



City of SAN MARCOS California

Comprehensive Annual
Financial Report
For Fiscal Year Ending
June 30, 2013

City of **SAN MARCOS** California

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For Fiscal Year Ending
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City Manager
Finance Director

Jack Griffin
Laura Rocha

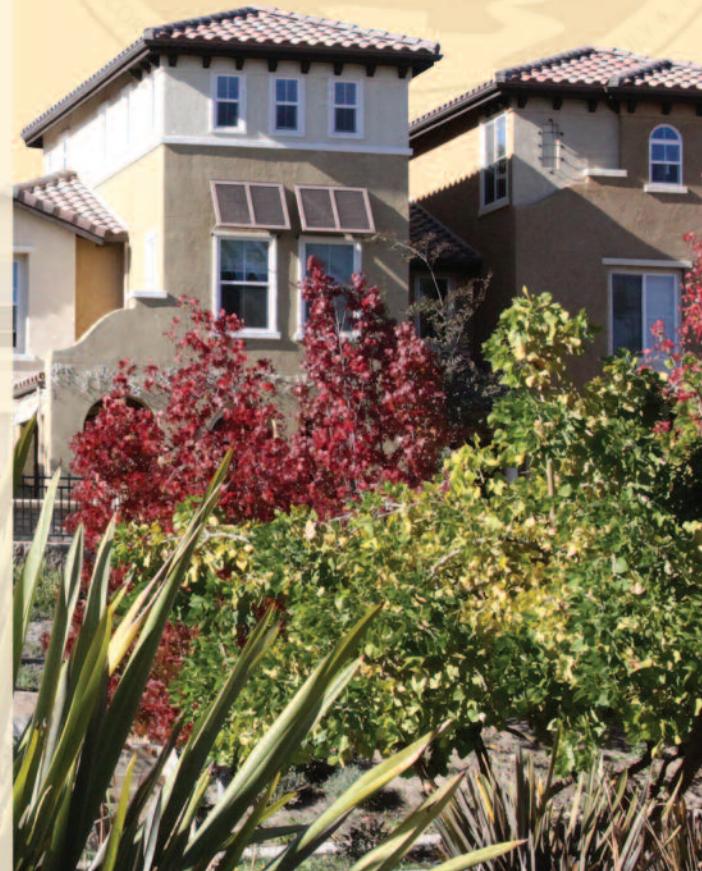
Prepared by the City of San Marcos Finance Department.



City of SAN MARCOS California

*To improve the quality of life of 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 and
promotes economic and educational opportunities.*

Mission Statement



CITY OF SAN MARCOS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

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April 30, 2014

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

It is our pleasure to present the City of San Marcos fiscal year 2012-13 Comprehensive Annual Financial Report (CAFR). This report has been prepared in conformity with generally accepted accounting principles (GAAP) and has been audited in accordance with generally accepted auditing standards by Mayer Hoffman McCann P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, if any, and evaluating the overall financial statement presentation. The auditors concluded that there was a reasonable basis for rendering an unqualified opinion. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

San Marcos is located approximately twenty-four miles north of downtown San Diego and ninety miles south of Los Angeles, in the northern coastal/inland region of San Diego County. The Cerros Las Posas, Merriam and San Marcos foothills and a series of valleys are the chief topographic features. The City is accessible to San Diego, Orange, Imperial, San Bernardino, Riverside and Los Angeles counties. It is situated along the State Highway 78 corridor and is bordered by Escondido to the east, Vista to the north

and west, Carlsbad to the south and west, and unincorporated areas of the County to the north and south. The City covers approximately 33.1 square miles including the City's sphere of influence.

For the last two decades, North San Diego County has been the fastest growing area in the County. With the largest amount of available residential land in North County, San Marcos has been the fastest growing area in the region since the early 1980's. Over the past 10 years, San Marcos has seen its population increase from 63,591 to 87,040, for an average annual growth of 3.22%. According to the San Diego Association of Governments, San Marcos will continue to be one of the fastest growing cities in San Diego County over the next 20 years.

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

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

These financial statements present the financial position of the City and its components units, entities for which the City is considered to be financially accountable. The component units of the City are the San Marcos Public Facilities Authority, the California Mobilehome Financing Authority, and the San Marcos Community Foundation. On February 1, 2012, the San Marcos Redevelopment Agency, along with all redevelopment agencies in the State of California, was dissolved and all assets and liabilities were transferred to the City of San Marcos Successor Agency and the City of San Marcos Housing Successor Agency. Additional information on these entities can be found in the notes to the financial statements.

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

LOCAL ECONOMY

The City of San Marcos has a well-balanced land use mix as a result of a comprehensive general plan update completed during fiscal year 1987-88 and subsequently a second update in 2013. The ten top employers within the City in 2013 were Hunter Industries Inc., United Parcel Service, Wal-Mart, Southern California Permanente Medical Group, Lusardi Construction Co., Vanpike Inc., Fry's Electronics, Oncore Manufacturing Services, Costco Wholesale, and RB III Associates, Inc.

The City's total labor force (the number of persons who work or are available for work) averaged 31,933 from January through December 2013. The number of employed workers in the labor force during that same period averaged 29,608, resulting in an unemployment rate of 7.35% compared to the State's unemployment rate of 8.82%.

San Marcos is known as the educational hub of North San Diego County. California State University at San Marcos which opened in the fall of 1992 on 305 acres less than one-half mile south of city hall, currently serves approximately 10,364 students. Ultimate enrollment at this four-year school is estimated at 35,000 students. Palomar Community College, where students can complete a two-year degree, obtain vocational training or take general education courses, has an enrollment in excess of 30,000 full and part-

time students. Additionally, there are several vocational/trade schools including the San Diego County Continuing Teacher Education Facility, University of Phoenix, University of St. Augustine, and ITT Tech.

LONG-TERM FINANCIAL PLANNING

The City annually prepares a three-year operating budget and a five-year capital improvement projects budget. The fiscal year 2013/2014 through 2015/2016 operating budget as adopted, projects that, barring any further major reductions in City revenues, the City will maintain a balanced budget with revenues slightly exceeding operating expenditures over the next three years. Reserves are not expected to be utilized unless authorized by City Council in accordance with the City's reserve policy. Projected ending reserves in the third year of \$50.1 million represent approximately 78% of total projected expenditures.

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

RELEVANT FINANCIAL POLICIES

The City's policy is to maintain operating expenditures at or slightly under projected revenues. The City commits to maintaining reserves (total unassigned fund balance) at a minimum of 50% of General Fund annual operating expenditures allocated between Catastrophic/Emergency Reserve (50%), One-time Recurring Savings/Opportunity Reserve (30%), and Economic Contingency/Budget Stabilization Reserve (20%). The General Fund Reserve Policy is reviewed by the City Council as part of the annual operating budget review and adoption process.

MAJOR INITIATIVES

San Marcos' capital improvement projects program for the next five years includes a variety of projects to enhance street circulation, parks and recreation, drainage systems, and traffic improvements.

Projects planned for the 214-acre San Marcos Creek District make up the single largest capital improvement program allocation with more the \$47 million budgeted over the next five years. A new four-lane bridge will be built to span the San Marcos Creek on Via Vera Cruz, and a two-lane bridge will do the same on Bent Avenue. The bridges will provide flood relief during the rainy season. It is anticipated that this public infrastructure will interest private development for the downtown plan. Full build out of the San Marcos Creek District is expected to take 15 to 20 years.

Connors Park is a 4.7-acre park planned just west of Tiger Way on San Marcos Boulevard. The \$5.14 million Park will feature a multi-use synthetic turf field, lighted tennis/basketball courts, a skate plaza, shaded picnic areas, sports equipment storage, restrooms, and a concession stand. Construction is anticipated to be complete in the spring of 2014.

Construction is underway at the Palomar Station residential and retail development, a 15-acre project situated on either side of Armorlite Drive just east of Las Posas Road. Palomar Station is set to be the first major transit-oriented development project along the SPRINTER light-rail line, which runs from

Oceanside to Escondido. Transit-friendly development creates livable communities that are compact, walkable, and centered around public transportation.

A new stretch of the Inland Rail Trail will begin construction soon and will add seven miles of bikeway from the intersection of West Mission Road and Pacific Street in San Marcos to the intersection of North Melrose Drive and West Bobier Drive in Vista. Once complete the 21-mile Inland Rail Trail will be an important part of the region's interconnected bike network and will run parallel to the SPRINTER light-rail line from Escondido to Oceanside.

The Cities of San Marcos, Carlsbad, Escondido, Oceanside, and Vista have embarked on a strategic research and branding initiative to strategically position North County as a place for business and job creation. The unprecedented joint effort will pinpoint the greatest assets from each community and synthesize them into one regional identity with the overall goal of attracting business retention and job opportunity. The full project, which includes the final brand and implementation plan, should be completed in early 2014.

AWARDS AND ACKNOWLEDGEMENTS

Award Programs.... The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Marcos for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,

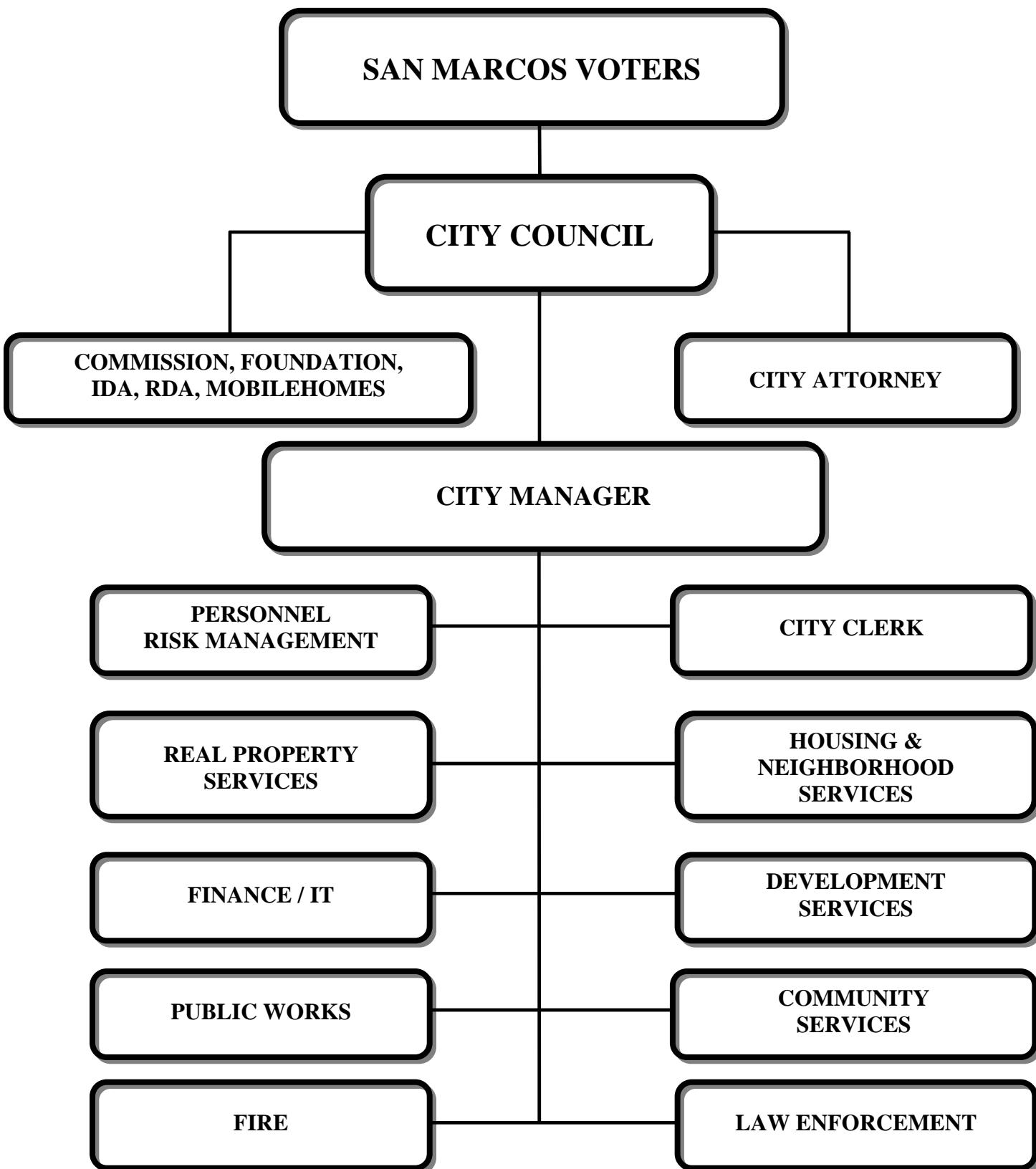


Jack Griffin
City Manager



Laura Rocha, CPA
Finance Director

CITY OF SAN MARCOS
Organizational Chart
June 30, 2013



CITY OF SAN MARCOS LIST OF PRINCIPAL OFFICIALS

City Council

Mayor	Jim Desmond
Vice Mayor	Rebecca Jones
Councilmember	Kristal Kritzer-Jabara
Councilmember	Chris Orlando
Councilmember	Sharon Jenkins

Administration

City Manager	Jack Griffin
Deputy City Manager	Lydia Romero
City Attorney	Helen Holmes Peak
City Clerk	Phillip Scollick

Department/Division Heads

Public Works Director/City Engineer	Mike Edwards
Finance Director	Laura Rocha
Human Resources/Risk Management	Donna French
Community Services Director	Buck Martin
Fire Chief	Todd Newman
Building Division Director	Vacant
Planning Division Director	Jerry Backoff
Real Property Services Director	Ellen Hegarty
Housing & Neighborhood Services Director	Karl Schwarm
Sheriff Station Captain	Scott Ybarrando



Government Finance Officers Association

**Certificate of
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for Excellence
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Reporting**

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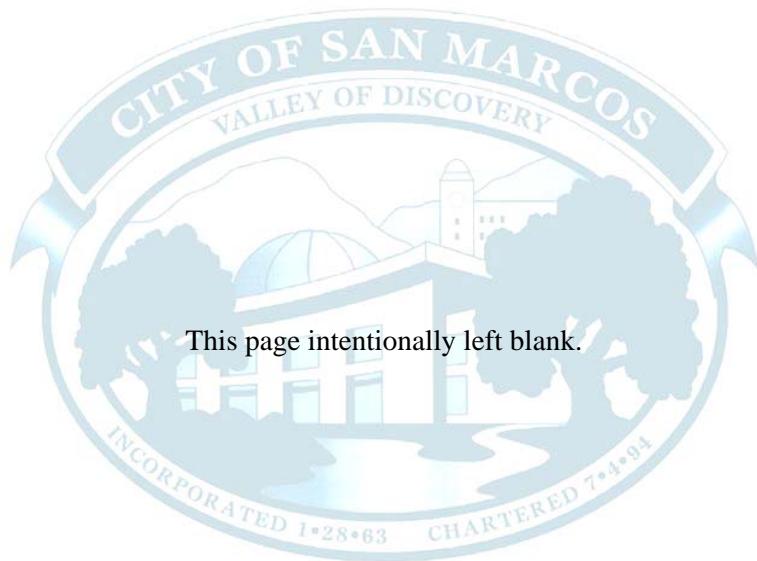
**City of San Marcos
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Jeffrey R. Ecker

Executive Director/CEO





Mayer Hoffman McCann P.C.

An Independent CPA Firm

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City of San Marcos
San Marcos, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, California, as of June 30, 2013, 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.

Emphasis of Matter

The financial statements for the year ended June 30, 2013 reflect certain prior period adjustments as described further in note 19 to the financial statements. Our opinion is not modified with respect to this matter.

As described further in note 20 to the financial statements, during the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014 on our consideration of the City of San Marcos's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of San Marcos's internal control over financial reporting and compliance.

Maynor Hoffman-Malam, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of San Marcos provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of the government.

FINANCIAL HIGHLIGHTS

Financial highlights include the following:

- At the end of fiscal year 2012-2013, the City's net position (assets and deferred outflows minus liabilities) totaled \$939.0 million, an increase of \$994,998 from the prior year.
- Of the total net position, \$62.2 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, subject to applicable laws and regulations.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$141.9 million, an increase of \$7.5 million from the prior year mostly due to one-time property tax revenues from the redevelopment dissolution.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.

- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the City operates like a business, i.e. the Municipal Utility and the Creekside Marketplace Funds.
- *Fiduciary funds* statements provide information about fiduciary relationships and account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

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

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

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

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

Reporting the City’s Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34. (GASB 34). The following analysis of the Government-Wide statements include a comparison of current and prior year results of operations and year-end balances.

Statement of Net Position

Below summarizes the Statement of Net Position for Governmental and Business Type Activities as of June 30, 2013, with comparative totals as of June 30, 2012. As previously stated, net position at year end serves as a useful indicator of a government's financial position.

STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 277,515,641	\$ 261,274,573	\$ 5,824,397	\$ 7,218,844	\$ 283,340,038	\$ 268,493,417
Capital assets, net	652,140,142	664,106,870	27,542,709	27,925,065	679,682,851	692,031,935
Total assets	929,655,783	925,381,443	33,367,106	35,143,909	963,022,889	960,525,352
Long-term debt	10,501,134	10,960,022			10,501,134	10,960,022
Other liabilities	12,675,982	10,695,062	880,309	899,802	13,556,291	11,594,864
Total liabilities	23,177,116	21,655,084	880,309	899,802	24,057,425	22,554,886
Net position:						
Invested in capital assets,						
net of related debt	646,769,141	658,296,750	27,542,709	27,925,065	674,311,850	686,221,815
Restricted	202,457,395	180,474,390			202,457,395	180,474,390
Unrestricted	57,252,131	64,955,219	4,944,088	6,319,042	62,196,219	71,274,261
Total net position	\$ 906,478,667	\$ 903,726,359	\$ 32,486,797	\$ 34,244,107	\$ 938,965,464	\$ 937,970,466

At June 30, 2013, the City's net position totaled \$939.0 million. The largest portion of the City's net assets (\$674.3 million or 71.8%) reflects its investment in capital assets (i.e., land, building, infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net assets (\$202.4 million or 21.6%) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, had a balance of \$62.2 million at the end of the fiscal year. Overall, the City's net position increased by \$994,998 (0.1%) during the current fiscal year.

Statement of Activities

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (i.e. year-end). In contrast, the Statement of Activities provides for details of how the City's net position changed from year to year. Generally, it indicates whether the financial health of the City as a whole is better or worse at June 30, 2013, in relation to a year earlier. For the fiscal year ended June 30, 2013, total net position increased by \$994,998, mostly related to increased revenues.

Below summarizes the Statement of Activities for Governmental and Business Type Activities for fiscal year ended June 30, 2013, with comparative totals for fiscal year ended June 30, 2012.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 33,914,113	\$ 30,824,136	\$ 4,103,722	\$ 3,907,546	\$ 38,017,835	\$ 34,731,682
Operating contributions and grants	24,338,152	3,333,506			24,338,152	3,333,506
Capital contributions and grants	2,125,409	20,273,816			2,125,409	20,273,816
General revenues:						
Property taxes	19,036,135	12,734,479			19,036,135	12,734,479
Tax increment, net	-	11,896,531			-	11,896,531
Sales taxes	14,596,011	13,836,852			14,596,011	13,836,852
Transient occupancy taxes	736,035	713,538			736,035	713,538
Franchise taxes	2,582,279	2,713,099			2,582,279	2,713,099
Motor vehicle license fees	80,791	42,071			80,791	42,071
Investment income	3,508,350	3,692,241	5,469	137,198	3,513,819	3,829,439
Extraordinary gain	-	280,624,874			-	280,624,874
Other	1,991,861	1,160,059			1,991,861	1,160,059
Total revenues	102,909,136	381,845,202	4,109,191	4,044,744	107,018,327	385,889,946
Expenses						
General government	15,885,771	16,992,317			15,885,771	16,992,317
Community development	6,379,029	28,586,547			6,379,029	28,586,547
Public safety	27,531,474	32,163,467			27,531,474	32,163,467
Highways, streets and parks	31,047,726	22,057,522			31,047,726	22,057,522
Culture and recreation	4,992,567	3,163,230			4,992,567	3,163,230
Interest on long-term debt	286,343	9,399,083			286,343	9,399,083
Creekside Marketplace			866,501	1,060,528	866,501	1,060,528
Total expenses	86,122,910	112,362,166	866,501	1,060,528	86,989,411	113,422,694
Increase in net position before transfers	16,786,226	269,483,036	3,242,690	2,984,216	20,028,916	272,467,252
Transfers	(5,674,712)	5,100,000	(5,000,000)	(5,100,000)	(10,674,712)	-
Change in net position	11,111,514	274,583,036	(1,757,310)	(2,115,784)	9,354,204	272,467,252
Net position, beg., restated	895,367,153	629,143,323	34,244,107	36,359,891	929,611,260	665,503,214
Net position, ending	\$ 906,478,667	\$ 903,726,359	\$ 32,486,797	\$ 34,244,107	\$ 938,965,464	\$ 937,970,466

Governmental Activities

Revenue Highlights

Total revenues for governmental activities were \$103.1 million. The largest component of total revenue is taxes at \$36.2 million, making up 34.1% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The highest tax revenues received by the General Fund include sales and property taxes.

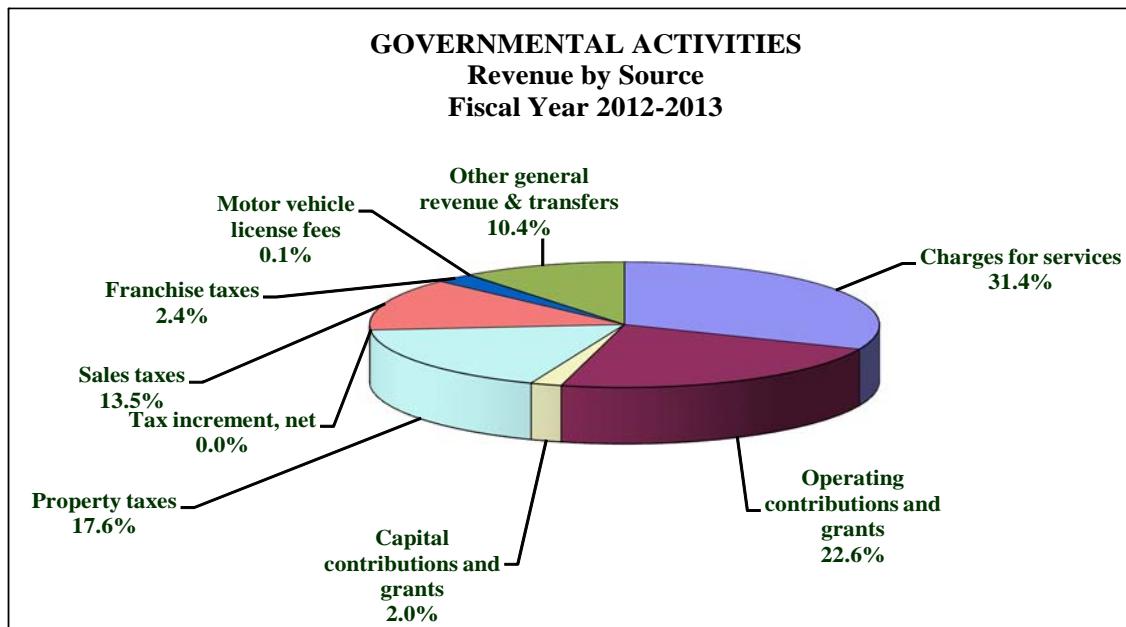
Some of the key changes in revenues are:

- Sales tax revenues increased by \$759,159 compared to the prior year. After a few rough years of a downward trend, the City is slowly seeing recovery of this major revenue source.
- Property taxes increased by \$6.3 million related mostly to the dissolution of the former Redevelopment Agency. One-time residual tax increments payments were made to the City as well as the Fire Protection District as part of the wind down affairs.
- Charges for services increased by \$3.1 million due to the increased development activity within the City. Building and plan check permits fees were up significantly as well as ambulance fees and other staff and project development reimbursement fees.

GOVERNMENTAL ACTIVITIES

Revenue by Source

REVENUE SOURCE	Fiscal Year 2012-2013	Percent of Total	Increase (Decrease)		Percent Increase (Decrease)
			From 2011-2012		
Charges for services	\$ 33,914,113	31.4%	\$ 3,089,977		10.0%
Operating contributions and grants	24,338,152	22.6%	21,004,646		630.1%
Capital contributions and grants	2,125,409	2.0%	(18,148,407)		-89.5%
Property taxes	19,036,135	17.6%	6,301,656		49.5%
Tax increment, net	-	0.0%	(11,896,531)		-100.0%
Sales taxes	14,596,011	13.5%	759,159		5.5%
Franchise taxes	2,582,279	2.4%	(130,820)		-4.8%
Motor vehicle license fees	80,791	0.1%	38,720		92.0%
Other general revenue & transfers	11,236,246	10.4%	570,408		5.3%
TOTAL REVENUE	\$ 107,909,136	100.0%	\$ 1,588,808		1.5%



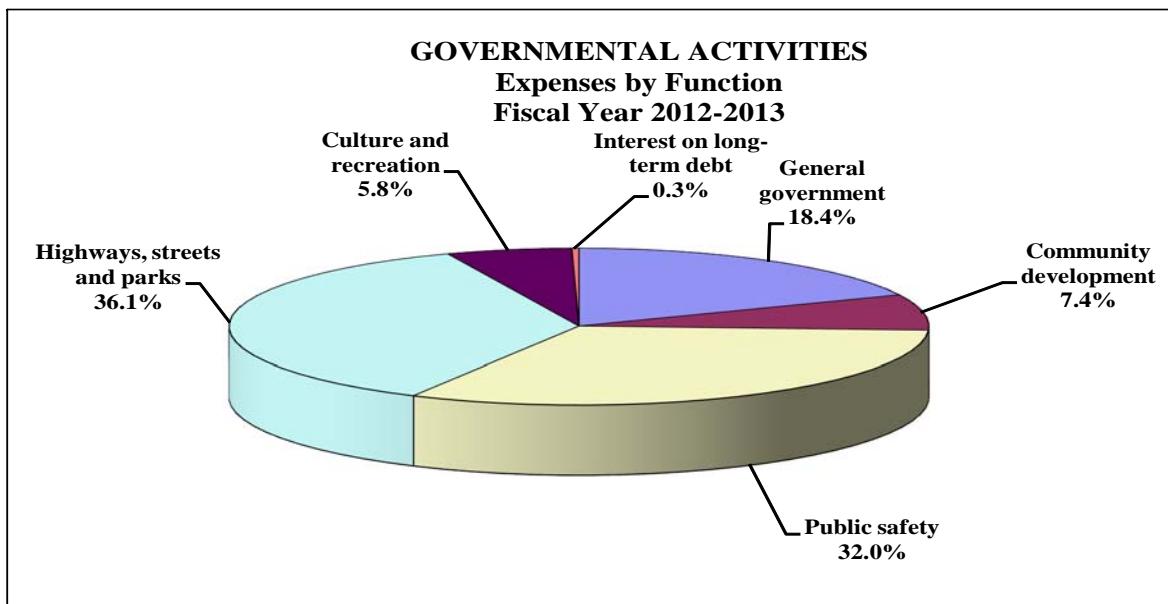
Expense Highlights

Functional expenses for the year totaled approximately \$86.1 million, a decrease of \$26.2 million from the prior year. The decrease was largely due to the activity related to the former Redevelopment Agency which was dissolved February 1, 2012. Reported activity of the former Redevelopment Agency was previously reported in the governmental funds in prior year through February 1, 2012. For fiscal year 2012-2013, all of the former Redevelopment Activity is recorded in a Successor Agency Private-Purpose Trust Fund which is not part of any governmental or business-like activities reflected in the charts.

The largest component of total expenses was for Public Safety (police and fire), representing \$27.5 million (32.0%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes but also Community Facilities Districts which are special taxes levied specifically to help finance police and/or fire protection facilities and services. In contrast, Public Works expenses, which total \$31.0 million, are funded from general and restricted revenues, including Gas Tax, Transnet, and Community Facility Districts levied specifically for maintenance of street lights, traffic signals, parks, trails, and landscaping.

GOVERNMENTAL ACTIVITIES **Expenses by Function**

FUNCTION	Fiscal Year 2012-2013	Percent of Total	Increase (Decrease)		Percent Increase (Decrease)
			From 2011-2012	Percent Increase (Decrease)	
General government	\$ 15,885,771	18.4%	\$ (1,106,546)	-6.5%	
Community development	6,379,029	7.4%	(22,207,518)	-77.7%	
Public safety	27,531,474	32.0%	(4,631,993)	-14.4%	
Highways, streets and parks	31,047,726	36.1%	8,990,204	40.8%	
Culture and recreation	4,992,567	5.8%	1,829,337	57.8%	
Interest on long-term debt	286,343	0.3%	(9,112,740)	-97.0%	
TOTAL EXPENSES	\$ 86,122,910	100.0%	\$ (26,239,256)		-23.4%



Business-Type Activities

The City's business-type activities consists of the Creekside Marketplace Enterprise Fund which accounts for the activity of a City-owned shopping center, and the Municipal Utility Enterprise Fund which was created a number of years ago to account for the Discovery Valley Utility activities. Net assets decreased

by \$1.7 million or 5.1% in the Enterprise Funds mainly as a result of operational transfers of \$5.0 million out to the General Fund, which included the transfers to replacement/rehabilitation funds from the Creekside Marketplace Fund as anticipated. The intent of the City Council in regards to the Municipal Utility Fund is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. To date only start up costs have been incurred in this Fund and no revenue has been generated.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$141.9 million, an increase of \$7.5 million from the previous year. Of this total amount, \$34.8 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for items such as noncurrent assets (\$15.5 million), debt service (\$98,035), capital projects (\$20.3 million), and affordable housing (\$51.5 million).

Major Funds

The **General Fund** is the chief operating fund of the City. It represents \$60.3 million or 42.5% of the combined fund balances of the governmental funds. At the end of the current fiscal year, unassigned fund balance of the General Fund of \$44.1 million constituted 73.2% of total fund balance. 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 fund expenditures. Unassigned fund balance represents 66.8% of total General Fund expenditures and transfers out, while total fund balance represents 91.3% of that same amount.

The fund balance of the City's General Fund increased by \$8.5 million during the current year due to one-time property tax revenues from the redevelopment dissolution and transfers from the Creekside Marketplace Fund to fund replacement/rehabilitation sinking funds.

General Fund Revenue				
	Fiscal Year 2012-2013	Fiscal Year 2011-2012	Increase (Decrease)	% Increase (Decrease)
Revenue:				
Taxes and special assessments	\$ 34,514,920	\$ 27,420,393	\$ 7,094,527	25.9%
Licenses and permits	5,031,124	5,210,749	(179,625)	-3.4%
Intergovernmental	849,331	1,085,030	(235,699)	-21.7%
Charges for services/developer fees	14,423,954	13,976,641	447,313	3.2%
Fines and forfeitures	171,675	203,253	(31,578)	-15.5%
Use of money and property	6,540,320	6,652,636	(112,316)	-1.7%
Miscellaneous	572,572	343,839	228,733	66.5%
Total Revenue	\$ 62,103,896	\$ 54,892,541	\$ 7,211,355	13.1%
General Fund Expenditure				
	Fiscal Year 2012-2013	Fiscal Year 2011-2012	Increase (Decrease)	% Increase (Decrease)
Expenditure:				
General government	\$ 14,757,624	\$ 14,418,060	\$ 339,564	2.4%
Community development	5,783,222	6,213,544	(430,322)	-6.9%
Public safety	27,156,206	30,262,221	(3,106,015)	-10.3%
Highways, streets and parks	11,740,855	12,543,205	(802,350)	-6.4%
Culture and recreation	4,699,340	2,836,660	1,862,680	65.7%
Capital outlay	612,937	1,270,763	(657,826)	-51.8%
Debt service	-	-	-	0.0%
Total Expenditure	\$ 64,750,184	\$ 67,544,453	\$ (2,794,269)	-4.1%

Taxes and special assessments, including property taxes, property tax in-lieu of motor vehicle license fees, and sales tax came in at 23.1% over budget or \$6.4 million over expectation. The actual increase from year to year was \$7.1 million (25.9%). Sales tax increased by \$759,159 (5.4%) and is continuing to show steady signs of growth.

