



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021





ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

Prepared by the Finance Department

City Manager: Jack Griffin
Finance Director: Lisa Fowler



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 and diverse in cultural and natural resources while promoting economic and educational opportunities.

SAN MARCOS
DISCOVER LIFE'S POSSIBILITIES

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Transmittal Letter.....

December 23, 2021

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) fiscal year 2020-21 Annual Comprehensive Financial Report (ACFR). 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 ACFR 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.



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 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 96,302 as reported by the Department of Finance. The City’s population has grown an average of 1.3% a year since 2012. The City continues to have the largest amount of available residential land in North County with a median household income of \$78,797, 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 Operations 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 excellence. 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. Prior to the COVID-19 global pandemic, the City was the home of approximately 46,259 jobs, over 4,330 businesses with an unemployment rate below 3%. In March 2020, many employers were forced to shut down to mitigate the spread of the virus and by May 2020 the unemployment rate increased to almost 30% at its peak. While staffing and supply chain issues continue to affect local business, the unemployment rate has continued to drop reaching approximately 6% in July 2021. According to EMSI, annual employment in San Marcos was 43,288 in 2020 and projected to remain flat in 2021 and 2022.

Real Estate Market:

Real estate values in the City have seen an average annual appreciation of 26.2% since 2000 with median home prices reported at \$927,250 in 2021, well above the County median of \$749,750. The City continues to have potential for new development in the future and continues to see a steady stream of housing stock construction at a stable rate compared to other cities throughout the region.

Local Trends:

The City continues to create interest in infill development opportunities with new commercial, residential and mixed-use development projects to produce additional revenue streams. However, the COVID-19 global pandemic has significantly affected many of the retailers, manufacturers and food service providers that call San Marcos home. The City continues to support businesses through the COVID-19 global pandemic as they navigate operations under State and County orders. In response to social distancing requirements, the City has temporarily changed the rules regarding outdoor uses and



is now allowing restaurants, retail and other activities in parking lots, as well as sidewalk patios, as allowed by State and County health orders.

Property tax revenue remains stable and unaffected by current conditions. The San Diego County Assessor's Office has estimated a preliminary property assessment roll value reflecting a 4.9% increase to the City's 2020-21 assessed value.

Sales tax revenue decreased, by approximately 10%, in 2021 compared to 2020 receipts. There is an optimistic expectation that 2021 sales tax revenue will not decrease further and may produce a minimal increase compared to 2020.

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 2021-22 through FY 2025-26 CIP budget appropriation was \$6.7 million. The majority of the total CIP budget is 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 City Vehicles and Equipment funds to plan for the rehabilitation and replacement of City infrastructure. Due to the economic conditions imposed by the COVID-19 global pandemic, an appropriation for use in the FY 2021-22 Operating and CIP Budget has not been budgeted.

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 not sufficient to cover budgeted expenditures at this time. The City Council adopted FY 2021-22 Operating budget with expenditures of approximately \$80.3 million, an increase of \$4.7 million from the prior year adopted budget. The decrease in revenues are attributed to the economic turbulence following the COVID-19 global pandemic. As a result, the recommended FY 2021-22 operating budget was adopted with the assumption that by fiscal year end, a projected deficit of \$2.56 million dollars may need to be resolved through the use of reserve funds. However, the Federal American Rescue Plan Act provides for “Revenue Replacement Funding” which will offset some of the long-term revenue loss the City faced as a result of the pandemic.

Current economic indicators and revenue forecasts reflect a slightly positive outlook over the next five years compared to prior year. Still, the City is expected to experience increases in general fund expenditure in those same years that may outpace the revenue increases, in spite of efforts to diligently reduce expenses. The City continues to proactively take steps to mitigate increased costs by increasing employee contributions to the CalPERS retirement plan & capping the City’s share of employee healthcare expenses. Even with these adjustments, it continues to be necessary for the City and its collective bargaining groups, through negotiations, to work collaboratively toward solutions to help relieve the City’s growing pension burden in the coming years.

As the global and local economies emerge from the pandemic, we may continue to see unanticipated and unknown long term effects on future supply chains, expenditures and revenues. However, the mild but continued increase in sales tax, rental and charges for services is forecasted to alleviate the challenges we faced in prior years.

The City is committed 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 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. Should the projected deficit require the use of reserve funds, the City Council will review the allocation and any changes to the minimum reserve requirement prior to any action taken.



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, especially in unprecedented times.

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:

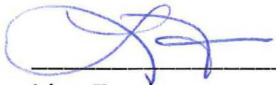
- The City received an award from the Government Finance Officers Association (GFOA) for "excellence in financial reporting" for the FY 2019-20 ACFR.
- The City of San Marcos Fire Department earned a Class 1 Insurance Services Office (ISO) rating, which represents superior property fire protection.
- The City of San Marcos Fire Department was recognized by Palomar Health for our partnership and leadership during Operation Collaboration
- The City was selected as an International Economic Development Council Excellence (IEDC) in Economic Development Silver Award recipient for the "North City: A new downtown for San Marcos" Public-Private Partnership efforts.

Acknowledgments:

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

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,

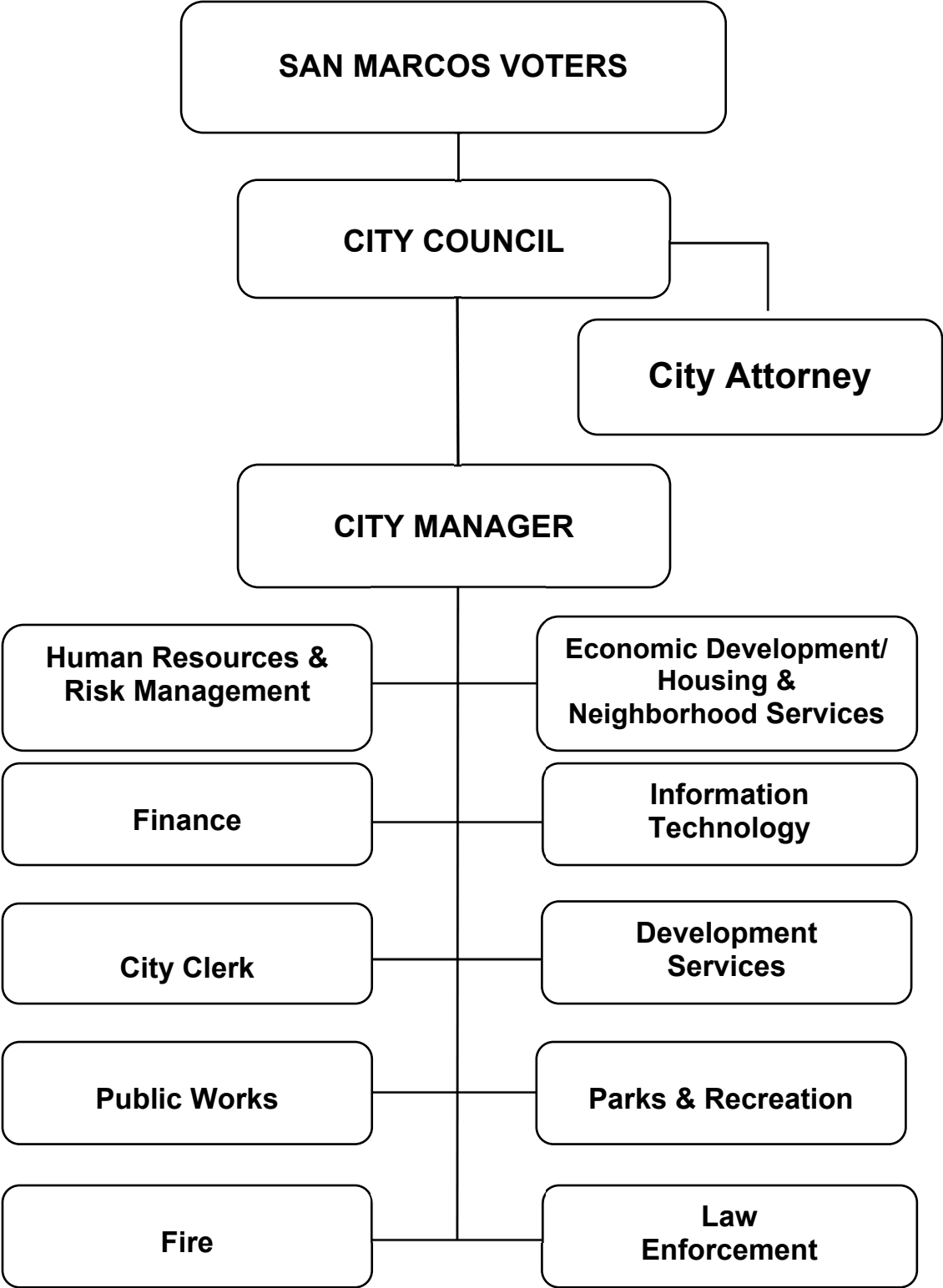


Lisa Fowler
Finance Director



Jack Griffin
City Manager

City of San Marcos
Organizational Chart
June 30, 2021



City of San Marcos

List of Principal Officials

June 30, 2021

City Council

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Rebecca Jones
Sharon Jenkins
Ed Musgrove
Maria Nunez
Randy Walton

Administration

City Manager/Treasurer
Deputy City Manager
City Attorney
City Clerk

Jack Griffin
Michelle Bender
Helen Holmes Peak
Phillip Scollick

Department/Division Heads

Development Services Director
Economic Development Director
Finance Director
Fire Chief
Human Resources, Risk & IT Director
Parks and Recreation Director
Public Works Director
Sheriff Station Captain

Dahvia Lynch
Tess Sangster
Lisa Fowler
Daniel Barron
Michelle Bender
Buck Martin
Darren Chamow
Jason Vickery



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Marcos
California**

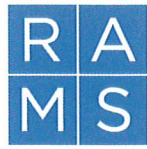
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO

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

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Independent Auditor's Report

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MANAGERS / STAFF

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MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the City's internal control over financial reporting and compliance.

Rogers, Anderson, Malachy & Scott, LLP.

San Bernardino, California
December 23, 2021

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City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

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, 2021. 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 \$1,018,105,328 (net position). Of this amount, \$133,082,548 represents unrestricted net position, which represents the majority of investments in real estate and joint venture.
- The City's total net position increased \$16,220,674 from the prior fiscal year mainly attributable to regular current year operating activities along with an increase in capital contributions and grants related to federal COVID relief.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$215,194,096, an increase of \$2,339,704 in comparison with the prior year. Approximately 13.3% of this amount or \$28,684,032 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 \$51,933,708, or approximately 62.78% of total General Fund expenditures.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

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, 2021

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 governments near-term financing requirements.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

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 enterprise funds to account for the activity of Creekside Marketplace, a City-owned shopping center and other non-municipal use leased space.

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 these business-type activities, 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, 2021

The City maintains two different types of fiduciary funds. The Custodial Funds account for funds 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 30-92 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 93-101 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 105-130 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 \$1,018,105,328, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 433,617,956	\$ 413,168,117	\$ 97,507,901	\$ 97,806,045	\$ 531,125,857	\$ 510,974,162
Capital assets, net	596,561,459	586,689,259	-	-	596,561,459	586,689,259
Total assets	1,030,179,415	999,857,376	97,507,901	97,806,045	1,127,687,316	1,097,663,421
Deferred outflows of resources	17,241,101	13,255,642	-	-	17,241,101	13,255,642
Non-current liabilities	90,151,448	83,148,149	-	-	90,151,448	83,148,149
Other liabilities	33,747,859	21,228,205	360,088	904,390	34,107,947	22,132,595
Total Liabilities	123,899,307	104,376,354	360,088	904,390	124,259,395	105,280,744
Deferred inflows of resources	2,563,694	3,753,665	-	-	2,563,694	3,753,665
Net position						
Net investment in capital assets	591,038,322	580,646,055	-	-	591,038,322	580,646,055
Restricted	293,984,458	282,346,575	-	-	293,984,458	282,346,575
Unrestricted	35,934,735	41,990,369	97,147,813	96,901,655	133,082,548	138,892,024
Total net position	\$ 920,957,515	\$ 904,982,999	\$ 97,147,813	\$ 96,901,655	\$ 1,018,105,328	\$ 1,001,884,654

By far, the largest portion of the City's net position (58.1%) 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 (28.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$133,082,548 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 increased \$16,220,674 from the prior fiscal year. The reasons for this overall increase 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, 2021

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$15,974,516 from the prior fiscal year for an ending balance of \$920,957,515. The increase in the overall net position of governmental activities is the result of regular current year operating activities along with an increase in capital contributions and grants related to federal COVID relief.

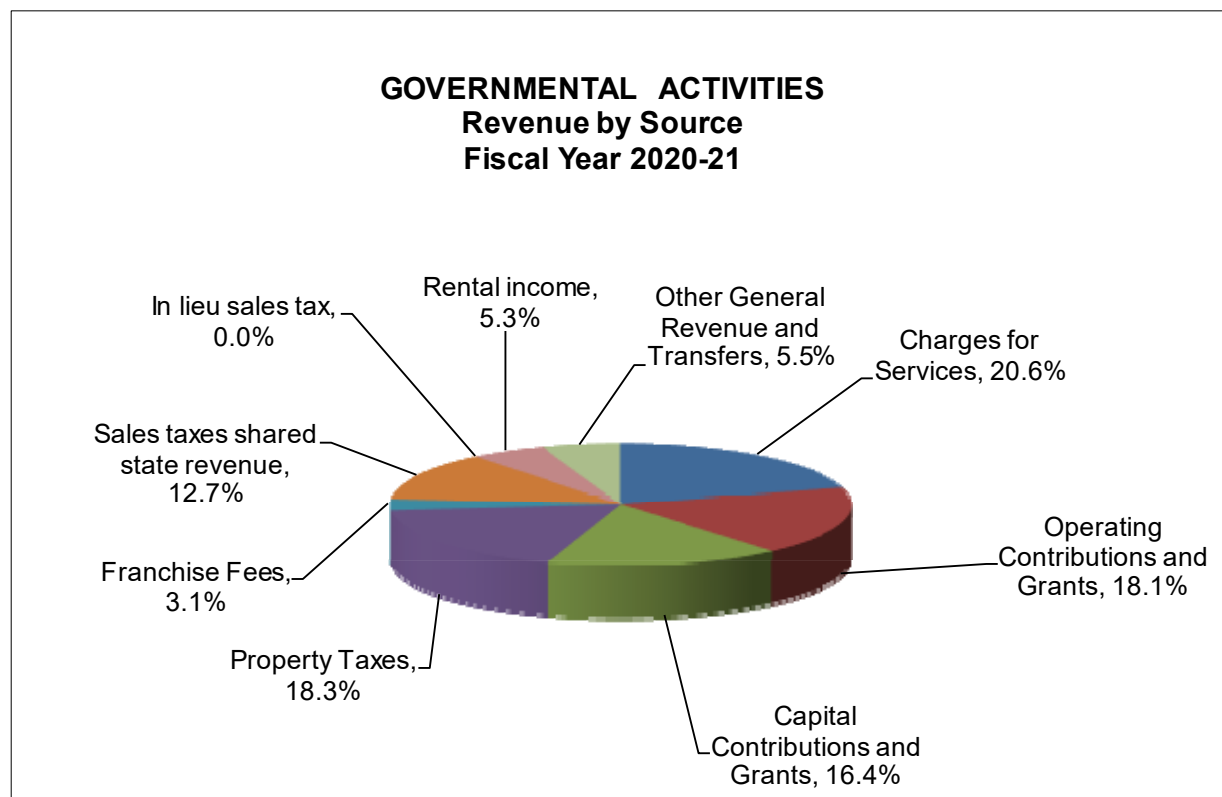
City of San Marcos' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 28,018,162	\$ 26,115,996	\$ 4,617,947	\$ 4,808,776	\$ 32,636,109	\$ 30,924,772
Operating contributions and grants	24,626,457	23,979,367	-	-	24,626,457	23,979,367
Capital contributions and grants	22,305,574	7,053,470	-	-	22,305,574	7,053,470
General revenues:						
Property taxes	24,980,971	24,982,707	-	-	24,980,971	24,982,707
Transient occupancy taxes	871,393	1,068,175	-	-	871,393	1,068,175
Business license tax	230,340	226,950	-	-	230,340	226,950
Motor vehicle license	72,985	79,818	-	-	72,985	79,818
Franchise fees	4,220,898	4,282,862	-	-	4,220,898	4,282,862
Rental income	7,290,221	5,140,403	-	-	7,290,221	5,140,403
Sales taxes shared state revenue, unrestricted	17,308,573	19,295,396	-	-	17,308,573	19,295,396
In lieu sales tax, unrestricted	-	11,603	-	-	-	11,603
Investment income, restricted	109,624	4,845,812	-	-	109,624	4,845,812
Investment income, unrestricted	1,921,787	5,457,297	2,483	1,636,309	1,924,270	7,093,606
Gain (loss) on disposal of capital assets	(74,079)	(7,493,398)	-	-	(74,079)	(7,493,398)
Miscellaneous	1,026,771	880,218	-	1,802	1,026,771	882,020
Total Revenues	132,909,677	115,926,676	4,620,430	6,446,887	137,530,107	122,373,563
Expenses						
General government	24,133,604	26,620,938	-	-	24,133,604	26,620,938
Community development	13,174,383	10,633,598	-	-	13,174,383	10,633,598
Public safety	45,837,054	42,461,674	-	-	45,837,054	42,461,674
Highways, streets and parks	33,373,256	32,330,771	-	-	33,373,256	32,330,771
Culture and recreation	3,557,335	3,980,068	-	-	3,557,335	3,980,068
Interest on long-term debt	259,529	227,552	-	-	259,529	227,552
Creekside Marketplace	-	-	974,272	1,339,226	974,272	1,339,226
Total Expenses	120,335,161	116,254,601	974,272	1,339,226	121,309,433	117,593,827
Increase in Net Position Before Transfers	12,574,516	(327,925)	3,646,158	5,107,661	16,220,674	4,779,736
Transfers	3,400,000	3,500,000	(3,400,000)	(3,500,000)	-	-
Change in Net Position	15,974,516	3,172,075	246,158	1,607,661	16,220,674	4,779,736
Net Position, Beginning, as Restated	904,982,999	901,810,924	96,901,655	95,293,994	1,001,884,654	997,104,918
Net Position, Ending	\$ 920,957,515	\$ 904,982,999	\$ 97,147,813	\$ 96,901,655	\$ 1,018,105,328	\$ 1,001,884,654

