<u>104,873,806</u>	<u>104,873,806</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 105,266,988</u>	<u>\$ 91,642,554</u>	<u>\$ 106,501,303</u>	<u>\$ 14,858,749</u>

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual San Marcos Affordable Housing For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Developer fees	\$ 2,937,700	\$ 2,937,700	\$ 2,439,618	\$ (498,082)
Investment and rental income	331,650	331,650	1,501,148	1,169,498
Miscellaneous	<u>445,000</u>	<u>445,000</u>	<u>505,659</u>	<u>60,659</u>
Total Revenues	<u>3,714,350</u>	<u>3,714,350</u>	<u>4,446,425</u>	<u>732,075</u>
EXPENDITURES				
Current:				
General government	487,959	429,258	409,667	19,591
Community development	<u>3,792,021</u>	<u>3,858,271</u>	<u>993,114</u>	<u>2,865,157</u>
Total Expenditures	<u>4,279,980</u>	<u>4,287,529</u>	<u>1,402,781</u>	<u>2,884,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(565,630)</u>	<u>(573,179)</u>	<u>3,043,644</u>	<u>3,616,823</u>
OTHER FINANCING SOURCES				
Transfers in	<u>142,500</u>	<u>142,500</u>	<u>142,500</u>	<u>-</u>
Total Other Financing Sources	<u>142,500</u>	<u>142,500</u>	<u>142,500</u>	<u>-</u>
Net Change in Fund Balance	(423,130)	(430,679)	3,186,144	3,616,823
Fund Balances, Beginning	<u>38,110,564</u>	<u>38,110,564</u>	<u>38,110,564</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 37,687,434</u>	<u>\$ 37,679,885</u>	<u>\$ 41,296,708</u>	<u>\$ 3,616,823</u>

City of San Marcos

Notes to Required Supplementary Information **June 30, 2019**

1) BUDGETARY INFORMATION

The City adopts an operating budget annually during June to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

Budgets for all governmental type funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Annual budgets are adopted for the General, Special Revenue, Debt Service Funds with the exception of the HOME Grant and State CASp Fee Special Revenue Funds. Annual budgets are not adopted for all of the Capital Projects Funds. Therefore, budget and actual financial statements have not been prepared for them because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General, Special Revenue, and Capital Projects Funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end unless City Council takes action in the form of a resolution to continue the appropriations into the following fiscal year.

City of San Marcos

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 the Highway Users Tax revenues received from the State of California under Sections 2105, 2106, 2107, & 2107.5 of the California Streets and Highways Code. These funds are used by the Public Works Street Maintenance Division and are earmarked for the maintenance, rehabilitation or improvement of public streets.

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 costs of providing street lighting, traffic signals, and landscape services including parks, medians, parkways and trails, to certain properties. Properties within the Community Facilities District 98-02 are assessed for a portion of the annual costs and legally required operating and capital replacement reserves.

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

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 Program.

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 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 costs.

The Art in Public Places Fund is used to account for public art in-lieu fee, which was created to assist in promoting art and cultural initiatives that enrich the artistic and educational climate of the City. The City Council designated the San Marcos Community Foundation to implement a grant program, which makes available funding to eligible organizations implementing artistic and cultural events and/or activities that generally benefit the San Marcos community.

The Public, Education and Government Fund (PEG) is used to account for revenue received from local cable operators in San Marcos. PEG payments are calculated as 1 percent of gross receipts received by cable operators and may be used for capital equipment purchases that support airing public meetings on the City's PEG channel.

City of San Marcos

Non-Major Governmental Funds

Special Revenue Funds, (continued)

The Congestion Management CFD Fund is used to account for the future costs of providing intra City public transportation services, facilities, and equipment. Properties within the CFD fund 2011-01 are assessed for a portion of the costs.

The CalHOME Grant Fund is used to account for transactions related to the CalHOME Grant provided by the State of California. The grant is used to help fund the San Marcos Mortgage Assistance Program.

The State CASp Fee Fund is used to account for the Certified Access Specialists (CASp) fee collected through business licenses. The CASp fee is mandated by the California SB 1186, AB 1379 and Government Code Section 4467 and its purpose is to increase disability access and compliance with construction-related accessibility requirements. The majority of the fee is retained by the City to support the CASp program and the remainder is sent to the California Department of General Services, Division of State Architect (DSA) to maintain oversight of the CASp program.

The Gas Tax RMRA Fund is used account for the Road Maintenance and Rehabilitation (RMRA) revenues received from the State of California under the California Streets and Highways Code Section 2032. These funds are earmarked for specific capital improvement program projects involving the rehabilitation or improvement of public streets.

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 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 Public Facility Fund is used to account for the accumulation of resources for the payment of public facility related costs. The primary funding source is developer fees.

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, local streets and roads maintenance, and other local public capital improvements.

City of San Marcos

Non-Major Governmental Funds

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.

The Transportation Impact Fee Fund is used to account for fees collected by the County of San Diego Department of Public Works for future road improvements as a result of indirect impacts of private developments occurring in the unincorporated area within the City's boundaries. The fees will be used for qualifying congestion relief type improvements.

City of San Marcos

Combining Balance Sheet Non-Major Governmental Funds June 30, 2019

	Total Debt Service Funds			
	Total Special Revenue Funds	San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 24,866,777	\$ -	\$ 32,896,672	\$ 57,763,449
Cash and investments with fiscal agents (note 2)	-	83,672	698,330	782,002
Receivables:				
Taxes and special assessments	29,404	-	-	29,404
Accounts	25,599	394	16,374	42,367
Interest	59,260	-	76,258	135,518
Notes, net (note 3)	2,369,209	-	-	2,369,209
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	337,201	-	-	337,201
Total Assets	\$ 27,687,450	\$ 84,066	\$ 33,808,150	\$ 61,579,666
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 907,110	\$ -	\$ -	\$ 907,110
Accrued liabilities	135,148	-	-	135,148
Due to other funds (note 5)	4,132	5,622	445,351	455,105
Deposits payable	10,389	-	-	10,389
Total Liabilities	1,056,779	5,622	445,351	1,507,752
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	2,388,460	-	136,890	2,525,350
Fund Balances:				
Restricted:				
Transportation	6,666,969	-	85,463	6,752,432
Lighting and landscaping	14,715,520	-	-	14,715,520
Capital improvements	-	-	987,313	987,313
Public facilities	-	-	32,596,087	32,596,087
Other purposes	2,873,763	-	-	2,873,763
Unassigned	(14,041)	78,444	(442,954)	(378,551)
Total Fund Balances	24,242,211	78,444	33,225,909	57,546,564
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 27,687,450	\$ 84,066	\$ 33,808,150	\$ 61,579,666

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended June 30, 2019

	Total Debt Service Funds	Total San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
	Total Special Revenue Funds			
REVENUES				
Taxes and special assessments	\$ 8,413,709	\$ -	\$ -	\$ 8,413,709
Intergovernmental	4,418,442	-	-	4,418,442
Developer fees	91,090	-	2,627,492	2,718,582
Investment and rental income	664,878	538,242	1,106,386	2,309,506
Miscellaneous	55,232	-	-	55,232
Total Revenues	13,643,351	538,242	3,733,878	17,915,471
EXPENDITURES				
Current:				
Community development	187,471	-	-	187,471
Highways, streets and parks	8,258,910	-	-	8,258,910
Culture and recreation	289,539	-	-	289,539
Capital outlay	-	-	7,800,055	7,800,055
Debt service:				
Principal	88,420	320,000	-	408,420
Interest and fiscal charges	8,547	79,988	-	88,535
Total Expenditures	8,832,887	399,988	7,800,055	17,032,930
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,810,464	138,254	(4,066,177)	882,541
OTHER FINANCING SOURCES (USES)				
Loss from sale of land held for resale	-	-	(638,939)	(638,939)
Transfers in (note 5)	853,178	-	-	853,178
Transfers out (note 5)	(1,590,765)	-	(408,257)	(1,999,022)
Total Other Financing Sources (Uses)	(737,587)	-	(1,047,196)	(1,784,783)
Net Change in Fund Balances	4,072,877	138,254	(5,113,373)	(902,242)
Fund Balances (Deficit), Beginning	20,169,334	(59,810)	38,339,282	58,448,806
Fund Balances, Ending	\$ 24,242,211	\$ 78,444	\$ 33,225,909	\$ 57,546,564

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2019

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments (note 2)	\$ 2,045,337	\$ 768,757	\$ 15,291,386	\$ 116,814	\$ 35,630	\$ -
Receivables:						
Taxes and special assessments	-	-	25,867	3,369	-	-
Accounts	-	-	19,301	-	-	-
Interest	4,338	3,508	36,066	21	-	-
Notes, net (note 3)	-	-	-	-	-	-
Due from other governments	-	14,571	-	-	9,198	-
Total Assets	\$ 2,049,675	\$ 786,836	\$ 15,372,620	\$ 120,204	\$ 44,828	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 146,201	\$ 3,610	\$ 575,863	\$ 112,397	\$ 33,564	\$ 5,384
Accrued liabilities	55,125	-	61,986	7,807	5,705	4,525
Due to other funds (note 5)	-	-	-	-	-	4,132
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	201,326	13,999	637,849	120,204	39,269	14,041
Deferred Inflows of Resources:						
Unavailable revenue (note 6)	-	-	19,251	-	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	1,848,349	772,837	-	-	-	-
Lighting and landscaping	-	-	14,715,520	-	-	-
Other purposes	-	-	-	-	5,559	-
Unassigned	-	-	-	-	-	(14,041)
Total Fund Balances	1,848,349	772,837	14,715,520	-	5,559	(14,041)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,049,675	\$ 786,836	\$ 15,372,620	\$ 120,204	\$ 44,828	\$ -