Property taxes represented 12.1% (\$7.5 million) of total revenues and ended the year with a net increase from the previous year of \$529,442. Property taxes received from the County for both the City and Fire District were slightly below budget. These amounts include the tax increment payments from the Redevelopment Agency. Countywide, assessed valuation decreased by 0.1% in fiscal year 2012-2013, while in San Marcos, it increased by 0.5%. Property taxes tend to be a lagging revenue source. However, the City and Fire District did receive some one-time property tax revenue from the dissolution of the former Redevelopment Agency.

Charges for services/developer fees increased by \$447,313 (3.2%) over the prior year, and at \$14.4 million represent 23.2% of General Fund total revenues. Development throughout the City continues to increase over prior years, resulting in increased developer impact fees and permitted activity.

Miscellaneous revenues include one-time reimbursements and other various unanticipated revenues that do not occur on a regular basis and thus will vary year to year based on the nature of the revenue. The current year included one-time allocation of donations to the Community Services division.

On the expenditure side, the total cost of all General Fund programs and services was just over \$64.7 million for fiscal year 2012-2013. This was a \$2.7 million, or 4.1% decrease over prior year costs. The majority of the reduced costs were attributable to reductions in the employee compensation plans that were re-negotiated during fiscal year 2011-2012 and in effect for fiscal year 2012-2013.

The **San Marcos Affordable Housing Special Revenue Fund** accounts for funds to improve or preserve the community's supply of affordable housing. This fund ended the year with a \$41.4 million fund balance. Loans of over \$5 million were made during the fiscal year to housing corporations to assist with the construction of affordable housing projects.

The **Public Facilities Capital Projects Fund** accounts for the accumulation of resources for the payment of public facility related costs. The primary funding source is developer fees which constitutes a funding source for future public facility related improvement projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences in appropriations between the original budget and the final amended budget of the General Fund for the current fiscal year other than approved carry-overs from the prior fiscal year.

Ending fund balance in the General Fund was \$8.4 million more than projected. Revenues and transfers in were \$9.2 million (17.4%) over budget and expenditures and transfers out were \$371,810 (0.6%) under budget. The most significant revenue increases were due to one-time property tax revenues as a result of the redevelopment dissolution and the increased development activity throughout the City.

Budgetary savings were slightly realized in salaries through attrition, consulting services, and other contract services.

CAPITAL ASSETS

The City's investment in capital assets net of accumulated depreciation for its governmental activities as of June 30, 2013, amounted to \$652.1 million. This included land, land improvements, buildings, furniture and equipment, and infrastructure. The total net decrease in capital assets was \$11.9 million (-1.8%). The major additions and deletions to capital assets were as follows:

- The net decrease was mostly due to an infrastructure project recorded in progress in previous years that the City is not responsible for, so the asset was removed.
- Infrastructures including right of way from new development of \$1.0 million were donated/taken over for maintenance by the City.
- Bradley Park Improvements were completed and capitalized at a cost of \$1.3 million. South Lake Community Park Improvements were also capitalized at a cost of \$1.9 million. Playfield improvements at San Marcos Elementary School were under construction.
- Several street construction/widening and expansion projects were completed at the end of the year including the following:
 - San Marcos Blvd. Rancho Santa Fe to Acacia Improvements \$3.3 million
 - Borden Road Twin Oaks Valley to Woodland Parkway Improvements \$7.8 million
 - Twin Oaks Valley Rd. to San Elijo Rd Project \$15.5 million
 - Palomar College Traffic Signals \$588,000

- Other projects in progress at the end of the year include: San Marcos Creek Channel Improvements, Creekside Dr. and downtown promenade, Grand Ave Bridge at Discovery Street, and San Marcos Blvd./Knight's Realm Intersection Improvements.

A summary of capital assets follows. Additional information can be found in note 08 of the notes to the financial statements.

CAPITAL ASSETS
(Net of Depreciation)
Governmental Activities

	Fiscal Year 2012-2013	Fiscal Year 2011-2012	Net Change
Land	\$ 272,142,232	\$ 272,142,232	\$ -
Land improvements	53,950,728	50,892,849	3,057,879
Buildings	50,851,342	52,344,460	(1,493,118)
Furniture and equipment	3,692,932	4,232,000	(539,068)
Infrastructure	250,624,539	232,968,537	17,656,002
Construction in progress	<u>20,878,369</u>	<u>51,526,795</u>	<u>(30,648,426)</u>
Total	<u>\$ 652,140,142</u>	<u>\$ 664,106,873</u>	<u>\$ (11,966,731)</u>

For the business-type activities, capital assets totaled \$27.5 million at June 30, 2013. There were no significant changes from the previous year.

DEBT ADMINISTRATION

At year-end, the City had \$10.5 million outstanding in one bond issue, one note payable and employee compensated absences. Payments made on the City's outstanding debt creating a reduction in the debt for the current fiscal year.

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

LONG-TERM DEBT OUTSTANDING
Governmental Activities

	Fiscal Year 2012-2013	Fiscal Year 2011-2012	Net Change
Bonds payable, net	\$ 5,059,781	\$ 5,288,939	\$ (229,158)
Note payable	635,884	743,880	(107,996)
Cooperation agreement	-	-	-
Compensated absences	4,805,469	4,927,203	(121,734)
Due to other governments	-	-	-
Total	\$ 10,501,134	\$ 10,960,022	\$ (458,888)

Additional information on the City's long-term debt can be found in note 09 of the notes to the financial statements.

FACTORS AFFECTING NEXT YEAR'S BUDGET

Next year's budget contains a number of changes. First and foremost, the City revamped the basic appearance of the budget. The goal was to create a document that was user friendly for both internal and external customers. People who are interested in the City's budget and programs but not necessarily familiar with how a budget is constructed will find it easier to navigate. The City also wanted to be able to depict actual department costs. In the past, departmental budgets contained salary cost information but not non-salary personnel costs. Those were bundled together in a single "Personnel Services" department. While there was nothing inherently wrong with that budget structure, it did not allow for a true representation of departmental costs. This budget breaks out the non-salary personnel costs at the department level. This change will make it difficult next year to compare departmental costs to prior years, though that level of comparison will improve with each succeeding budget year. Another significant structural change was in the manner in which Community Facilities District expenses are shown. In the past, those costs were shown as General Fund expenses and there was a transfer from the CFD districts to the General Fund as revenue to offset those costs. This budget shows the expenditures within the CFD itself, removing both the expenditure and revenue (transfer) from the General Fund.

Additionally, the inclusion of reserve balances within the budget will now be shown. While the City maintains healthy reserve levels, these were not previously reflected in the budget document. The proposed budget shows both General Fund reserve levels as well as other restricted fund reserve levels. The City has a number of funds such restricted for various purposes such as various CFD funds, Affordable Housing Fund, Gas Tax fund, Traffic Safety Fund, etc.

From a big picture economic perspective, it appears the recessionary period of the past several years is receding. The City is seeing growth in a number of major revenue categories. While the growth rate is moderate, it is certainly providing for a more stable and predictable economic environment. The increase in development/construction activity also appears to be at a more moderate rate than in the years prior to the recession and slow and steady in this regard would be far more desirable than a return to a boom/bust cycle.

In addition, national, statewide and regional economic indicators are generally turning more positive. While unemployment rates still remain at relatively high levels, they seem to have leveled off and shown signs of improvement. Consumer confidence also seems more positive, which is a major consideration for San Marcos given its reliance on sales tax as its major revenue source.

The City faces several long-term financial challenges, including the funding of major infrastructure needs, worsened by the elimination of the City's Redevelopment Agency, and the continuing burden of rising pension costs. A large portion of City assets do not have dedicated funding sources that enable the City to keep up with their required maintenance, improvement and replacement. Consideration of recommendations for funding future capital maintenance and replacement costs will be a top priority in the coming fiscal years.

In developing the budget for Fiscal Year 2013-2014, there were a number of considerations. The largest single issue was the increase the City saw in costs with respect to its law enforcement contract with the San Diego County Sheriff's Department. In the fall of 2012, the City, along with 8 other cities in the County, entered into a new five year contract with the Sheriff's Department. The new contract resulted in an increase of \$1,158,772 from the budgeted amount in FY 2012-2013 to FY 2013-2014. This was a 7.89% increase. The contract provides for increases of approximately 4.5% per year for its five year duration. While this is not an insignificant increase, in 2012, staff analyzed the costs of law enforcement for cities with their own police departments and the average per capita costs for those cities (Carlsbad, Chula Vista, Oceanside, Escondido, National City and El Cajon) was \$246/resident. With the revised contract, the City's per capita costs in FY 2013-2014 are at \$183/resident.

Another significant impact to the budget was the impending new stormwater management permit imposed by the Regional Water Quality Control Board (RWQCB) that is being essentially assessed to every city in the County. At the time of budget preparation, the permit had not yet been finalized. It appears the new permit will impose significantly greater regulatory demands on the City and therefore the budget was increased by approximately \$370,000 (\$295,000 of one-time costs) for these unfunded, mandated costs. The City also will see increases in insurance premiums in a number of areas that will add several hundred thousands of dollars of costs to the City.

Despite these financial challenges, the City remains fiscally strong. The City is projecting an increase in sales tax of 4.8% for Fiscal Year 2013-2014. Sales tax has bounced back from the lows of the recent recession. Property taxes are being projected to increase by 2.0%. Property tax revenues also are increasing as a result of the dissolution of redevelopment. The City as a taxing entity within the former redevelopment areas shares in the residual property tax increment revenue. While this revenue is a benefit to the General Fund, it is far less than the former redevelopment agency received in tax increment revenues to undertake projects. As the housing market recovers, the City expects to see increases in property tax revenue due to increasing prices for existing homes and the construction of new housing units. One down side on the revenue side is potentially rental revenue, particularly at City Hall, where a number of tenants' leases will be expiring in 2014. The market for office space is still fairly weak and the budget assumes some lost revenue in this category.

In summary, by the end of the projected third year of the next budget cycle, General Fund reserves will be at \$50.1 million. The excess of revenues over expenditures in the next three fiscal years and the increase in revenues and expenditures are as follows:

	<u>FY 2013-2014</u>	<u>FY 2014-2015</u>	<u>FY 2015-2016</u>
Excess of Revenues Over Expenditures	\$50,255	\$33,434	\$38,887

Incorporated in the City's revenue projections are transfers from the Creekside Marketplace Enterprise (CM) Fund in the amounts of \$4.25, \$4.5 and \$4.8 million in fiscal years ending 2014, 2015 and 2016, respectively. This Fund accounts for the activity of the Creekside Marketplace Shopping Center. Over the next several years, the Center will generate from \$3.7 to \$6.0 million in net revenues to support the General Fund. Transfers from this Fund to the General Fund are affected annually to the extent necessary to balance operations.

Updated current information, such as pension contribution requirements, health insurance premiums, salaries based on the latest staffing levels and pay ranges, workers' compensation, liability and property insurance, and departmental service needs were some of the more significant changes to the General Fund budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1 Civic Center Drive, San Marcos, California, 92069.

CITY OF SAN MARCOS
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and investments (note 3)	\$ 87,563,520	4,999,791	92,563,311
Cash and investments with fiscal agents (note 3)	10,272,070	-	10,272,070
Receivables:			
Taxes and special assessments	2,237,804	-	2,237,804
Accounts	1,802,993	-	1,802,993
Interest	10,449	274	10,723
Notes (note 4)	121,147,739	-	121,147,739
Other (note 7)	467,506	817,083	1,284,589
Due from other governments	9,032,630	-	9,032,630
Advances to successor agency (note 18)	24,431,518	-	24,431,518
Deposits	1,824,289	7,249	1,831,538
Deferred charges (note 2)	171,338	-	171,338
Land held for resale	17,470,997	-	17,470,997
Investment in joint venture (note 13)	1,082,788	-	1,082,788
Capital assets, not depreciated (note 8)	346,971,330	11,865,697	358,837,027
Capital assets, net of depreciation (note 8)	<u>305,168,812</u>	<u>14,859,929</u>	<u>320,028,741</u>
 Total assets	 <u>929,655,783</u>	 <u>32,550,023</u>	 <u>962,205,806</u>
Liabilities:			
Accounts payable	7,567,224	-	7,567,224
Accrued liabilities	2,466,354	-	2,466,354
Claims payable	719,831	-	719,831
Unearned revenue (note 5)	143,267	-	143,267
Deposits payable	1,779,306	63,226	1,842,532
Noncurrent liabilities (note 9):			
Due within one year	1,359,581	-	1,359,581
Due in more than one year	<u>9,141,553</u>	<u>-</u>	<u>9,141,553</u>
 Total liabilities	 <u>23,177,116</u>	 <u>63,226</u>	 <u>23,240,342</u>
Net Position:			
Net investment in capital assets	646,769,141	26,725,626	673,494,767
Restricted/expendable for:			
Affordable housing	160,939,069	-	160,939,069
Landscape maintenance	9,706,762	-	9,706,762
Public facilities	20,320,721	-	20,320,721
Other purposes	10,295,075	-	10,295,075
Restricted/nonexpendable	1,195,768	-	1,195,768
Unrestricted	<u>57,252,131</u>	<u>5,761,171</u>	<u>63,013,302</u>
 Total net position	 <u>\$ 906,478,667</u>	 <u>32,486,797</u>	 <u>938,965,464</u>

See accompanying notes to basic financial statements.

CITY OF SAN MARCOS
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 15,885,771	7,711,202	125,727	-
Community development	6,379,029	6,998,956	279,493	566,734
Public safety	27,531,474	8,636,601	273,117	152,549
Highways, streets, and parks	31,047,726	8,462,005	23,521,638	1,406,126
Culture and recreation	4,992,567	2,105,349	138,177	-
Interest on long-term debt	<u>286,343</u>	-	-	-
Total governmental activities	86,122,910	33,914,113	24,338,152	2,125,409
Business-type activities:				
Creekside Marketplace	<u>866,501</u>	<u>4,103,722</u>	-	-
Total	<u>\$ 86,989,411</u>	<u>38,017,835</u>	<u>24,338,152</u>	<u>2,125,409</u>
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Transient occupancy taxes				
Franchise taxes				
Motor vehicle license fees, unrestricted				
Investment income, unrestricted				
Other				
Transfer to Successor Agency				
Transfers (Note 6)				
			Total general revenues and transfers	
			Change in net position	
			Net position, beginning as restated	
			Net position, ending	

See accompanying notes to basic financial statements.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
(8,048,842)	-	(8,048,842)
1,466,154	-	1,466,154
(18,469,207)	-	(18,469,207)
2,342,043	-	2,342,043
(2,749,041)	-	(2,749,041)
<u>(286,343)</u>	<u>-</u>	<u>(286,343)</u>
(25,745,236)	-	(25,745,236)
 <u>-</u>	<u>3,237,221</u>	<u>3,237,221</u>
<u>(25,745,236)</u>	<u>3,237,221</u>	<u>(22,508,015)</u>
 19,036,135	-	19,036,135
14,596,011	-	14,596,011
736,035	-	736,035
2,582,279	-	2,582,279
80,791	-	80,791
3,508,350	5,469	3,513,819
1,991,861	-	1,991,861
(10,674,712)	-	(10,674,712)
<u>5,000,000</u>	<u>(5,000,000)</u>	<u>-</u>
<u>36,856,750</u>	<u>(4,994,531)</u>	<u>31,862,219</u>
11,111,514	(1,757,310)	9,354,204
<u>895,367,153</u>	<u>34,244,107</u>	<u>929,611,260</u>
<u>\$ 906,478,667</u>	<u>32,486,797</u>	<u>938,965,464</u>

CITY OF SAN MARCOS
Balance Sheet
Governmental Funds
June 30, 2013

Assets	General	San Marcos Affordable Housing
Cash and investments (note 3)	\$ 45,489,237	6,736,315
Cash and investments with fiscal agents (note 3)	-	9,127,855
Receivables:		
Taxes and special assessments	2,221,145	-
Accounts	1,617,047	138,519
Interest	680	10
Notes, net (note 4)	-	119,539,176
Other (note 7)	346,990	-
Due from other governments	506,937	-
Due from other funds (note 6)	2,909,188	-
Advance to successor agency	-	24,431,518
Deposits	630,317	-
Land held for resale	<u>15,554,499</u>	<u>1,058,150</u>
Total assets	<u><u>\$ 69,276,040</u></u>	<u><u>161,031,543</u></u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 4,400,835	54,065
Accrued liabilities	2,138,222	3,911
Claims payable	719,831	-
Due to other funds (note 6)	-	-
Deferred revenue (note 5)	564,883	119,536,973
Deposits	<u>1,120,017</u>	<u>34,498</u>
Total liabilities	<u><u>8,943,788</u></u>	<u><u>119,629,447</u></u>
Fund balances:		
Nonspendable:		
Noncurrent assets	15,554,499	-
Deposits	630,317	-
Permanent fund	-	-
Restricted:		
Affordable housing	-	41,402,096
Debt service	-	-
Transportation	-	-
Lighting and landscape	-	-
Capital improvements	-	-
Public facilities	-	-
Other purposes	-	-
Unassigned	<u>44,147,436</u>	<u>-</u>
Total fund balances	<u><u>60,332,252</u></u>	<u><u>41,402,096</u></u>
Total liabilities and fund balances	<u><u>\$ 69,276,040</u></u>	<u><u>161,031,543</u></u>

See accompanying notes to basic financial statements.