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

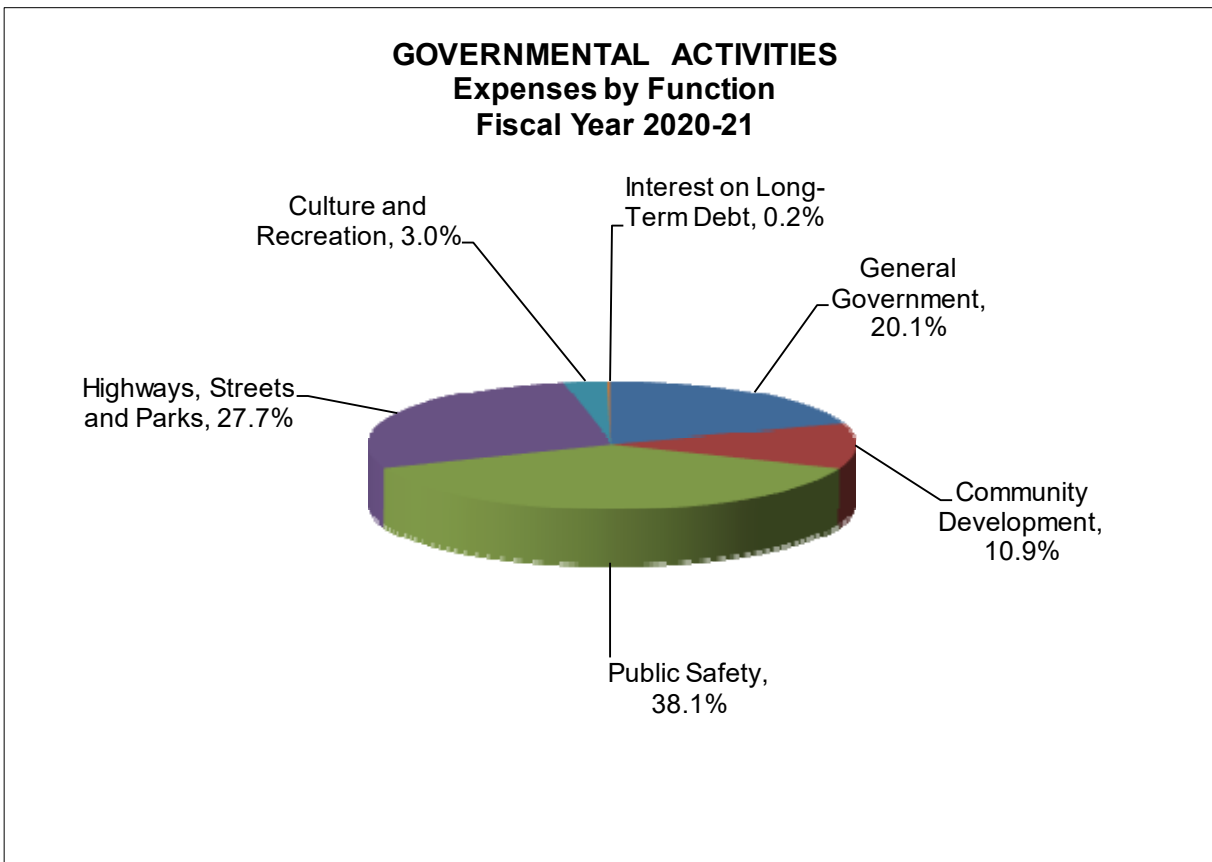
Revenue Source	2021	Percent of Total	Increase (Decrease) From 2020	Percent Increase (Decrease)
Charges for services	\$ 28,018,162	20.6%	\$ 1,902,166	6.8%
Operating contributions and grants	24,626,457	18.1%	647,090	2.6%
Capital contributions and grants	22,305,574	16.4%	15,252,104	68.4%
Property taxes	24,980,971	18.3%	(1,736)	0.0%
Franchise fees	4,220,898	3.1%	(61,964)	-1.5%
Sales taxes shared state revenue	17,308,573	12.7%	(1,986,823)	-11.5%
In lieu sales tax	-	0.0%	(11,603)	100.0%
Rental income	7,290,221	5.3%	2,149,818	29.5%
Other general revenue and transfers	7,558,821	5.5%	(1,006,051)	-13.3%
Total revenue	<u>\$ 136,309,677</u>	<u>100.0%</u>	<u>\$ 16,883,001</u>	<u>12.4%</u>



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

Function	2021	Percent of Total	Increase (Decrease) From 2020	Percent Increase (Decrease)
General government	\$ 24,133,604	20.1%	\$ (2,487,334)	-10.3%
Community development	13,174,383	10.9%	2,540,785	19.3%
Public safety	45,837,054	38.1%	3,375,380	7.4%
Highways, streets and parks	33,373,256	27.7%	1,042,485	3.1%
Culture and recreation	3,557,335	3.0%	(422,733)	-11.9%
Interest on long-term debt	259,529	0.2%	31,977	12.3%
Total expenses	<u>\$ 120,335,161</u>	<u>100.0%</u>	<u>\$ 4,080,560</u>	<u>3.4%</u>



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 \$97,147,813. 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 \$246,158 or 0.3% from the prior fiscal year. This is mostly due to decrease in Creekside Marketplace expenses.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

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, 2021, the City's governmental funds reported combined fund balances of \$215,194,096, an increase of \$2,339,704 in comparison to the prior year. Approximately 13.3% or \$28,684,032 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 (\$61,913,706), 2) restricted for particular purposes (\$112,731,728), or 3) assigned for particular purposes (\$11,864,630).

Intergovernmental revenues for the year increased 68.1% primarily due to increase in COVID relief related grants in the amount of \$10,339,825.

Rental income increased \$2,149,818 or 29.5% primarily due to increase in number of tenants.

Capital outlay expenditures increased by \$14,308,079 or 84.5% mostly due to beginning construction of the San Marcos Creek Specific Plan project.

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 \$40,069,078, while the total fund balance increased by \$9,339,752 or 8.7% to \$116,736,764. 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 48.4% of total General Fund expenditures, while total fund balance represents approximately 141.1% 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 \$40,945,345. To assist with the construction of affordable housing projects, \$5,314,275 was loaned to housing developers during the fiscal year. Overall, developer loan activity was up from the prior year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

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 deficit fund balance of (\$11,103,204).

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund, as presented in the ACFR 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 the original budgeted appropriations were authorized by the City Council and 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. Due to the COVID-19 global pandemic, the City's major revenue sources were negatively impacted and the City Council adopted the FY 2020-21 budget at a deficit. To address the deficit, the operating expenditure budget was decreased by \$1,628,931 and one-time General Fund revenues was used to reduce the budget deficit to \$252,285 for FY 2020-21 inclusive of the General Fund and the Rehabilitation and Replacement Funds. At the time of approval of the mid-year budget adjustments there was no indication of any significant improvements to the revenue crisis imposed by COVID-19.

While the FY2020-21 General Fund Budget was revised and balanced without the use of General Fund reserves, any additional one-time revenue or operating surplus were not available to appropriate per the City's Fiscal Management Policy.

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, 2021, amounts to \$596,561,459 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was \$9,872,200 or approximately 1.7% due to an increase in construction in progress offset by capital asset dispositions and depreciations.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and Improvements	\$ 304,872,384	\$ 307,006,019	\$ -	\$ -	\$ 304,872,384	\$ 307,006,019
Buildings	38,889,801	40,354,932	-	-	38,889,801	40,354,932
Furniture and Equipment	7,300,733	6,808,289	-	-	7,300,733	6,808,289
Infrastructure	177,696,225	188,143,043	-	-	177,696,225	188,143,043
Construction in progress	67,802,316	44,376,976	-	-	67,802,316	44,376,976
Total	\$ 596,561,459	\$ 586,689,259	\$ -	\$ -	\$ 596,561,459	\$ 586,689,259

The progress and completion of several capital asset & infrastructure improvements during the fiscal year including beginning construction of the San Marcos Creek Specific Plan project.

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 \$90,151,448. Of this amount, \$2,585,000 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
	2021	2020	
Compensated absences	\$ 4,921,505	\$ 4,874,760	\$ 46,745
Claims payable	1,457,862	1,686,697	(228,835)
Capital leases payable	2,376,171	2,413,785	(37,614)
Loans payable - Safety Center	2,585,000	2,905,000	(320,000)
Loans payable - CEC	608,753	777,055	(168,302)
Net pension liability	68,415,153	63,023,722	5,391,431
Net OPEB liability	9,787,004	7,467,130	2,319,874
Total	\$ 90,151,448	\$ 83,148,149	\$ 7,003,299

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2021

The City's total debt increased by \$7,003,299, or 8.4% during the current fiscal year. The increase was due to change in net pension liability offset by 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 was faced with financial difficulties, specifically the revenue crisis caused by the impacts of the global pandemic. At the creation and preparation of the FY 2021-22 budget the unemployment rate improved to 6.9% from an all-time high of 30% in May 2020 and the Consumer Price Index continued to rise by 4.1%. The projected deficit that impacted our FY 2020-21 budget continued to be a concern with the development of the FY 2021-22 General Fund operating budget as the nation continued to experience economic turbulence resulting from the pandemic. The approved budget for FY 2021-22 General Fund operating budget projects a 6% increase in spending and revenue projections over the prior year with projected revenue not sufficient to cover budgeted expenditures.

Our normally anticipated expenditure increases have become a more significant challenge as the economic impacts of the global pandemic, caused by COVID-19 continue. To mitigate the economic challenges created by COVID-19, the City continues to mitigate increased costs through increased employee contributions to CalPERS and capping the City's share of employee healthcare expenses. Still, the recommended FY 2021-22 operating budget was adopted at projected deficit of \$2.56 million dollars with the assumption that by fiscal year end, it may need to be resolved through the use of reserve funds. However, the Federal American Rescue Plan Act provides for "Revenue Replacement Funding" which will offset some of the long-term revenue loss the City faced as a result of the pandemic

As the global and local economies emerge from the pandemic, unanticipated and unknown long-term effects on future revenue forecasts remain. Although economic indicators forecast a slightly positive outlook in sales tax, rental and charges for services, the City is continuing to work toward solutions to relieve the City's growing pension burden.

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 2021-22 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, 2021

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	\$ 161,973,334	\$ 114,505	\$ 162,087,839	\$ -
Cash and investments with fiscal agents (note 2)	917,997	-	917,997	-
Pension trust cash and investments (note 2)	2,889,350	-	2,889,350	-
Investments in real estate (note 2)	53,425,000	95,610,000	149,035,000	-
Investment in joint venture (note 14)	7,225,974	-	7,225,974	-
Receivables:				
Taxes and special assessments	3,643,556	-	3,643,556	-
Accounts	2,911,013	415,169	3,326,182	-
Interest	201,555	1,164	202,719	-
Notes (note 3)	182,553,138	-	182,553,138	-
Other (note 4)	1,999,588	661,139	2,660,727	-
Due from other governments	7,058,969	-	7,058,969	-
Advances to Successor Agency (note 17)	7,254,663	-	7,254,663	-
Deposits	822,138	703,045	1,525,183	1,561,443
Prepays	-	2,879	2,879	-
Land held for resale	741,681	-	741,681	-
Capital assets, not depreciated (note 7)	372,674,700	-	372,674,700	-
Capital assets, net of depreciation (note 7)	223,886,759	-	223,886,759	-
Total Assets	1,030,179,415	97,507,901	1,127,687,316	1,561,443
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	14,952,782	-	14,952,782	-
Loss on defeasance of debt	46,787	-	46,787	-
OPEB related	2,241,532	-	2,241,532	-
Total Deferred Outflows of Resources	17,241,101	-	17,241,101	-
LIABILITIES				
Accounts payable	19,771,090	82,672	19,853,762	11,586
Accrued liabilities	2,122,630	-	2,122,630	-
Due to other governments	9,300	-	9,300	74,541
Unearned revenue (note 6)	3,013,393	206,187	3,219,580	-
Deposits payable	8,831,446	71,229	8,902,675	-
Noncurrent liabilities:				
Due within one year (note 8)	4,690,893	-	4,690,893	-
Due in more than one year (note 8)	7,258,398	-	7,258,398	-
Net pension liability, due in more than one year	68,415,153	-	68,415,153	-
Total OPEB liability, due in more than one year	9,787,004	-	9,787,004	-
Total Liabilities	123,899,307	360,088	124,259,395	86,127
DEFERRED INFLOWS OF RESOURCES				
Pension related	797,099	-	797,099	-
OPEB related	1,766,595	-	1,766,595	-
Total Deferred Inflows of Resources	2,563,694	-	2,563,694	-
NET POSITION (NOTE 10)				
Net investment in capital assets	591,038,322	-	591,038,322	-
Restricted for:				1,475,316
Affordable housing	222,040,542	-	222,040,542	-
Lighting and landscape	16,822,490	-	16,822,490	-
Public facilities	37,924,921	-	37,924,921	-
Other purposes	17,196,505	-	17,196,505	-
Unrestricted	35,934,735	97,147,813	133,082,548	-
Total Net Position	\$ 920,957,515	\$ 97,147,813	\$ 1,018,105,328	\$ 1,475,316

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

City of San Marcos

Statement of Activities For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 24,133,604	\$ 1,447,664	\$ 1,952,462	\$ 10,339,825
Community development	13,174,383	2,499,892	7,042,063	1,073,993
Public safety	45,837,054	13,464,941	315,351	5,225
Highways, streets, and parks	33,373,256	9,658,671	15,061,684	10,886,531
Culture and recreation	3,557,335	946,994	254,897	-
Interest on long-term debt	259,529	-	-	-
Total governmental activities	120,335,161	28,018,162	24,626,457	22,305,574
Business-type activities:				
Creekside Marketplace	974,272	4,617,947	-	-
Total Primary Government	<u>\$ 121,309,433</u>	<u>\$ 32,636,109</u>	<u>\$ 24,626,457</u>	<u>\$ 22,305,574</u>
Component Unit:				
Permanent Fund Community Foundation	\$ 84,837	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 84,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Permanent Fund
	Governmental Activities	Business-Type Activities	Total	Community Foundation
Governmental activities:				
General government	\$ (10,393,653)	\$ -	\$ (10,393,653)	\$ -
Community development	(2,558,435)	-	(2,558,435)	-
Public safety	(32,051,537)	-	(32,051,537)	-
Highways, streets, and parks	2,233,630	-	2,233,630	-
Culture and recreation	(2,355,444)	-	(2,355,444)	-
Interest on long-term debt	(259,529)	-	(259,529)	-
Total governmental activities	(45,384,968)	-	(45,384,968)	-
Business-type activities:				
Creskide Marketplace	-	3,643,675	3,643,675	-
Total Primary Government	(45,384,968)	3,643,675	(41,741,293)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(84,837)
Total Component Unit	-	-	-	(84,837)
General revenues:				
Taxes:				
Property taxes	24,980,971	-	24,980,971	-
Transient occupancy taxes	871,393	-	871,393	-
Business license tax	230,340	-	230,340	-
Motor vehicle license tax	72,985	-	72,985	-
Franchise fees	4,220,898	-	4,220,898	-
Rental income	7,290,221	-	7,290,221	-
Sales taxes shared state revenue, unrestricted	17,308,573	-	17,308,573	-
Investment income, restricted	109,624	-	109,624	340,748
Investment income, unrestricted	1,921,787	2,483	1,924,270	-
Loss on disposal and sale of capital assets	(74,079)	-	(74,079)	-
Miscellaneous income	1,026,771	-	1,026,771	-
Transfers (note 5)	3,400,000	(3,400,000)	-	-
Total general revenues and transfers	61,359,484	(3,397,517)	57,961,967	340,748
Change in Net Position	15,974,516	246,158	16,220,674	255,911
Net Position, Beginning, as restated	904,982,999	96,901,655	1,001,884,654	1,219,405
Net Position, Ending	\$ 920,957,515	\$ 97,147,813	\$ 1,018,105,328	\$ 1,475,316

City of San Marcos

Balance Sheet Governmental Funds June 30, 2021

	General	Special Revenue San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
ASSETS					
Cash and investments (note 2)	\$ 59,158,707	\$ 31,345,375	\$ 3,528,854	\$ 67,940,398	\$ 161,973,334
Cash and investments with fiscal agents (note 2)	-	-	-	917,997	917,997
Pension trust cash and investments (note 2)	2,889,350	-	-	-	2,889,350
Investments in real estate (note 2)	53,425,000	-	-	-	53,425,000
Investment in joint venture (note 14)	7,225,974	-	-	-	7,225,974
Receivables:					
Taxes and special assessments	3,615,508	-	-	28,048	3,643,556
Accounts	2,800,240	27,263	-	83,510	2,911,013
Interest	66,798	38,959	5,957	89,841	201,555
Notes, net (note 3)	9,569,563	170,742,271	-	2,241,304	182,553,138
Other, net (note 4)	1,879,072	-	-	120,516	1,999,588
Due from other governments	4,801,539	-	1,143,541	1,113,889	7,058,969
Advances to other funds (note 5)	-	1,843,576	-	-	1,843,576
Due from other funds (note 5)	267,661	427,500	-	-	695,161
Advances to Successor Agency (note 17)	-	7,254,663	-	-	7,254,663
Deposits	822,138	-	-	-	822,138
Land held for resale	440,594	301,087	-	-	741,681
Total Assets	\$ 146,962,144	\$ 211,980,694	\$ 4,678,352	\$ 72,535,503	\$ 436,156,693
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,592,552	\$ 216,837	\$ 12,890,670	\$ 1,071,031	\$ 19,771,090
Accrued liabilities	1,920,114	15,430	11,186	163,093	2,109,823
Due to other governments	-	-	-	9,300	9,300
Advances from other funds (note 5)	1,843,576	-	-	-	1,843,576
Due to other funds (note 5)	427,500	-	-	267,661	695,161
Unearned revenue (note 6)	761,920	-	2,251,473	-	3,013,393
Deposits payable	8,528,330	34,498	258,229	10,389	8,831,446
Total Liabilities	19,073,992	266,765	15,411,558	1,521,474	36,273,789
Deferred Inflows of Resources:					
Unavailable revenue (note 6)	11,151,388	170,768,584	369,998	2,398,838	184,688,808
Fund Balances (note 9)(deficit):					
Nonspendable:					
Land held for resale	440,594	-	-	-	440,594
Deposits	822,138	-	-	-	822,138
Investments in real estate (note 2)	53,425,000	-	-	-	53,425,000
Investment in joint venture (note 2)	7,225,974	-	-	-	7,225,974
Restricted:					
Affordable housing	-	40,945,345	-	-	40,945,345
Transportation	-	-	-	9,618,767	9,618,767
Lighting and landscape	-	-	-	16,803,292	16,803,292
Pension trust	2,889,350	-	-	-	2,889,350
Capital improvements	-	-	-	1,005,625	1,005,625
Public facilities	-	-	-	37,788,031	37,788,031
Other purposes	-	-	-	3,681,318	3,681,318
Assigned	11,864,630	-	-	-	11,864,630
Unassigned	40,069,078	-	(11,103,204)	(281,842)	28,684,032
Total Fund Balances	116,736,764	40,945,345	(11,103,204)	68,615,191	215,194,096
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 146,962,144	\$ 211,980,694	\$ 4,678,352	\$ 72,535,503	\$ 436,156,693