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CAsP Fee	Gas Tax RMRA	Total
\$ 23,961	\$ 93,046	\$ 1,031,253	\$ 1,783,772	\$ 1,665,014	\$ 5,081	\$ 37,668	\$ 1,969,058	\$ 24,866,777
-	5	-	-	163	-	-	-	29,404
-	-	-	6,298	-	-	-	-	25,599
-	271	2,421	4,160	3,860	-	-	4,615	59,260
1,498,507	-	-	-	-	870,702	-	-	2,369,209
-	-	-	-	-	-	-	313,432	337,201
\$ 1,522,468	\$ 93,322	\$ 1,033,674	\$ 1,794,230	\$ 1,669,037	\$ 875,783	\$ 37,668	\$ 2,287,105	\$ 27,687,450
\$ 23,304	\$ 3,681	\$ 2,500	\$ -	\$ -	\$ -	\$ 606	\$ -	\$ 907,110
-	-	-	-	-	-	-	-	135,148
-	-	-	-	-	-	-	-	4,132
-	-	-	-	-	-	-	-	10,389
23,304	3,681	2,500	-	-	-	606	-	1,056,779
1,498,507	-	-	-	-	870,702	-	-	2,388,460
-	89,641	-	-	1,669,037	-	-	2,287,105	6,666,969
-	-	-	-	-	-	-	-	14,715,520
657	-	1,031,174	1,794,230	-	5,081	37,062	-	2,873,763
-	-	-	-	-	-	-	-	(14,041)
657	89,641	1,031,174	1,794,230	1,669,037	5,081	37,062	2,287,105	24,242,211
\$ 1,522,468	\$ 93,322	\$ 1,033,674	\$ 1,794,230	\$ 1,669,037	\$ 875,783	\$ 37,668	\$ 2,287,105	\$ 27,687,450

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Special Revenue Funds For the Year Ended June 30, 2019

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 7,184,612	\$ 529,188	\$ -	\$ -
Intergovernmental	1,977,512	163,208	-	-	79,989	441,521
Developer fees	-	-	13,940	13,940	-	-
Investment and rental income	51,738	44,991	412,928	471	(2,462)	-
Miscellaneous	-	-	1,942	-	29,142	-
Total Revenues	2,029,250	208,199	7,613,422	543,599	106,669	441,521
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	162,477
Highways, streets and parks	1,659,245	47,089	5,339,227	1,186,275	-	-
Culture and recreation	-	-	-	-	286,129	-
Debt Service:						
Principal	-	-	65,166	23,254	-	-
Interest and fiscal charges	-	-	6,299	2,248	-	-
Total Expenditures	1,659,245	47,089	5,410,692	1,211,777	286,129	162,477
Excess (Deficiency) of Revenues Over (Under) Expenditures	370,005	161,110	2,202,730	(668,178)	(179,460)	279,044
OTHER FINANCING SOURCES (USES)						
Transfers in (note 5)	-	-	-	668,178	185,000	-
Transfers out (note 5)	(71,514)	(747,690)	(301,293)	-	-	(384,581)
Total Other Financing Sources (Uses)	(71,514)	(747,690)	(301,293)	668,178	185,000	(384,581)
Net Change in Fund Balances	298,491	(586,580)	1,901,437	-	5,540	(105,537)
Fund Balances, Beginning	1,549,858	1,359,417	12,814,083	-	19	91,496
Fund Balances, Ending	\$ 1,848,349	\$ 772,837	\$ 14,715,520	\$ -	\$ 5,559	\$ (14,041)

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CAsP Fee	Gas Tax RMRA	Total
\$ -	\$ 15,196	\$ -	\$ 150,323	\$ 534,390	\$ -	\$ -	\$ -	\$ 8,413,709
-	-	-	-	-	-	-	1,756,212	4,418,442
-	-	41,895	-	-	-	21,315	-	91,090
-	3,324	30,178	50,213	39,808	1,609	-	32,080	664,878
23,357	-	-	-	-	791	-	-	55,232
23,357	18,520	72,073	200,536	574,198	2,400	21,315	1,788,292	13,643,351
23,304	-	-	-	-	-	1,690	-	187,471
-	5,968	-	1,106	20,000	-	-	-	8,258,910
-	-	3,410	-	-	-	-	-	289,539
-	-	-	-	-	-	-	-	88,420
-	-	-	-	-	-	-	-	8,547
23,304	5,968	3,410	1,106	20,000	-	1,690	-	8,832,887
53	12,552	68,663	199,430	554,198	2,400	19,625	1,788,292	4,810,464
-	(34,344)	-	-	-	-	-	-	853,178
-	(34,344)	-	-	-	-	-	(51,343)	(1,590,765)
53	(21,792)	68,663	199,430	554,198	2,400	19,625	1,736,949	4,072,877
604	111,433	962,511	1,594,800	1,114,839	2,681	17,437	550,156	20,169,334
\$ 657	\$ 89,641	\$ 1,031,174	\$ 1,794,230	\$ 1,669,037	\$ 5,081	\$ 37,062	\$ 2,287,105	\$ 24,242,211

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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 2,065,480	\$ 2,065,480	\$ 1,977,512	\$ (87,968)
Investment and rental income	13,750	13,750	51,738	37,988
Total Revenues	<u>2,079,230</u>	<u>2,079,230</u>	<u>2,029,250</u>	<u>(49,980)</u>
EXPENDITURES				
Current:				
Highways, streets and parks	1,951,424	1,782,523	1,659,245	123,278
Total Expenditures	<u>1,951,424</u>	<u>1,782,523</u>	<u>1,659,245</u>	<u>123,278</u>
Excess (deficiency) of revenues over expenditures	127,806	296,707	370,005	73,298
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,269,105)	(71,514)	1,197,591
Total other financing sources (uses)	-	(1,269,105)	(71,514)	1,197,591
Net Change in Fund Balance	127,806	(972,398)	298,491	1,270,889
Fund Balance, Beginning	1,549,858	1,549,858	1,549,858	-
Fund Balance, Ending	<u>\$ 1,677,664</u>	<u>\$ 577,460</u>	<u>\$ 1,848,349</u>	<u>\$ 1,270,889</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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 285,000	\$ 285,000	\$ 163,208	\$ (121,792)
Investment and rental income	<u>15,500</u>	<u>15,500</u>	<u>44,991</u>	<u>29,491</u>
Total Revenues	<u>300,500</u>	<u>300,500</u>	<u>208,199</u>	<u>(92,301)</u>
EXPENDITURES				
Current:				
Highways, streets and parks	<u>185,000</u>	<u>185,000</u>	<u>47,089</u>	<u>137,911</u>
Total Expenditures	<u>185,000</u>	<u>185,000</u>	<u>47,089</u>	<u>137,911</u>
Excess (deficiency) of revenues over expenditures	<u>115,500</u>	<u>115,500</u>	<u>161,110</u>	<u>45,610</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(1,583,623)</u>	<u>(747,690)</u>	<u>835,933</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,583,623)</u>	<u>(747,690)</u>	<u>835,933</u>
Net Change in Fund Balance	115,500	(1,468,123)	(586,580)	881,543
Fund Balance, Beginning, as Restated	<u>1,359,417</u>	<u>1,359,417</u>	<u>1,359,417</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,474,917</u>	<u>\$ (108,706)</u>	<u>\$ 772,837</u>	<u>\$ 881,543</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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 6,866,845	\$ 6,866,845	\$ 7,184,612	\$ 317,767
Developer fees	-	-	13,940	13,940
Investment and rental income	120,500	120,500	412,928	292,428
Miscellaneous	25,000	25,000	1,942	(23,058)
Total Revenues	7,012,345	7,012,345	7,613,422	601,077
EXPENDITURES				
Current:				
Highways, streets and parks	5,623,302	5,424,284	5,339,227	85,057
Debt Service:				
Principal	65,166	65,166	65,166	-
Interest and fiscal charges	6,299	6,299	6,299	-
Total Expenditures	5,694,767	5,495,749	5,410,692	85,057
Excess of Revenues Over Expenditures	1,317,578	1,516,596	2,202,730	686,134
OTHER FINANCING SOURCES (USES)				
Transfers out	(650,000)	(809,680)	(301,293)	508,387
Total Other Financing Sources (Uses)	(650,000)	(809,680)	(301,293)	508,387
Net Change in Fund Balance	667,578	706,916	1,901,437	1,194,521
Fund Balance, Beginning	12,814,083	12,814,083	12,814,083	-
Fund Balance, Ending	\$ 13,481,661	\$ 13,520,999	\$ 14,715,520	\$ 1,194,521

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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 529,968	\$ 529,968	\$ 529,188	\$ (780)
Developer fees	-	-	13,940	
Investment and rental income	750	750	471	(279)
Miscellaneous	6,000	6,000	-	(6,000)
Total Revenues	536,718	536,718	543,599	(7,059)
EXPENDITURES				
Current:				
Highways, streets and parks	1,246,152	1,220,941	1,186,275	34,666
Debt Service:				
Principal	23,255	23,255	23,254	1
Interest and fiscal charges	2,248	2,248	2,248	-
Total Expenditures	1,271,655	1,246,444	1,211,777	34,667
Excess of Revenues Over (Under) Expenditures	(734,937)	(709,726)	(668,178)	41,548
OTHER FINANCING SOURCES				
Transfers in	660,000	660,000	668,178	8,178
Total Other Financing Sources	660,000	660,000	668,178	8,178
Net Change in Fund Balance	(74,937)	(49,726)	-	49,726
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ (74,937)	\$ (49,726)	\$ -	\$ 49,726