Public Facility	Non-Major Governmental Funds	Total
19,596,297	15,741,671	87,563,520
-	1,144,215	10,272,070
-	16,659	2,237,804
-	47,427	1,802,993
-	9,759	10,449
-	1,608,563	121,147,739
120,516	-	467,506
-	8,525,693	9,032,630
-	-	2,909,188
-	-	24,431,518
-	1,193,972	1,824,289
858,348	-	17,470,997
<u>20,575,161</u>	<u>28,287,959</u>	<u>279,170,703</u>

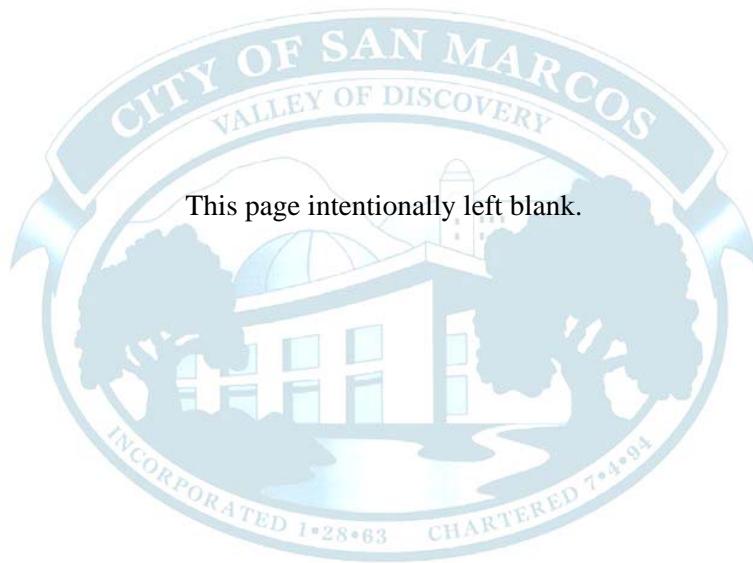
133,924	2,978,400	7,567,224
-	271,017	2,413,150
-	-	719,831
-	2,909,188	2,909,188
120,516	1,608,563	121,830,935
-	624,791	1,779,306
<u>254,440</u>	<u>8,391,959</u>	<u>137,219,634</u>

-	-	15,554,499
-	-	630,317
-	1,195,768	1,195,768
-	-	41,402,096
-	98,035	98,035
-	5,329,271	5,329,271
-	9,706,762	9,706,762
-	922,388	922,388
20,320,721	-	20,320,721
-	2,755,442	2,755,442
-	(111,666)	44,035,770
<u>20,320,721</u>	<u>19,896,000</u>	<u>141,951,069</u>
<u>20,575,161</u>	<u>28,287,959</u>	<u>279,170,703</u>

CITY OF SAN MARCOS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2013

Fund balances of govermental funds	\$ 141,951,069
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$807,918,618 and the accumulated depreciation is \$155,778,476.	652,140,142
Cost of issuance of bonds is deferred and amortized over the life of the bonds in the Statement of Net Assets whereas it is expended in the funds in the year of issuance (note 2).	171,338
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds (note 5).	121,687,668
The investment in joint venture is not an available resource and, therefore, is not reported in the fund financials.	1,082,788
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (note 2).	(10,501,134)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds	<u>(53,204)</u>
Net assets of governmental activities	<u><u>\$ 906,478,667</u></u>

See accompanying notes to basic financial statements.



CITY OF SAN MARCOS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General	San Marcos Affordable Housing
Revenues:		
Taxes and special assessments	\$ 34,514,920	-
Licenses and permits	5,031,124	-
Intergovernmental	849,331	-
Charges for services	14,423,954	29
Developer fees	50,268	2,232,058
Fines and forfeitures	171,675	-
Use of money and property	6,540,320	861,109
Miscellaneous	<u>522,304</u>	<u>661,247</u>
 Total revenues	 <u>62,103,896</u>	 <u>3,754,443</u>
 Expenditures:		
Current:		
General government	14,757,624	177,185
Community development	5,783,222	2,888,192
Public safety	27,156,206	479
Highways, streets and parks	11,740,855	108,675
Culture and recreation	4,699,340	-
Capital outlay	<u>612,937</u>	<u>-</u>
Debt service:		
Principal	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>
 Total expenditures	 <u>64,750,184</u>	 <u>3,174,531</u>
 Excess (deficiency) of revenues over expenditures	 <u>(2,646,288)</u>	 <u>579,912</u>
 Other financing sources (uses):		
Sale of capital assets	6,489	-
Transfers in (note 6)	10,201,349	-
Transfers out (note 6)	<u>(1,309,873)</u>	<u>(10,674,712)</u>
 Total other financing sources (uses)	 <u>8,897,965</u>	 <u>(10,674,712)</u>
 Net change in fund balances	 <u>6,251,677</u>	 <u>(10,094,800)</u>
 Fund balances, beginning as restated	 <u>54,080,575</u>	 <u>51,496,896</u>
 Fund balances, ending	 <u>\$ 60,332,252</u>	 <u>41,402,096</u>

See accompanying notes to basic financial statements.

Public Facility	Non-Major Governmental Funds	Total
-	5,535,844	40,050,764
-	-	5,031,124
-	15,424,638	16,273,969
-	-	14,423,983
9,935,386	116,147	12,333,859
-	-	171,675
51,787	655,296	8,108,512
-	473,073	1,656,624
9,987,173	22,204,998	98,050,510
-	303,106	15,237,915
-	477,292	9,148,706
-	-	27,156,685
-	1,557,558	13,407,088
-	120,040	4,819,380
2,216,834	13,848,064	16,677,835
107,996	235,000	342,996
40,913	236,490	277,403
2,365,743	16,777,550	87,068,008
7,621,430	5,427,448	10,982,502
-	-	6,489
-	1,309,873	11,511,222
-	(5,201,349)	(17,185,934)
-	(3,891,476)	(5,668,223)
7,621,430	1,535,972	5,314,279
12,699,291	18,360,028	136,636,790
20,320,721	19,896,000	141,951,069

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, 2013

Net change in fund balances - total govermental funds	\$ 5,314,279
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less then depreciation, plus the net effect of various miscellaneous transactions involving capoital assets.	(2,333,639)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	930,347
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,928,279
Long-term loans are reported as expenditures in the governmental funds but not on the statement of activities.	2,816,458
The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
This amount is the net effect of these differences in the treatment of long-term debt and related items (note 2).	330,015
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (note 2).	<u>125,775</u>
Change in net assets of governmental activities	<u>\$ 11,111,514</u>

See acompanying notes to basic financial statements.

CITY OF SAN MARCOS
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds		
	Creekside	Marketplace	Utility
	Assets	Total	
Assets			
Current assets:			
Cash and investments (note 3)	\$ 4,934,684	65,107	4,999,791
Receivables:			
Interest	272	2	274
Deposits	<u>7,249</u>	-	<u>7,249</u>
Total current assets	<u>4,942,205</u>	<u>65,109</u>	<u>5,007,314</u>
Noncurrent assets:			
Other receivable (note 7)	817,083	-	817,083
Capital assets (note 8)			
Land	11,865,697	-	11,865,697
Buildings, net of depreciation	<u>14,859,929</u>	-	<u>14,859,929</u>
Total noncurrent assets	<u>27,542,709</u>	-	<u>27,542,709</u>
Total assets	<u>32,484,914</u>	<u>65,109</u>	<u>32,550,023</u>
Liabilities			
Current liabilities:			
Deposits	63,226	-	63,226
Long-term liabilities:	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>63,226</u>	-	<u>63,226</u>
Net Position			
Investment in capital assets	26,725,626	-	26,725,626
Unrestricted	<u>5,696,062</u>	<u>65,109</u>	<u>5,761,171</u>
Total net position	<u>\$ 32,421,688</u>	<u>65,109</u>	<u>32,486,797</u>

See accompanying notes to basic financial statements.

CITY OF SAN MARCOS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Creekside Marketplace	Utility	Total
Operating revenues:			
Rental income	\$ 3,620,431	-	3,620,431
Common area maintenance charges	483,291	-	483,291
 Total operating revenues	 4,103,722	 -	 4,103,722
Operating expenses:			
Property management	119,508	-	119,508
Janitorial	113,881	-	113,881
Repair and maintenance	250,757	-	250,757
Depreciation	382,355	-	382,355
 Total operating expenses	 866,501	 -	 866,501
 Operating income	 3,237,221	 -	 3,237,221
Non-operating revenues:			
Investment income	5,256	213	5,469
 Income before transfer	 3,242,477	 213	 3,242,690
 Transfer out (note 6)	 (5,000,000)	 -	 (5,000,000)
 Change in net position	 (1,757,523)	 213	 (1,757,310)
 Net position, beginning	 34,179,211	 64,896	 34,244,107
 Net position, ending	 \$ 32,421,688	 65,109	 32,486,797

See accompanying notes to basic financial statements.

CITY OF SAN MARCOS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

Enterprise Funds			
	Creekside Marketplace	Utility	Total
Cash flows from operating activities:			
Payments to suppliers for goods and services	\$ (484,146)	-	(484,146)
Receipts from customers	<u>4,103,722</u>	-	<u>4,103,722</u>
Net cash provided by (used for) operating activities	3,619,576	-	3,619,576
Cash flows from noncapital financing activities:			
Transfer to General Fund	(5,000,000)	-	(5,000,000)
Cash flows from investing activities:			
Interest received	<u>18,276</u>	<u>289</u>	<u>18,565</u>
Net increase (decrease) in cash and cash equivalents	(1,362,148)	289	(1,361,859)
Cash and cash equivalents, beginning	<u>6,296,832</u>	<u>64,818</u>	<u>6,361,650</u>
Cash and cash equivalents, ending	<u><u>\$ 4,934,684</u></u>	<u><u>65,107</u></u>	<u><u>4,999,791</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 3,237,221	-	3,237,221
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	<u>382,355</u>	<u>-</u>	<u>382,355</u>
Net cash provided by (used for) for operating activities	<u><u>\$ 3,619,576</u></u>	<u><u>-</u></u>	<u><u>3,619,576</u></u>

CITY OF SAN MARCOS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

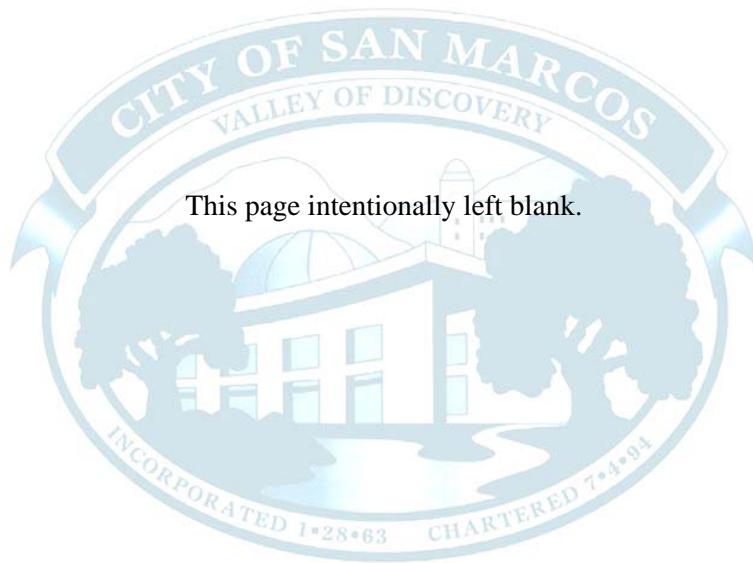
	Agency Funds	Private Purpose Trust Funds
ASSETS		
Current assets:		
Cash and investments (note 3)	\$ 1,260,569	20,472,940
Receivables:		
Accounts	-	68,006
Notes	-	435,850
Special assessments	26,785	-
Interest	24	86
Direct financing lease	-	3,403,503
Due from other funds	-	6,593,133
Deferred charges	-	<u>5,464,970</u>
	<u>1,287,378</u>	<u>36,438,488</u>
Total current assets	<u>1,287,378</u>	<u>36,438,488</u>
Restricted assets:		
Cash and investments with fiscal agents (note 3)	<u>17,578,122</u>	<u>65,766,534</u>
Total restricted assets	<u>17,578,122</u>	<u>65,766,534</u>
Capital assets:		
Land	<u>-</u>	<u>4,921,618</u>
Total capital assets	<u>-</u>	<u>4,921,618</u>
Total noncurrent assets	<u>17,578,122</u>	<u>70,688,152</u>
Total assets	<u>\$ 18,865,500</u>	<u>107,126,640</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	139,163
Accrued liabilities	-	6,912
Accrued interest payable	-	5,960,678
Due to other funds	-	6,593,133
Due to other governments	-	5,759
Deposits payable	1,201,925	-
Due to bondholders	17,663,575	-
Noncurrent liabilities:		
Due within one year	-	9,632,932
Due in more than one year	-	<u>363,280,587</u>
Total liabilities	<u>18,865,500</u>	<u>385,619,164</u>
NET POSITION		
Held in trust for other taxing entities	\$ -	<u>(278,492,524)</u>

See accompanying notes to basic financial statements.

CITY OF SAN MARCOS
Statement of Changes in Fiduciary Net Position
Trust Funds
For the Year Ended June 30, 2013

	Private Purpose Trust Funds
Additions:	
Tax increment	\$ 28,559,133
Income from property and investments	252,724
Miscellaneous	9,224
Transfers from Housing Successor	10,674,712
Transfers in	<u>1,189,986</u>
 Total additions	 40,685,779
Deductions:	
General and administrative	1,158,552
Community development	1,235,892
Interest expense and fees	18,235,158
Payment to state	8,997,735
Transfers out	<u>1,189,986</u>
 Total deductions	 <u>30,817,323</u>
 Change in net position	 9,868,456
 Net position, beginning as restated	 <u>(288,360,980)</u>
 Net position, ending	 <u>\$ (278,492,524)</u>

See accompanying notes to basic financial statements.



CITY OF SAN MARCOS
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies

Description and Scope of the Reporting Entity:

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

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

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

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

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

Separate financial statements are not prepared for these entities.

Government-wide and Fund Financial Statements:

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the City and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (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.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

The Trust Funds account 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.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services and lease revenue. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for the enterprise funds include the cost of sales and services, and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments:

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

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

Investments are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Receivables and Payables:

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

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

Prepaid Items:

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

Land Held for Resale:

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

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. For certain loans, an allowance for uncollectible amounts has been established. Other loans may also be subject to the risk of non-collection, but the amounts of such loss cannot be reasonably estimated at this time.

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 more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

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

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

Compensated Absences:

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

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Postemployment Benefits Other Than Pensions:

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

Fund Balances:

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Nonspendable Fund Balance:

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).

Spendable Fund Balance:

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

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

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

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

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.