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, 2021

Fund balances of governmental funds		\$ 215,194,096
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		
Capital assets, not depreciated	\$ 372,674,700	
Capital assets, being depreciated	485,383,710	
Less: accumulated depreciation	<u>(261,496,951)</u>	596,561,459
Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position.		46,787
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.		(12,807)
Deferred inflows and outflows of resources related to pensions have not been reported in the governmental funds.		
Pension related deferred outflows of resources	14,952,782	
Pension related deferred inflows of resources	<u>(797,099)</u>	14,155,683
Deferred inflows and outflows of resources related to OPEB have not been reported in the governmental funds.		
OPEB related deferred outflows of resources	2,241,532	
OPEB related deferred inflows of resources	<u>(1,766,595)</u>	474,937
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(4,921,505)	
Claims payable	(1,457,862)	
Capital lease financing	(2,376,171)	
Loans payable	(3,193,753)	
Net pension liability	(68,415,153)	
Total OPEB liability	<u>(9,787,004)</u>	(90,151,448)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		<u>184,688,808</u>
Net position of governmental activities		<u><u>\$ 920,957,515</u></u>

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

City of San Marcos

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2021

	General	Special Revenue San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
REVENUES					
Taxes and special assessments	\$ 26,082,704	\$ -	\$ -	\$ 9,253,728	\$ 35,336,432
Licenses and permits	5,758,317	-	-	-	5,758,317
Intergovernmental	29,945,805	-	10,851,563	9,977,486	50,774,854
Charges for services	17,466,496	-	-	-	17,466,496
Developer fees	26,992	2,048,466	-	5,750,727	7,826,185
Fines and forfeitures	116,069	-	141,500	-	257,569
Investment and rental income	6,991,645	1,015,245	13,616	761,761	8,782,267
Miscellaneous	623,786	398,895	-	140,644	1,163,325
Total Revenues	87,011,814	3,462,606	11,006,679	25,884,346	127,365,445
EXPENDITURES					
Current:					
General government	21,890,560	325,182	-	-	22,215,742
Community development	5,120,026	7,589,446	-	614,068	13,323,540
Public safety	42,204,560	-	-	-	42,204,560
Highways, streets and parks	9,758,813	-	-	8,279,827	18,038,640
Culture and recreation	2,891,449	-	-	357,526	3,248,975
Capital outlay	4,866	-	30,998,915	66,309	31,070,090
Debt service:					
Principal	701,129	-	-	410,201	1,111,330
Interest and fiscal charges	154,028	-	-	71,822	225,850
Total Expenditures	82,725,431	7,914,628	30,998,915	9,799,753	131,438,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,286,383	(4,452,022)	(19,992,236)	16,084,593	(4,073,282)
OTHER FINANCING SOURCES (USES)					
Capital leases	585,414	-	-	-	585,414
Sale of general capital assets	2,427,572	-	-	-	2,427,572
Transfers in (note 5)	4,107,198	142,500	12,396,998	868,487	17,515,183
Transfers out (note 5)	(2,066,815)	-	-	(12,048,368)	(14,115,183)
Total Other Financing Sources (Uses)	5,053,369	142,500	12,396,998	(11,179,881)	6,412,986
Net Change in Fund Balances	9,339,752	(4,309,522)	(7,595,238)	4,904,712	2,339,704
Fund Balances, Beginning, as restated	107,397,012	45,254,867	(3,507,966)	63,710,479	212,854,392
Fund Balances, Ending	\$ 116,736,764	\$ 40,945,345	\$ (11,103,204)	\$ 68,615,191	\$ 215,194,096

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, 2021

Net change in fund balances - total governmental funds \$ 2,339,704

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	\$ 27,112,367	
Depreciation expense, net of deletions to capital assets	<u>(17,240,167)</u>	9,872,200

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		5,618,311
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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	1,111,330	
Capital leases	(585,414)	
Changes in pension related items	(2,167,768)	
Changes in OPEB related items	<u>(362,258)</u>	(2,004,110)

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	(46,745)	
Change in claims payable	228,835	
Change in accrued interest	(1,332)	
Amortization of prepaid insurance	(26,498)	
Amortization of deferred loss	<u>(5,849)</u>	148,411

Change in net position of governmental activities		<u>\$ 15,974,516</u>
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The accompanying notes are an integral part of these financial statements.

City of San Marcos

Statement of Net Position Proprietary Funds June 30, 2021

	<u>Enterprise Fund Creekside Marketplace</u>
ASSETS	
Current Assets:	
Cash and investments (note 2)	\$ 114,505
Investments in real estate (note 2)	95,610,000
Receivables:	
Accounts	415,169
Interest	1,164
Prepays	2,879
Deposits	<u>703,045</u>
Total Current Assets	<u>96,846,762</u>
Noncurrent Assets:	
Other receivable (note 4)	<u>661,139</u>
Total Noncurrent Assets	<u>661,139</u>
Total Assets	<u>97,507,901</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	82,672
Deposits payable	71,229
Unearned revenue	<u>206,187</u>
Total Liabilities	<u>360,088</u>
NET POSITION	
Unrestricted	<u>97,147,813</u>
Total Net Position	<u>\$ 97,147,813</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, 2021

	Enterprise Fund Creekside Marketplace
OPERATING REVENUES	
Rental income	\$ 4,035,031
Common area maintenance charges	582,916
Total Operating Revenues	4,617,947
OPERATING EXPENSES	
Property management	410,482
Janitorial	158,841
Repairs and maintenance	404,949
Total Operating Expenses	974,272
Operating Income	3,643,675
NON-OPERATING REVENUES	
Investment income	2,483
Total Non-Operating Revenues	2,483
Income Before Transfers	3,646,158
TRANSFERS	
Transfers out (note 5)	(3,400,000)
Total Transfers	(3,400,000)
Change in Net Position	246,158
Net Position, Beginning	96,901,655
Net Position, Ending	\$ 97,147,813

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

City of San Marcos

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2021

	<u>Enterprise Fund</u> <u>Creekside</u> <u>Marketplace</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,292,347
Payments to suppliers for goods and services	<u>(974,272)</u>
Net cash provided by operating activities	<u>3,318,075</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from settlement agreement	24,366
Transfer to general fund	<u>(3,400,000)</u>
Net cash (used for) noncapital financing activities	<u>(3,375,634)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>2,944</u>
Net increase (decrease) in cash and cash equivalents	(54,615)
Cash and cash equivalents, beginning	<u>169,120</u>
Cash and cash equivalents, ending	<u><u>\$ 114,505</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 3,643,675
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in operating receivables:	
Accounts receivable	(229,115)
Prepays	(2,879)
Deposit receivable	450,696
Increase (decrease) in operating liabilities:	
Accounts payable	(574,350)
Unearned revenue	<u>38,929</u>
Net cash provided by for operating activities	<u><u>\$ 3,318,075</u></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, 2021

	Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments (note 2)	\$ -	\$ 101
Receivables:		
Special assessments	-	21,931
Interest	-	20
Direct financing lease	1,722,205	-
Prepaid expenses	276,987	-
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	51,701,036	9,838,612
Total Assets	53,700,228	9,860,664
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt	9,258,426	-
LIABILITIES		
Accounts payable	9,531	161,372
Accrued liabilities	7,967	-
Accrued interest payable	2,354,004	-
Due to other governments	3,959,340	17,280
Noncurrent Liabilities:		
Due within one year	12,800,000	-
Due in more than one year	242,249,484	-
Total Liabilities	261,380,326	178,652
NET POSITION (DEFICIT)		
Restricted for:		
Other taxing entities and other agencies	\$ (198,421,672)	\$ 9,682,012

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, 2021

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Tax	\$ 25,178,257	\$ -
Income from property and investments	(133,352)	62,325
Tax collections for other agencies	-	7,595,681
Debt proceeds collected for other agencies	-	20,295,000
Other revenue	140,155	21,764
Total Additions	25,185,060	27,974,770
DEDUCTIONS		
General and administrative	6,501,452	-
Interest expense and fees	10,019,881	-
Administrative expense	-	1,240,602
Payments to fiscal agent on behalf of other agencies	-	28,670,331
Total Deductions	16,521,333	29,910,933
Change in Net Position	8,663,727	(1,936,163)
Net Position (Deficit), Beginning, as restated	(207,085,399)	11,618,175
Net Position (Deficit), Ending	\$ (198,421,672)	\$ 9,682,012

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

**Index to Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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City of San Marcos

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**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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, 2021

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

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.

Custodial Funds

The Custodial 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.

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."

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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.

	Years
Buildings	50
Furniture and Equipment	3-10
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.

(12) 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(13) 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.

(14) 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, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

(15) 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 at www.calpers.ca.gov.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(15) Pension Plans, (continued)

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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(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.

(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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(17) Fund Balances, (continued)

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.

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. 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.

(18) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(19) New Accounting Pronouncements

During the fiscal year ended June 30, 2021, the City implemented the following GASB standard:

GASB Statement No. 84 – The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*. The primary objective of the statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 162,087,839
Cash and investments with fiscal agents	917,997
Pension trust cash and investments	2,889,350
Investments in real estate	149,035,000
Investment in joint venture	7,225,974
Statement of fiduciary net position:	
Private-Purpose Trust Fund	
Cash and investments with fiscal agents	51,701,036
Custodial Funds	
Cash and investments	101
Cash and investments with fiscal agents	<u>9,838,612</u>
 Total Cash and Investments	 <u><u>\$ 383,695,909</u></u>

Cash and investments at June 30, 2021 consisted of the following:

Demand deposits	\$ 13,483,036
Local Agency Investment Pool (LAIF)	41,299,220
California Asset Management Pool (CAMP)	41,761,465
Federal Agency Securities	25,510,012
U.S. Treasury Obligations	19,125,840
U.S. Corporate	13,637,494
Municipal Obligations	791,295
Asset-Backed Securities	4,392,512
Collateralized Mortgage Obligations	1,695,002
Money Market Mutual Funds	65,739,059
Real Estate	149,035,000
Joint Venture	<u>7,225,974</u>
 Total Cash and Investments	 <u><u>\$ 383,695,909</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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. In addition to the table below, the investment policy specifies that the City may invest in other investments that are, or may become, legal investments through the State of California Government Code and with prior approval of the City Council. 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.

Investment Type Authorized by State Law	Authorized By City Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Municipal Obligations	Yes	5 years	30%	5%
Supranationals	Yes	5 years	30%	10%
Bankers' Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	15%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	30 days	50%	None
Reverse Repurchase Agreements	No	1 year	20%	None
US Corporate Medium Term Notes	Yes	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	10%	5%
Asset-Backed Securities	Yes	5 years	10%	None
Collateralized Mortgage Obligations	Yes	5 years	10%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$75 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, 2021

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
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	\$75 million per entity
Investment Contracts	None	None	None

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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	\$ 25,510,012	\$ 3,477,496	\$ 7,714,515	\$ 14,318,001	\$ -
U.S. Treasury Obligations	19,125,840	2,340,858	5,890,184	10,894,798	-
U.S. Corporate	13,637,494	550,129	6,408,610	6,678,755	-
Municipal Obligations	791,295	-	-	791,295	-
Asset-Backed Securities	4,392,512	-	1,408,345	2,984,167	-
Collateralized Mortgage Obligations	1,695,002	-	1,695,002	-	-
Money Market Mutual Funds	3,284,534	3,284,534	-	-	-
LAIF	41,299,220	41,299,220	-	-	-
CAMP	41,761,465	41,761,465	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	61,463,078	61,463,078	-	-	-
U.S. Treasury Obligations	991,447	-	991,447	-	-
Real Estate	149,035,000	-	-	-	149,035,000
Total	<u>\$ 362,986,899</u>	<u>\$ 154,176,780</u>	<u>\$ 24,108,103</u>	<u>\$ 35,667,016</u>	<u>\$ 149,035,000</u>

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, 2021

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	\$ 25,510,012	N/A	N/A
U.S. Treasury Obligations	19,125,840	N/A	N/A
U.S. Corporate	13,637,494	N/A	N/A
Municipal Obligations	791,295	N/A	N/A
Asset-Backed Securities	4,392,512	N/A	AAA
Collateralized Mortgage Obligations	1,695,002	N/A	AA-
Money Market Mutual Funds	3,284,534	N/A	AAA
LAIF	41,299,220	N/A	Not Rated
CAMP	41,761,465	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	61,463,078	A	AAA
U.S. Treasury Obligations	991,447	N/A	N/A
Real Estate	149,035,000	N/A	Not Rated
Total	<u>\$ 362,986,899</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, 2021 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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, 2021, 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 \$75 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 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, 2021

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 valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The following table presents the balances of the assets measured at fair value on a recurring basis of June 30, 2021.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 25,510,012	\$ -	\$ 25,510,012	\$ -
U.S. Treasury Obligations	19,125,840	-	19,125,840	-
U.S. Corporate	13,637,494	-	13,637,494	-
Municipal Obligations	791,295	-	791,295	-
Asset-Backed Securities	4,392,512	-	4,392,512	-
Collateralized Mortgage Obligations	1,695,002	-	1,695,002	-
Held by bond trustees:				
U.S. Treasury Obligations	991,447	-	991,447	-
Real Estate	149,035,000	-	-	149,035,000
Total Investments by Fair Value Level	215,178,602	\$ -	\$ 66,143,602	\$149,035,000
Not subject to the fair value hierarchy:				
LAIF	41,299,220			
CAMP	41,761,465			
Money Market Mutual Funds	3,284,534			
Held by bond trustees:				
Money Market Mutual Funds	61,463,078			
Total	\$ 362,986,899			

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

3) NOTES RECEIVABLE

At June 30, 2021, notes receivable consisted of the following:

The City loaned \$8,672,500 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, unavailable revenue has been recorded in the General Fund. The balance at June 30, 2021 includes accrued interest of \$897,063.

\$ 9,569,563

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.

1,066,943

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.

163,865,749

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2021 includes accrued interest of \$512,267

1,832,267

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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, unavailable has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2021 includes accrued interest of \$107,722.

\$ 807,722

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June, 30, 2021 includes accrued interest of \$651,491.

2,497,116

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, unavailable revenue has been recorded in the HOME Grant and the CalHOME Grant Special Revenue Funds.

2,241,304

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.

672,474

Total notes receivable

\$ 182,553,138

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

4) OTHER RECEIVABLES

At June 30, 2021, 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

In March 2020, the City set aside up to \$3,000,000 of the City's General Fund Reserves for a short term business loan program. This program was created in response to the significant negative impact the Covid-19 emergency situation caused the City's local business community. 1,099,547

Other miscellaneous receivables 779,525

Total other receivables – governmental funds \$ 1,999,588

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. \$ 661,139

5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2021:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
San Marcos Affordable Housing	General Fund	\$ 427,500
General Fund	Non-Major Governmental Funds	<u>267,661</u>
		<u><u>\$ 695,161</u></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, 2021

5) INTERFUND RECEIVABLES AND TRANSFERS, (continued)

Long term loans between funds (Advances to/Advances from) were as follows at June 30, 2021:

Receivable Fund	Payable Fund	Amount
San Marcos Affordable Housing	General Fund	<u>\$ 1,843,576</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	\$ 1,055,828	\$ 868,487	\$ 2,066,815
Creekside Marketplace Enterprise Fund	3,400,000	-	-	-	3,400,000
Non-major Governmental Funds	707,198	-	11,341,170	-	12,048,368
Total Transfers In:	<u>\$ 4,107,198</u>	<u>\$ 142,500</u>	<u>\$ 12,396,998</u>	<u>\$ 868,487</u>	<u>\$ 17,515,183</u>

All of the transfers were made as budgeted. The transfer of \$3,400,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations. \$1,055,828 from the General Fund to the Capital Improvements Fund was to fund Capital Improvement projects. \$868,487 from General Fund to the Non-Major Governmental Funds was for operational activities. The \$11,341,170 transfers from the Non-Major Governmental Funds to the Capital Improvements Fund were also to fund the CIP projects. Of the \$707,198 transfers from the Non-Major Governmental Funds to the General Fund, \$695,156 was transferred to fund lighting and landscaping costs.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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	\$ -	\$ 761,919	\$ 761,919
Revenue received from developers prior to earning	-	2,251,474	2,251,474
Revenues earned but not available within 60 days after the close of the fiscal year	713,220	-	713,220
Fees receivable from property owners under various agreements	649,401	-	649,401
Long-term loans to mobile home owners	1,066,942	-	1,066,942
Long-term loans to individuals under under a mortgage assistance program	2,929,778	-	2,929,778
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	177,497,200	-	177,497,200
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,832,267	-	1,832,267
Total unavailable/unearned revenue for governmental funds	<u>\$ 184,688,808</u>	<u>\$ 3,013,393</u>	<u>\$ 187,702,201</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2021:

Governmental Activities:	Balance June 30, 2020*	Additions	Deletions	Balance June 30, 2021
Capital assets, not depreciated:				
Land	\$ 240,502,972	\$ -	\$ (2,501,651)	\$ 238,001,321
Land improvements	66,503,047	368,016	-	66,871,063
Construction in progress	44,376,976	27,125,959	(3,700,619)	67,802,316
Total capital assets, not depreciated	351,382,995	27,493,975	(6,202,270)	372,674,700
Capital assets, being depreciated:				
Buildings	73,256,572	-	-	73,256,572
Furniture and equipment	22,159,420	2,271,520	(542,546)	23,888,394
Infrastructure	387,191,253	1,047,491	-	388,238,744
Total capital assets, being depreciated	482,607,245	3,319,011	(542,546)	485,383,710
Less accumulated depreciation for:				
Buildings	(32,901,640)	(1,465,131)	-	(34,366,771)
Furniture and equipment	(15,351,131)	(1,779,076)	542,546	(16,587,661)
Infrastructure	(199,048,210)	(11,494,309)	-	(210,542,519)
Total accumulated depreciation	(247,300,981)	(14,738,516)	542,546	(261,496,951)
Total capital assets, being depreciated, net	235,306,264	(11,419,505)	-	223,886,759
Total governmental activities	\$ 586,689,259	\$ 16,074,470	\$ (6,202,270)	\$ 596,561,459

*Includes restatement of land sale in previous fiscal year. See Note 21 for details.