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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 79,989	\$ 14,989
Investment and rental income	550	550	(2,462)	(3,012)
Miscellaneous	27,500	27,500	29,142	1,642
Total Revenues	93,050	93,050	106,669	13,619
EXPENDITURES				
Current:				
Culture and recreation	331,977	343,787	286,129	57,658
Total Expenditures	331,977	343,787	286,129	57,658
Excess of Revenues (Deficiency) Over (Under) Expenditures	(238,927)	(250,737)	(179,460)	71,277
OTHER FINANCING SOURCES (USES)				
Transfers in	210,000	210,000	185,000	(25,000)
Transfers out	(27,000)	(27,000)	-	27,000
Total Other Financing Sources (Uses)	183,000	183,000	185,000	2,000
Net Change in Fund Balance	(55,927)	(67,737)	5,540	73,277
Fund Balance, Beginning	19	19	19	-
Fund Balance, Ending	\$ (55,908)	\$ (67,718)	\$ 5,559	\$ 73,277

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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 698,377	\$ 698,377	\$ 441,521	\$ (256,856)
Total Revenues	<u>698,377</u>	<u>698,377</u>	<u>441,521</u>	<u>(256,856)</u>
EXPENDITURES				
Current:				
Community development	186,794	178,033	162,477	15,556
Total Expenditures	<u>186,794</u>	<u>178,033</u>	<u>162,477</u>	<u>15,556</u>
Excess (deficiency) of revenues over expenditures	511,583	520,344	279,044	(241,300)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(702,171)	(384,581)	317,590
Total other financing sources (uses)	-	(702,171)	(384,581)	317,590
Net Change in Fund Balance	511,583	(181,827)	(105,537)	76,290
Fund Balance, Beginning	91,496	91,496	91,496	-
Fund Balance (Deficit), Ending	<u>\$ 603,079</u>	<u>\$ (90,331)</u>	<u>\$ (14,041)</u>	<u>\$ 76,290</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Center Drive Maintenance District Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 31,775	\$ 31,775	\$ 15,196	\$ (16,579)
Investment and rental income	1,250	1,250	3,324	2,074
Total Revenues	33,025	33,025	18,520	(14,505)
EXPENDITURES				
Current:				
Highways, streets and parks	7,118	7,118	5,968	1,150
Total Expenditures	7,118	7,118	5,968	1,150
Excess of Revenues Over Expenditures	25,907	25,907	12,552	(13,355)
OTHER FINANCING SOURCES (USES)				
Transfers out	(13,500)	(13,500)	(34,344)	(20,844)
Total Other Financing Sources (Uses)	(13,500)	(13,500)	(34,344)	(20,844)
Net Change in Fund Balance	12,407	12,407	(21,792)	(34,199)
Fund Balance, Beginning	111,433	111,433	111,433	-
Fund Balance, Ending	\$ 123,840	\$ 123,840	\$ 89,641	\$ (34,199)

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Art in Public Places Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Developer fees	\$ -	\$ -	\$ 41,895	\$ 41,895	
Investment and rental income	<u>3,500</u>	<u>3,500</u>	<u>30,178</u>	<u>26,678</u>	
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>72,073</u>	<u>68,573</u>	
EXPENDITURES					
Current:					
Culture and recreation	<u>3,500</u>	<u>3,500</u>	<u>3,410</u>	<u>90</u>	
Total Expenditures	<u>3,500</u>	<u>3,500</u>	<u>3,410</u>	<u>90</u>	
Net Change in Fund Balance	-	-	68,663	68,663	
Fund Balance, Beginning	<u>962,511</u>	<u>962,511</u>	<u>962,511</u>	<u>-</u>	
Fund Balance, Ending	<u>\$ 962,511</u>	<u>\$ 962,511</u>	<u>\$ 1,031,174</u>	<u>\$ 68,663</u>	

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public, Education and Government Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 233,126	\$ 233,126	\$ 150,323	\$ (82,803)
Investment and rental income	7,500	7,500	50,213	42,713
Total Revenues	<u>240,626</u>	<u>240,626</u>	<u>200,536</u>	<u>(40,090)</u>
EXPENDITURES				
Current:				
Highways, streets and parks	<u>15,000</u>	<u>15,000</u>	<u>1,106</u>	<u>13,894</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>1,106</u>	<u>13,894</u>
Excess (deficiency) of revenues over expenditures	<u>225,626</u>	<u>225,626</u>	<u>199,430</u>	<u>(26,196)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Total other financing sources (uses)	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Net Change in Fund Balance	<u>225,626</u>	<u>(274,374)</u>	<u>199,430</u>	<u>473,804</u>
Fund Balance, Beginning	<u>1,594,800</u>	<u>1,594,800</u>	<u>1,594,800</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,820,426</u>	<u>\$ 1,320,426</u>	<u>\$ 1,794,230</u>	<u>\$ 473,804</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Congestion Management CFD Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 522,316	\$ 522,316	\$ 534,390	\$ 12,074
Investment and rental income	6,100	6,100	39,808	33,708
Total Revenues	<u>528,416</u>	<u>528,416</u>	<u>574,198</u>	<u>45,782</u>
EXPENDITURES				
Current:				
Highway, streets and parks	20,000	20,000	20,000	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	508,416	508,416	554,198	45,782
Fund Balance, Beginning	<u>1,114,839</u>	<u>1,114,839</u>	<u>1,114,839</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,623,255</u>	<u>\$ 1,623,255</u>	<u>\$ 1,669,037</u>	<u>\$ 45,782</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
CalHOME Grant Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ -	\$ -	\$ 1,609	\$ 1,609
Miscellaneous	<u>56,350</u>	<u>56,350</u>	<u>791</u>	<u>(55,559)</u>
Total Revenues	<u>56,350</u>	<u>56,350</u>	<u>2,400</u>	<u>(53,950)</u>
EXPENDITURES				
Current:				
Community development	<u>56,350</u>	<u>56,350</u>	<u>-</u>	<u>56,350</u>
Total Expenditures	<u>56,350</u>	<u>56,350</u>	<u>-</u>	<u>56,350</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>2,400</u>
Fund Balance, Beginning	<u>2,681</u>	<u>2,681</u>	<u>2,681</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 2,681</u>	<u>\$ 2,681</u>	<u>\$ 5,081</u>	<u>\$ 2,400</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax RMRA Special Revenue Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 1,573,512	\$ 1,573,512	\$ 1,756,212	\$ 182,700
Investment and rental income	300	300	32,080	31,780
Total Revenues	<u>1,573,812</u>	<u>1,573,812</u>	<u>1,788,292</u>	<u>214,480</u>
EXPENDITURES				
Excess (deficiency) of revenues over expenditures	<u>1,573,812</u>	<u>1,573,812</u>	<u>1,788,292</u>	<u>214,480</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,561,666)	(2,088,791)	(51,343)	2,037,448
Total other financing sources (uses)	<u>(1,561,666)</u>	<u>(2,088,791)</u>	<u>(51,343)</u>	<u>2,037,448</u>
Net Change in Fund Balances	12,146	(514,979)	1,736,949	2,251,928
Fund Balances, Beginning	<u>550,156</u>	<u>550,156</u>	<u>550,156</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 562,302</u>	<u>\$ 35,177</u>	<u>\$ 2,287,105</u>	<u>\$ 2,251,928</u>

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, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ 525,000	\$ 525,000	\$ 538,242	\$ 13,242
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>538,242</u>	<u>13,242</u>
EXPENDITURES				
Debt service:				
Principal	320,000	298,300	320,000	(21,700)
Interest and fiscal charges	<u>79,988</u>	<u>101,688</u>	<u>79,988</u>	<u>21,700</u>
Total Expenditures	<u>399,988</u>	<u>399,988</u>	<u>399,988</u>	<u>-</u>
Net Change in Fund Balance	125,012	125,012	138,254	13,242
Fund Balance, Beginning	<u>(59,810)</u>	<u>(59,810)</u>	<u>(59,810)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 65,202</u>	<u>\$ 65,202</u>	<u>\$ 78,444</u>	<u>\$ 13,242</u>

City of San Marcos

Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2019

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
ASSETS			
Cash and investments (note 2)	\$ 32,520,705	\$ 5,322	\$ 2,397
Cash and investments with fiscal agents (note 2)	-	698,330	-
Receivables:			
Accounts	16,374	-	-
Interest	75,382	12	-
Other, net (note 4)	120,516	-	-
Total Assets	<u>\$ 32,732,977</u>	<u>\$ 703,664</u>	<u>\$ 2,397</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds (note 5)	\$ -	\$ -	\$ 445,351
Total Liabilities	<u>-</u>	<u>-</u>	<u>445,351</u>
Deferred Inflows of Resources:			
Unavailable revenue (note 6)	136,890	-	-
Fund Balances:			
Restricted:			
Transportation	-	-	-
Capital improvements	-	703,664	-
Public facilities	32,596,087	-	-
Unassigned	-	-	(442,954)
Total Fund Balances (Deficit)	<u>32,596,087</u>	<u>703,664</u>	<u>(442,954)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 32,732,977</u>	<u>\$ 703,664</u>	<u>\$ 2,397</u>

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ 282,985	\$ 85,263	\$ 32,896,672
-	-	698,330
-	-	16,374
664	200	76,258
-	-	120,516
<u>\$ 283,649</u>	<u>\$ 85,463</u>	<u>\$ 33,808,150</u>

\$ -	\$ -	\$ 445,351
-	-	445,351
-	-	136,890

-	85,463	85,463
283,649	-	987,313
-	-	32,596,087
-	-	(442,954)
<u>283,649</u>	<u>85,463</u>	<u>33,225,909</u>

\$ 283,649 \$ 85,463 \$ 33,808,150

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Capital Projects Funds
For the Year Ended June 30, 2019

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
REVENUES			
Developer fees	\$ 2,627,492	\$ -	\$ -
Investment and rental income	1,082,572	12,779	-
Total Revenues	<u>3,710,064</u>	<u>12,779</u>	-
EXPENDITURES			
Current:			
Capital outlay	7,800,000	55	-
Total Expenditures	<u>7,800,000</u>	<u>55</u>	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,089,936)	12,724	-
OTHER FINANCING SOURCES			
Loss from sale of land held for resale	(638,939)	-	-
Transfers out (note 5)	(53,756)	-	(354,501)
Total Other Financing Sources	<u>(692,695)</u>	<u>-</u>	<u>(354,501)</u>
Net Change in Fund Balances	(4,782,631)	12,724	(354,501)
Fund Balances, Beginning, as Restated	<u>37,378,718</u>	<u>690,940</u>	<u>(88,453)</u>
Fund Balances (Deficit), Ending	<u>\$ 32,596,087</u>	<u>\$ 703,664</u>	<u>\$ (442,954)</u>