(2) Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(10,501,134) difference are as follows:

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(2) Reconciliation of Government-Wide and Fund Financial Statements, (Continued)

Bonds payable	\$ (5,200,000)
Less: Deferred charge on refunding	84,219
Issuance discount	56,000
Note payable	(635,884)
Compensated absences	<u>(4,805,469)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (10,501,134)</u>

Another element of the reconciliation is cost of issuance of \$171,338 which is deferred and amortized over the life of the bonds in the Statement of Net Position as opposed to expended in the funds in the year of issuance.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$330,015 difference are as follows:

Principal repayments:	
Bonds	\$ 235,000
Note payable	107,996
Amortization of:	
Deferred charges/cost of issuance	(7,139)
Deferred charge on bond refunding	(3,509)
Bond issuance discount	<u>(2,333)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u>\$ 330,015</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$125,775) difference are as follows:

Change in compensated absences	\$ (121,734)
Change in accrued interest	<u>(4,041)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (125,775)</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(3) Cash and Investments

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

Statement of net position:	
Cash and investments	\$ 92,563,311
Cash and investments with fiscal agents	10,272,070
Statement of fiduciary net position:	
Cash and investments	21,669,655
Cash and investments with fiscal agents	<u>83,344,656</u>
Total Cash and Investments	<u><u>\$ 207,849,692</u></u>

Cash and investments at June 30, 2013 consisted of the following:

Demand deposits	\$ 8,941,507
Local Agency Investment Pool (LAIF)	39,630,414
California Asset Management Pool (CAMP)	16,052,247
Federal Agency Securities	49,098,869
U.S. Treasury	10,863,715
Commercial paper	857,423
Money market mutual funds	<u>82,405,517</u>
Total Cash and Investments	<u><u>\$ 207,849,692</u></u>

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

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(3) Cash and Investments, (Continued)

<u>Investment Type</u> <u>Authorized by State Law</u>	<u>Authorized By City Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Mortgage Pass-Through Securities	No	5 years	20%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
California Asset Management Program (CAMP)	Yes	N/A	None	None
County Pooled Investment Funds	No	N/A	None	None

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	None
Investment Contracts	None	None	None

Disclosures Relating to Interest Rate Risk:

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(3) Cash and Investments, (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13 to 60 Months</u>
Federal Agency Securities	\$ 40,281,927	\$ 8,050,582	\$32,231,345
U.S. Treasury	9,326,871	-	9,326,871
LAIF	39,630,414	39,630,414	-
CAMP	16,052,247	16,052,247	-
Held by bond trustees:			
Money market mutual funds	82,405,517	82,405,517	-
Commercial paper	857,423	857,423	-
U.S. Treasury	1,536,845	-	1,536,845
Federal Agency Securities	<u>8,816,941</u>	<u>2,513,358</u>	<u>6,303,583</u>
 Total	 <u>\$ 198,908,185</u>	 <u>\$149,509,541</u>	 <u>\$49,398,644</u>

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating as of Year End</u>
Federal Agency Securities	\$ 40,281,927	N/A	AA+
U.S. Treasury	9,326,871	N/A	AAA
LAIF	39,630,414	N/A	Not Rated
CAMP	16,052,247	N/A	AAAm
Held by bond trustees:			
Money market mutual funds	82,405,517	A	AAA
Commercial paper	857,423	A-1	A-1+
U.S. Treasury	1,536,845	N/A	AAA
Federal Agency Securities	<u>8,816,941</u>	<u>N/A</u>	<u>AA+</u>
 Total	 <u>\$ 198,908,185</u>		

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(3) Cash and Investments, (Continued)

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, 2013 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.

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

Managed Investment Pools:

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(4) Notes Receivable

At June 30, 2013, notes receivable consisted of the following:

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

\$ 2,419,462

The 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 3% to 5.9% per annum. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. Due to the long-term nature of the loans, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund.

128,339,534

In June 2001, the City loaned \$1,320,000 to a developer for the acquisition, development and construction of a commercial pad. The loan has a term of thirty years and bears an interest rate of 3%. Payments from residual receipts, if any, are to be made on an annual basis beginning with May 15 of the year first following the date the project is completed. Due to the long-term nature of the loan, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2013 includes accrued interest of \$312,557.

1,632,557

In December 2004, the City loaned \$700,000 to Assisted Living Foundation of America (ALFA), a non-profit corporation, to assist with the development of a 120 unit senior housing project. The loan is payable in full on June 1, 2038 and bears an interest rate of 1%. Due to the long-term nature of the loan, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2013 includes accrued interest of \$51,722.

751,722

The City made two loans for a total amount of \$1,587,250 to ALFA to assist with the development of a 100-unit affordable rental housing project. The loan is payable in full on June 1, 2040 and bears an interest rate of 3%. Due to the long-term nature of the loan, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2013 includes accrued interest of \$210,996.

1,798,246

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(4) Notes Receivable, (Continued)

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

1,333,038

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

1,260,016

Allowance for doubtful accounts

(16,386,836)

Total notes receivable

\$ 121,147,739

(5) Deferred/Unearned Revenue

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

	Unavailable Revenue	Unearned Revenue
Fees receivable from property owners under various agreements	\$ 542,132	\$ -
Rental revenue received prior to recognition date	- -	105,858
Long-term loans to mobile home owners	2,419,462	-
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	114,500,463	-
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,632,557	-
Long-term loans to individuals under a mortgage assistance program	2,593,054	-
 Total deferred/unearned revenue for governmental funds	 <u>\$121,687,668</u>	 <u>\$105,858</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(6) Interfund Receivables and Transfers

Loans between funds (Due to/Due from) were as follows at June 30, 2013:

Receivable Fund	Payable Fund	Amount
General Fund	Non-major governmental funds	\$ 2,909,188
Non-major fiduciary fund	Non-major fiduciary fund	<u>6,593,133</u>
	Total	<u>\$ 9,502,321</u>

The loans from the General Fund to the Non-major governmental funds were made to eliminate short-term cash deficits. The loans between the non-major fiduciary funds were made to eliminate short-term cash deficits.

Interfund transfers were as follows:

	Transfers In			
	General Fund	Non-major Governmental	Non-major Fiduciary Funds	Total Transfers Out
Transfers Out:				
General Fund	\$ -	\$ 1,309,873	\$ -	\$ 1,309,873
San Marcos Affordable Housing Fund	- -	- -	10,674,712	10,674,712
Creek side Marketplace Enterprise	5,000,000	- -	- -	5,000,000
Non-major Fiduciary Funds	- -	- -	1,189,986	1,189,986
Non-major Governmental	<u>5,201,349</u>	<u>- -</u>	<u>- -</u>	<u>5,201,349</u>
Total Transfers In:	<u>\$ 10,201,349</u>	<u>\$ 1,309,873</u>	<u>\$ 11,864,698</u>	<u>\$23,375,920</u>

The transfer of \$10,674,712 of housing bond proceeds was transferred from the San Marcos Affordable Housing Fund (“Housing Fund”) to the Redevelopment Retirement Obligation Trust Fund Housing (“Trust Fund”) to reimburse the Trust Fund for expenses that were eligible for bond financing.

\$5,000,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(7) Other Receivables

At June 30, 2013, other receivables consisted of the following:

Governmental Funds:

In fiscal year 1992-93, the City entered into an agreement whereby Scripps Memorial Hospital agreed to pay \$300,000 per year in public facilities fees for eight years. The City has recorded a receivable and deferred revenue for the future payments.

\$ 600,000

The City has entered into 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

346,990

Other

Allowance for doubtful accounts

(600,000)

Total other receivables – governmental funds

\$ 467,506

Proprietary Funds:

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

\$ 817,083

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(8) Capital Assets

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

	Balance July 1, 2012	Prior Period Adjustments *	Additions	Deletions	Balance June 30, 2013
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 272,142,232	\$ -	\$ -	\$ -	\$ 272,142,232
Land improvements	50,892,849	- -	3,057,879	- -	53,950,728
Construction in progress	<u>51,526,792</u>	<u>(10,636,977)</u>	<u>8,274,630</u>	<u>(28,286,075)</u>	<u>20,878,369</u>
Total capital assets, not being depreciated	<u>374,561,873</u>	<u>(10,636,977)</u>	<u>11,332,509</u>	<u>(28,286,075)</u>	<u>346,971,329</u>
Capital assets being depreciated:					
Buildings	74,708,564	- -	- -	- -	74,708,564
Furniture and equipment	17,293,170	73,541	331,334	(619,037)	17,079,008
Infrastructure	<u>340,850,023</u>	<u>- -</u>	<u>28,309,694</u>	<u>- -</u>	<u>369,159,717</u>
Total assets being depreciated	<u>432,851,757</u>	<u>73,541</u>	<u>28,641,028</u>	<u>(619,037)</u>	<u>460,947,2898</u>
Less accumulated depreciation for:					
Buildings	(22,364,105)	- -	(1,493,117)	- -	(23,857,222)
Furniture and equipment	(13,061,170)	- -	(882,525)	557,619	(13,386,076)
Infrastructure	<u>(107,881,485)</u>	<u>- -</u>	<u>(10,653,693)</u>	<u>- -</u>	<u>(118,535,178)</u>
Total accumulated depreciation	<u>(143,306,760)</u>	<u>- -</u>	<u>(13,029,335)</u>	<u>557,61</u>	<u>(155,778,476)</u>
Total capital assets being depreciated, net	<u>289,544,997</u>	<u>73,541</u>	<u>15,611,693</u>	<u>(61,418)</u>	<u>305,168,812</u>
Total governmental activities	<u>\$ 664,106,870</u>	<u>\$(10,563,436)</u>	<u>\$ 26,944,202</u>	<u>\$(28,347,493)</u>	<u>\$652,140,142</u>
Business type activities:					
Capital assets, not being depreciated:					
Land	\$ 11,865,697	\$ -	\$ -	\$ -	\$ 11,865,697
Capital assets being depreciated:					
Buildings	19,117,758	- -	- -	(817,083)	18,300,675
Less accumulated depreciation	<u>(3,058,390)</u>	<u>- -</u>	<u>(382,356)</u>	<u>- -</u>	<u>(3,440,746)</u>
Total capital assets being depreciated, net	<u>16,059,368</u>	<u>- -</u>	<u>(382,356)</u>	<u>(817,083)</u>	<u>14,859,929</u>
Total business type activities	<u>\$ 27,925,065</u>	<u>\$ -</u>	<u>\$ (382,356)</u>	<u>\$(817,083)</u>	<u>\$26,725,626</u>

* See footnote 19 for more information on the prior period adjustment.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(8) Capital Assets, (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 829,624
Community development	107,493
Public safety	1,062,445
Highways and streets	10,845,294
Culture and recreation	184,479
Total depreciation expense – governmental activities	<u>\$ 13,029,335</u>

Business-type Activities:

Creekside Marketplace	<u>\$ 382,356</u>
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Assets acquired through capital leases are as follows:

Furniture and equipment	\$ 3,403,650
Less: accumulated depreciation	<u>(3,240,600)</u>
Total	<u>\$ 163,050</u>

(9) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds payable	\$ 5,435,000	\$ -	\$ (235,000)	\$ 5,200,000	\$ 245,000
Plus (less) deferred amounts:					
Issuance discount	(58,333)	-	2,333	(56,000)	-
Charge on refunding	(87,728)	-	3,509	(84,219)	-
Total bonds payable	5,288,939	-	(229,158)	5,059,781	245,000
Note payable	743,880		(107,996)	635,884	113,935
Compensated absences	4,927,201	2,275,852	(2,397,584)	4,805,469	1,000,646
Total	<u>\$ 10,960,020</u>	<u>\$2,275,852</u>	<u>\$(2,734,738)</u>	<u>\$10,501,134</u>	<u>\$1,359,581</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(9) Long-Term Liabilities, (Continued)

Bonds Payable:

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

\$ 5,200,000

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

Bond debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
June 30			
2014	\$ 245,000	\$ 226,890	\$ 471,890
2015	250,000	216,990	466,990
2016	265,000	206,524	471,524
2017	275,000	195,353	470,353
2018	285,000	183,590	468,590
2019-2023	1,640,000	712,691	2,352,691
2024-2028	2,055,000	290,548	2,345,548
2029	<u>185,000</u>	<u>4,301</u>	<u>189,301</u>
Total	<u>\$5,200,000</u>	<u>\$2,036,887</u>	<u>\$7,236,887</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(9) Long-Term Liabilities, (Continued)

Note Payable:

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

\$ 635,884

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

Year Ending June 30	Principal	Interest	Total
2014	\$113,935	\$ 34,974	\$148,909
2015	120,202	28,707	148,909
2016	126,813	22,096	148,909
2017	133,788	15,121	148,909
2018	141,146	7,763	148,909
Total	<u>\$635,884</u>	<u>\$108,661</u>	<u>\$744,545</u>

(10) 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.

(11) Retirement

Plan Description:

The City of San Marcos contributes to the California Public Employees Retirement System (PERS). With respect to miscellaneous employees, the City's plan is an agent multiple-employer public employee defined benefit pension plan. With respect to safety employees, the City's plan is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(11) Retirement, (Continued)

Funding Policy:

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City pays the contribution required of City employees on their behalf and for their account. For the year ended June 30, 2013, the amount contributed by the City on behalf of the employees was \$273,023. The City is also required to contribute at an actuarially determined rate. The rates for 2013 were 25.690% for miscellaneous employees, and 29.822% for safety employees, as a percentage of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost:

For the year ended June 30, 2013, the City's annual pension cost (employer contribution) of \$5,785,818 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. GASB Statement No. 27 requires that the actuarial valuation use data as of a valuation date not more than twenty-four months before the beginning of the employer's fiscal year. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the valuation date is nineteen years for safety and twenty-two years for miscellaneous employees.

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

SCHEDULE OF FUNDING PROGRESS

MISCELLANEOUS PLAN

Actuarial Valuation Date	Entry-Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Covered Payroll
6/30/10	\$82,290,473	\$53,988,712	\$28,301,761	65.6%	\$12,750,052	222.0%
6/30/11	86,945,272	58,675,644	28,269,628	67.5	13,264,398	213.1
6/30/12	92,948,489	63,505,547	29,442,942	68.3	12,940,182	227.5

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(11) Retirement, (Continued)

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

ANNUAL PENSION COST (MISCELLANEOUS)

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/11	21.280%	\$2,866,975	100%	-
6/30/12	24.958	3,455,874	100%	-
6/30/13	25.690	3,605,368	100%	-

ANNUAL PENSION COST (SAFETY)

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/11	24.257%	\$1,678,219	100%	-
6/30/12	29.231	2,067,948	100%	-
6/30/13	29.822	2,180,450	100%	-

Defined Contribution Pension Plan:

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

For the year ended June 30, 2013, the City's total payroll and covered payroll for part-time employees was \$1,233,386. The City made employer contributions of \$23,996 (1.9% of current covered payroll), and employees contributed \$68,556 (5.6% of current covered payroll).

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(12) Insurance

The City 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.

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2012-13 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(12) Insurance, (Continued)

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$139,775,358. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$107,854,784. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

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

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in FY2012-2013.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(12) Insurance, (Continued)

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 the Authority. At June 30

, 2013, the City had \$675,982 on deposit with PASIS and claims payable of \$719,831. Both are included within the General Fund.

(13) Joint Ventures

a) 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. Summarized audited information of the JPA for the fiscal year ended June 30, 2013, the most current available information, is as follows:

Total assets	\$ 3,113,138
Liabilities	<u>(262,055)</u>
Net position	<u>\$ 2,851,083</u>
Revenues	\$ 3,545,168
Expenses	<u>(3,490,646)</u>
Change in net position	<u>\$ 54,522</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.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(13) Joint Ventures, (Continued)

b) The former San Marcos Redevelopment 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 \$1,082,788. Separate financial statements for this joint venture are not available.

(14) Assessment District, Community Facilities District Bonds and Conduit Debt

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

	Amount of Issue	Outstanding June 30, 2013
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	\$ 20,864,762
City of San Marcos Community Facilities District No. 91-01, Special Tax Bonds, 2004 Series B	3,690,000	2,105,000
City of San Marcos Community Facilities District No. 91-01, Special Revenue Refunding Bonds, Series 2012 D	12,585,000	12,585,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2004 Series A (Improvement Area A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, R2)	33,805,000	28,060,000

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(14) Assessment District, Community Facilities District Bonds and Conduit Debt, (Continued)

	Amount of Issue	Outstanding June 30, 2013
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A (Improvement Area No. 1)	13,820,000	13,820,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B (Improvement Area No. 1)	4,240,000	2,795,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2006 Series B (Improvement Area F2/V2, J, T, V1A)	13,660,000	9,775,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, Series 2007 (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	26,405,000	<u>23,900,000</u>
Total outstanding		<u>\$ 113,904,762</u>

The City, the Successor Agency to the former Redevelopment Agency, the San Marcos Public Facilities Authority and the California Mobilehome Financing Authority have issued bonds to provide financing for the acquisition, construction and/or development of various residential dwelling units, industrial facilities, school facilities, facilities for the elderly and rental housing for low and moderate income persons. However, neither the faith and credit nor the general taxing power of the City, 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.