Current year deletions to construction in progress include \$2,524,861 in additions to furniture and equipment, \$1,047,491 in additions to infrastructure, and \$128,267 in project costs deemed not viable during the planning and design phase of the project.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

7) CAPITAL ASSETS, (continued)

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

Governmental Activities:	
General government	\$ 1,010,296
Public safety	1,599,044
Highways, streets and parks	12,001,676
Culture and recreation	<u>127,500</u>
Total depreciation expense – governmental activities	<u>\$ 14,738,516</u>

Assets acquired through capital leases are as follows:

Equipment	\$ 3,411,238
Less: Accumulated depreciation	<u>(405,577)</u>
Total	<u>\$ 3,005,661</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, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
Long-term debt					
<i>Direct borrowing:</i>					
Loans payable	\$ 777,055	\$ -	\$ (168,302)	\$ 608,753	\$ 91,106
Safety center private placement financing	<u>2,905,000</u>	<u>-</u>	<u>(320,000)</u>	<u>2,585,000</u>	<u>335,000</u>
Subtotal long-term debt	<u>3,682,055</u>	<u>-</u>	<u>(488,302)</u>	<u>3,193,753</u>	<u>426,106</u>
Other long-term liabilities					
Compensated absences	4,874,760	2,953,991	(2,907,246)	4,921,505	3,048,295
Claims payable	1,686,697	349,142	(577,977)	1,457,862	600,000
Capital leases payable	<u>2,413,785</u>	<u>585,414</u>	<u>(623,028)</u>	<u>2,376,171</u>	<u>616,492</u>
Subtotal other long-term liabilities	<u>8,975,242</u>	<u>3,888,547</u>	<u>(4,108,251)</u>	<u>8,755,538</u>	<u>4,264,787</u>
Total long-term liabilities	<u>\$ 12,657,297</u>	<u>\$ 3,888,547</u>	<u>\$ (4,596,553)</u>	<u>\$ 11,949,291</u>	<u>\$ 4,690,893</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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 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.

\$ 608,753

Total loans payable

\$ 608,753

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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
2022	\$ 91,106	\$ 5,861	\$ 96,967
2023	92,020	4,948	96,968
2024	92,931	4,035	96,966
2025	93,874	3,094	96,968
2026	94,815	2,152	96,967
2027-2028	144,007	1,444	145,451
Total	<u>\$ 608,753</u>	<u>\$ 21,534</u>	<u>\$ 630,287</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.

\$ 2,585,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 335,000	\$ 61,265	\$ 396,265
2023	340,000	53,325	393,325
2024	345,000	45,267	390,267
2025	350,000	37,091	387,091
2026	360,000	28,795	388,795
2027-2029	855,000	34,245	889,245
Total	<u>\$ 2,585,000</u>	<u>\$ 259,988</u>	<u>\$ 2,844,988</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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 \$4,921,505 as of June 30, 2021.

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, 2021 was \$1,457,862.

Capital Leases Payable

Future lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 684,198
2023	617,591
2024	468,039
2025	319,486
2026	<u>472,701</u>
Total minimum lease payments	2,562,015
Less amount representing interest	<u>(185,844)</u>
Net present value of minimum lease payments	<u><u>\$ 2,376,171</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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, 2021 are presented below:

	General	San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Land held for resale	\$ 440,594	\$ -	\$ -	\$ -	\$ 440,594
Deposits	822,138	-	-	-	822,138
Investments in real estate	53,425,000	-	-	-	53,425,000
Investment in joint venture	7,225,974	-	-	-	7,225,974
Subtotal	61,913,706	-	-	-	61,913,706
Restricted for:					
Affordable housing	-	40,945,345	-	-	40,945,345
Transportation	-	-	-	9,618,767	9,618,767
Lighting and landscape	-	-	-	16,803,292	16,803,292
Pension trust	2,889,350	-	-	-	2,889,350
Capital improvements	-	-	-	1,005,625	1,005,625
Public facilities	-	-	-	37,788,031	37,788,031
Other purposes	-	-	-	3,681,318	3,681,318
Subtotal	2,889,350	40,945,345	-	68,897,033	112,731,728
Assigned to:					
Vehicle & equipment acquisition/ replacement	2,337,250	-	-	-	2,337,250
City facilities replacement/ rehabilitation	4,832,187	-	-	-	4,832,187
City infrastructure replacement/ rehabilitation	4,695,193	-	-	-	4,695,193
Subtotal	11,864,630	-	-	-	11,864,630
Unassigned (deficit)	40,069,078	-	(11,103,204)	(281,842)	28,684,032
Total	\$ 116,736,764	\$ 40,945,345	\$ (11,103,204)	\$ 68,615,191	\$ 215,194,096

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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, 2021 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
Net Investment in Capital Assets:				
Capital assets, net of accumulated depreciation	\$ 596,561,459	\$ -	\$ 596,561,459	\$ -
Loss on defeasance of debt	46,787	-	46,787	-
Less capital related debt balances:				
Private placement financing	(2,585,000)	-	(2,585,000)	-
Capital leases payable	(2,376,171)	-	(2,376,171)	-
Loans payable	(608,753)	-	(608,753)	-
Total Net Investment in Capital Assets	591,038,322	-	591,038,322	-
Restricted for:				
Permanent fund - not expendable	-	-	-	1,000,000
Permanent fund - expendable	-	-	-	475,316
Affordable housing	222,040,542	-	222,040,542	-
Transportation	9,620,212	-	9,620,212	-
Lighting and landscape	16,822,490	-	16,822,490	-
Pension trust	2,889,350	-	2,889,350	-
Capital improvements	1,005,625	-	1,005,625	-
Public facilities	37,924,921	-	37,924,921	-
Other purposes	3,681,318	-	3,681,318	-
Total Restricted	293,984,458	-	293,984,458	1,475,316
Unrestricted	35,934,735	97,147,813	133,082,548	-
Total	\$ 920,957,515	\$ 97,147,813	\$ 1,018,105,328	\$ 1,475,316

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). 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, 2019 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, 2021

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, 2021, are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
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	12.022%	12.022%	12.022%

	Safety Plan		
	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
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	9.00%	9.00%	12.75%
Required employer contribution rates	25.540%	22.397%	13.884%

Employees Covered

At June 30, 2019 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	198
Inactive employees entitled to but not yet receiving benefits	307
Active employees	192
Total	697

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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, 2021 were \$6,321,721.

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, 2021 were \$2,878,444. The actual employer payments of \$2,639,604 made to CalPERS by the City during the measurement period ended June 30, 2020 differed from the City's proportionate share of the employer's contributions of \$3,318,811 by \$679,207, 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by entry age and service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. 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 15 years of projected mortality improvement using 90% of scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 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.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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:

<u>Asset Class¹</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Year 11+³</u>
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	-	(0.92%)
Total	100%		

¹ In the System's ACFR, 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.

² An expected inflation of 2% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2019 (VD)	\$ 145,630,949	\$ 102,129,098	\$ 43,501,851
Changes Recognized for the Measurement Period:			
• Service Cost	2,703,721	-	2,703,721
• Interest on the Total Pension Liability	10,335,678	-	10,335,678
• Differences between Expected and Actual Experience	1,290,024	-	1,290,024
• Contributions from Employers	-	5,080,583	(5,080,583)
• Contributions from Employees	-	1,102,880	(1,102,880)
• Net Investment Income	-	5,149,684	(5,149,684)
• Benefit Payments, including Refunds of Employee Contributions	(7,435,808)	(7,435,808)	-
• Administrative Expense	-	(143,977)	143,977
Net Changes during 2019-20	6,893,615	3,753,362	3,140,253
Balance at: 6/30/2020 (MD)	\$ 152,524,564	\$ 105,882,460	\$ 46,642,104

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2019 (VD)	\$ 80,601,541	\$ 61,079,670	\$ 19,521,871
Balance at: 6/30/2020 (MD)	85,891,165	64,118,116	21,773,049
Net changes during 2019-20	<u>\$ 5,289,624</u>	<u>\$ 3,038,446</u>	<u>\$ 2,251,178</u>

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, 2020, 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, 2019 rolled forward to June 30, 2020 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 the safety Plan as of June 30, 2019 and 2020 measurement dates was as follows:

	Safety Plan
Proportion - June 30, 2019	0.31272%
Proportion - June 30, 2020	0.32681%
Change - Increase (Decrease)	0.01409%

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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:

	<u>Discount Rate - 1%</u> <u>(6.15%)</u>	<u>Current Discount</u> <u>Rate (7.15%)</u>	<u>Discount Rate + 1%</u> <u>(8.15%)</u>
Miscellaneous Plans' Net Pension Liability	<u>\$ 67,021,885</u>	<u>\$ 46,642,104</u>	<u>\$ 29,850,736</u>
Safety Plans' Net Pension Liability	<u>\$ 33,437,388</u>	<u>\$ 21,773,049</u>	<u>\$ 12,201,356</u>

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:

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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 Plan for the measurement date ending June 30, 2020 is 3.1 years, which was obtained by dividing the total service years of 2,112 (the sum of remaining service lifetimes of the active employees) by 690 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that 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, 2021

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, 2019), the net pension liability was \$43,501,851. For the measurement period ending June 30, 2020 (the measurement date), the City incurred a pension expense of \$6,682,114 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,703,721
Interest on Total Pension Liability	10,335,678
Recognized Changes of Assumptions	(49,465)
Recognized Differences between Expected and Actual Experience	1,167,809
Employee Contributions	(1,102,880)
Projected Earnings on Pension Plan Investments	(7,246,316)
Recognized Differences between Projected and Actual	
Earnings on Plan Investments	729,590
Administrative Expense	143,977
Total Pension Expense	\$ 6,682,114

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

As of the start of the measurement period (July 1, 2019), the net pension liability for the safety plans is \$19,521,871. For the measurement period ending June 30, 2020 (the measurement date), the City incurred a pension expense of \$4,741,517 for the safety plan.

The aggregate amount of pension expenses for the Miscellaneous and Safety plans for the measurement period ending June 30, 2020 is \$11,423,631.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

11) RETIREMENT PLAN, (continued)

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

As of June 30, 2021, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,645,770	\$ -	\$ 1,688,390	\$ -
Changes of Assumptions	-	(58,323)	-	(72,526)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	830,918	-	473,220	-
Change in Employer's Proportion	-	-	1,114,319	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	(666,250)
Pension Contributions Subsequent to Measurement Date	6,321,721	-	2,878,444	-
	<u>\$ 8,798,409</u>	<u>\$ (58,323)</u>	<u>\$ 6,154,373</u>	<u>\$ (738,776)</u>

These amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. The \$6,321,721 and \$2,878,444 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
2022	\$ 714,752	\$ 812,690
2023	732,270	913,947
2024	552,015	573,406
2025	419,328	237,110
2026	-	-
Thereafter	-	-

E) 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, 2021.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

11) RETIREMENT PLAN, (continued)

F) 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, 2021, the City's total payroll and covered payroll for part-time employees was \$846,096. The City made employer contributions of \$16,076 (1.9% of current covered payroll), and employees contributed \$47,381 (5.6% of current covered payroll).

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A) General Information about the OPEB Plans

Plan Description

Safety – Single 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 \$139 per month in 2021.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

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

Plan Description, (continued)

Miscellaneous – Single 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, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	246
Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to, but not yet receiving benefits	10
Total	<u>305</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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, 2021, the City paid \$266,812 for other postemployment benefits.

B) Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2020 to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

<u>Actuarial Assumptions</u>	<u>June 30, 2020 Measurement Date</u>
Actuarial Valuation Date	June 30, 2020
Contribution Policy	No pre-funding
Discount Rate	2.21% at June 30, 2020 (Bond Buyer 20-Bond Index) 3.50% at June 30, 2019 (Bond Buyer 20-Bond Index)
General Inflation	2.75% annually
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Salary increases	3% annually
Medical Trend	an ultimate rate of 4.00% in 2076 Medicare (Non-Kaiser) – 6.1% for 2022, decreasing to an ultimate rate of 4.00% in 2076 Medicare (Kaiser) – 5.0% for 2022, decreasing to an
Healthcare Participation	<i>Current Actives:</i> Miscellaneous - 70% Safety - 60% <i>Current Retirees:</i> 100% if covered, 5% re-elect PEMHCA at 65, if waived

Discount Rate

A discount rate of 2.21 percent was used in the valuation for measurement date June 30, 2020.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total OPEB Liability, (continued)

Changes in the Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Balance at June 30, 2020 (6/30/19 measurement date)	<u>\$ 7,467,130</u>
Changes recognized for the measurement period:	
Service cost	454,666
Interest	272,594
Differences between expected and actual experience	407,944
Changes of assumptions	1,451,482
Benefit payments	<u>(266,812)</u>
Net changes	<u>2,319,874</u>
Balance at June 30, 2021 (6/30/20 measurement date)	<u><u>\$ 9,787,004</u></u>

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

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB Liability	\$ 11,330,286	\$ 9,787,004	\$ 8,551,693

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

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 8,296,100	\$ 9,787,004	\$ 11,719,072

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total 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, 2020 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 (EARS�) of plan participants.

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

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$664,035. As of fiscal year ended June 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	\$ 364,546	\$ (1,246,069)
Changes of assumptions	1,575,209	(520,526)
Contributions to OPEB plan subsequent to the measurement date	301,777	-
Total	<u>\$ 2,241,532</u>	<u>\$ (1,766,595)</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Net OPEB Liability, (continued)

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

The \$301,777 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (63,955)
2023	(63,955)
2024	(63,955)
2025	(63,955)
2026	(14,955)
Thereafter	443,935

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 123 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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 \$100,000 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 \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 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 \$50 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://cjpia.org/coverage/risk-sharing-pools/>.

(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 \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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 \$186,700,908. 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 \$154,611,944. 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 2020-21.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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, 2021, the City had \$740,538 on deposit with PASIS and claims payable of \$1,457,862.

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, 2021

14) JOINT VENTURES, (continued)

North County Dispatch Joint Powers Authority, (continued)

Summarized audited information of the JPA for the fiscal year ended June 30, 2021, the most current available information, is as follows:

Assets	\$ 8,386,375
Deferred outflows	1,120,281
Liabilities	(851,319)
Deferred inflows	<u>(780,443)</u>
Net position	<u>\$ 7,874,894</u>
Revenues	\$ 5,898,677
Expenses	<u>(5,141,403)</u>
Change in net position	<u>\$ 757,274</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 \$7,225,974 as of June 30, 2021. 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, 2021

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, 2021
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	\$ 7,800,116
City of San Marcos Community Facilities District No. 99-01, Special Tax Refunding Bonds, Series 2021 (Improvement Area C2B, I1, I2)	9,720,000	9,720,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2021 (Improvement Area No. 1)	10,575,000	10,575,000
City of San Marcos Community Facilities District No. 99-01, 2018 Special Tax Refunding Bonds (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	16,955,000	15,755,000
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	24,200,000
Total	<u>\$ 92,070,000</u>	<u>\$ 68,050,116</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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, 2021</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>\$ 37,475,000</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.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

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

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, 2021

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, 2021.

The following lists the components of the net investment in the direct financing lease as of June 30, 2021:

Total minimum lease payments to be received	\$ 2,828,982
Less unearned income	<u>(1,106,777)</u>
Net investment in direct financing lease	<u>\$ 1,722,205</u>

At June 30, 2021, the future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 234,658
2023	178,508
2024	122,745
2025	130,055
2026	137,801
2027-2031	822,352
2032	<u>96,086</u>
Total	<u>\$ 1,722,205</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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

Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds payable	\$229,870,000	\$ -	\$ (12,375,000)	\$ 217,495,000	\$ 12,800,000
Plus (less) deferred amounts:					
Issuance premium	9,104,771	-	(505,821)	8,598,950	-
Issuance discount	(1,731,867)	-	157,442	(1,574,425)	-
Total bonds payable	237,242,904	-	(12,723,379)	224,519,525	12,800,000
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	9,754,663	-	(2,500,000)	7,254,663	-
Due to other governments	-	-	-	-	-
Total	<u>\$270,272,863</u>	<u>\$ -</u>	<u>\$ (15,223,379)</u>	<u>\$ 255,049,484</u>	<u>\$ 12,800,000</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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.

\$ 36,840,000

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.

67,710,000

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.

112,945,000

Total bonds payable

\$ 217,495,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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
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	13,765,000	9,938,635	23,703,635
2026	14,310,000	9,291,522	23,601,522
2027-2031	80,050,000	35,093,532	115,143,532
2032-2036	52,210,000	11,452,376	63,662,376
2037-2039	17,460,000	1,554,124	19,014,124
Total	<u>\$ 217,495,000</u>	<u>\$ 100,880,512</u>	<u>\$ 318,375,512</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

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.

\$ 7,254,663

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

18) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

As of June 30, 2021, the following non-major funds presented a negative fund balance.

<u>Governmental Funds - Non-Major</u>	
Special Revenue Funds	
Senior Nutrition Grant	\$ (14,383)
Capital Projects Funds	
Transportation Sales Tax	(267,459)

The Capital Projects Fund's deficit fund balance will be remedied by requesting reimbursement of CIP expenses.