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ -	\$ -	\$ 2,627,492
<u>8,480</u>	<u>2,555</u>	<u>1,106,386</u>
<u>8,480</u>	<u>2,555</u>	<u>3,733,878</u>
 - -	 - -	 7,800,055
 - -	 - -	 7,800,055
 <u>8,480</u>	 <u>2,555</u>	 <u>(4,066,177)</u>
 - -	 - -	 (638,939)
 - -	 - -	 (408,257)
 - -	 - -	 (1,047,196)
 8,480	 2,555	 (5,113,373)
 275,169	 82,908	 38,339,282
 <u>\$ 283,649</u>	 <u>\$ 85,463</u>	 <u>\$ 33,225,909</u>

City of San Marcos

Combining Balance Sheet
Agency Funds
June 30, 2019

	Deposits	Community Facilities District 88-1	Community Facilities District 99-1
ASSETS			
Cash and investments (note 2)	\$ 3,492,103	\$ 3,285	\$ 11,096
Restricted Assets:			
Cash and investments with fiscal agents (note 2)	-	4,022,503	6,922,729
Receivables:			
Special assessments	-	7,083	21,058
Interest	-	196	528
Total Assets	<u>\$ 3,492,103</u>	<u>\$ 4,033,067</u>	<u>\$ 6,955,411</u>
LIABILITIES			
Accounts payable	\$ 189,807	\$ -	\$ 57,324
Deposits payable	3,302,296	-	-
Due to bondholders	-	4,033,067	6,898,087
Total Liabilities	<u>\$ 3,492,103</u>	<u>\$ 4,033,067</u>	<u>\$ 6,955,411</u>

Community Facilities	
District 02-01	Total
\$ 433	\$ 3,506,917
1,896,809	12,842,041
7,521	35,662
103	827
<u>\$ 1,904,866</u>	<u>\$ 16,385,447</u>
 \$ -	 \$ 247,131
 -	 3,302,296
<u>1,904,866</u>	<u>12,836,020</u>
<u>\$ 1,904,866</u>	<u>\$ 16,385,447</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Deposits</u>				
ASSETS				
Cash and investments	\$ 3,585,324	\$ 1,957,791	\$ 2,051,012	\$ 3,492,103
Total Assets	<u>\$ 3,585,324</u>	<u>\$ 1,957,791</u>	<u>\$ 2,051,012</u>	<u>\$ 3,492,103</u>
LIABILITIES				
Accounts payable	\$ 4,333	\$ 1,898,576	\$ 1,713,102	\$ 189,807
Deposits payable	3,580,991	2,077,879	2,356,574	3,302,296
Total Liabilities	<u>\$ 3,585,324</u>	<u>\$ 3,976,455</u>	<u>\$ 4,069,676</u>	<u>\$ 3,492,103</u>
<u>Community Facilities District 88-1</u>				
ASSETS				
Cash and investments	\$ 7	\$ 2,132,913	\$ 2,129,635	\$ 3,285
Cash and Investments with fiscal agents	4,139,122	2,446,905	2,563,524	4,022,503
Special assessments receivable	13,658	7,084	13,659	7,083
Interest receivable	15	195	14	196
Total Assets	<u>\$ 4,152,802</u>	<u>\$ 4,587,097</u>	<u>\$ 4,706,832</u>	<u>\$ 4,033,067</u>
LIABILITIES				
Due to bondholders	<u>\$ 4,152,802</u>	<u>\$ 2,714,390</u>	<u>\$ 2,834,125</u>	<u>\$ 4,033,067</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<u>Community Facilities District 99-1</u>				
ASSETS				
Cash and investments	\$ 62	\$ 5,654,513	\$ 5,643,479	\$ 11,096
Cash and investments with fiscal agents	5,900,191	5,721,493	4,698,955	6,922,729
Special assessments receivable	27,263	21,058	27,263	21,058
Interest receivable	36	528	36	528
Total Assets	\$ 5,927,552	\$ 11,397,592	\$ 10,369,733	\$ 6,955,411
LIABILITIES				
Accounts payable	\$ 50,000	\$ 57,624	\$ 50,300	\$ 57,324
Due to bondholders	5,877,552	5,810,577	4,790,042	6,898,087
Total Liabilities	\$ 5,927,552	\$ 5,868,201	\$ 4,840,342	\$ 6,955,411
<u>Community Facilities District 02-01</u>				
ASSETS				
Cash and investments	\$ 11	\$ 1,096,234	\$ 1,095,812	\$ 433
Cash and investments with fiscal agents	1,865,273	1,113,519	1,081,983	1,896,809
Special assessments receivable	6,246	7,521	6,246	7,521
Interest receivable	6	103	6	103
Total Assets	\$ 1,871,536	\$ 2,217,377	\$ 2,184,047	\$ 1,904,866
LIABILITIES				
Due to bondholders	\$ 1,871,536	\$ 1,129,147	\$ 1,095,817	\$ 1,904,866

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Total - Agency Funds</u>				
ASSETS				
Cash and investments	\$ 3,585,404	\$ 10,841,451	\$ 10,919,938	\$ 3,506,917
Cash and investments with fiscal agents	11,904,586	9,281,917	8,344,462	12,842,041
Special assessments receivable	47,167	35,663	47,168	35,662
Interest receivable	57	826	56	827
Total Assets	\$ 15,537,214	\$ 20,159,857	\$ 19,311,624	\$ 16,385,447
LIABILITIES				
Accounts payable	\$ 54,333	\$ 1,956,200	\$ 1,763,402	\$ 247,131
Deposits payable	3,580,991	2,077,879	2,356,574	3,302,296
Due to bondholders	11,901,890	9,654,114	8,719,984	12,836,020
Total Liabilities	\$ 15,537,214	\$ 13,688,193	\$ 12,839,960	\$ 16,385,447

City of San Marcos

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.

	CONTENTS	Page
Financial Trends		132
	These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
Revenue Capacity		142
	These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity		146
	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.	
Demographic and Economic Information		152
	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information		155
	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 Position by Component Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities:				
Net investment in capital assets	\$ 484,423,039	\$ 499,416,669	\$ 658,296,750	\$ 646,769,141
Restricted for:				
Affordable housing	120,917,457	119,927,089	163,429,723	160,939,069
Lighting and landscape	8,514,304	9,032,742	9,389,874	9,706,762
Capital improvements	-	-	-	20,320,721
Other purposes	4,378,971	6,026,400	6,506,958	10,295,075
Endowment	1,023,850	1,244,590	1,147,835	1,195,768
Unrestricted	<u>(11,409,150)</u>	<u>(6,504,167)</u>	<u>64,955,219</u>	<u>57,252,131</u>
Total governmental activities net position	<u>\$ 607,848,471</u>	<u>\$ 629,143,323</u>	<u>\$ 903,726,359</u>	<u>\$ 906,478,667</u>
Business-type activities:				
Net investment in capital assets	\$ 28,689,775	\$ 28,307,420	\$ 27,925,065	\$ 26,725,626
Unrestricted	8,442,809	8,052,471	6,319,042	5,761,171
Total business-type activities net position	<u>\$ 37,132,584</u>	<u>\$ 36,359,891</u>	<u>\$ 34,244,107</u>	<u>\$ 32,486,797</u>
Component unit:				
Not expendable	-	-	-	-
Expendable	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government:				
Net investment in capital assets	\$ 513,112,814	\$ 527,724,089	\$ 686,221,815	\$ 673,494,767
Restricted for:				
Affordable housing	120,917,457	119,927,089	163,429,723	160,939,069
Lighting and landscape	8,514,304	9,032,742	9,389,874	9,706,762
Capital improvements	-	-	-	20,320,721
Other purposes	4,378,971	6,026,400	6,506,958	10,295,075
Endowment	1,023,850	1,244,590	1,147,835	1,195,768
Unrestricted	<u>(2,966,341)</u>	<u>1,548,304</u>	<u>71,274,261</u>	<u>63,013,302</u>
Total primary government net position	<u>\$ 644,981,055</u>	<u>\$ 665,503,214</u>	<u>\$ 937,970,466</u>	<u>\$ 938,965,464</u>
Component unit:				
Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 671,633,533	\$ 647,192,005	\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	\$ 592,856,145	
162,388,168	174,239,971	182,174,655	192,984,712	197,267,954	204,874,361	
10,141,062	11,266,533	12,073,491	12,410,105	12,833,499	14,734,771	
21,071,049	24,998,414	32,111,994	36,384,666	3,186,646	1,008,537	
8,955,235	7,645,829	2,187,164	2,461,175	44,845,897	42,359,172	
1,000,000	1,000,000	-	-	-	-	
<u>60,074,433</u>	<u>3,482,542</u>	<u>48,523,274</u>	<u>60,067,467</u>	<u>48,322,111</u>	<u>46,006,938</u>	
<u>\$ 935,263,480</u>	<u>\$ 869,825,294</u>	<u>\$ 900,258,338</u>	<u>\$ 912,103,287</u>	<u>\$ 906,195,372</u>	<u>\$ 901,839,924</u>	
\$ 27,160,354	\$ 34,101,091	\$ -	\$ -	\$ -	\$ -	
4,352,951	2,552,732	94,924,105	95,225,519	94,972,155	95,293,994	
<u>\$ 31,513,305</u>	<u>\$ 36,653,823</u>	<u>\$ 94,924,105</u>	<u>\$ 95,225,519</u>	<u>\$ 94,972,155</u>	<u>\$ 95,293,994</u>	
-	-	1,000,000	1,000,000	1,000,000	1,000,000	
-	-	157,923	230,885	258,593	250,742	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>	
\$ 698,793,887	\$ 681,293,096	\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	\$ 592,856,145	
162,388,168	174,239,971	182,174,655	192,984,712	197,267,954	204,874,361	
10,141,062	11,266,533	12,073,491	12,410,105	12,833,499	14,734,771	
21,071,049	24,998,414	32,111,994	36,384,666	3,186,646	1,008,537	
8,955,235	7,645,829	2,187,164	2,461,175	44,845,897	42,359,172	
1,000,000	1,000,000	-	-	-	-	
<u>64,427,384</u>	<u>6,035,274</u>	<u>143,447,379</u>	<u>155,292,986</u>	<u>143,294,266</u>	<u>141,300,932</u>	
<u>\$ 966,776,785</u>	<u>\$ 906,479,117</u>	<u>\$ 995,182,443</u>	<u>\$ 1,007,328,806</u>	<u>\$ 1,001,167,527</u>	<u>\$ 997,133,918</u>	
\$ -	\$ -	\$ 1,157,923	\$ 1,230,885	\$ 1,258,593	\$ 1,250,742	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>	