	Outstanding June 30, 2013
\$2,300,000 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Villa Serena Apartments), 2000 Series A	\$ 1,775,542
\$6,000,000 City of San Marcos Mobile Home Park Revenue Bonds, Series 1999 (Valle Verde)	6,000,000
\$9,304,230 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Autumn Ridge) Series 2000	8,929,633

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(14) Assessment District, Community Facilities District Bonds and Conduit Debt, (Continued)

	<u>Outstanding</u> <u>June 30, 2013</u>
\$15,800,000 Redevelopment Agency of the City of San Marcos Variable Rate Demand Multifamily Housing Revenue Bonds (Grandon Village) Series 2002A & 2002A-T	13,390,000
\$44,175,000 California Mobilehome Park Financing Authority Mobile Home Park Revenue Bonds (Palomar Estates East & West) Series 2003A & B	37,585,000
\$56,860,000 San Marcos Public Financing Authority Tax Increment Pass-through Revenue Refunding Bonds, San Marcos Unified School District, 2006 Series A	51,030,000
\$44,640,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Refunding Bonds, Series 2006 A, B, C (Union City Tropics)	40,395,000
\$11,655,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Bonds, Series 2001 A, B, C (Fresno/Oceano)	<u>9,690,000</u>
	<u>\$ 168,795,175</u>

(15) Commitments and Contingencies

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.

(16) Defeased Bonds

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

(17) Other Required Individual Fund Disclosures

Expenditures exceeded appropriation control levels in the Center Drive Maintenance District Special Revenue Fund (\$76,149), the Art in Public Places Fund (\$5,500), the Public Equipment in Government Fund (\$3,960) and the CalHome Grant Special Revenue Fund (\$274,716).

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency

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

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

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

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

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

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

Note Receivable

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

Upon the dissolution of the Redevelopment Agency, this loan was transferred to the Successor Agency of the former Redevelopment Agency. The outstanding balance of the note at June 30, 2013 is \$435,850.

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, 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, 2013.

The following lists the components of the net investment in the direct financing lease as of June 30, 2013:

Total minimum lease payments to be received	\$ 4,850,112
Less unearned income	<u>1,446,609</u>
Net investment in direct financing lease	<u>\$ 3,403,503</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

At June 30, 2013, the future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30</u>	
2014	\$ 323,138
2015	323,138
2016	323,138
2017	323,138
2018	323,138
2019-2023	1,553,026
2024-2028	989,057
2029-2032	<u>692,339</u>
 Total	<u style="text-decoration: none;">\$ 4,850,112</u>

Capital Assets

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Prior Period</u> <u>Adjustment*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets, not being depreciated:					
Land	\$4,921,618	\$ -	\$ -	\$ -	\$ 4,921,618
Construction in progress	<u>1,411,665</u>	<u>(1,411,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>4,921,618</u>	<u>(1,411,665)</u>	<u>-</u>	<u>-</u>	<u>4,921,618</u>
Capital assets being depreciated:					
Furniture and equipment	73,541	(73,541)	-	-	-
Total assets being depreciated	<u>-</u>	<u>(73,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>\$4,921,618</u>	<u>\$(1,485,206)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,921,618</u>

* See footnote 19 for more information on the prior period adjustment.

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) 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, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$329,730,000	\$ -	\$(7,320,000)	\$322,410,000	\$9,275,000
Plus (less) deferred amounts:					
Issuance premium	4,887,322	- -	(209,587)	4,677,735	- -
Issuance discount	(1,925,734)	- -	98,513	(1,827,221)	- -
Charge on refunding	(4,753,656)	- -	352,593	(4,401,063)	- -
Total bonds payable	<u>327,937,932</u>	<u>- -</u>	<u>(7,078,481)</u>	<u>320,859,451</u>	<u>9,275,000</u>
Note payable	1,499,527	- -	(342,211)	1,157,315	357,932
Cooperation agreement	23,275,296	- -	- -	23,275,296	- -
Advance from San Marcos					
Affordable Housing Fund	24,477,901	- -	(46,383)	24,431,518	- -
Due to other governments	<u>3,860,541</u>	<u>- -</u>	<u>(670,603)</u>	<u>3,189,938</u>	<u>- -</u>
Total	<u><u>\$381,051,197</u></u>	<u><u>\$ - -</u></u>	<u><u>\$(8,137,678)</u></u>	<u><u>\$372,913,519</u></u>	<u><u>\$9,632,932</u></u>

Bonds Payable:

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

\$ 41,615,000

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

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

6,620,000

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

5,380,000

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

56,835,000

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

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

17,700,000

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

27,745,000

In May 2005, the San Marcos Public Facilities Authority issued \$33,265,000, 2005 Tax Allocation Revenue Bonds (Project Area No. 1 Refunding and Financing Project), Series B, to refund the Taxable Tax Allocation Refunding Bonds (Project Area No. 1), Series 1999, repay certain loans made by the City to the Agency, and reimburse the Agency for expenditures made in connection with certain redevelopment activities. The bonds consists of serial bonds of \$7,805,000 maturing from 2005 to 2015 in annual installments of \$150,000 to \$925,000 and term bonds of \$5,380,000, \$6,915,000, and \$13,165,000 maturing

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

August 1, 2020, 2025 and 2034, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2005 at rates ranging from 3.30% to 5.35%. Bonds maturing on and after August 1, 2016 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2015. A discount of \$259,360 is being amortized over the life of the debt. The reacquisition price exceeded the net carrying amount of the old debt by \$1,815,137. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The reserve requirement was fully funded at the end of the fiscal year.

28,115,000

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

53,465,000

In April 2006, the San Marcos Public Facilities Authority issued \$36,165,000, 2006 Tax Allocation Revenue Bonds (Project Area No. 3 Financing Project), Series A, to finance certain capital projects of the Agency. The bonds consists of serial bonds of \$5,970,000 maturing from 2007 to 2016 in annual installments of \$25,000 to \$700,000; term bonds of \$3,145,000, \$4,910,000, \$7,610,000, and \$8,095,000 maturing August 1, 2020, 2025, 2031, and 2036, respectively; and special term bonds of \$590,000, \$710,000 and \$5,135,000 maturing August 1, 2011, 2016, and 2036, respectively. Interest is payable semi-annually on February 1 and August 1 commencing August 1, 2006 at rates ranging from 3.25% to 5.10%. Bonds maturing on and after August 1, 2017 are subject to redemption in whole or in part at the option of the Authority on any interest payment date on or after August 1, 2016. A discount of \$116,318 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.

32,130,000

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

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%. Bonds maturing on or after October 1, 2021 are subject to optional redemption, in whole or in part, on any date on or after October 1, 2020. Bonds maturing on October 1, 2018, October 1, 2026, and October 1, 2030 are subject to mandatory sinking fund redemption, in part, on October 1, of each year commencing October 1, 2018. The reserve requirement was fully funded at the end of the fiscal year.

52,805,000

Total bonds payable	<u>\$322,410,000</u>
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The bond documents for the San Marcos Public Facilities Authority 2003 Tax Allocation Revenue Bonds Series A and B and the 2005 Tax Allocation Revenue Bonds Series A and B include a Reserved Fund Surety provided by FGIC for the purpose of funding 50% of the reserve requirement for each series of the bonds. Per section 3.04(d) of the indenture for the bonds, if the rating of the claims paying ability of FGIC falls below a rating of "A", the Authority shall either (i) deposit into the account of the Reserve Fund for which the surety was issued an amount equal to the reserve requirement over the ensuing year in equal installments on at least a monthly basis, or (ii) replace the Reserve Fund Surety with a Reserve Fund Surety meeting the Reserve Fund Surety requirements within six months of such occurrence. In March 2008, FGIC's rating was downgraded below "A" triggering the downgrade language described above. The Authority has enacted option (i) and has begun making installments into the Reserve Fund to meet the requirements of the indenture.

Bond debt service requirements to maturity are as follows:

Year Ending	June 30	Principal	Interest	Total
	2014	\$ 9,275,000	\$17,150,958	\$ 26,425,958
	2015	9,655,000	16,755,957	26,410,957
	2016	9,480,000	16,316,371	25,796,371
	2017	9,955,000	15,833,253	25,788,253
	2018	10,450,000	15,312,565	25,762,565
	2019-2023	61,090,000	67,406,440	128,496,440
	2024-2028	78,750,000	47,902,946	126,652,946
	2029-2033	84,375,000	22,954,324	107,329,324
	2034-2038	44,550,000	5,833,000	50,383,000
	2039	<u>4,830,000</u>	<u>120,750</u>	<u>4,950,750</u>
	Total	<u>\$322,410,000</u>	<u>\$225,586,564</u>	<u>\$547,996,564</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

Note Payable:

In fiscal year 2010-11, the former Redevelopment Agency entered into a note payable with BCR and B Investments LLC to finance the acquisition of a site within the San Marcos Creek Specific Plan for the ultimate purposes of providing low and moderate income housing. Payment of the note will be in sixty (60) equal monthly installments including interest at 4.5% commencing on August 1, 2011. Upon the dissolution of the Redevelopment Agency, this note was transferred to the Successor Agency of the former Redevelopment Agency.

\$ 1,157,315

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 357,932	\$ 44,757	\$ 402,689
2015	374,376	28,313	402,689
2016	391,575	11,114	402,689
2017	33,432	126	33,558
Total	<u>\$ 1,157,315</u>	<u>\$ 84,310</u>	<u>\$ 1,241,625</u>

Cooperation Agreement:

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

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

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(18) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

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 Special Revenue Fund loaned \$419,755 to the San Marcos Redevelopment Agency Debt Service Fund to fund the fiscal year 2003/2004 Educational Revenue Augmentation Fund (ERAF) payment. The loan bears an interest rate of 3.0% and is to be repaid in ten years in annual installments of \$49,208.

\$ 47,775

The San Marcos Affordable Housing Special Revenue Fund loaned \$24,383,743 to the Non-major Fiduciary Funds to fund the fiscal year 2009/2010 and 2010/2011 Supplemental Educational Revenue Augmentation Fund (SERAFF) payments. The loans bear an interest rate equal to the City's average portfolio rate and are to be repaid no later than June 30, 2015 for the fiscal year 2009/2010 amount no later than June 30, 2016 for the fiscal year 2010/2011 amount.

24,383,743

\$ 24,431,518

Due to Other Governments:

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

\$ 3,189,938

Pledged Revenues

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a % of Pledged Revenue
Tax Increment	\$28,559,133	\$25,555,158	89%

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(19) Restatement of Beginning Fund Balances and Net Position

The City has made certain adjustments to fund balances and net position as of the beginning of the fiscal year ending June 30, 2013.

During the year ended June 30, 2013, the City analyzed its deposits payable and noted that \$2,204,230 of the beginning of year balance of deposits payable represented restricted revenues of the City and other amounts that should not have been reported as deposits payable. As a result, the beginning of year balance of the deposits payable liability in the City's deposit trust agency fund has been reduced by \$2,204,230 and beginning balances of the funds that should have reported these transactions has been restated to reflect the results of the City's analysis.

In prior fiscal years, the former Redevelopment Agency of the City of San Marcos, pursuant to the objectives of its redevelopment plan, made certain contributions toward the construction and improvement of City-owned infrastructure. Such contributions toward the construction and improvement of City-owned assets should have been reported as an expense of the Agency and the resultant assets should have been recognized as capital assets of the City. Instead, they were reported as construction in progress in the Statement of Fiduciary Net Position reported by the Successor Agency at June 30, 2012. As a result, a prior period adjustment has been reported to properly reflect these assets in the opening balances of the governmental activities of the City in its government-wide financial statements.

At the beginning of the fiscal year, the City had certain projects that were reported as construction in progress in the government-wide financial statements of the City for the year ended June 30, 2012. It was discovered that certain of these projects did not meet the criteria for being capitalized because they were either maintenance activities or they represented City contributions to assets owned by other agencies. The total of these projects as of June 30, 2012 was \$12,049,642. As a result, a prior period adjustment was made to remove this portion of construction in progress that was reflected in the opening balances of the government-wide financial statements for the year ended June 30, 2013.

The following schedule summarizes the effect of these restatements:

	<u>Government Wide</u> <u>Financials</u>	<u>Private Purpose</u> <u>Trust Fund</u>
Net position at end of year, as previously reported	\$ 903,726,359	\$(286,875,774)
Adjustments to deposits payable	2,204,230	-
Adjustments to City construction in progress	(12,048,642)	-
Adjustments for City construction in progress recorded in Successor Agency	<u>1,485,206</u>	<u>(1,485,206)</u>
Net position at beginning of year, as restated	<u>\$ 895,367,153</u>	<u>\$(288,360,980)</u>

CITY OF SAN MARCOS
Notes to Basic Financial Statements
(Continued)

(19) Restatement of Beginning Fund Balances and Net Position, (Continued)

	<u>General Fund</u>
Fund balance at end of year, as previously reported	\$ 51,876,345
Adjustment for deposits payable	<u>2,204,230</u>
Fund balance at beginning of year, as restated	<u>\$ 54,080,575</u>

(20) Implementation of GASB Statement No. 63

During the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63. The primary effect of GASB Statement No. 63 on the City's financial statements was to change the title of the *statements of net assets* to *statements of net position* and to replace the term *net assets* on those statements with the term *net position*.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF SAN MARCOS
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes and special assessments	\$ 28,069,943	28,069,943	34,514,920	6,444,977
Licenses and permits	4,627,244	4,433,331	5,031,124	597,793
Intergovernmental	1,104,376	1,104,376	849,331	(255,045)
Charges for services	12,120,941	12,120,941	14,423,954	2,303,013
Developer fees	-	-	50,268	50,268
Fines and forfeitures	233,000	233,000	171,675	(61,325)
Use of money and property	6,509,610	6,509,610	6,540,320	30,710
Miscellaneous	388,185	388,185	522,304	134,119
Total revenues	53,053,299	52,859,386	62,103,896	9,244,510
Expenditures:				
Current:				
General government	13,521,906	13,748,443	14,757,624	(1,009,181)
Community development	5,774,548	5,921,570	5,783,222	138,348
Public safety	29,471,907	29,356,660	27,156,206	2,200,454
Highways, streets and parks	11,838,370	11,838,370	11,740,855	97,515
Culture and recreation	3,673,537	3,673,537	4,699,340	(1,025,803)
Capital outlay	583,414	583,414	612,937	(29,523)
Total expenditures	64,863,682	65,121,994	64,750,184	371,810
Excess (deficiency) of revenues over expenditures	(11,810,383)	(12,262,608)	(2,646,288)	9,616,320
Other financing sources (uses):				
Sale of capital assets	-	-	6,489	6,489
Transfers in	10,125,079	10,125,079	10,201,349	76,270
Transfers out	-	-	(1,309,873)	(1,309,873)
Total other financing sources (uses)	10,125,079	10,125,079	8,897,965	(1,227,114)
Net change in fund balance	(1,685,304)	(2,137,529)	6,251,677	8,389,206
Fund balance, beginning, as restated	54,080,575	54,080,575	54,080,575	-
Fund balance, ending	\$ 52,395,271	51,943,046	60,332,252	8,389,206

CITY OF SAN MARCOS
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 San Marcos Affordale Housing
 For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ -	-	29	29
Developer fees	555,759	555,759	2,232,058	1,676,299
Use of money and property	10,500	10,500	861,109	850,609
Miscellaneous	-	-	661,247	661,247
Total revenues	566,259	566,259	3,754,443	3,188,184
Expenditures:				
Current:				
General government	5,850	5,850	177,185	(171,335)
Community development	165,000	165,000	2,888,192	(2,723,192)
Public safety	2,800	2,800	479	2,321
Highways, streets and parks	33,831	33,831	108,675	(74,844)
Total expenditures	207,481	207,481	3,174,531	(2,967,050)
Excess (deficiency) of revenues over expenditures	358,778	358,778	579,912	221,134
Other financing sources (uses):				
Transfers out	-	-	(10,674,712)	(10,674,712)
Total other financing sources (uses)	-	-	(10,674,712)	(10,674,712)
Net change in fund balance	358,778	358,778	(10,094,800)	(10,453,578)
Fund balance, beginning	51,496,896	51,496,896	51,496,896	-
Fund balance, ending	\$ 51,855,674	51,855,674	41,402,096	(10,453,578)

CITY OF SAN MARCOS
Note to Required Supplementary Information
June 30, 2013

1. BUDGETARY INFORMATION

The City follows these procedures in establishing its budgetary data:

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

The level of budgetary control (the level on which expenditures may not exceed budgeted appropriations) is the individual fund level. The City Manager is authorized to transfer budgeted amounts between departments/functions as long as the total City budget is not exceeded. Any transfer exceeding the adopted City budget must have City Council approval. Appropriations were increased by a net of \$258,312 in the General Fund.