19) COVID-19 CONSIDERATIONS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption was temporary, there is considerable uncertainty around the duration of the pandemic. Therefore, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

20) SUBSEQUENT EVENT

On March 11, 2021, HR 1319, the American Rescue Plan Act of 2021 (ARPA), was signed into law. ARPA was designed to provide assistance to individuals, businesses and, state and local governments to assist in the economic recovery from the ongoing COVID-19 pandemic. The City of San Marcos was granted an allocation of \$18,279,146, delivered in two tranches of \$9,139,573 in June 2021 and June 2022. The qualified use of these funds includes public safety, infrastructure, and restoration of services to pre-pandemic levels.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

21) PRIOR PERIOD RESTATEMENT

As discussed in Note 1 the City implemented GASB Statement No. 84. Accordingly, beginning fund balances for the General Fund and beginning fiduciary net position for the custodial funds has been restated for changes related to the implementation of GASB Statement No. 84 as follows:

FUND STATEMENTS

General Fund

General Fund

Fund balance - beginning, as previously reported	\$ 107,527,897
Implementation of GASB 84	<u>(130,885)</u>
Fund balance - beginning, as restated	<u><u>\$ 107,397,012</u></u>

Fiduciary Funds - Custodial

Community Facilities District 88-1

Net position - beginning, as previously reported	\$ -
Implementation of GASB 84	<u>2,563,789</u>
Net position - beginning, as restated	<u><u>\$ 2,563,789</u></u>

Community Facilities District 99-1

Net position - beginning, as previously reported	\$ -
Implementation of GASB 84	<u>7,133,438</u>
Net position - beginning, as restated	<u><u>\$ 7,133,438</u></u>

Community Facilities District 02-01

Net position - beginning, as previously reported	\$ -
Implementation of GASB 84	<u>1,920,948</u>
Net position - beginning, as restated	<u><u>\$ 1,920,948</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2021

21) PRIOR PERIOD RESTATEMENT, (continued)

The effect to the Net Position of the Government-Wide Financial Statements resulting from the total of the adjustments to the beginning governmental fund balances was as follows:

GOVERNMENT WIDE STATEMENTS

Governmental Activities:

Net position - beginning, as previously reported	\$ 912,836,314
Implementation of GASB 84	(130,885)
Loss on sale of land	<u>(7,722,430)</u>
Net position - beginning, as restated	<u><u>\$ 904,982,999</u></u>

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Miscellaneous Plan

	Measurement Period 6/30/2014	Measurement Period 6/30/2015	Measurement Period 6/30/2016	Measurement Period 6/30/2017
TOTAL PENSION LIABILITY				
Service Cost	\$ 2,750,478	\$ 2,559,947	\$ 2,553,229	\$ 2,805,674
Interest	7,817,338	8,083,219	8,584,986	8,918,976
Difference Between Expected and Actual Experience	-	(2,717,435)	898,809	(697,183)
Changes of Assumptions	-	(2,000,140)	-	7,506,452
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)	(5,737,609)
Net Change in Total Pension Liability	6,508,670	1,338,428	6,665,021	12,796,310
Total Pension Liability - Beginning	104,885,512	111,394,182	112,732,610	119,397,631
Total Pension Liability - Ending (a)	\$ 111,394,182	\$ 112,732,610	\$ 119,397,631	\$ 132,193,941
PLAN FIDUCIARY NET POSITION				
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ -	\$ -
Contributions - Employer	3,469,533	4,558,184	4,385,959	9,542,711
Contributions - Employee	1,094,087	1,302,378	1,348,496	1,169,316
Net Investment Income	10,830,423	1,709,531	438,181	8,627,538
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)	(5,737,609)
Administrative Expense	-	(85,688)	(46,382)	(113,479)
Other Miscellaneous Income/(Expense) ¹	-	-	-	-
Net Change in Fiduciary Net Position	11,334,897	2,897,242	754,251	13,488,477
Plan Fiduciary Net Position - Beginning	61,873,569	73,208,466	76,105,708	76,859,959
Plan Fiduciary Net Position - Ending (b)	\$ 73,208,466	\$ 76,105,708	\$ 76,859,959	\$ 90,348,436
Plan Net Pension Liability - Ending (a) - (b)	\$ 38,185,716	\$ 36,626,902	\$ 42,537,672	\$ 41,845,505
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.72%	67.51%	64.37%	68.35%
Covered Payroll	\$ 12,556,977	\$ 14,085,514	\$ 14,012,521	\$ 14,219,367
Plan Net Pension Liability as a Percentage of Covered Payroll	304.10%	260.03%	303.57%	294.29%

* Measurement period June 30, 2014 was the first year of implementation, therefore, only seven 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: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019 or 2020. 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 6/30/2018	Measurement Period 6/30/2019	Measurement Period 6/30/2020
TOTAL PENSION LIABILITY			
Service Cost	\$ 2,898,829	\$ 2,938,266	\$ 2,703,721
Interest	9,287,287	9,846,868	10,335,678
Difference Between Expected and Actual Experience	283,350	2,125,402	1,290,024
Changes of Assumptions	(933,150)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(6,202,870)	(6,806,974)	(7,435,808)
Net Change in Total Pension Liability	5,333,446	8,103,562	6,893,615
Total Pension Liability - Beginning	132,193,941	137,527,387	145,630,949
Total Pension Liability - Ending (a)	\$ 137,527,387	\$ 145,630,949	\$ 152,524,564
PLAN FIDUCIARY NET POSITION			
Net Plan to Plan Resource Movement	\$ (225)	\$ -	\$ -
Contributions - Employer	4,278,656	4,615,503	5,080,583
Contributions - Employee	1,126,769	1,104,152	1,102,880
Net Investment Income	7,721,226	6,421,470	5,149,684
Benefit Payments, Including Refunds of Employee Contributions	(6,202,870)	(6,806,974)	(7,435,808)
Administrative Expense	(140,788)	(69,124)	(143,977)
Other Miscellaneous Income/(Expense) ¹	(267,358)	225	-
Net Change in Fiduciary Net Position	6,515,410	5,265,252	3,753,362
Plan Fiduciary Net Position - Beginning	90,348,436	96,863,846	102,129,098
Plan Fiduciary Net Position - Ending (b)	\$ 96,863,846	\$ 102,129,098	\$ 105,882,460
Plan Net Pension Liability - Ending (a) - (b)	\$ 40,663,541	\$ 43,501,851	\$ 46,642,104
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.43%	70.13%	69.42%
Covered Payroll	\$ 14,197,035	\$ 14,148,630	\$ 13,872,161
Plan Net Pension Liability as a Percentage of Covered Payroll	286.42%	307.46%	336.23%

City of San Marcos

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

Miscellaneous 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	\$ 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%
6/30/2020	5,024,888	(5,024,888)	-	13,872,161	36.22%
6/30/2021	6,321,721	(6,321,721)	-	11,811,184	53.52%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-21 were from the June 30, 2019, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2019, Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2019, Funding Valuation Report.
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	The mortality table used was developed based on CalPERS' specific data. 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 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

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	0.234342%	\$ 9,862,978	\$ 6,222,192	158.51%	81.42%
6/30/2015	0.166126%	11,402,729	6,725,963	169.53%	80.23%
6/30/2016	0.171957%	14,879,594	8,996,362	165.40%	75.77%
6/30/2017	0.175583%	17,413,036	6,816,670	255.45%	75.12%
6/30/2018	0.182753%	17,610,602	6,582,579	267.53%	76.85%
6/30/2019	0.190512%	19,521,871	6,690,455	291.79%	75.78%
6/30/2020	0.200112%	21,773,049	6,854,243	317.66%	74.65%

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 seven 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%
6/30/2020	2,639,604	(2,639,604)	-	6,854,243	38.51%
6/30/2021	2,878,444	(2,878,444)	-	6,838,996	42.09%

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

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: Changes in Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. 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 2016-17	2018-19 2017-18	2019-20 2018-19	2020-21 2019-20
Total OPEB Liability				
Service cost	\$ 600,000	\$ 533,323	\$ 409,539	\$ 454,666
Interest	248,000	302,110	269,366	272,594
Differences between expected and actual experience	-	(1,812,466)	-	407,944
Changes of assumptions	(815,000)	(130,218)	351,334	1,451,482
Benefit payments	(206,000)	(267,000)	(227,858)	(266,812)
Net change in total OPEB liability	(173,000)	(1,374,251)	802,381	2,319,874
Total OPEB liability - beginning	8,212,000	8,039,000	6,664,749	7,467,130
Net OPEB liability - ending	<u>\$ 8,039,000</u>	<u>\$ 6,664,749</u>	<u>\$ 7,467,130</u>	<u>\$ 9,787,004</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 25,017,697	\$ 24,297,000	\$ 23,281,622	\$ 21,370,676
Total OPEB liability as a percentage of covered-employee payroll	32.1%	27.4%	32.1%	45.8%

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

The City does not have assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 25,882,829	\$ 26,382,930	\$ 26,082,704	\$ (300,226)
Licenses and permits	5,140,705	5,370,736	5,758,317	387,581
Intergovernmental	17,385,348	19,952,872	29,945,805	9,992,933
Charges for services	16,858,321	16,150,084	17,466,496	1,316,412
Developer fees	21,700	21,700	26,992	5,292
Fines and forfeitures	348,000	135,900	116,069	(19,831)
Investment and rental income	6,454,438	6,353,638	6,991,645	638,007
Miscellaneous	514,071	486,367	623,786	137,419
Total Revenues	72,605,412	74,854,227	87,011,814	12,157,587
EXPENDITURES				
Current:				
General government	23,132,456	24,779,939	21,890,560	2,889,379
Community development	3,895,057	3,740,510	5,120,026	(1,379,516)
Public safety	40,527,802	41,160,968	42,204,560	(1,043,592)
Highways, streets and parks	9,828,293	10,033,218	9,758,813	274,405
Culture and recreation	2,987,218	2,912,883	2,891,449	21,434
Capital outlay	220,000	236,462	4,866	231,596
Debt service:				
Principal	672,651	672,651	701,129	(28,478)
Interest and fiscal charges	91,469	91,469	154,028	(62,559)
Total Expenditures	81,354,946	83,628,100	82,725,431	902,669
Excess (Deficiency) of Revenues over Expenditures	(8,749,534)	(8,773,873)	4,286,383	13,060,256
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	585,414	585,414
Sale of general capital assets	-	1,943,500	2,427,572	484,072
Transfers in	8,369,160	4,615,656	4,107,198	(508,458)
Transfers out	(5,375,500)	(7,599,288)	(2,066,815)	5,532,473
Total Other Financing Sources (Uses)	2,993,660	(1,040,132)	5,053,369	6,093,501
Net Change in Fund Balance	(5,755,874)	(9,814,005)	9,339,752	19,153,757
Fund Balance, Beginning	107,397,012	107,397,012	107,397,012	-
Fund Balance, Ending	\$ 101,641,138	\$ 97,583,007	\$ 116,736,764	\$ 19,153,757

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, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	\$ 646,400	\$ 646,400	\$ 2,048,466	\$ 1,402,066
Investment and rental income	469,000	469,000	1,015,245	546,245
Miscellaneous	868,000	868,000	398,895	(469,105)
Total Revenues	1,983,400	1,983,400	3,462,606	1,479,206
EXPENDITURES				
Current:				
General government	298,414	298,414	325,182	(26,768)
Community development	13,439,000	13,461,730	7,589,446	5,872,284
Total Expenditures	13,737,414	13,760,144	7,914,628	5,845,516
Excess (Deficiency) of Revenues Over Expenditures	(11,754,014)	(11,776,744)	(4,452,022)	7,324,722
OTHER FINANCING SOURCES				
Transfers in	142,500	142,500	142,500	-
Transfers out	(500,000)	(530,000)	-	530,000
Total Other Financing Sources	(357,500)	(387,500)	142,500	530,000
Net Change in Fund Balance	(12,111,514)	(12,164,244)	(4,309,522)	7,854,722
Fund Balance, Beginning	45,254,867	45,254,867	45,254,867	-
Fund Balance, Ending	\$ 33,143,353	\$ 33,090,623	\$ 40,945,345	\$ 7,854,722

**Notes to Required Supplementary Information
June 30, 2021**

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 Special Revenue Fund. 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.

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

Capital Projects Funds, (continued)

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, 2021

	Total Special Revenue Funds	Debt Service Fund San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 29,581,730	\$ 222,551	\$ 38,136,117	\$ 67,940,398
Cash and investments with fiscal agents (note 2)	-	211,040	706,957	917,997
Receivables:				
Taxes and special assessments	28,048	-	-	28,048
Accounts	67,136	-	16,374	83,510
Interest	39,101	275	50,465	89,841
Notes, net (note 3)	2,241,304	-	-	2,241,304
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	1,113,889	-	-	1,113,889
Total Assets	<u>\$ 33,071,208</u>	<u>\$ 433,866</u>	<u>\$ 39,030,429</u>	<u>\$ 72,535,503</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,071,031	\$ -	\$ -	\$ 1,071,031
Accrued liabilities	161,039	-	2,054	163,093
Due to other governments	-	-	9,300	9,300
Due to other funds (note 5)	-	-	267,661	267,661
Deposits payable	10,389	-	-	10,389
Total Liabilities	<u>1,242,459</u>	<u>-</u>	<u>279,015</u>	<u>1,521,474</u>
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	<u>2,261,948</u>	<u>-</u>	<u>136,890</u>	<u>2,398,838</u>
Fund Balances (Deficit):				
Restricted:				
Transportation	9,530,440	-	88,327	9,618,767
Lighting and landscaping	16,803,292	-	-	16,803,292
Capital improvements	-	-	1,005,625	1,005,625
Public facilities	-	-	37,788,031	37,788,031
Other purposes	3,247,452	433,866	-	3,681,318
Unassigned	<u>(14,383)</u>	<u>-</u>	<u>(267,459)</u>	<u>(281,842)</u>
Total Fund Balances	<u>29,566,801</u>	<u>433,866</u>	<u>38,614,524</u>	<u>68,615,191</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 33,071,208</u>	<u>\$ 433,866</u>	<u>\$ 39,030,429</u>	<u>\$ 72,535,503</u>

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended June 30, 2021

	Total Special Revenue Funds	Debt Service Fund San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes and special assessments	\$ 9,253,728	\$ -	\$ -	\$ 9,253,728
Intergovernmental	5,196,012	-	4,781,474	9,977,486
Developer fees	93,412	-	5,657,315	5,750,727
Investment and rental income	96,534	552,135	113,092	761,761
Miscellaneous	140,644	-	-	140,644
Total Revenues	14,780,330	552,135	10,551,881	25,884,346
EXPENDITURES				
Current:				
Community development	614,068	-	-	614,068
Highways, streets and parks	8,279,689	-	138	8,279,827
Culture and recreation	357,526	-	-	357,526
Capital outlay	-	-	66,309	66,309
Debt service:				
Principal	90,201	320,000	-	410,201
Interest and fiscal charges	6,765	65,057	-	71,822
Total Expenditures	9,348,249	385,057	66,447	9,799,753
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,432,081	167,078	10,485,434	16,084,593
OTHER FINANCING SOURCES (USES)				
Transfers in (note 5)	868,487	-	-	868,487
Transfers out (note 5)	(4,199,316)	-	(7,849,052)	(12,048,368)
Total Other Financing Sources (Uses)	(3,330,829)	-	(7,849,052)	(11,179,881)
Net Change in Fund Balances	2,101,252	167,078	2,636,382	4,904,712
Fund Balances, Beginning	27,465,549	266,788	35,978,142	63,710,479
Fund Balances, Ending	\$ 29,566,801	\$ 433,866	\$ 38,614,524	\$ 68,615,191

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2021

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments	\$ 3,153,269	\$ 1,153,891	\$ 17,277,291	\$ 136,532	\$ 7,419	\$ 59,173
Receivables:						
Taxes and special assessments	-	-	21,553	2,212	-	-
Accounts	-	-	20,209	144	-	-
Interest	3,765	1,449	22,254	-	-	-
Notes, net	-	-	-	-	-	-
Due from other governments	-	8,049	-	-	10,192	767,251
Total Assets	<u>\$ 3,157,034</u>	<u>\$ 1,163,389</u>	<u>\$ 17,341,307</u>	<u>\$ 138,888</u>	<u>\$ 17,611</u>	<u>\$ 826,424</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 49,296	\$ 2,150	\$ 467,146	\$ 112,448	\$ 22,616	\$ 340,124
Accrued liabilities	70,301	-	70,880	7,231	9,378	3,220
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>119,597</u>	<u>12,539</u>	<u>538,026</u>	<u>119,679</u>	<u>31,994</u>	<u>343,344</u>
Deferred Inflows of Resources:						
Unavailable revenue	-	-	19,126	72	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	3,037,437	1,150,850	-	-	-	-
Lighting and landscaping	-	-	16,784,155	19,137	-	-
Other purposes	-	-	-	-	-	483,080
Unassigned	-	-	-	-	(14,383)	-
Total Fund Balances	<u>3,037,437</u>	<u>1,150,850</u>	<u>16,784,155</u>	<u>19,137</u>	<u>(14,383)</u>	<u>483,080</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,157,034</u>	<u>\$ 1,163,389</u>	<u>\$ 17,341,307</u>	<u>\$ 138,888</u>	<u>\$ 17,611</u>	<u>\$ 826,424</u>

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
\$ 58,477	\$ 119,201	\$ 1,056,533	\$ 1,455,032	\$ 3,046,334	\$ 145,709	\$ 75,682	\$ 1,837,187	\$ 29,581,730
-	183	-	-	4,100	-	-	-	28,048
-	-	-	43,864	2,919	-	-	-	67,136
-	164	1,325	1,848	3,794	-	-	4,502	39,101
1,454,752	-	-	-	-	786,552	-	-	2,241,304
-	-	-	-	-	-	-	328,397	1,113,889
<u>\$ 1,513,229</u>	<u>\$ 119,548</u>	<u>\$ 1,057,858</u>	<u>\$ 1,500,744</u>	<u>\$ 3,057,147</u>	<u>\$ 932,261</u>	<u>\$ 75,682</u>	<u>\$ 2,170,086</u>	<u>\$ 33,071,208</u>
\$ -	\$ 1,739	\$ 73,501	\$ -	\$ 1,443	\$ -	\$ 568	\$ -	\$ 1,071,031
-	-	-	-	-	-	29	-	161,039
-	-	-	-	-	-	-	-	10,389
-	1,739	73,501	-	1,443	-	597	-	1,242,459
1,454,752	-	-	-	1,446	786,552	-	-	2,261,948
-	117,809	-	-	3,054,258	-	-	2,170,086	9,530,440
-	-	-	-	-	-	-	-	16,803,292
58,477	-	984,357	1,500,744	-	145,709	75,085	-	3,247,452
-	-	-	-	-	-	-	-	(14,383)
58,477	117,809	984,357	1,500,744	3,054,258	145,709	75,085	2,170,086	29,566,801
<u>\$ 1,513,229</u>	<u>\$ 119,548</u>	<u>\$ 1,057,858</u>	<u>\$ 1,500,744</u>	<u>\$ 3,057,147</u>	<u>\$ 932,261</u>	<u>\$ 75,682</u>	<u>\$ 2,170,086</u>	<u>\$ 33,071,208</u>