City of San Marcos

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

	Fiscal Year			
	2010	2011	2012	2013
Expenses:				
Governmental Activities:				
General government	\$ 15,990,955	\$ 18,106,693	\$ 16,992,317	\$ 15,885,771
Community development	6,366,892	5,739,531	28,586,547	6,379,029
Public safety	28,603,083	28,216,005	32,163,467	27,531,474
Highways, streets and parks	25,046,164	26,408,488	22,057,522	31,047,726
Culture and recreation	3,014,690	3,079,743	3,163,230	4,992,567
Interest on long-term debt	15,307,372	16,325,714	9,399,083	286,343
Total governmental activities expenses	<u>94,329,156</u>	<u>97,876,174</u>	<u>112,362,166</u>	<u>86,122,910</u>
Business-type activities:				
Creekside Marketplace	1,207,245	1,296,182	1,060,528	866,501
Total business-type activities expenses	<u>1,207,245</u>	<u>1,296,182</u>	<u>1,060,528</u>	<u>866,501</u>
Total primary government expenses	<u>95,536,401</u>	<u>99,172,356</u>	<u>113,422,694</u>	<u>86,989,411</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	\$ 8,017,989	\$ 7,381,025	\$ 8,616,200	\$ 7,515,771
Community development (2)	1,568,683	2,131,886	5,179,421	6,998,956
Public safety	7,623,734	7,266,747	8,012,187	8,636,601
Highways, streets and parks (1) (2)	6,793,677	7,150,548	6,943,057	8,462,005
Culture and recreation (2)	1,825,778	1,837,906	1,878,137	2,105,349
Operating grants and contributions	2,392,703	3,547,679	3,333,506	24,338,152
Capital contributions and grants	25,090,511	15,027,697	20,273,816	2,125,409
Total governmental activities program revenues	<u>53,313,075</u>	<u>44,343,488</u>	<u>54,236,324</u>	<u>60,182,243</u>
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,639,134	3,523,109	3,907,546	4,103,722
Total business-type activities program revenues	<u>3,639,134</u>	<u>3,523,109</u>	<u>3,907,546</u>	<u>4,103,722</u>
Total primary government program revenues	<u>56,952,209</u>	<u>47,866,597</u>	<u>58,143,870</u>	<u>64,285,965</u>
Net (expenses) revenues:				
Governmental activities	(41,016,081)	(53,532,686)	(58,125,842)	(25,940,667)
Business-type activities	2,431,889	2,226,927	2,847,018	3,237,221
Total primary government net (expenses)/revenues	<u>\$ (38,584,192)</u>	<u>\$ (51,305,759)</u>	<u>\$ (55,278,824)</u>	<u>\$ (22,703,446)</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government net (expenses)/revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 16,447,263	\$ 16,944,647	\$ 18,256,401	\$ 15,819,492	\$ 19,444,881	\$ 24,545,665	
3,431,958	7,094,841	12,890,498	1,679,942	6,368,611	5,036,267	
31,398,530	36,059,952	32,564,134	38,312,609	40,504,526	42,703,434	
32,779,655	33,832,005	23,904,189	29,012,619	32,201,548	39,333,558	
3,022,930	5,040,297	3,951,699	3,873,784	4,209,685	4,025,485	
272,403	267,688	262,067	243,974	295,292	183,846	
<u>87,352,739</u>	<u>99,239,430</u>	<u>91,828,988</u>	<u>88,942,420</u>	<u>103,024,543</u>	<u>115,828,255</u>	
1,061,134	2,053,600	2,069,680	1,572,337	771,106	969,539	
1,061,134	2,053,600	2,069,680	1,572,337	771,106	969,539	
88,413,873	101,293,030	93,898,668	90,514,757	103,795,649	116,797,794	
-	-	56,622	65,283	69,946	71,223	
\$ -	\$ -	\$ 56,622	\$ 65,283	\$ 69,946	\$ 71,223	
\$ 1,288,995	\$ 1,843,724	\$ 1,151,920	\$ 1,038,094	\$ 1,704,211	\$ 1,330,187	
2,997,665	2,252,007	4,554,470	6,363,423	2,485,165	1,705,867	
8,888,703	9,103,730	10,358,412	10,979,615	12,001,681	11,569,928	
7,455,240	8,196,772	7,931,273	8,605,163	7,860,930	9,130,253	
2,081,035	2,364,561	2,575,892	2,100,449	2,466,095	2,381,699	
16,811,188	11,893,755	13,919,753	11,094,309	17,606,841	15,647,743	
9,843,740	4,294,066	3,523,253	1,345,661	4,437,779	4,578,379	
<u>49,366,566</u>	<u>39,948,615</u>	<u>44,014,973</u>	<u>41,526,714</u>	<u>48,562,702</u>	<u>46,344,056</u>	
3,470,369	3,335,509	4,924,764	5,188,034	5,510,983	5,609,161	
3,470,369	3,335,509	4,924,764	5,188,034	5,510,983	5,609,161	
52,836,935	43,284,124	48,939,737	46,714,748	54,073,685	51,953,217	
(37,986,173)	(59,290,815)	(47,814,015)	(47,415,706)	(54,461,841)	(69,484,199)	
2,409,235	1,281,909	2,855,084	3,615,697	4,739,877	4,639,622	
\$ (35,576,938)	\$ (58,008,906)	\$ (44,958,931)	\$ (43,800,009)	\$ (49,721,964)	\$ (64,844,577)	
-	-	(56,622)	(65,283)	(69,946)	(71,223)	
-	-	(56,622)	(65,283)	(69,946)	(71,223)	

City of San Marcos

Changes in Net Position, (continued) **Last Ten Fiscal Years** **(accrual basis of accounting)**

	2010	2011	2012	2013
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 12,490,217	\$ 12,373,080	\$ 12,734,479	\$ 19,036,135
Tax increment, net	21,315,468	36,294,755	11,896,531	-
Transient occupancy taxes	298,459	610,460	713,538	736,035
Business license	188,300	195,134	195,431	194,864
Franchise fees	2,482,704	2,677,551	2,713,099	2,582,279
Gain/(Loss) on sale of capital assets	-	67,970	-	-
Motor vehicle license fees	246,496	382,275	42,071	80,791
Rental income	-	-	-	-
Sales tax shared state revenue and in lieu, unrestricted	12,269,791	13,091,860	13,836,852	14,596,011
Investment income	4,397,830	4,583,907	3,692,241	3,508,350
Other	1,943,136	1,390,381	1,160,059	1,991,861
Transfers	1,200,000	3,167,000	5,100,000	5,000,000
Transfer to Successor Agency	-	-	-	(10,674,712)
Extraordinary gain	-	-	280,624,874	-
Total governmental activities	<u>56,832,401</u>	<u>74,834,373</u>	<u>332,709,175</u>	<u>37,051,614</u>
Business-type activities:				
Investment income	130,563	167,380	137,198	5,469
Transfers	(1,200,000)	(3,167,000)	(5,100,000)	(5,000,000)
Total business-type activities	<u>(1,069,437)</u>	<u>(2,999,620)</u>	<u>(4,962,802)</u>	<u>(4,994,531)</u>
Total primary government	<u>55,762,964</u>	<u>71,834,753</u>	<u>327,746,373</u>	<u>32,057,083</u>
Component Unit:				
Investment income, restricted	-	-	-	-
Other	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position:				
Governmental activities	15,816,320	21,301,687	274,583,333	11,110,947
Business-type activities	1,362,452	(772,693)	(2,115,784)	(1,757,310)
Total primary government	<u>\$ 17,178,772</u>	<u>\$ 20,528,994</u>	<u>\$ 272,467,549</u>	<u>\$ 9,353,637</u>
Component Unit:				
Permanent Fund Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 14,730,525	\$ 16,627,912	\$ 18,604,256	\$ 19,825,953	\$ 21,542,823	\$ 24,109,119	
-	-	-	-	-	-	
794,846	829,724	873,863	978,498	1,303,446	1,376,615	
208,911	213,173	228,040	231,933	232,733	242,274	
3,520,613	3,907,803	4,031,275	3,897,771	4,042,123	4,136,203	
(659,841)	1,810,932	187,956	227,020	258,282	4,521,104	
-	-	-	-	49,502	395	
6,260,337	5,790,384	5,950,030	5,556,365	5,477,226	5,689,979	
15,840,511	16,209,302	16,868,051	16,418,302	17,274,843	17,663,777	
1,108,705	937,647	1,731,178	1,242,804	1,305,351	2,645,824	
489,778	982,947	529,653	96,331	223,593	393,461	
4,250,000	(3,850,425)	4,500,000	3,317,138	5,000,000	4,350,000	
-	-	-	-	-	-	
<u>46,544,385</u>	<u>43,459,399</u>	<u>53,504,302</u>	<u>51,792,115</u>	<u>56,709,922</u>	<u>65,128,751</u>	
50,190	8,184	16,289	2,855	6,759	32,217	
(4,250,000)	3,850,425	(4,500,000)	(3,317,138)	(5,000,000)	(4,350,000)	
<u>(4,199,810)</u>	<u>3,858,609</u>	<u>(4,483,711)</u>	<u>(3,314,283)</u>	<u>(4,993,241)</u>	<u>(4,317,783)</u>	
<u>42,344,575</u>	<u>47,318,008</u>	<u>49,020,591</u>	<u>48,477,832</u>	<u>51,716,681</u>	<u>60,810,968</u>	
-	-	(11,645)	138,220	97,654	63,372	
-	-	-	25	-	-	
-	-	(11,645)	138,245	97,654	63,372	
8,558,212	(15,831,416)	5,690,287	4,376,409	2,248,081	(4,355,448)	
(1,790,575)	5,140,518	(1,628,627)	301,414	(253,364)	321,839	
<u>\$ 6,767,637</u>	<u>\$ (10,690,898)</u>	<u>\$ 4,061,660</u>	<u>\$ 4,677,823</u>	<u>\$ 1,994,717</u>	<u>\$ (4,033,609)</u>	
\$ -	\$ -	\$ (68,267)	\$ 72,962	\$ 27,708	\$ (7,851)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,267)</u>	<u>\$ 72,962</u>	<u>\$ 27,708</u>	<u>\$ (7,851)</u>	