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

The City controls its expenditures without the use of encumbrance accounting.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

The Energy Efficiency and Conservation Block Grant Fund is used to account for transactions related to the Energy Efficiency and Conservation Block Grant Program provided by the Federal Government. Funds are utilized for capital improvement projects to City Hall and other facilities to install energy efficient devices.

The Art in Public Places Fund is used to account for transactions related to the Art in Public Places fees collected to fund projects intended to add cultural art works throughout the City.

The Public Equipment in Government Fund is used to account for transactions related to the Public Equipment in Government fees collected as part of the City's Cable franchise. Funds are spent on technology equipment to bring City meetings to the public.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds

The Congestion Management CFD Fund is used to account for the future costs of providing intra City public transportation services, facilities, and equipment.

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.

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

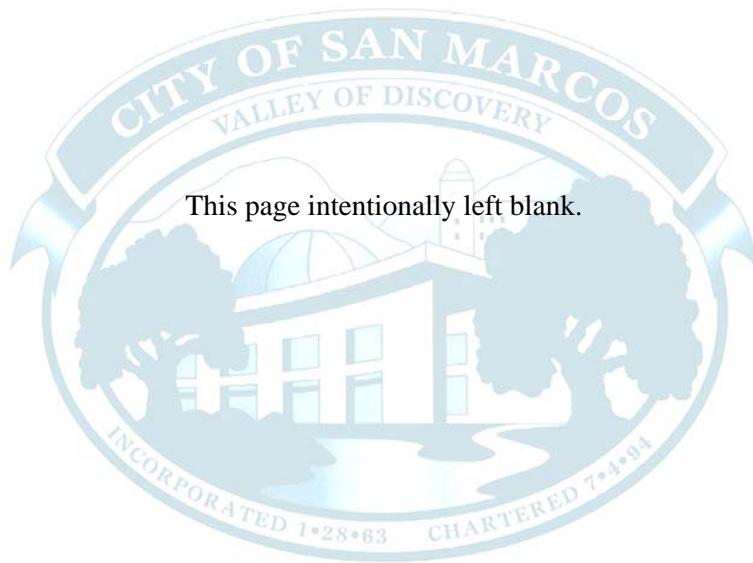
Permanent Fund

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

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

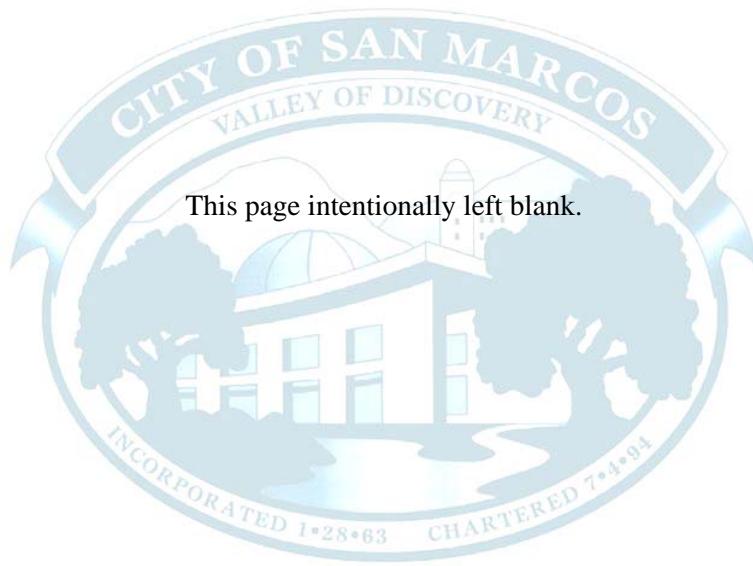
CITY OF SAN MARCOS
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Debt Service Fund		Permanent Fund		
	Special Revenue Funds	San Marcos Public Facilities Authority	Capital Projects Funds	Community Foundation	Total
Assets					
Cash and investments	\$ 15,166,801	-	572,410	2,460	15,741,671
Cash and investments with fiscal agents	-	465,476	678,739	-	1,144,215
Receivables:					
Taxes and special assessments	16,659	-	-	-	16,659
Accounts	47,427	-	-	-	47,427
Interest	476	9,258	24	1	9,759
Notes	1,608,563	-	-	-	1,608,563
Due from other governments	556,122	-	7,969,571	-	8,525,693
Deposits	-	-	-	1,193,972	1,193,972
 Total assets	 \$ 17,396,048	 474,734	 9,220,744	 1,196,433	 28,287,959
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 270,917	-	2,706,843	640	2,978,400
Accrued liabilities	13,005	-	258,012	-	271,017
Due to other funds	261,031	376,699	2,271,458	-	2,909,188
Deferred revenue	1,608,563	-	-	-	1,608,563
Deposits	10,389	-	614,377	25	624,791
 Total liabilities	 2,163,905	 376,699	 5,850,690	 665	 8,391,959
Fund balances:					
Nonspendable:					
Permanent fund	-	-	-	1,195,768	1,195,768
Restricted:					
Debt service	-	98,035	-	-	98,035
Transportation	3,830,113	-	1,499,158	-	5,329,271
Lighting and landscaping	9,706,762	-	-	-	9,706,762
Capital improvements	-	-	922,388	-	922,388
Other purposes	1,806,934	-	948,508	-	2,755,442
Unassigned	(111,666)	-	-	-	(111,666)
 Total fund balances	 15,232,143	 98,035	 3,370,054	 1,195,768	 19,896,000
 Total liabilities and fund balances	 \$ 17,396,048	 474,734	 9,220,744	 1,196,433	 28,287,959



CITY OF SAN MARCOS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2013

	Debt Service Fund			
	Special Revenue Funds	San Marcos Public Facilities Authority	Capital Projects Funds	Permanent Fund Community Foundation
				Total
Revenues:				
Taxes and special assessments	\$ 5,535,844	-	-	-
Intergovernmental	2,904,296	-	12,520,342	-
Developer fees	16,147	-	100,000	-
Use of money and property	41,045	498,753	10,280	105,218
Miscellaneous	221,266	-	251,807	-
Total revenues	8,718,598	498,753	12,882,429	105,218
				22,204,998
Expenditures:				
Current:				
General government	41,513	-	261,593	-
Community development	477,292	-	-	477,292
Highways, streets and parks	1,557,558	-	-	1,557,558
Culture and recreation	62,755	-	-	57,285
Capital outlay	220,375	-	13,627,689	-
Debt service:				
Principal	-	235,000	-	235,000
Interest and fiscal charges	-	236,490	-	236,490
Total expenditures	2,359,493	471,490	13,889,282	57,285
				16,777,550
Excess (deficiency) of revenues over expenditures	6,359,105	27,263	(1,006,853)	47,933
				5,427,448
Other financing sources (uses):				
Transfers in	1,301,316	-	8,557	-
Transfers out	(5,201,349)	-	-	(5,201,349)
Total other financing sources (uses)	(3,900,033)	-	8,557	-
				(3,891,476)
Net change in fund balances	2,459,072	27,263	(998,296)	47,933
Fund balances, beginning	12,773,071	70,772	4,368,350	1,147,835
Fund balances, ending	\$ 15,232,143	98,035	3,370,054	1,195,768
				19,896,000



CITY OF SAN MARCOS
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
Assets						
Cash and investments	\$ 2,962,642	822,578	9,749,020	-	143,537	1
Receivables:						
Taxes and special assessments	-	-	14,964	1,695	-	-
Accounts	-	-	-	245	-	-
Interest	110	22	291	-	4	-
Notes	-	-	-	-	-	-
Due from other governments	167,170	23,025	-	-	21,519	181,711
 Total assets	 \$ 3,129,922	 845,625	 9,764,275	 1,940	 165,060	 181,712
 Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 145,201	30,650	57,513	681	10,823	18,318
Accrued liabilities	13,005	-	-	-	-	-
Due to other funds	-	-	-	1,259	-	48,158
Deferred revenue	-	-	-	-	-	-
Deposits	-	10,389	-	-	-	-
 Total liabilities	 158,206	 41,039	 57,513	 1,940	 10,823	 66,476
 Fund balances:						
Restricted						
Transportation	2,971,716	804,586	-	-	-	-
Lighting and landscaping	-	-	9,706,762	-	-	-
Other purposes	-	-	-	-	154,237	115,236
Unassigned	-	-	-	-	-	-
 Total fund balances	 2,971,716	 804,586	 9,706,762	 -	 154,237	 115,236
 Total liabilities and fund balances	 \$ 3,129,922	 845,625	 9,764,275	 1,940	 165,060	 181,712

HOME Grant	Center Drive Maintenance District	Energy Efficiency & Conservation Block Grant	Art in Public Places	Public Equipment in Government	Congestion Management CFD	CalHome Grant	Total
-	53,807	7,243	565,096	835,382	27,495	-	15,166,801
-	-	-	-	-	-	-	16,659
-	-	-	-	47,182	-	-	47,427
-	4	-	20	25	-	-	476
1,333,038	-	-	-	-	-	275,525	1,608,563
162,697	-	-	-	-	-	-	556,122
1,495,735	53,811	7,243	565,116	882,589	27,495	275,525	17,396,048
7,731	-	-	-	-	-	-	270,917
-	-	-	-	-	-	-	13,005
99,948	-	-	-	-	-	111,666	261,031
1,333,038	-	-	-	-	-	275,525	1,608,563
-	-	-	-	-	-	-	10,389
1,440,717	-	-	-	-	-	387,191	2,163,905
-	53,811	-	-	-	-	-	3,830,113
-	-	-	-	-	-	-	9,706,762
55,018	-	7,243	565,116	882,589	27,495	-	1,806,934
-	-	-	-	-	-	(111,666)	(111,666)
55,018	53,811	7,243	565,116	882,589	27,495	(111,666)	15,232,143
1,495,735	53,811	7,243	565,116	882,589	27,495	275,525	17,396,048

CITY OF SAN MARCOS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2013

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
Revenues:						
Taxes and special assessments	\$ -	-	4,772,535	538,378	-	-
Intergovernmental	1,951,570	320,719	-	-	91,481	297,823
Developer fees	-	16,147	-	-	-	-
Use of money and property	10,539	2,901	22,237	489	722	-
Miscellaneous	-	-	12,142	41	45,974	1
Total revenues	1,962,109	339,767	4,806,914	538,908	138,177	297,824
Expenditures:						
Current:						
General government	13	-	-	-	-	-
Community development	-	-	-	-	-	103,433
Highways, streets and parks	1,557,558	-	-	-	-	-
Culture and recreation	-	-	-	-	62,755	-
Capital outlay	-	111,331	-	-	-	99,024
Total expenditures	1,557,571	111,331	-	-	62,755	202,457
Excess (deficiency) of revenues over expenditures	404,538	228,436	4,806,914	538,908	75,422	95,367
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(4,490,026)	(540,060)	-	(95,114)
Total other financing sources (uses)	-	-	(4,490,026)	(540,060)	-	(95,114)
Net change in fund balances	404,538	228,436	316,888	(1,152)	75,422	253
Fund balances, beginning	2,567,178	576,150	9,389,874	1,152	78,815	114,983
Fund balances, ending	\$ 2,971,716	804,586	9,706,762	-	154,237	115,236

HOME Grant	Center Drive Maintenance District	Energy Efficiency & Conservation Block Grant	Art in Public Places	Public Equipment in Government	Congestion Management CFD	CalHome Grant	Total
-	20,127	-	-	188,135	16,669	-	5,535,844
231,921	-	-	-	-	10,782	-	2,904,296
-	-	-	-	-	-	-	16,147
-	399	-	1,530	2,184	44	-	41,045
-	-	58	-	-	-	163,050	221,266
231,921	20,526	58	1,530	190,319	27,495	163,050	8,718,598
99,143	-	-	41,500	-	-	-	41,513
-	-	-	-	-	-	274,716	477,292
-	-	-	-	-	-	-	1,557,558
-	-	-	-	-	-	-	62,755
-	-	6,060	-	3,960	-	-	220,375
99,143	-	6,060	41,500	3,960	-	274,716	2,359,493
132,778	20,526	(6,002)	(39,970)	186,359	27,495	(111,666)	6,359,105
-	-	-	605,086	696,230	-	-	1,301,316
-	(76,149)	-	-	-	-	-	(5,201,349)
-	(76,149)	-	605,086	696,230	-	-	(3,900,033)
132,778	(55,623)	(6,002)	565,116	882,589	27,495	(111,666)	2,459,072
(77,760)	109,434	13,245	-	-	-	-	12,773,071
55,018	53,811	7,243	565,116	882,589	27,495	(111,666)	15,232,143

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 2,194,451	2,194,451	1,951,570	(242,881)
Use of money and property	1,500	1,500	10,539	9,039
Total revenues	2,195,951	2,195,951	1,962,109	(233,842)
Expenditures:				
Current:				
General government	-	-	13	(13)
Highways, streets and parks	4,752,037	4,752,037	1,557,558	3,194,479
Total expenditures	4,752,037	4,752,037	1,557,571	3,194,466
Excess (deficiency) of revenues over expenditures	(2,556,086)	(2,556,086)	404,538	2,960,624
Fund balances, beginning	2,567,178	2,567,178	2,567,178	-
Fund balances, ending	\$ 11,092	11,092	2,971,716	2,960,624

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, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 250,000	250,000	320,719	70,719
Developer fees	16,147	16,147	16,147	-
Use of money and property	<u>5,169</u>	<u>5,169</u>	<u>2,901</u>	<u>(2,268)</u>
 Total revenues	 <u>271,316</u>	 <u>271,316</u>	 <u>339,767</u>	 <u>68,451</u>
 Expenditures:				
Current:				
Capital outlay	<u>554,341</u>	<u>554,341</u>	<u>111,331</u>	<u>443,010</u>
 Total expenditures	 <u>554,341</u>	 <u>554,341</u>	 <u>111,331</u>	 <u>443,010</u>
 Excess (deficiency) of revenues over expenditures	 (283,025)	 (283,025)	 228,436	 511,461
 Fund balances, beginning	 <u>576,150</u>	 <u>576,150</u>	 <u>576,150</u>	 -
 Fund balances, ending	 <u>\$ 847,466</u>	 <u>847,466</u>	 <u>804,586</u>	 <u>511,461</u>

CITY OF SAN MARCOS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Facilities District 98-02 Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes and special assessments	\$ 4,702,253	4,702,253	4,772,535	70,282
Use of money and property	170,000	170,000	22,237	(147,763)
Miscellaneous	5,000	5,000	12,142	7,142
 Total revenues	 4,877,253	 4,877,253	 4,806,914	 (70,339)
Other financing sources (uses):				
Transfers out	(4,450,000)	(4,450,000)	(4,490,026)	(40,026)
 Total other financing sources (uses)	 (4,450,000)	 (4,450,000)	 (4,490,026)	 (40,026)
 Net change in fund balances	 427,253	 427,253	 316,888	 (110,365)
 Fund balances, beginning	 9,389,874	 9,389,874	 9,389,874	 -
 Fund balances, ending	 \$ 9,817,127	 9,817,127	 9,706,762	 (110,365)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes and special assessments	\$ 533,616	533,616	538,378	4,762
Use of money and property	-	-	489	489
Miscellaneous	-	-	41	41
 Total revenues	 533,616	 533,616	 538,908	 5,292
 Other financing sources (uses):				
Transfers out	(533,616)	(533,616)	(540,060)	(6,444)
 Total other financing sources (uses)	 (533,616)	 (533,616)	 (540,060)	 (6,444)
 Net change in fund balances	 -	 -	 (1,152)	 (1,152)
 Fund balances, beginning	 1,152	 1,152	 1,152	 -
 Fund balances, ending	 \$ 1,152	 1,152	 -	 (1,152)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 100,000	100,000	91,481	(8,519)
Use of money and property	150	150	722	572
Miscellaneous	30,000	30,000	45,974	15,974
Total revenues	130,150	130,150	138,177	8,027
Expenditures:				
Current:				
Culture and recreation	130,150	130,150	62,755	67,395
Total expenditures	130,150	130,150	62,755	67,395
Excess (deficiency) of revenues over expenditures	-	-	75,422	75,422
Fund balances, beginning	78,815	78,815	78,815	-
Fund balances, ending	\$ 78,815	78,815	154,237	75,422