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, 2021

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 7,740,325	\$ 530,709	\$ -	\$ -
Intergovernmental	2,138,302	98,699	-	-	82,905	1,073,993
Developer fees	-	-	-	-	-	-
Investment and rental income	10,430	1,799	36,988	-	-	-
Miscellaneous	-	-	-	-	3,651	-
Total Revenues	2,148,732	100,498	7,777,313	530,709	86,556	1,073,993
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	612,902
Highways, streets and parks	1,669,311	98,166	5,268,036	1,236,388	-	-
Culture and recreation	-	-	-	-	264,207	-
Debt Service:						
Principal	-	-	66,479	23,722	-	-
Interest and fiscal charges	-	-	4,986	1,779	-	-
Total Expenditures	1,669,311	98,166	5,339,501	1,261,889	264,207	612,902
Excess (Deficiency) of Revenues Over (Under) Expenditures	479,421	2,332	2,437,812	(731,180)	(177,651)	461,091
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	722,502	145,985	-
Transfers out	-	(8,000)	(738,647)	-	-	(440,925)
Total Other Financing Sources (Uses)	-	(8,000)	(738,647)	722,502	145,985	(440,925)
Net Change in Fund Balances	479,421	(5,668)	1,699,165	(8,678)	(31,666)	20,166
Fund Balances, Beginning	2,558,016	1,156,518	15,084,990	27,815	17,283	462,914
Fund Balances (Deficit), Ending	\$ 3,037,437	\$ 1,150,850	\$ 16,784,155	\$ 19,137	\$ (14,383)	\$ 483,080

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
\$ -	\$ 27,325	\$ -	\$ 186,233	\$ 769,136	\$ -	\$ -	\$ -	\$ 9,253,728
-	-	-	-	-	-	-	1,802,113	5,196,012
-	-	73,000	-	-	-	20,412	-	93,412
-	193	2,681	1,904	13,289	16,619	-	12,631	96,534
24,993	-	-	-	-	112,000	-	-	140,644
24,993	27,518	75,681	188,137	782,425	128,619	20,412	1,814,744	14,780,330
-	-	-	-	-	-	1,166	-	614,068
-	2,592	-	2,638	2,558	-	-	-	8,279,689
-	-	93,319	-	-	-	-	-	357,526
-	-	-	-	-	-	-	-	90,201
-	-	-	-	-	-	-	-	6,765
-	2,592	93,319	2,638	2,558	-	1,166	-	9,348,249
24,993	24,926	(17,638)	185,499	779,867	128,619	19,246	1,814,744	5,432,081
-	-	-	-	-	-	-	-	868,487
-	(12,042)	-	(26,995)	-	-	-	(2,972,707)	(4,199,316)
-	(12,042)	-	(26,995)	-	-	-	(2,972,707)	(3,330,829)
24,993	12,884	(17,638)	158,504	779,867	128,619	19,246	(1,157,963)	2,101,252
33,484	104,925	1,001,995	1,342,240	2,274,391	17,090	55,839	3,328,049	27,465,549
\$ 58,477	\$ 117,809	\$ 984,357	\$ 1,500,744	\$ 3,054,258	\$ 145,709	\$ 75,085	\$ 2,170,086	\$ 29,566,801

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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, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 2,476,828	\$ 2,476,828	\$ 2,138,302	\$ (338,526)
Investment and rental income	25,000	25,000	10,430	(14,570)
Total Revenues	2,501,828	2,501,828	2,148,732	(353,096)
EXPENDITURES				
Current:				
Highways, streets and parks	1,769,463	1,918,907	1,669,311	249,596
Total Expenditures	1,769,463	1,918,907	1,669,311	249,596
Excess (deficiency) of revenues over expenditures	732,365	582,921	479,421	(103,500)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,648,411)	-	2,648,411
Total other financing sources (uses)	-	(2,648,411)	-	2,648,411
Net Change in Fund Balance	732,365	(2,065,490)	479,421	2,544,911
Fund Balance, Beginning	2,558,016	2,558,016	2,558,016	-
Fund Balance, Ending	\$ 3,290,381	\$ 492,526	\$ 3,037,437	\$ 2,544,911

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, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 98,699	\$ (51,301)
Investment and rental income	22,000	22,000	1,799	(20,201)
Total Revenues	172,000	172,000	100,498	(71,502)
EXPENDITURES				
Current:				
Highways, streets and parks	185,000	278,788	98,166	180,622
Total Expenditures	185,000	278,788	98,166	180,622
Excess (deficiency) of revenues over expenditures	(13,000)	(106,788)	2,332	109,120
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(100,000)	(8,000)	92,000
Total other financing sources (uses)	-	(100,000)	(8,000)	92,000
Net Change in Fund Balance	(13,000)	(206,788)	(5,668)	201,120
Fund Balance, Beginning	1,156,518	1,156,518	1,156,518	-
Fund Balance, Ending	\$ 1,143,518	\$ 949,730	\$ 1,150,850	\$ 201,120

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, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 7,795,318	\$ 7,795,318	\$ 7,740,325	\$ (54,993)
Investment and rental income	106,000	106,000	36,988	(69,012)
Miscellaneous	10,000	10,000	-	(10,000)
Total Revenues	7,911,318	7,911,318	7,777,313	(134,005)
EXPENDITURES				
Current:				
Highways, streets and parks	5,852,561	5,961,891	5,268,036	693,855
Debt Service:				
Principal	65,166	65,166	66,479	(1,313)
Interest and fiscal charges	6,299	6,299	4,986	1,313
Total Expenditures	5,924,026	6,033,356	5,339,501	693,855
Excess of Revenues Over Expenditures	1,987,292	1,877,962	2,437,812	559,850
OTHER FINANCING SOURCES (USES)				
Transfers out	(288,660)	(741,695)	(738,647)	3,048
Total Other Financing Sources (Uses)	(288,660)	(741,695)	(738,647)	3,048
Net Change in Fund Balance	1,698,632	1,136,267	1,699,165	562,898
Fund Balance, Beginning	15,084,990	15,084,990	15,084,990	-
Fund Balance, Ending	\$ 16,783,622	\$ 16,221,257	\$ 16,784,155	\$ 562,898

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 530,000	\$ 530,000	\$ 530,709	\$ 709
Total Revenues	530,000	530,000	530,709	709
EXPENDITURES				
Current:				
Highways, streets and parks	1,164,497	1,142,715	1,236,388	(93,673)
Debt Service:				
Principal	23,255	23,255	23,722	(467)
Interest and fiscal charges	2,248	2,248	1,779	469
Total Expenditures	1,190,000	1,168,218	1,261,889	(93,671)
Excess of Revenues Over (Under) Expenditures	(660,000)	(638,218)	(731,180)	(92,962)
OTHER FINANCING SOURCES				
Transfers in	660,000	722,502	722,502	-
Total Other Financing Sources	660,000	722,502	722,502	-
Net Change in Fund Balance	-	84,284	(8,678)	(92,962)
Fund Balance, Beginning	27,815	27,815	27,815	-
Fund Balance, Ending	\$ 27,815	\$ 112,099	\$ 19,137	\$ (92,962)

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, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 82,905	\$ 17,905
Investment and rental income	400	400	-	(400)
Miscellaneous	30,700	30,700	3,651	(27,049)
Total Revenues	96,100	96,100	86,556	(9,544)
EXPENDITURES				
Current:				
Culture and recreation	327,114	405,884	264,207	141,677
Total Expenditures	327,114	405,884	264,207	141,677
Excess of Revenues (Deficiency) Over (Under) Expenditures	(231,014)	(309,784)	(177,651)	132,133
OTHER FINANCING SOURCES (USES)				
Transfers in	183,000	183,000	145,985	(37,015)
Total Other Financing Sources (Uses)	183,000	183,000	145,985	(37,015)
Net Change in Fund Balance	(48,014)	(126,784)	(31,666)	95,118
Fund Balance, Beginning	17,283	17,283	17,283	-
Fund Balance (Deficit), Ending	<u>\$ (30,731)</u>	<u>\$ (109,501)</u>	<u>\$ (14,383)</u>	<u>\$ 95,118</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 1,504,023	\$ 1,895,397	\$ 1,073,993	\$ (821,404)
Total Revenues	1,504,023	1,895,397	1,073,993	(821,404)
EXPENDITURES				
Current:				
Community development	198,042	281,770	612,902	(331,132)
Total Expenditures	198,042	281,770	612,902	(331,132)
Excess (deficiency) of revenues over expenditures	1,305,981	1,613,627	461,091	(1,152,536)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,518,638)	(440,925)	1,077,713
Total other financing sources (uses)	-	(1,518,638)	(440,925)	1,077,713
Net Change in Fund Balance	1,305,981	94,989	20,166	(74,823)
Fund Balance, Beginning	462,914	462,914	462,914	-
Fund Balance, Ending	\$ 1,768,895	\$ 557,903	\$ 483,080	\$ (74,823)

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, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 30,000	\$ 30,000	\$ 27,325	\$ (2,675)
Investment and rental income	2,000	2,000	193	(1,807)
Total Revenues	32,000	32,000	27,518	(4,482)
EXPENDITURES				
Current:				
Highways, streets and parks	27,000	27,000	2,592	24,408
Total Expenditures	27,000	27,000	2,592	24,408
Excess of Revenues Over Expenditures	5,000	5,000	24,926	19,926
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,500)	(20,500)	(12,042)	8,458
Total Other Financing Sources (Uses)	(6,500)	(20,500)	(12,042)	8,458
Net Change in Fund Balance	(1,500)	(15,500)	12,884	28,384
Fund Balance, Beginning	104,925	104,925	104,925	-
Fund Balance, Ending	<u>\$ 103,425</u>	<u>\$ 89,425</u>	<u>\$ 117,809</u>	<u>\$ 28,384</u>

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Developer fees	\$ 60,000	\$ 60,000	\$ 73,000	\$ 13,000
Investment and rental income	13,000	13,000	2,681	(10,319)
Total Revenues	73,000	73,000	75,681	2,681
EXPENDITURES				
Current:				
Culture and recreation	200,000	200,000	93,319	106,681
Total Expenditures	200,000	200,000	93,319	106,681
Net Change in Fund Balance	(127,000)	(127,000)	(17,638)	109,362
Fund Balance, Beginning	1,001,995	1,001,995	1,001,995	-
Fund Balance, Ending	\$ 874,995	\$ 874,995	\$ 984,357	\$ 109,362

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, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 180,000	\$ 180,000	\$ 186,233	\$ 6,233
Investment and rental income	23,000	23,000	1,904	(21,096)
Total Revenues	203,000	203,000	188,137	(14,863)
EXPENDITURES				
Current:				
Highways, streets and parks	100,000	100,000	-	100,000
Capital outlay	-	-	2,638	(2,638)
Total Expenditures	100,000	100,000	2,638	97,362
Excess (deficiency) of revenues over expenditures	103,000	103,000	185,499	82,499
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(310,405)	(26,995)	283,410
Total other financing sources (uses)	-	(310,405)	(26,995)	283,410
Net Change in Fund Balance	103,000	(207,405)	158,504	365,909
Fund Balance, Beginning	1,342,240	1,342,240	1,342,240	-
Fund Balance, Ending	\$ 1,445,240	\$ 1,134,835	\$ 1,500,744	\$ 365,909

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, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 595,299	\$ 595,299	\$ 769,136	\$ 173,837
Investment and rental income	15,000	15,000	13,289	(1,711)
Total Revenues	610,299	610,299	782,425	172,126
EXPENDITURES				
Current:				
Highway, streets and parks	25,030	25,030	2,558	22,472
Total expenditures	25,030	25,030	2,558	22,472
Net Change in Fund Balance	585,269	585,269	779,867	194,598
Fund Balance, Beginning	2,274,391	2,274,391	2,274,391	-
Fund Balance, Ending	<u>\$ 2,859,660</u>	<u>\$ 2,859,660</u>	<u>\$ 3,054,258</u>	<u>\$ 194,598</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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment and rental income	\$ 26,000	\$ 208,000	\$ 16,619	\$ (191,381)
Miscellaneous	-	-	112,000	112,000
Total Revenues	26,000	208,000	128,619	(79,381)
EXPENDITURES				
Current:				
Community development	56,350	168,350	-	168,350
Total Expenditures	56,350	168,350	-	168,350
Net Change in Fund Balance	(30,350)	39,650	128,619	88,969
Fund Balance, Beginning	17,090	17,090	17,090	-
Fund Balance, Ending	\$ (13,260)	\$ 56,740	\$ 145,709	\$ 88,969

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual CAsp Fee Special Revenue Fund For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	\$ 15,000	\$ 15,000	\$ 20,412	\$ 5,412
Total Revenues	15,000	15,000	20,412	5,412
EXPENDITURES				
Current:				
Community development	1,000	1,000	1,166	(166)
Total Expenditures	1,000	1,000	1,166	(166)
Net Change in Fund Balance	14,000	14,000	19,246	5,246
Fund Balance, Beginning	-	55,839	55,839	-
Fund Balance, Ending	\$ 14,000	\$ 69,839	\$ 75,085	\$ 5,246

*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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,857,880	\$ 1,857,880	\$ 1,802,113	\$ (55,767)
Investment and rental income	9,000	9,000	12,631	3,631
Total Revenues	1,866,880	1,866,880	1,814,744	(52,136)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(4,700,162)	(2,972,707)	1,727,455
Total other financing sources (uses)	-	(4,700,162)	(2,972,707)	1,727,455
Net Change in Fund Balances	1,866,880	(2,833,282)	(1,157,963)	1,675,319
Fund Balances, Beginning	3,328,049	3,328,049	3,328,049	-
Fund Balances, Ending	<u>\$ 5,194,929</u>	<u>\$ 494,767</u>	<u>\$ 2,170,086</u>	<u>\$ 1,675,319</u>

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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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment and rental income	\$ 517,000	\$ 517,000	\$ 552,135	\$ 35,135
Total Revenues	517,000	517,000	552,135	35,135
EXPENDITURES				
Debt service:				
Principal	320,000	320,000	320,000	-
Interest and fiscal charges	65,057	65,057	65,057	-
Total Expenditures	385,057	385,057	385,057	-
Net Change in Fund Balance	131,943	131,943	167,078	35,135
Fund Balance, Beginning	266,788	266,788	266,788	-
Fund Balance, Ending	\$ 398,731	\$ 398,731	\$ 433,866	\$ 35,135

City of San Marcos

Combining Balance Sheet Non-Major Capital Projects Funds June 30, 2021

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
ASSETS			
Cash and investments	\$ 37,749,607	\$ 5,509	\$ -
Cash and investments with fiscal agents	-	706,957	-
Receivables:			
Accounts	16,374	-	-
Interest	49,640	7	340
Other, net	120,516	-	-
Total Assets	\$ 37,936,137	\$ 712,473	\$ 340
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 1,916	\$ -	\$ 138
Due to other governments	9,300	-	-
Due to other funds	-	-	267,661
Total Liabilities	11,216	-	267,799
Deferred Inflows of Resources:			
Unavailable revenue	136,890	-	-
Fund Balances (Deficit):			
Restricted:			
Transportation	-	-	-
Capital improvements	-	712,473	-
Public facilities	37,788,031	-	-
Unassigned	-	-	(267,459)
Total Fund Balances	37,788,031	712,473	(267,459)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 37,936,137	\$ 712,473	\$ 340

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ 292,785	\$ 88,216	\$ 38,136,117
-	-	706,957
-	-	16,374
367	111	50,465
-	-	120,516
<u>\$ 293,152</u>	<u>\$ 88,327</u>	<u>\$ 39,030,429</u>
\$ -	\$ -	\$ 2,054
-	-	9,300
-	-	267,661
-	-	279,015
-	-	136,890
-	88,327	88,327
293,152	-	1,005,625
-	-	37,788,031
-	-	(267,459)
<u>293,152</u>	<u>88,327</u>	<u>38,614,524</u>
<u>\$ 293,152</u>	<u>\$ 88,327</u>	<u>\$ 39,030,429</u>

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, 2021**

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 4,781,474
Developer fees	5,657,315	-	-
Investment and rental income	109,536	131	2,532
Total Revenues	5,766,851	131	4,784,006
EXPENDITURES			
Current:			
Highways, streets and parks	-	-	138
Capital outlay	66,309	-	-
Total Expenditures	66,309	-	138
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,700,542	131	4,783,868
OTHER FINANCING SOURCES			
Transfers out (note 5)	(4,389,446)	-	(3,459,606)
Total Other Financing Sources	(4,389,446)	-	(3,459,606)
Net Change in Fund Balances	1,311,096	131	1,324,262
Fund Balances (Deficit), Beginning	36,476,935	712,342	(1,591,721)
Fund Balances (Deficit), Ending	\$ 37,788,031	\$ 712,473	\$ (267,459)

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ -	\$ -	\$ 4,781,474
-	-	5,657,315
686	207	113,092
686	207	10,551,881
-	-	138
-	-	66,309
-	-	66,447
686	207	10,485,434
-	-	(7,849,052)
-	-	(7,849,052)
686	207	2,636,382
292,466	88,120	35,978,142
\$ 293,152	\$ 88,327	\$ 38,614,524

City of San Marcos

Combining Statement of Fiduciary Net Position Custodial Funds June 30, 2021

	Custodial Funds			
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Total Custodial Funds
ASSETS				
Cash and investments (note 2)	\$ 101	\$ -	\$ -	\$ 101
Receivables:				
Special assessments	5,250	15,374	1,307	21,931
Interest	4	15	1	20
Restricted Assets:				
Cash and investments with fiscal agents (note 2)	2,667,927	6,093,324	1,077,361	9,838,612
Total Assets	2,673,282	6,108,713	1,078,669	9,860,664
LIABILITIES				
Accounts payable	161,372	-	-	161,372
Due to other governments	4,018	3,643	9,619	17,280
Total Liabilities	165,390	3,643	9,619	178,652
NET POSITION (DEFICIT)				
Restricted for:				
Other taxing entities and other agencies	\$ 2,507,892	\$ 6,105,070	\$ 1,069,050	\$ 9,682,012

City of San Marcos

Combining Statement of Changes in Fiduciary Net Position Custodial Funds For the Year Ended June 30, 2021

	Custodial Funds			
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Total Custodial Funds
ADDITIONS				
Income from property and investments	\$ 174	\$ 41,891	\$ 20,260	\$ 62,325
Tax collections for other agencies	1,366,805	5,158,224	1,070,652	7,595,681
Debt proceeds collected for other agencies	-	9,720,000	10,575,000	20,295,000
Other revenue	-	21,764	-	21,764
Total Additions	1,366,979	14,941,879	11,665,912	27,974,770
DEDUCTIONS				
Administrative expense	198,201	778,008	264,393	1,240,602
Payments to fiscal agent on behalf of other agencies	1,224,675	15,192,239	12,253,417	28,670,331
Total Deductions	1,422,876	15,970,247	12,517,810	29,910,933
Change in Net Position	(55,897)	(1,028,368)	(851,898)	(1,936,163)
Net Position, Beginning, as restated	2,563,789	7,133,438	1,920,948	11,618,175
Net Position, Ending	\$ 2,507,892	\$ 6,105,070	\$ 1,069,050	\$ 9,682,012

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Statistical Section

This section of the City's annual comprehensive 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.