City of San Marcos

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	\$ 13,447,269			
Prepaid items	1,000,066			
Deposits	1,001,672			
Unreserved, designated	36,200,000			
Unreserved, undesignated	5,995,245			
GASB 54:				
Nonspendable	\$ 19,463,456	\$ 16,924,452	\$ 16,184,816	
Assigned	-	-	-	
Unassigned	35,162,531	34,951,893	44,147,436	
Total General Fund	<u>57,644,252</u>	<u>54,625,987</u>	<u>51,876,345</u>	<u>60,332,252</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	28,282,658			
Deposits	102,982			
Low and moderate income housing	10,056,506			
Landscape maintenance	5,845,298			
Debt service	12,941,982			
Capital projects	45,462,977			
Other purposes	1,023,850			
Unreserved, reported in:				
Special revenue funds	6,468,443			
Debt service funds	16,466,613			
Capital projects funds	(6,026,005)			
GASB 54:				
Nonspendable	1,244,590	1,147,835	1,195,768	
Restricted	164,514,929	81,486,140	80,423,049	
Unassigned	-	-	-	
Total all other governmental funds	<u>120,625,304</u>	<u>165,759,519</u>	<u>82,633,975</u>	<u>81,618,817</u>
Total governmental funds	<u>\$ 178,269,556</u>	<u>\$ 220,385,506</u>	<u>\$ 134,510,320</u>	<u>\$ 141,951,069</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 11,938,509	\$ 10,451,246	\$ 10,031,405	\$ 66,369,312	\$ 65,059,911	\$ 64,997,746
-	5,984,790	5,984,790	11,653,634	11,313,621	11,059,665
51,115,898	31,887,837	82,608,491	27,053,317	28,500,274	30,443,892
<u>63,054,407</u>	<u>48,323,873</u>	<u>98,624,686</u>	<u>105,076,263</u>	<u>104,873,806</u>	<u>106,501,303</u>
1,000,000	1,000,000	-	-	-	-
80,658,598	82,000,192	82,451,468	87,132,962	98,836,674	99,243,047
(225)	(20)	(33,867)	-	(148,263)	(378,551)
<u>81,658,373</u>	<u>83,000,172</u>	<u>82,417,601</u>	<u>87,132,962</u>	<u>98,688,411</u>	<u>98,864,496</u>
<u>\$ 144,712,780</u>	<u>\$ 131,324,045</u>	<u>\$ 181,042,287</u>	<u>\$ 192,209,225</u>	<u>\$ 203,562,217</u>	<u>\$ 205,365,799</u>

City of San Marcos

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues:				
Taxes and special assessments (3)	\$ 87,852,421	\$ 87,336,566	\$ 44,811,128	\$ 40,050,764
Licenses and permits	4,274,969	4,722,075	5,210,749	5,031,124
Intergovernmental (3)	6,816,194	10,725,506	14,657,647	16,273,969
Charges for services	11,341,050	11,273,011	13,430,631	14,423,983
Developer fees	2,860,402	3,734,747	8,822,043	12,333,859
Fines and forfeitures	279,735	284,452	203,253	171,675
Investment and rental income	9,248,874	9,724,275	8,710,563	8,108,512
Miscellaneous	3,358,490	1,984,750	2,020,386	1,656,624
Total Revenues	126,032,135	129,785,382	97,866,400	98,050,510
Expenditures:				
Current:				
General government (2)	14,825,068	17,457,897	15,640,014	15,237,915
Community development (2)	17,085,690	10,223,010	17,717,361	9,148,706
Public safety	27,461,612	27,317,174	30,262,221	27,156,685
Highways, streets and parks (1) (2)	14,040,659	13,379,798	14,053,498	13,407,088
Culture and recreation (1)	2,763,210	2,814,054	2,984,215	4,819,380
Tax increment distrib. to other gov. agencies	37,060,348	16,266,743	410,877	-
SERAFF payment	-	4,163,078	-	-
Capital outlay	38,456,751	26,289,568	20,163,235	16,677,835
Debt service:				
Principal retirement	9,325,010	9,566,685	9,903,628	342,996
Interest and fiscal charges	15,221,332	15,782,349	9,509,119	277,403
Cost of issuance	-	674,238	-	-
Total expenditures	176,239,680	143,934,594	120,644,168	87,068,008
Excess/(deficiency) of Revenues Over Expenditures	(50,207,545)	(14,149,212)	(22,777,768)	10,982,502
Other financing sources (uses):				
Issuance of debt	330,709	54,779,110	-	-
Discount on bonds issued	-	(1,719,824)	-	-
Sale of capital assets	1,241,860	38,876	23,611	6,489
Acquisition under capital lease	-	-	-	-
Partnership contributions	-	-	-	-
Transfers in	8,056,903	14,843,444	65,681,454	11,511,222
Transfers out	(6,856,903)	(11,676,444)	(60,581,454)	(17,185,934)
Total other financing sources (uses)	2,772,569	56,265,162	5,123,611	(5,668,223)
Net Change in Fund Balances	\$ (47,434,976)	\$ 42,115,950	\$ (17,654,157)	\$ 5,314,279
Debt service as a percentage of noncapital expenditures	15.68%	20.41%	19.23%	0.92%

Notes:

- (1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
- (2) Beginning in fiscal year 2009-2010, all costs relating to the construction inspection function are reported under community development instead of highways, streets, and parks. Also, the storm water management function is under general government instead of highways, streets, and parks.
- (3) Beginning in fiscal year 2016-2017, all sales tax related revenue is recorded under the intergovernmental revenue category instead of taxes and special assessments revenue category.

Source: City of San Marcos, Finance Department

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 37,499,452	\$ 40,746,406	\$ 43,388,689	\$ 28,386,492	\$ 30,734,448	\$ 37,396,482	
4,834,181	4,896,092	5,190,125	5,184,798	5,567,081	4,829,046	
14,879,876	11,705,953	8,388,620	22,446,951	24,240,158	22,558,222	
14,014,737	14,767,944	15,644,089	15,756,224	16,391,482	16,112,574	
604,325	3,085,839	5,680,240	6,770,876	10,269,151	5,217,642	
379,517	378,143	492,091	632,114	592,516	498,336	
8,390,525	9,159,541	9,887,780	9,814,976	8,625,937	11,496,722	
2,784,337	1,307,048	3,003,475	1,656,344	2,170,216	1,873,724	
<u>83,386,950</u>	<u>86,046,966</u>	<u>91,675,109</u>	<u>90,648,775</u>	<u>98,590,989</u>	<u>99,982,748</u>	
15,683,539	16,082,210	15,769,553	20,232,292	17,619,187	21,862,137	
4,209,639	7,282,130	9,218,570	9,224,684	6,419,708	4,795,779	
30,863,346	35,743,282	33,512,449	36,449,543	37,334,894	37,782,655	
21,875,374	20,669,923	16,739,415	19,258,048	18,924,332	18,575,680	
2,948,559	4,904,494	3,611,161	3,814,190	3,930,935	3,759,978	
-	-	-	-	-	-	
-	-	-	-	-	-	
8,462,086	3,672,221	11,115,705	10,255,091	6,235,184	19,258,698	
430,447	570,876	677,198	970,360	1,474,503	860,105	
269,039	260,465	259,734	286,705	246,947	155,238	
-	-	-	-	108,311	-	
<u>84,742,029</u>	<u>89,185,601</u>	<u>90,903,785</u>	<u>100,490,913</u>	<u>92,294,001</u>	<u>107,050,270</u>	
(1,355,079)	(3,138,635)	771,324	(9,842,138)	6,296,988	(7,067,522)	
-	12,752	1,036,580	-	-	-	
-	-	-	-	-	-	
(659,841)	-	-	-	-	4,521,104	
427,300	125,074	432,248	2,018,392	-	-	
-	(6,537,501)	-	-	-	-	
5,227,487	5,911,842	6,441,564	5,470,561	9,820,141	11,859,523	
(977,487)	(9,762,267)	(1,941,564)	(2,153,423)	(4,820,141)	(7,509,523)	
<u>4,017,459</u>	<u>(10,250,100)</u>	<u>5,968,828</u>	<u>5,335,530</u>	<u>5,000,000</u>	<u>8,871,104</u>	
<u>\$ 2,662,380</u>	<u>\$ (13,388,735)</u>	<u>\$ 6,740,152</u>	<u>\$ (4,506,608)</u>	<u>\$ 11,296,988</u>	<u>\$ 1,803,582</u>	
1.08%	1.20%	1.32%	1.56%	2.37%	1.16%	

City of San Marcos

Assessed Value and Estimated Actual Value of Taxable Property (1) Last Ten Fiscal Years

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (2)
2010	\$ 8,948,612,795	\$ 343,678,128	\$ (433,607,449)	\$ 8,858,683,474	0.0883 %
2011	8,829,981,997	343,767,058	(432,933,115)	8,740,815,940	0.0883
2012	8,908,023,695	342,676,146	(441,238,868)	8,809,460,973	0.0883
2013	8,949,312,131	351,245,593	(482,223,209)	8,818,334,515	0.0883
2014	9,339,081,684	337,792,578	(503,189,791)	9,173,684,471	0.0883
2015	10,183,486,233	337,507,007	(548,057,005)	9,972,936,235	0.0883
2016	10,811,344,739	329,112,145	(559,042,771)	10,581,414,113	0.0883
2017	11,407,192,886	337,739,348	(570,825,511)	11,174,106,723	0.0883
2018	12,146,122,751	348,333,349	(595,248,906)	11,899,207,194	0.0883
2019	12,991,489,372	370,104,590	(619,191,733)	12,742,402,229	0.0883

Notes:

(1) 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.

(2) Tax Rate Area 13-066.

Source: San Diego County Assessor's Office

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 of San Marcos	Overlapping Rates									Total Tax Rate (2)	
		San Marcos Unified School District	San Marcos Fire Protection District	San Diego County	Others		Voter Approved Debt					
		Direct Rate	Overlapping Rates									
2010	0.0883 %	0.3805 %	0.0632 %	0.2481 %	0.2200 %	0.0439 %	1.0439 %					
2011	0.0883	0.3805	0.0632	0.2481	0.2200	0.0559					1.0560	
2012	0.0883	0.3805	0.0632	0.2481	0.2200	0.0994					1.0994	
2013	0.0883	0.3805	0.0632	0.2481	0.2200	0.0994					1.0994	
2014	0.0883	0.3805	0.0632	0.2481	0.2200	0.0978					1.0978	
2015	0.0883	0.3805	0.0632	0.2481	0.2200	0.1138					1.1138	
2016	0.0883	0.3805	0.0632	0.2481	0.2200	0.1180					1.1180	
2017	0.0883	0.3805	0.0632	0.2481	0.2200	0.1175					1.1175	
2018	0.0883	0.3805	0.0632	0.2481	0.2200	0.0910					1.0911	
2019	0.0883	0.3805	0.0632	0.2481	0.2200	0.0908					1.0908	

Notes:

- (1) Tax rates are for Tax Rate Area 13-066.
- (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

City of San Marcos

Principal Property Taxpayers **Current Year and Nine Years Ago (1)**

Taxpayer	2019			2010		
	Taxable Assessed Value (2)	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value (2)	Rank	Percentage of Total City Taxable Assessed Value
Prominence Willmark Communities	\$ 97,373,070	1	0.76 %	\$ 85,749,385	3	0.97 %
Camden USA, Inc.	94,692,538	2	0.74	84,075,575	4	0.95
Hunter Industries, Inc.	93,580,103	3	0.73	98,009,592	2	1.11
Urban Villages, San Marcos LLC	76,875,935	4	0.60	55,893,799	5	0.63
Ralphs Grocery Company	76,514,608	5	0.60	38,015,557	7	0.43
Grand Plaza LLC	64,231,208	6	0.50			
MG Marc Apartments LLC	54,171,280	7	0.42			
Davia East Development LLC	53,469,970	8	0.42			
Integral Project Owner II LLC	53,283,117	9	0.42			
Block C LLC	47,961,822	10	0.37			
World Premier Investments				122,346,160	1	1.38
San Elijo Development Company				51,081,909	6	0.58
Ventas Realty LP				34,119,406	8	0.39
Woodland Parkway Development LLC				32,509,187	9	0.37
Lo Land Assets Limited Partnership				30,000,000	10	0.34
Total	<u>\$ 712,153,651</u>		<u>5.50 %</u>	<u>\$ 631,800,570</u>		<u>7.13 %</u>

Notes:

(1) Data has been re-calculated using methods utilized by Muniservices.
 (2) Assessed values represented are net of all other exemptions.

Sources: San Diego County Auditor and Controller Office
 HDL, Inc.

City of San Marcos

Property Tax Levies and Collections Last Ten Fiscal Years (1)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2010	\$ 5,575,114	\$ 5,363,998	96.21 %	\$ 95,441	\$ 5,459,439	97.93 %
2011	5,604,503	5,413,368	96.59	59,963	5,473,331	97.66
2012	3,048,134	5,479,552	179.77	49,827	5,529,379	181.40
2013	3,107,586	5,735,557	184.57	35,017	5,770,574	185.69
2014	3,258,078	6,071,920	186.37	31,420	6,103,340	187.33
2015	3,469,748	6,342,713	182.80	31,287	6,342,713	182.80
2016	3,654,833	6,704,823	183.45	27,530	6,704,823	183.45
2017	3,863,389	3,762,959	97.40	27,940	3,762,959	97.40
2018	4,050,707	3,957,845	97.71	23,985	3,957,845	97.71
2019	7,584,842	7,402,491	97.60	N/A	7,402,491	97.60

Notes:

(1) The amounts presented include the City and Fire District property taxes.

Source: San Diego County Auditor and Controller Office

City of San Marcos

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)							Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable (3)	Total Primary Government			
2010	\$ -	\$ 5,812,001	\$ 943,274	\$ -	\$ -	\$ 6,755,275	0.18 %	\$ 82	
2011	-	5,599,334	2,646,245	-	-	8,245,579	0.21	98	
2012	-	5,376,667	743,880	-	-	6,120,547	0.15	72	
2013	-	5,144,000	635,884	602,188	-	6,382,072	0.15	75	
2014	-	4,901,333	521,949	413,919	530,676	6,367,876	0.15	73	
2015	-	4,653,666	401,747	411,883	469,865	5,937,160	0.13	66	
2016	-	4,390,999	274,934	633,034	1,432,155	6,731,122	0.14	73	
2017	-	4,118,332	141,146	2,250,022	1,271,983	7,781,483	0.16	83	
2018 (2)	-	-	-	1,731,711	4,643,642	6,375,353	0.12	67	
2019	-	-	-	1,334,885	4,158,664	5,493,549	0.09	57	

Note:

(1) General bonded debt is debt payable with governmental fund resources. Details regarding

the City's outstanding debt can be found in the notes to basic financial statements.

(2) Revenue Bonds refunded as of 11/29/17

(3) Beginning 2018 includes Safety Center Private Placement Financing

City of San Marcos

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds (1)	Total	Percent of Assessed Value (2)	Per Capita
2010	\$ -	\$ 5,812,001	\$ 5,812,001	0.066	\$ 69
2011	-	5,599,334	5,599,334	0.064	66
2012	-	5,376,667	5,376,667	0.061	63
2013	-	5,144,000	5,144,000	0.058	59
2014	-	4,901,333	4,901,333	0.053	54
2015	-	4,653,666	4,653,666	0.047	51
2016	-	4,390,999	4,390,999	0.041	47
2017	-	4,118,332	4,118,332	0.037	44
2018 (3)	-	-	-	0.000	-
2019	-	-	-	0.000	-

Notes:

- (1) The revenue bonds are secured by lease payments to be made by the City and the County of San Diego.
- (2) Assessed value has been used because actual value of taxable property is not readily available in the State of California.
- (3) Revenue Bonds refunded as of 11/29/17

Source: City of San Marcos, Finance Department

City of San Marcos

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Total assessed valuation	\$ 9,292,290,923	\$ 9,173,749,055	\$ 9,250,699,841	\$ 9,300,557,724
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,323,072,731	2,293,437,264	2,312,674,960	2,325,139,431
Debt limit percentage	15%	15%	15%	15%
Debt limit	348,460,910	344,015,590	346,901,244	348,770,915
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 348,460,910</u>	<u>\$ 344,015,590</u>	<u>\$ 346,901,244</u>	<u>\$ 348,770,915</u>
Total debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	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.

Source: City of San Marcos, Finance Department

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 9,676,874,262	\$ 10,520,993,240	\$ 11,140,456,884	\$ 11,744,932,234	\$ 12,494,456,100	\$ 13,361,593,962
25%	25%	25%	25%	25%	25%
2,419,218,566	2,630,248,310	2,785,114,221	2,936,233,059	3,123,614,025	3,340,398,491
15%	15%	15%	15%	15%	15%
362,882,785	394,537,247	417,767,133	440,434,959	468,542,104	501,059,774
-	-	-	-	-	-
<u>\$ 362,882,785</u>	<u>\$ 394,537,247</u>	<u>\$ 417,767,133</u>	<u>\$ 440,434,959</u>	<u>\$ 468,542,104</u>	<u>\$ 501,059,774</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Revenue Bonds (1)					Coverage
	Debt Service (2)					
	Revenue	Principal	Interest			
2010	\$ 472,728	\$ 210,000	\$ 262,728			1.00
2011	469,490	215,000	254,490			1.00
2012	470,690	225,000	245,690			1.00
2013	471,490	235,000	236,490			1.00
2014	471,890	245,000	226,890			1.00
2015	466,990	250,000	216,990			1.00
2016	471,524	265,000	206,524			1.00
2017	470,353	275,000	195,353			1.00
2018 (3)	-	-	-			1.00
2019	-	-	-			1.00

Notes:

- (1) Revenue bonds are secured by lease payments to be made by the City and the County of San Diego.
- (2) Debt service shown is annual debt service.
- (3) Revenue Bonds refunded as of 11/29/17