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Financial Trends	133
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	143
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	156
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 annual comprehensive financial reports for the relevant year.

City of San Marcos

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

	Fiscal Year			
	2012	2013	2014	2015
Governmental Activities:				
Net investment in capital assets	\$ 658,296,750	\$ 646,769,141	\$ 671,633,533	\$ 647,192,005
Restricted for:				
Affordable housing	163,429,723	160,939,069	162,388,168	174,239,971
Lighting and landscape	9,389,874	9,706,762	10,141,062	11,266,533
Capital improvements	-	20,320,721	21,071,049	24,998,414
Other purposes	6,506,958	10,295,075	8,955,235	7,645,829
Endowment	1,147,835	1,195,768	1,000,000	1,000,000
Unrestricted	64,955,219	57,252,131	60,074,433	3,482,542
Total governmental activities net position	<u>\$ 903,726,359</u>	<u>\$ 906,478,667</u>	<u>\$ 935,263,480</u>	<u>\$ 869,825,294</u>
Business-type activities:				
Net investment in capital assets	\$ 27,925,065	\$ 26,725,626	\$ 27,160,354	\$ 34,101,091
Unrestricted	6,319,042	5,761,171	4,352,951	2,552,732
Total business-type activities net position	<u>\$ 34,244,107</u>	<u>\$ 32,486,797</u>	<u>\$ 31,513,305</u>	<u>\$ 36,653,823</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	\$ 686,221,815	\$ 673,494,767	\$ 698,793,887	\$ 681,293,096
Restricted for:				
Affordable housing	163,429,723	160,939,069	162,388,168	174,239,971
Lighting and landscape	9,389,874	9,706,762	10,141,062	11,266,533
Capital improvements	-	20,320,721	21,071,049	24,998,414
Other purposes	6,506,958	10,295,075	8,955,235	7,645,829
Endowment	1,147,835	1,195,768	1,000,000	1,000,000
Unrestricted	71,274,261	63,013,302	64,427,384	6,035,274
Total primary government net position	<u>\$ 937,970,466</u>	<u>\$ 938,965,464</u>	<u>\$ 966,776,785</u>	<u>\$ 906,479,117</u>
Component unit:				
Restricted	\$ -	\$ -	\$ -	\$ -
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of San Marcos, Finance Department

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	\$ 600,656,145	\$ 594,590,985	\$ 591,038,322
182,174,655	192,984,712	197,267,954	204,874,361	214,394,691	222,040,542
12,073,491	12,410,105	12,833,499	14,734,771	15,104,188	16,803,353
32,111,994	36,384,666	3,186,646	1,008,537	1,004,808	1,005,625
2,187,164	2,461,175	44,845,897	42,359,172	51,842,888	54,134,938
-	-	-	-	-	-
48,523,274	60,067,467	48,322,111	46,006,938	35,895,754	35,934,735
<u>\$ 900,258,338</u>	<u>\$ 912,103,287</u>	<u>\$ 906,195,372</u>	<u>\$ 909,639,924</u>	<u>\$ 912,833,314</u>	<u>\$ 920,957,515</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
94,924,105	95,225,519	94,972,155	95,293,994	96,901,655	97,147,813
<u>\$ 94,924,105</u>	<u>\$ 95,225,519</u>	<u>\$ 94,972,155</u>	<u>\$ 95,293,994</u>	<u>\$ 96,901,655</u>	<u>\$ 97,147,813</u>
\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
157,923	230,885	258,593	250,742	219,405	475,316
<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>	<u>\$ 1,219,405</u>	<u>\$ 1,475,316</u>
\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	\$ 600,656,145	\$ 594,590,985	\$ 591,038,322
182,174,655	192,984,712	197,267,954	204,874,361	214,394,691	222,040,542
12,073,491	12,410,105	12,833,499	14,734,771	15,104,188	16,803,353
32,111,994	36,384,666	3,186,646	1,008,537	1,004,808	1,005,625
2,187,164	2,461,175	44,845,897	42,359,172	51,842,888	54,134,938
-	-	-	-	-	-
143,447,379	155,292,986	143,294,266	141,300,932	132,797,409	133,082,548
<u>\$ 995,182,443</u>	<u>\$ 1,007,328,806</u>	<u>\$ 1,001,167,527</u>	<u>\$ 1,004,933,918</u>	<u>\$ 1,009,734,969</u>	<u>\$ 1,018,105,328</u>
\$ 1,157,923	\$ 1,230,885	\$ 1,258,593	\$ 1,250,742	\$ 1,219,405	\$ 1,475,316
<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>	<u>\$ 1,219,405</u>	<u>\$ 1,475,316</u>

City of San Marcos

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

	Fiscal Year			
	2012	2013	2014	2015
Expenses:				
Governmental Activities:				
General government	\$ 16,992,317	\$ 15,885,771	\$ 16,447,263	\$ 16,944,647
Community development	28,586,547	6,379,029	3,431,958	7,094,841
Public safety	32,163,467	27,531,474	31,398,530	36,059,952
Highways, streets and parks	22,057,522	31,047,726	32,779,655	33,832,005
Culture and recreation	3,163,230	4,992,567	3,022,930	5,040,297
Interest on long-term debt	9,399,083	286,343	272,403	267,688
Total governmental activities expenses	112,362,166	86,122,910	87,352,739	99,239,430
Business-type activities:				
Creekside Marketplace	1,060,528	866,501	1,061,134	2,053,600
Total business-type activities expenses	1,060,528	866,501	1,061,134	2,053,600
Total primary government expenses	113,422,694	86,989,411	88,413,873	101,293,030
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government expenses	\$ -	\$ -	\$ -	\$ -
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	\$ 7,569,325	\$ 8,616,200	\$ 7,515,771	\$ 1,288,995
Community development (2)	2,131,886	5,179,421	6,998,956	2,997,665
Public safety	7,266,747	8,012,187	8,636,601	8,888,703
Highways, streets and parks (1) (2)	7,150,548	6,943,057	8,462,005	7,455,240
Culture and recreation (2)	1,837,906	1,878,137	2,105,349	2,081,035
Operating grants and contributions	3,547,679	3,333,506	24,338,152	16,811,188
Capital contributions and grants	15,027,697	20,273,816	2,125,409	9,843,740
Total governmental activities program revenues	44,531,788	54,236,324	60,182,243	49,366,566
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,523,109	3,907,546	4,103,722	3,470,369
Total business-type activities program revenues	3,523,109	3,907,546	4,103,722	3,470,369
Total primary government program revenues	48,054,897	58,143,870	64,285,965	52,836,935
Net (expenses) revenues:				
Governmental activities	(67,830,378)	(31,886,586)	(27,170,496)	(49,872,864)
Business-type activities	2,462,581	3,041,045	3,042,588	1,416,769
Total primary government net (expenses)/revenues	\$ (65,367,797)	\$ (28,845,541)	\$ (24,127,908)	\$ (48,456,095)
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government net (expenses)/revenues	-	-	-	-

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.

Source: City of San Marcos, Finance Department

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 18,256,401	\$ 15,819,492	\$ 19,444,881	\$ 24,545,665	\$26,598,227	\$24,133,604
12,890,498	1,679,942	6,368,611	5,036,267	10,631,212	13,174,383
32,564,134	38,312,609	40,504,526	42,703,434	42,461,674	45,837,054
23,904,189	29,012,619	32,201,548	31,533,558	32,356,482	33,373,256
3,951,699	3,873,784	4,209,685	4,025,485	3,982,454	3,557,335
262,067	243,974	295,292	183,847	227,552	259,529
<u>91,828,988</u>	<u>88,942,420</u>	<u>103,024,543</u>	<u>108,028,256</u>	<u>116,257,601</u>	<u>120,335,161</u>
2,069,680	1,572,337	771,106	969,539	1,339,226	974,272
<u>2,069,680</u>	<u>1,572,337</u>	<u>771,106</u>	<u>969,539</u>	<u>1,339,226</u>	<u>974,272</u>
93,898,668	90,514,757	103,795,649	108,997,795	117,596,827	121,309,433
56,622	65,283	69,946	71,223	51,361	84,837
<u>\$ 56,622</u>	<u>\$ 65,283</u>	<u>\$ 69,946</u>	<u>\$ 71,223</u>	<u>\$ 51,361</u>	<u>\$ 84,837</u>
\$ 1,843,724	\$ 1,151,920	\$ 1,038,094	\$ 1,704,211	\$ 1,580,692	\$ 1,447,664
2,252,007	4,554,470	6,363,423	2,485,165	1,813,367	2,499,892
9,103,730	10,358,412	10,979,615	12,001,681	11,883,120	13,464,941
8,196,772	7,931,273	8,605,163	7,860,930	9,294,971	9,658,671
2,364,561	2,575,892	2,100,449	2,466,095	1,543,846	946,994
11,893,755	13,919,753	11,094,309	17,606,841	23,979,367	24,626,457
4,294,066	3,523,253	1,345,661	4,437,779	7,053,470	22,305,574
<u>39,948,615</u>	<u>44,014,973</u>	<u>41,526,714</u>	<u>48,562,702</u>	<u>57,148,833</u>	<u>74,950,193</u>
3,335,509	4,924,764	5,188,034	5,510,983	4,808,776	4,617,947
<u>3,335,509</u>	<u>4,924,764</u>	<u>5,188,034</u>	<u>5,510,983</u>	<u>4,808,776</u>	<u>4,617,947</u>
43,284,124	48,939,737	46,714,748	54,073,685	61,957,609	79,568,140
(51,880,373)	(44,927,447)	(61,497,829)	(59,465,554)	(59,108,768)	(45,384,968)
1,265,829	3,352,427	4,416,928	4,541,444	3,469,550	3,643,675
<u>\$ (50,614,544)</u>	<u>\$ (41,575,020)</u>	<u>\$ (57,080,901)</u>	<u>\$ (54,924,110)</u>	<u>\$ (55,639,218)</u>	<u>\$ (41,741,293)</u>
(56,622)	(65,283)	(69,946)	(71,223)	(51,361)	(84,837)
<u>(56,622)</u>	<u>(65,283)</u>	<u>(69,946)</u>	<u>(71,223)</u>	<u>(51,361)</u>	<u>(84,837)</u>

City of San Marcos

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

	Fiscal Year			
	2012	2013	2014	2015
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 12,373,080	\$ 12,734,479	\$ 19,036,135	\$ 14,730,525
Tax increment, net	36,294,755	11,896,531	-	-
Transient occupancy taxes	610,460	713,538	736,035	794,846
Business license	195,134	195,431	194,864	208,911
Franchise fees	2,677,551	2,713,099	2,582,279	3,520,613
Gain/(Loss) on sale of capital assets	67,970	-	-	(659,841)
Motor vehicle license fees	382,275	42,071	80,791	-
Rental income	-	-	-	6,260,337
Sales tax shared state revenue and in lieu, unrestricted	13,091,860	13,836,852	14,596,011	15,840,511
Investment income	4,583,907	3,692,241	3,508,350	1,108,705
Other	1,390,381	1,160,059	1,991,861	489,778
Transfers	3,167,000	5,100,000	5,000,000	4,250,000
Transfer to Successor Agency	-	-	(10,674,712)	-
Extraordinary gain	-	280,624,874	-	-
Total governmental activities	<u>74,834,373</u>	<u>332,709,175</u>	<u>37,051,614</u>	<u>46,544,385</u>
Business-type activities:				
Investment income	167,380	137,198	5,469	50,190
Other	-	-	-	-
Transfers	(3,167,000)	(5,100,000)	(5,000,000)	(4,250,000)
Total business-type activities	<u>(2,999,620)</u>	<u>(4,962,802)</u>	<u>(4,994,531)</u>	<u>(4,199,810)</u>
Total primary government	<u>71,834,753</u>	<u>327,746,373</u>	<u>32,057,083</u>	<u>42,344,575</u>
Component Unit:				
Investment income, restricted	-	-	-	-
Other	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position:				
Governmental activities	7,003,995	300,822,589	9,881,118	(3,328,479)
Business-type activities	(537,039)	(1,921,757)	(1,951,943)	(2,783,041)
Total primary government	<u>\$ 6,466,956</u>	<u>\$ 298,900,832</u>	<u>\$ 7,929,175</u>	<u>\$ (6,111,520)</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of San Marcos, Finance Department

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 16,627,912	\$ 18,604,256	\$ 19,825,953	\$ 21,542,823	\$ 24,982,707	\$ 24,980,971
-	-	-	-	-	-
829,724	873,863	978,498	1,303,446	1,068,175	871,393
213,173	228,040	231,933	232,733	226,950	230,340
3,907,803	4,031,275	3,897,771	4,042,123	4,282,862	4,220,898
1,810,932	187,956	227,020	258,282	229,032	(74,079)
-	-	-	49,502	79,818	72,985
5,790,384	5,950,030	5,556,365	5,477,226	5,140,403	7,290,221
16,209,302	16,868,051	16,418,302	17,274,843	19,306,999	17,308,573
937,647	1,731,178	1,242,804	1,305,351	10,303,109	2,031,411
982,947	529,653	96,331	223,593	982,103	1,026,771
(3,850,425)	4,500,000	3,317,138	5,000,000	3,500,000	3,400,000
-	-	-	-	-	-
-	-	-	-	-	-
43,459,399	53,504,302	51,792,115	56,709,922	70,102,158	61,359,484
8,184	16,289	2,855	6,759	1,636,309	2,483
-	-	-	-	1,802	-
3,850,425	(4,500,000)	(3,317,138)	(5,000,000)	(3,500,000)	(3,400,000)
3,858,609	(4,483,711)	(3,314,283)	(4,993,241)	(1,861,889)	(3,397,517)
47,318,008	49,020,591	48,477,832	51,716,681	68,240,269	57,961,967
-	(11,645)	138,220	97,654	19,998	340,748
-	-	25	-	26	-
-	(11,645)	138,245	97,654	20,024	340,748
(8,420,974)	8,576,855	(9,705,714)	(2,755,632)	10,993,390	15,974,516
5,124,438	(1,131,284)	1,102,645	(451,797)	1,607,661	246,158
\$ (3,296,536)	\$ 7,445,571	\$ (8,603,069)	\$ (3,207,429)	\$ 12,601,051	\$ 16,220,674
-	(76,928)	68,299	26,431	(31,337)	255,911
\$ -	\$ (76,928)	\$ 68,299	\$ 26,431	\$ (31,337)	\$ 255,911

City of San Marcos

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

	Fiscal Year			
	2012	2013	2014	2015
Nonspendable	\$ 16,924,452	\$ 16,184,816	\$ 11,938,509	\$ 10,451,246
Restricted	-	-	-	-
Assigned	-	-	-	5,984,790
Unassigned	34,951,893	44,147,436	51,115,898	31,887,837
Total General Fund	<u>51,876,345</u>	<u>60,332,252</u>	<u>63,054,407</u>	<u>48,323,873</u>
Nonspendable	1,147,835	1,195,768	1,000,000	1,000,000
Restricted	81,486,140	80,423,049	80,658,598	82,000,192
Unassigned	-	-	(225)	(20)
Total all other governmental funds	<u>82,633,975</u>	<u>81,618,817</u>	<u>81,658,373</u>	<u>83,000,172</u>
Total governmental funds	<u>\$ 134,510,320</u>	<u>\$ 141,951,069</u>	<u>\$ 144,712,780</u>	<u>\$ 131,324,045</u>

Source: City of San Marcos, Finance Department

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 10,031,405	\$ 66,369,312	\$ 65,059,911	\$ 64,997,746	\$ 62,506,999	\$ 61,913,706
-	-	-	-	2,492,150	2,889,350
5,984,790	11,653,634	11,313,621	11,059,665	10,023,351	11,864,630
82,608,491	27,053,317	28,500,274	30,443,892	32,505,397	40,069,078
98,624,686	105,076,263	104,873,806	106,501,303	107,527,897	116,736,764
-	-	-	-	-	-
82,451,468	87,132,962	98,836,674	99,243,047	110,557,067	109,842,378
(33,867)	-	(148,263)	(378,551)	(5,099,687)	(11,385,046)
82,417,601	87,132,962	98,688,411	98,864,496	105,457,380	98,457,332
<u>\$ 181,042,287</u>	<u>\$ 192,209,225</u>	<u>\$ 203,562,217</u>	<u>\$ 205,365,799</u>	<u>\$ 212,985,277</u>	<u>\$ 215,194,096</u>