Source: City of San Marcos, Finance Department

City of San Marcos

Direct and Overlapping Debt As of June 30, 2019

2018-19 Assessed Valuation: (1)	\$12,837,327.829		
	Percentage Applicable (2)	Outstanding Debt June 30, 2019 (3)	Estimated Share of Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	0.438%	\$ 48,050,000	\$ 210,459
Palomar Community College District	10.474%	618,718,625	64,804,589
San Marcos Unified School District	62.267%	274,121,554	170,687,268
San Marcos Unified School District School Facilities Improvement District No. 1	60.700%	1,380,653	838,056
San Marcos Unified School District Community Facilities District No. 3	100.000%	820,000	820,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	15,800,000	10,207,906
San Marcos Unified School District Community Facilities District No. 7	100.000%	7,040,000	7,040,000
Other School Districts	Various	816,711,998	370,189
Palomar Pomerado Hospital	11.604%	431,124,259	50,027,659
City of San Marcos	100.000%	-	-
City of San Marcos Community Facilities District No. 88-1	100.000%	10,597,253	10,597,253
City of San Marcos Community Facilities District No. 91-01	100.000%	516,348	516,348
City of San Marcos Community Facilities District No. 99-01	100.000%	53,909,504	53,909,504
City of San Marcos Community Facilities District No. 2002-1	100.000%	11,385,000	11,385,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			381,414,231
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	2.440%	\$ 255,365,000	6,230,906
San Diego County Pension Obligation Bonds	2.440%	508,765,000	12,413,866
San Diego County Superintendent of Schools Obligations	2.440%	10,085,000	246,074
Palomar Community College District General Fund Obligations	10.474%	2,140,000	224,144
San Marcos Unified School District General Fund Obligations	62.267%	77,140,785	48,033,253
Other School District Certificates of Participation	Various	92,205,000	115,608
City of San Marcos General Fund Obligations	100.000%	5,493,549	(4) 5,493,549
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			72,757,400
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	\$ 281,685,000	281,685,000
TOTAL DIRECT DEBT			5,493,549
TOTAL OVERLAPPING DEBT			730,363,082
COMBINED TOTAL DEBT (3) (4)			\$ 735,856,631
Direct Debt			0.00%
Total Direct and Overlapping Tax and Assessment Debt			2.97%
Combined Direct Debt (\$6,332,574)			0.04%
Combined Total Debt			5.73%
Ratios to Redevelopment Incremental Valuation (\$7,900,513.484):			
Total Overlapping Tax Increment Debt			3.29%
Notes:			
(1) Total gross assessed valuation less all other exemptions except homeowners.			
(2) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.			
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.			
(4) Includes non-bonded capital lease obligations of the City.			

Source: California Municipal Statistics, Inc.
City of San Marcos, Finance Department

City of San Marcos

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate
2010	33.10	83,781	1.09	\$ 3,865,692,500	\$ 46,075	10.53 %
2011	33.10	84,586	0.96	3,958,624,800	48,260	10.00
2012	33.07	85,159	0.68	4,234,020,321	48,990	8.90
2013	33.07	87,165	2.36	4,265,680,770	48,938	7.50
2014	33.07	89,946	3.19	4,626,732,294	51,439	5.00
2015	33.07	92,076	2.37	4,968,697,188	53,963	4.00
2016	33.07	93,242	1.27	5,251,575,924	56,322	3.66
2017	33.07	95,768 (2)	1.09	5,563,833,496	58,097	3.41
2018	33.07	96,335	1.60	6,202,625,310	64,386	3.30
2019	33.07	98,369	2.11	(3)	(3)	2.80

Notes:

- (1) Data presented is for San Diego/Carlsbad/San Marcos economic area. Prior year data has been updated.
- (2) Fiscal Year 2017 Population was revised by the State Department of Finance.
- (3) Personal income and per capita personal income data for 2019 are unavailable.

Sources: Population information provided by the State Department of Finance.
Personal income data provided by the U.S. Department of Commerce.

City of San Marcos

Principal Employers **Current Year and Nine Years Ago**

Employer (1)	2019			2010		
	Number of Employees	Rank	Percent of Total Employment (2)	Number of Employees	Rank	Percent of Total Employment (2)
Palomar Community College	2,485	1	6.10%			
San Marcos Unified School District	2,464	2	6.05%			
California State University San Marcos	1,883	3	4.62%			
Hunter Industries, Inc.	806	4	1.98%	824	1	1.61%
United Parcel Service, Inc.	551	5	1.35%	448	2	
Southern California Permanente Medical Group	445	6	1.09%	240	9	0.86%
Costco Wholesale	363	7	0.89%	256	8	0.92%
North County Health Services	250	8	0.61%			
Lusardi Construction Co.	250	9	0.61%	300	5	1.08%
Wal-Mart Stores, Inc.	243	10	0.60%	315	3	1.13%
Fluid Components International, LLC	230		0.56%	184	16	0.66%
Oncore Manufacturing Services, LLC	212		0.52%	280	6	1.01%
Village Square Healthcare Center	208		0.51%			
Hollandia Dairy, Inc.	206		0.51%	190	14	0.68%
Welk Resort Group, Inc.	200		0.49%			
 Total	 <u>10,796</u>		 <u>26.49%</u>	 <u>3,037</u>		 <u>7.95%</u>

Notes:

(1) Prior to 2016, Schools and the City were not included.

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

Sources: City of San Marcos, Business License Directory
City of San Marcos, Economic Development Department

City of San Marcos

Full-time and Part-time Employees by Function Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government	60	59	55	58	57	61	56	52	43	67
Community development	44	39	38	39	42	34	26	29	33	40
Public safety (1)	101	97	92	95	97	90	105	108	104	129
Highways, streets and parks	71	76	77	76	76	77	84	88	92	97
Culture and recreation	120	128	126	128	120	149	181	177	158	200
Total	<u>396</u>	<u>399</u>	<u>388</u>	<u>396</u>	<u>392</u>	<u>411</u>	<u>452</u>	<u>454</u>	<u>430</u>	<u>533</u>

Note:

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

Source: City of San Marcos, Finance Department

City of San Marcos

Operating Indicators by Function (1) Last Ten Years

Function/Program	Fiscal Year				
	2010	2011	2012	2013	2014
General Government:					
Number of business licenses issued	5,320	5,330	5,455	5,519	5,623
Number of requests for public information	211	202	270	253	238
Number of new hires including part-time	98	93	86	85	90
Number of invoices processed	19,296	13,020	11,810	12,354	13,464
Public Safety:					
Police:					
Contracts with the San Diego County Sheriff's Department for full service law enforcement					
Fire:					
Number of emergency calls	7,184	6,928	7,382	7,287	7,675
Number of fire inspections	2,211	2,101	2,367	3,214	2,953
Highways and Streets:					
Number of street lights added in current year	14	36	24	6	19
Number of traffic signals added in current year	3	3	1	-	1
Miles of streets swept	14,976	14,976	14,976	15,165	15,175
Miles of centerline streets added	-	-	-	5	-
Storm drain structures cleaned and repaired (2)	389	474	580	568	597
Culture and Recreation:					
Number of facility rentals	857	757	761	768	799
Number of swim program participants	30,110	34,494	40,820	46,211	52,577
Number of adult sports participants	31,772	35,105	38,897	41,660	46,313
Number of youth sports participants	17,610	18,105	13,714	20,946	22,946
Number of senior nutrition program meals served	13,126	13,295	14,031	13,455	12,775
Community Development:					
Number of building permits issued	454	618	866	1,248	1,700
Approximate number of building inspections conducted	24,819	24,888	28,466	15,247	15,713
Number of new business licenses issued	1,261	1,328	1,273	1,316	1,342

Note:

(1) Water and sewage treatment services are provided primarily by the Vallecitos Water District.

(2) The significant increase in FY2018 was due to equipment acquisition which increased cleaning capabilities.

Source: Various City of San Marcos Departments

Fiscal Year				
2015	2016	2017	2018	2019
5,593	5,762	5,916	5,898	6,086
276	355	346	353	379
123	182	150	144	165
13,342	12,813	12,287	12,123	12,123
8,889	10,719	11,258	11,458	11,275
2,894	2,419	2,431	3,168	2,748
-	5	30	15	6
1	3	1	-	4
12,090	12,090	12,090	12,157	12,157
-	-	-	-	-
596	602	719	1,109	282
802	862	925	931	1,052
57,009	40,711	38,105	33,955	21,338
47,094	50,814	55,809	59,361	64,025
23,014	26,415	27,013	32,092	33,603
13,039	10,813	10,997	12,024	11,450
1,877	2,390	2,198	2,326	2,337
10,922	12,150	10,641	16,829	11,999
1,462	1,519	1,407	1,346	1,385

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety:					
Police (1)					
Fire					
Number of fire stations	4	4	4	4	4
Number of emergency vehicles	40	31	32	36	38
Highways and Streets:					
Miles of streets (2)	236	241	194	199	197
Number of street lights	2,659	2,695	2,691	2,702	2,708
Culture and Recreation:					
Parks (3)	32	33	34	34	35
Acres of park and trail land (3)	377	379	380	380	384
Pools	2	2	2	2	2

Notes:

- (1) The City contracts with the San Diego County Sheriff's Department for full service law enforcement.
- (2) An audit of the City's street inventory was conducted during FY2012 and it was determined that private streets were being included in the total miles of streets. Private street have now been removed from the total.
- (3) An audit of the City's parks and trails was conducted in FY2018 and it was determined that acres of park land reported in the prior years included trail land. Also, the number of parks has been revised to included parks owned by the City and developers, which the City maintains and has the right to use. The numbers are revised starting in FY2017.

Sources: Various City Departments.

Fiscal Year				
2015	2016	2017	2018	2019
4	4	4	4	4
41	44	47	47	50
197	197	197	198	204
2,708	2,713	2,743	2,758	2,760
35	35	36	36	36
384	384	333	333	333
2	2	2	2	2