City of San Marcos

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

	Fiscal Year			
	2012	2013	2014	2015
Revenues:				
Taxes and special assessments (3)	\$ 44,811,128	\$ 40,050,764	\$ 37,499,452	\$ 40,746,406
Licenses and permits	5,210,749	5,031,124	4,834,181	4,896,092
Intergovernmental (3)	14,657,647	16,273,969	14,879,876	11,705,953
Charges for services	13,430,631	14,423,983	14,014,737	14,767,944
Developer fees	8,822,043	12,333,859	604,325	3,085,839
Fines and forfeitures	203,253	171,675	379,517	378,143
Investment and rental income	8,710,563	8,108,512	8,390,525	9,159,541
Miscellaneous	2,020,386	1,656,624	2,784,337	1,307,048
Total Revenues	97,866,400	98,050,510	83,386,950	86,046,966
Expenditures:				
Current:				
General government (2)	15,640,014	15,237,915	15,683,539	16,082,210
Community development (2)	17,717,361	9,148,706	4,209,639	7,282,130
Public safety	30,262,221	27,156,685	30,863,346	35,743,282
Highways, streets and parks (1) (2)	14,053,498	13,407,088	21,875,374	20,669,923
Culture and recreation (1)	2,984,215	4,819,380	2,948,559	4,904,494
Tax increment distrib. to other gov. agencies	410,877	-	-	-
SERAF payment	-	-	-	-
Capital outlay	20,163,235	16,677,835	8,462,086	3,672,221
Debt service:				
Principal retirement	9,903,628	342,996	430,447	570,876
Interest and fiscal charges	9,509,119	277,403	269,039	260,465
Cost of issuance	-	-	-	-
Total expenditures	120,644,168	87,068,008	84,742,029	89,185,601
Excess/(deficiency) of Revenues Over Expenditures	(22,777,768)	10,982,502	(1,355,079)	(3,138,635)
Other financing sources (uses):				
Issuance of debt	-	-	-	12,752
Discount on bonds issued	-	-	-	-
Sale of capital assets	23,611	6,489	(659,841)	-
Capital leases	-	-	427,300	125,074
Partnership contributions	-	-	-	(6,537,501)
Transfers in	65,681,454	11,511,222	5,227,487	5,911,842
Transfers out	(60,581,454)	(17,185,934)	(977,487)	(9,762,267)
Total other financing sources (uses)	5,123,611	(5,668,223)	4,017,459	(10,250,100)
Net Change in Fund Balances	\$ (17,654,157)	\$ 5,314,279	\$ 2,662,380	\$ (13,388,735)
Debt service as a percentage of noncapital expenditures	18.82%	0.81%	0.93%	0.95%

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					
2016	2017	2018	2019	2020	2021
\$ 43,388,689	\$ 28,386,492	\$ 30,734,448	\$ 37,396,482	\$ 35,074,453	\$ 35,336,432
5,190,125	5,184,798	5,567,081	4,829,046	4,982,848	5,758,317
8,388,620	22,446,951	24,240,158	22,558,222	30,208,872	50,774,854
15,644,089	15,756,224	16,391,482	16,112,574	15,608,463	17,466,496
5,680,240	6,770,876	10,269,151	5,217,642	7,775,654	7,826,185
492,091	632,114	592,516	498,336	389,034	257,569
9,887,780	9,814,976	8,625,937	11,496,722	19,363,307	8,782,267
3,003,475	1,656,344	2,170,216	1,873,724	1,556,989	1,163,325
91,675,109	90,648,775	98,590,989	99,982,748	114,959,620	127,365,445
15,769,553	20,232,292	17,619,187	21,862,137	24,474,209	22,215,742
9,218,570	9,224,684	6,419,708	4,795,779	9,921,546	13,323,540
33,512,449	36,449,543	37,334,894	37,782,655	39,103,687	42,204,560
16,739,415	19,258,048	18,924,332	18,575,680	18,682,862	18,038,640
3,611,161	3,814,190	3,930,935	3,759,978	3,416,437	3,248,975
-	-	-	-	-	-
-	-	-	-	-	-
11,115,705	10,255,091	6,235,184	19,258,698	16,762,011	31,070,090
677,198	970,360	1,474,503	860,105	907,466	1,111,330
259,734	286,705	246,947	155,238	219,983	225,850
-	-	108,311	-	-	-
90,903,785	100,490,913	92,294,001	107,050,270	113,488,201	131,438,727
771,324	(9,842,138)	6,296,988	(7,067,522)	1,471,419	(4,073,282)
1,036,580	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4,521,104	1,138,302	2,427,572
432,248	2,018,392	-	-	1,509,757	585,414
-	-	-	-	-	-
6,441,564	5,470,561	9,820,141	11,859,523	14,722,108	17,515,183
(1,941,564)	(2,153,423)	(4,820,141)	(7,509,523)	(11,222,108)	(14,115,183)
5,968,828	5,335,530	5,000,000	8,871,104	6,148,059	6,412,986
\$ 6,740,152	\$ (4,506,608)	\$ 11,296,988	\$ 1,803,582	\$ 7,619,478	\$ 2,339,704
0.99%	1.42%	2.12%	1.07%	1.18%	1.28%

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)
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
2020	13,815,539,662	379,261,628	(579,152,010)	13,615,649,280	0.0883
2021	14,506,330,312	384,186,012	(654,981,947)	14,235,534,377	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	Direct Rate		Overlapping Rates									
	City of San Marcos		San Marcos Unified School District		San Marcos Fire Protection District		San Diego County		Others		Voter Approved Debt	Total Tax Rate (2)
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
2020	0.0883		0.3805		0.0632		0.2481		0.2200		0.0970	1.0970
2021	0.0883		0.3805		0.0632		0.2481		0.2200		0.0804	1.0804

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

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
2012	\$ 5,646,455	\$ 5,479,552	97.04 %	\$ 107,645	\$ 5,587,197	98.95 %
2013	5,900,446	5,735,557	97.21	78,614	5,814,171	98.54
2014	6,281,371	6,071,920	96.67	72,088	6,144,008	97.81
2015	6,502,541	6,342,713	97.54	76,923	6,419,636	98.73
2016	6,875,051	6,704,823	97.52	68,390	6,773,213	98.52
2017	7,280,193	7,082,528	97.28	79,211	7,161,739	98.37
2018	7,584,842	7,402,491	97.60	72,873	7,475,364	98.56
2019	8,110,254	7,879,445	97.15	68,736	7,948,181	98.00
2020	8,257,634	7,990,099	96.76	91,555	7,990,099	96.76
2021	8,671,538	8,522,190	98.28	N/A	8,522,190	98.28

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	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable (3)	Total Primary Government	Percentage of Personal Income	Per Capita
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	6,367,877	0.14	73
2015	4,653,666	401,747	411,883	469,865	5,937,161	0.12	66
2016	4,390,999	274,934	633,034	1,432,155	6,731,122	0.13	73
2017	4,118,332	141,146	2,250,022	1,271,983	7,781,483	0.14	83
2018 (2)	-	-	1,731,711	4,643,642	6,375,353	0.11	66
2019	-	-	1,334,885	4,158,664	5,493,549	0.09	57
2020	-	-	2,413,785	3,682,055	6,095,840	0.09	63
2021	-	-	2,376,171	3,193,753	5,569,924	(4)	

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 November 29, 2017
- (3) Beginning 2018 includes Safety Center Private Placement Financing
- (4) Personal income data for 2021 is unavailable.

Source: City of San Marcos, Finance Department

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City of San Marcos

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds (1)</u>	<u>Total</u>	<u>Percent of Assessed Value (2)</u>	<u>Per Capita</u>	<u>Col N</u>
2012	\$ -	\$ 5,376,667	\$ 5,376,667	0.061	\$ 63	0.061%
2013	-	5,144,000	5,144,000	0.058	59	0.058%
2014	-	4,901,333	4,901,333	0.053	54	0.053%
2015	-	4,653,666	4,653,666	0.047	51	0.047%
2016	-	4,390,999	4,390,999	0.041	47	0.041%
2017	-	4,118,332	4,118,332	0.037	44	0.037%
2018 (3)	-	-	-	0.000	-	0.000%
2019	-	-	-	0.000	-	0.000%
2020	-	-	-	0.000	-	0.000%
2021	-	-	-	0.000	-	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 November 29, 2017

Source: City of San Marcos, Finance Department

City of San Marcos

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Total assessed valuation	\$ 9,250,699,841	\$ 9,300,557,724	\$ 9,676,874,262	\$ 10,520,993,240
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,312,674,960	2,325,139,431	2,419,218,566	2,630,248,310
Debt limit percentage	15%	15%	15%	15%
Debt limit	346,901,244	348,770,915	362,882,785	394,537,247
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 346,901,244</u>	<u>\$ 348,770,915</u>	<u>\$ 362,882,785</u>	<u>\$ 394,537,247</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
County of San Diego Tax Assessor's Office

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 11,140,456,884	\$ 11,744,932,234	\$ 12,494,456,100	\$ 13,361,593,962	\$ 14,194,801,290	\$ 14,890,516,324
25%	25%	25%	25%	25%	25%
2,785,114,221	2,936,233,059	3,123,614,025	3,340,398,491	3,548,700,323	3,722,629,081
15%	15%	15%	15%	15%	15%
417,767,133	440,434,959	468,542,104	501,059,774	532,305,048	558,394,362.15
-	-	-	-	-	-
<u>\$ 417,767,133</u>	<u>\$ 440,434,959</u>	<u>\$ 468,542,104</u>	<u>\$ 501,059,774</u>	<u>\$ 532,305,048</u>	<u>\$ 558,394,362</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

Pledged-Revenue Coverage Last Ten Fiscal Years

Revenue Bonds (1)						
Debt Service (2)						
Fiscal Year	Revenue	Principal	Interest	Coverage		
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		
2020	-	-	-	1.00		
2021	-	-	-	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 November 29, 2017

Source: City of San Marcos, Finance Department

City of San Marcos

Direct and Overlapping Debt As of June 30, 2021

2020-21 Assessed Valuation: (1)

\$14,331,123,577

	Percentage Applicable (2)	Outstanding Debt June 30, 2021 (3)	Estimated Share of Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	0.437%	\$ 26,830,000	\$ 117,247
Palomar Community College District	10.614%	650,751,375	69,070,751
San Marcos Unified School District	62.968%	279,770,706	176,166,018
San Marcos Unified School District School Facilities Improvement District No. 1	0.000%	-	-
San Marcos Unified School District Community Facilities District No. 3	100.000%	515,000	515,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	14,220,000	9,187,115
San Marcos Unified School District Community Facilities District No. 7	100.000%	6,840,000	6,840,000
Other School Districts	Various	1,127,780,326	384,803
Palomar Pomerado Hospital	11.823%	415,526,602	49,127,710
City of San Marcos	100.000%	-	-
City of San Marcos Community Facilities District No. 88-1	100.000%	7,800,115	7,800,115
City of San Marcos Community Facilities District No. 91-01	0.000%	-	-
City of San Marcos Community Facilities District No. 99-01	100.000%	49,675,000	49,675,000
City of San Marcos Community Facilities District No. 2002-1	100.000%	10,575,000	10,575,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			379,458,759
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	2.447%	\$ 211,585,000	5,177,485
San Diego County Pension Obligation Bonds	2.447%	400,125,000	9,791,059
San Diego County Superintendent of Schools Obligations	2.447%	8,585,000	210,075
Palomar Community College District General Fund Obligations	10.614%	1,560,000	165,578
San Marcos Unified School District General Fund Obligations	62.968%	72,899,158	45,903,142
Other School District Certificates of Participation	Various	78,445,000	90,631
City of San Marcos General Fund Obligations	100.000%	5,569,924 (4)	5,569,924
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			66,907,894
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	\$ 254,970,000	254,970,000
TOTAL DIRECT DEBT			5,569,924
TOTAL OVERLAPPING DEBT			695,766,729
COMBINED TOTAL DEBT (3) (4)			\$ 701,336,653
Direct Debt		0.00%	
Total Direct and Overlapping Tax and Assessment Debt		2.65%	
Combined Direct Debt (\$5,569,924)		0.04%	
Combined Total Debt		4.89%	
Ratios to Redevelopment Incremental Valuation (\$9,746,876,976):			
Total Overlapping Tax Increment Debt		2.62%	

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
2012	33.07	85,159	0.68	\$ 4,171,939,410	\$ 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	5,268,732,452	56,506	3.66
2017	33.07	94,258 (2)	1.09	5,502,782,040	58,380	3.41
2018	33.07	95,768	1.60	5,855,925,896	61,147	3.30
2019	33.07	96,335	0.59	6,139,333,215	63,729	2.80
2020	33.07	97,209	0.91	6,441,651,594	66,266	5.68
2021	33.07	96,302	-0.93	-	-	

Notes:

- (1) Data presented is for San Diego/Chula Vista/Carlsbad economic area. FY2019 data was updated.
- (2) Fiscal Year 2017 Population was revised by the State Department of Finance.
- (3) Personal income and per capita personal income data for 2021 is unavailable.

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

City of San Marcos

Principal Employers Current Year and Nine Years Ago

Employer (1)	2021			2012		
	Number of Employees	Rank	Percent of Total Employment (2)	Number of Employees	Rank	Percent of Total Employment (2)
San Marcos Unified School District	2,464	1	5.33%			
California State University San Marcos	1,800	2	3.89%			
Palomar Community College	1,769	3	3.82%			
Hunter Industries, Inc.	815	4	1.76%	729	1	2.53%
United Parcel Service, Inc.	551	5	1.19%	434	2	1.51%
Southern California Permanente Medical Group	449	6	0.97%	301	4	1.04%
Costco Wholesale	390	7	0.84%	267	8	0.93%
North County Health Services	250	8	0.54%			
Lusardi Construction Co.	250	9	0.54%	300	5	1.04%
Wal-Mart Stores, Inc.	216	10	0.47%	359	3	1.25%
Hughes Circuits Inc.	210	11	0.45%	194	15	0.67%
Hollandia Dairy, Inc.	206	12	0.45%	180	18	0.62%
The Home Depot	197	13	0.43%	138	22	0.48%
San Marcos Operating Co LP	157	14	0.34%			
Diamond Environmental Services	151	15	0.33%	150	20	0.52%
Total	9,875		21.35%	3,052		10.59%

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
California Employment Development Department.

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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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 (2)</u>	<u>2021</u>
General government	55	58	57	61	56	52	43	67	40	48
Community development	38	39	42	34	26	29	33	40	25	34
Public safety (1)	92	95	97	90	105	108	104	129	108	121
Highways, streets and parks	77	76	76	77	84	88	92	97	82	65
Culture and recreation	<u>126</u>	<u>128</u>	<u>120</u>	<u>149</u>	<u>181</u>	<u>177</u>	<u>158</u>	<u>200</u>	<u>73</u>	<u>121</u>
Total	<u>388</u>	<u>396</u>	<u>392</u>	<u>411</u>	<u>452</u>	<u>454</u>	<u>430</u>	<u>533</u>	<u>328</u>	<u>389</u>

Note:

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

(2) Due to the COVID-19 pandemic, employment numbers are significantly lower than previous years.

Source: City of San Marcos, Finance Department

City of San Marcos

Operating Indicators by Function (1) Last Ten Years

Function/Program	Fiscal Year				
	2012	2013	2014	2015	2016
General Government:					
Number of business licenses issued	5,455	5,519	5,623	5,593	5,762
Number of requests for public information	270	253	238	276	355
Number of new hires including part-time	86	85	90	123	182
Number of invoices processed	11,810	12,354	13,464	13,342	12,813
Public Safety:					
Police:					
Contracts with the San Diego County Sheriff's Department for full service law enforcement					
Fire:					
Number of emergency calls	7,382	7,287	7,675	8,889	10,719
Number of fire inspections	2,367	3,214	2,953	2,894	2,419
Highways and Streets:					
Number of street lights added in current year	24	6	19	-	5
Number of traffic signals added in current year	1	-	1	1	3
Miles of streets swept	14,976	15,165	15,175	12,090	12,090
Miles of centerline streets added	-	5	-	-	-
Storm drain structures cleaned and repaired (2)	580	568	597	596	602
Culture and Recreation (3):					
Number of facility rentals	761	768	799	802	862
Number of swim program participants	40,820	46,211	52,577	57,009	40,711
Number of adult sports participants	38,897	41,660	46,313	47,094	50,814
Number of youth sports participants	13,714	20,946	22,946	23,014	26,415
Number of senior nutrition program meals served	14,031	13,455	12,775	13,039	10,813
Community Development:					
Number of building permits issued	866	1,248	1,700	1,877	2,390
Approximate number of building inspections conducted	28,466	15,247	15,713	10,922	12,150
Number of new business licenses issued	1,273	1,316	1,342	1,462	1,519

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.
- (3) Due to the COVID-19 pandemic, many Parks and Recreation programs were shut down for much of 2020 through June 2021, hence the decrease in number of participants and facility rentals.

Source: Various City of San Marcos Departments

Fiscal Year				
2017	2018	2019	2020	2021
5,916	5,898	6,086	5,808	5,450
346	353	379	492	693
150	144	165	83	117
12,287	12,123	12,123	12,290	10,624
11,258	11,458	11,275	10,838	11,603
2,431	3,168	2,748	1,745	1,482
30	15	6	6	-
1	-	4	3	-
12,090	12,157	12,157	12,354	12,354
-	-	-	-	-
719	1,109	282	487	448
925	931	1,052	641	107
38,105	33,955	21,338	11,634	3,705
55,809	59,361	64,025	59,056	1,470
27,013	32,092	33,603	21,256	4,112
10,997	12,024	11,450	11,642	12,846
2,198	2,326	2,337	2,200	2,409
10,641	16,829	11,999	9,127	10,669
1,407	1,346	1,385	1,166	1,138

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety:					
Police (1)					
Fire					
Number of fire stations	4	4	4	4	4
Number of emergency vehicles	32	36	38	41	44
Highways and Streets:					
Miles of streets (2)	194	199	197	197	197
Number of street lights	2,691	2,702	2,708	2,708	2,713
Culture and Recreation:					
Parks (3)	34	34	35	35	35
Acres of park and trail land (3)	380	380	384	384	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				
2017	2018	2019	2020	2021
4	4	4	4	4
47	47	50	50	50
197	198	204	204	204
2,743	2,758	2,760	2,383	2,383
36	36	36	37	39
333	333	333	287	256
2	2	2	2	2

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