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 857,281	857,281	297,823	(559,458)
Miscellaneous	-	-	1	1
Total revenues	<u>857,281</u>	<u>857,281</u>	<u>297,824</u>	<u>(559,457)</u>
Expenditures:				
Current:				
Community development	41,130	41,130	103,433	(62,303)
Capital outlay	<u>592,056</u>	<u>592,056</u>	<u>99,024</u>	<u>493,032</u>
Total expenditures	<u>633,186</u>	<u>633,186</u>	<u>202,457</u>	<u>430,729</u>
Excess (deficiency) of revenues over expenditures	<u>224,095</u>	<u>224,095</u>	<u>95,367</u>	<u>(128,728)</u>
Other financing sources (uses):				
Transfers out	<u>(118,329)</u>	<u>(118,329)</u>	<u>(95,114)</u>	<u>23,215</u>
Total other financing sources (uses)	<u>(118,329)</u>	<u>(118,329)</u>	<u>(95,114)</u>	<u>23,215</u>
Net change in fund balances	105,766	105,766	253	(105,513)
Fund balances, beginning	<u>114,983</u>	<u>114,983</u>	<u>114,983</u>	<u>-</u>
Fund balances, ending	<u>\$ 220,749</u>	<u>220,749</u>	<u>115,236</u>	<u>(105,513)</u>

CITY OF SAN MARCOS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Grant Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 418,567	418,567	231,921	(186,646)
Total revenues	<u>418,567</u>	<u>418,567</u>	<u>231,921</u>	<u>(186,646)</u>
Expenditures:				
Current:				
Community development	<u>415,000</u>	<u>415,000</u>	<u>99,143</u>	<u>315,857</u>
Total expenditures	<u>415,000</u>	<u>415,000</u>	<u>99,143</u>	<u>315,857</u>
Excess (deficiency) of revenues over expenditures	3,567	3,567	132,778	129,211
Other financing sources (uses):				
Transfers out	<u>(3,567)</u>	<u>(3,567)</u>	<u>-</u>	<u>3,567</u>
Total other financing sources (uses)	<u>(3,567)</u>	<u>(3,567)</u>	<u>-</u>	<u>3,567</u>
Net change in fund balances	-	-	132,778	132,778
Fund balances, beginning	<u>(77,760)</u>	<u>(77,760)</u>	<u>(77,760)</u>	<u>-</u>
Fund balances, ending	\$ <u>(74,193)</u>	<u>(74,193)</u>	<u>55,018</u>	<u>132,778</u>

CITY OF SAN MARCOS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Center Drive Maintenance District Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes and special assessments	\$ -	-	20,127	20,127
Use of money and property	-	-	399	399
Total revenues	-	-	20,526	20,526
Other financing sources (uses):				
Transfers out	-	-	(76,149)	(76,149)
Total other financing sources (uses)	-	-	(76,149)	(76,149)
Net change in fund balances	-	-	(55,623)	(55,623)
Fund balances, beginning	109,434	109,434	109,434	-
Fund balances, ending	\$ 109,434	109,434	53,811	(55,623)

CITY OF SAN MARCOS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
EECGB Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Miscellaneous	\$ 30,000	30,000	58	(29,942)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>58</u>	<u>(29,942)</u>
Expenditures:				
Current:				
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>6,060</u>	<u>23,940</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>6,060</u>	<u>23,940</u>
Excess (deficiency) of revenues over expenditures	-	-	(6,002)	(6,002)
Fund balances, beginning	<u>13,245</u>	<u>13,245</u>	<u>13,245</u>	<u>-</u>
Fund balances, ending	<u>\$ 43,245</u>	<u>43,245</u>	<u>7,243</u>	<u>(6,002)</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, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Use of money and property	\$ -	-	1,530	1,530
Miscellaneous	-	-	-	-
Total revenues	-	-	1,530	1,530
Expenditures:				
Current:				
General government	-	36,000	41,500	(5,500)
Total expenditures	-	36,000	41,500	(5,500)
Excess (deficiency) of revenues over expenditures	-	(36,000)	(39,970)	(3,970)
Other financing sources (uses):				
Transfers in	-	-	605,086	605,086
Total other financing sources (uses)	-	-	605,086	605,086
Net change in fund balances	-	(36,000)	565,116	601,116
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	(36,000)	565,116	601,116

CITY OF SAN MARCOS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Equipment in Government Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes and special assessments	\$ -	193,913	188,135	(5,778)
Use of money and property	-	-	2,184	2,184
 Total revenues	 -	 193,913	 190,319	 (3,594)
Expenditures:				
Capital outlay	-	-	3,960	(3,960)
 Total expenditures	 -	 -	 3,960	 (3,960)
 Excess (deficiency) of revenues over expenditures	 -	 193,913	 186,359	 (7,554)
Other financing sources (uses):				
Transfers in	-	-	696,230	696,230
 Total other financing sources (uses)	 -	 -	 696,230	 696,230
 Net change in fund balances	 -	 193,913	 882,589	 688,676
 Fund balances, beginning	 -	 -	 -	 -
 Fund balances, ending	 \$ -	 193,913	 882,589	 688,676

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, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes and special assessments	\$ -	-	16,669	16,669
Intergovernmental	-	-	10,782	10,782
Use of money and property	-	-	44	44
Total revenues	-	-	27,495	27,495
Excess (deficiency) of revenues over expenditures	-	-	27,495	27,495
Fund balances, beginning				
Fund balances, ending	\$ -	-	27,495	27,495

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, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Miscellaneous	\$ -	-	163,050	163,050
Total revenues	-	-	163,050	163,050
Expenditures:				
Current:				
Community development	-	-	274,716	(274,716)
Total expenditures	-	-	274,716	(274,716)
Excess (deficiency) of revenues over expenditures	-	-	(111,666)	(111,666)
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	-	(111,666)	(111,666)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of money and property	\$ 525,451	525,451	498,753	(26,698)
Expenditures:				
Debt service:				
Principal	235,000	235,000	235,000	-
Interest and fiscal charges	236,490	236,490	236,490	-
Total expenditures	471,490	471,490	471,490	-
Net change in fund balance	53,961	53,961	27,263	(26,698)
Fund balance, beginning	70,772	70,772	70,772	-
Fund balance, ending	\$ 124,733	124,733	98,035	(26,698)

CITY OF SAN MARCOS
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2013

	Transportation Development Act	Capital Improvements
Assets		
Cash and investments	\$ 51,800	-
Cash and investments with fiscal agents	-	-
Receivables:		
Interest	15	-
Due from other governments	-	6,078,975
Total assets	\$ 51,815	6,078,975
 Liabilities and Fund Balances		
 Liabilities:		
Accounts payable	\$ -	2,012,740
Accrued liabilities	-	258,012
Due to other funds	-	2,271,458
Deposits	-	614,377
 Total liabilities	-	5,156,587
 Fund balances:		
Restricted for:		
Capital improvements	-	922,388
Transportation	51,815	-
Other purposes	-	-
 Total fund balances	51,815	922,388
 Total liabilities and fund balances	\$ 51,815	6,078,975

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
4,979	250,850	264,781	572,410
678,739	-	-	678,739
-	-	9	24
-	1,890,596	-	7,969,571
683,718	2,141,446	264,790	9,220,744
<hr/>			
-	694,103	-	2,706,843
-	-	-	258,012
-	-	-	2,271,458
-	-	-	614,377
-	694,103	-	5,850,690
<hr/>			
-	-	-	922,388
-	1,447,343	-	1,499,158
683,718	-	264,790	948,508
683,718	1,447,343	264,790	3,370,054
683,718	2,141,446	264,790	9,220,744

CITY OF SAN MARCOS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2013

	Transportation Development Act	Capital Improvements
Revenues:		
Intergovernmental	-	5,913,247
Developer fees	-	100,000
Use of money and property	868	-
Miscellaneous	-	251,807
	<hr/>	<hr/>
Total revenues	<hr/> 868	<hr/> 6,265,054
Expenditures:		
General government	233,035	-
Capital outlay	-	6,132,617
	<hr/>	<hr/>
Total expenditures	<hr/> 233,035	<hr/> 6,132,617
Excess (deficiency) of revenues over expenditures	(232,167)	132,437
Other financing sources (uses):		
Transfers in	<hr/> 8,557	<hr/> -
	<hr/>	<hr/>
Total other financing sources (uses)	<hr/> 8,557	<hr/> -
Net change in fund balances	(223,610)	132,437
Fund balances, beginning	<hr/> 275,425	<hr/> 789,951
Fund balances, ending	<hr/> \$ 51,815	<hr/> 922,388

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
-	6,607,095	-	12,520,342
-	-	-	100,000
82	8,464	866	10,280
-	-	-	251,807
82	6,615,559	866	12,882,429
28,558	-	-	261,593
-	7,495,072	-	13,627,689
28,558	7,495,072	-	13,889,282
(28,476)	(879,513)	866	(1,006,853)
-	-	-	8,557
-	-	-	8,557
(28,476)	(879,513)	866	(998,296)
712,194	2,326,856	263,924	4,368,350
683,718	1,447,343	264,790	3,370,054

CITY OF SAN MARCOS
Combining Balance Sheet
All Agency Funds
June 30, 2013

	1915 Act Assessment District	Deposits	Twin Oaks Reimbursement
Assets			
Cash and investments	\$ 57,071	1,201,925	-
Cash and investments with fiscal agents	-	-	-
Receivables:			
Special assessments	-	-	-
Interest	<u>2</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 57,073</u>	<u>1,201,925</u>	<u>-</u>
Liabilities			
Due to bondholders	\$ 57,073	-	-
Deposits payable	<u>-</u>	<u>1,201,925</u>	<u>-</u>
Total liabilities	<u>\$ 57,073</u>	<u>1,201,925</u>	<u>-</u>

Community Facilities <u>District 88-1</u>	Community Facilities <u>District 99-1</u>	Community Facilities <u>District 02-01</u>	<u>Total</u>
---	---	--	--------------

32	1,011	530	1,260,569
4,340,400	10,054,901	3,182,821	17,578,122
<hr/> 3,364	<hr/> 17,824	<hr/> 5,597	<hr/> 26,785
<hr/> 5	<hr/> 12	<hr/> 5	<hr/> 24
<hr/> <u>4,343,801</u>	<hr/> <u>10,073,748</u>	<hr/> <u>3,188,953</u>	<hr/> <u>18,865,500</u>

4,343,801	10,073,748	3,188,953	17,663,575
<hr/> -	<hr/> -	<hr/> -	<hr/> 1,201,925
<hr/> <u>4,343,801</u>	<hr/> <u>10,073,748</u>	<hr/> <u>3,188,953</u>	<hr/> <u>18,865,500</u>

CITY OF SAN MARCOS
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>1915 ACT Assessment District</u>				
Assets:				
Cash and investments	\$ 56,556	935	420	57,071
Interest receivable	68	42	108	2
	Total assets	56,624	977	57,073
Liabilities:				
Due to bondholders	\$ 56,624	977	528	57,073
<u>Deposits</u>				
Assets:				
Cash and investments	\$ 3,469,805	1,452,851	3,720,731	1,201,925
Accounts receivable	13,728	-	13,728	-
	Total assets	3,483,533	1,452,851	3,734,459
Liabilities:				
Deposits payable	\$ 3,483,533	1,452,851	3,734,459	1,201,925
<u>Twin Oaks Reimbursement</u>				
Assets:				
Cash and investments	\$ 10,782	21,916	32,698	-
	Total assets	10,782	21,916	32,698
Liabilities:				
Deposits payable	\$ 10,782	-	10,782	-

(Continued)

CITY OF SAN MARCOS
Combining Statement of Changes in Assets and Liabilities
All Agency Funds (Continued)
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Community Facilities District 88-1</u>				
Assets:				
Cash and investments	\$ 1,062	2,494,498	2,495,528	32
Cash and investments				
with fiscal agents	4,382,248	2,520,060	2,561,908	4,340,400
Special assessments receivable	9,054	3,364	9,054	3,364
Interest receivable	18	5	18	5
Total assets	<u>4,392,382</u>	<u>5,017,927</u>	<u>5,066,508</u>	<u>4,343,801</u>
Liabilities:				
Due to bondholders	\$ 4,392,382	5,017,927	5,066,508	4,343,801
<u>Community Facilities District 99-1</u>				
Assets:				
Cash and investments	\$ 27,888	8,989,887	9,016,764	1,011
Cash and investments				
with fiscal agents	10,337,526	10,586,726	10,869,351	10,054,901
Special assessments receivable	34,022	17,824	34,022	17,824
Interest receivable	40	19	47	12
Total assets	<u>10,399,476</u>	<u>19,594,456</u>	<u>19,920,184</u>	<u>10,073,748</u>
Liabilities:				
Due to bondholders	\$ 10,399,476	19,594,456	19,920,184	10,073,748

(Continued)

CITY OF SAN MARCOS
Combining Statement of Changes in Assets and Liabilities
All Agency Funds (Continued)
For the Year Ended June 30, 2013

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
<u>Community Facilities District 02-01</u>				
Cash and investments	\$ 5,100	3,851,376	3,855,946	530
Cash and investments with fiscal agents	1,301,064	3,642,872	1,761,115	3,182,821
Special assessments receivable	4,894	5,597	4,894	5,597
Interest receivable	43	155	193	5
Total assets	<u>1,311,101</u>	<u>7,500,000</u>	<u>5,622,148</u>	<u>3,188,953</u>
Liabilities:				
Due to bondholders	\$ 1,311,101	7,500,000	5,622,148	3,188,953
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 3,571,193	16,811,463	19,122,087	1,260,569
Cash and investments with fiscal agents	16,020,838	16,749,658	15,192,374	17,578,122
Accounts receivable	13,728	-	13,728	-
Special assessments receivable	47,970	26,785	47,970	26,785
Interest receivable	169	221	366	24
Total assets	<u>19,653,898</u>	<u>33,588,127</u>	<u>34,376,525</u>	<u>18,865,500</u>
Liabilities:				
Due to bondholders	16,159,583	32,113,360	30,609,368	17,663,575
Deposits payable	3,494,315	1,452,851	3,745,241	1,201,925
Total liabilities	<u>\$ 19,653,898</u>	<u>33,566,211</u>	<u>34,354,609</u>	<u>18,865,500</u>

CITY OF SAN MARCOS
Combining Statement of Changes in Fiduciary Net Position by Project Area
Private-Purpose Trust Funds
June 30, 2013

	Redevelopment Retirement Oligation Trust Fund Housing	Redevelopment Retirement Oligation Trust Fund	Redevelopment Retirement Oligation Trust Fund	Redevelopment Retirement Oligation Trust Fund	Total Private- Purpose Trust Funds
		Project Area #1	Project Area #2	Project Area #3	
Assets:					
Current assets:					
Cash and investments	\$ 6,270,668	-	3,879,516	10,322,756	20,472,940
Receivables:					
Accounts	-	68,006	-	-	68,006
Notes	-	435,850	-	-	435,850
Interest	-	-	86	-	86
Direct financing lease	-	1,361,969	851,231	1,190,303	3,403,503
Due from other funds	-	-	6,593,133	-	6,593,133
Deferred charges	606,814	1,676,427	1,138,666	2,043,063	5,464,970
Total current assets	<u>6,877,482</u>	<u>3,542,252</u>	<u>12,462,632</u>	<u>13,556,122</u>	<u>36,438,488</u>
Restricted assets:					
Cash and investment with fiscal agents	<u>5,108,650</u>	<u>7,952,205</u>	<u>20,811,129</u>	<u>31,894,550</u>	<u>65,766,534</u>
Total restricted assets	<u>5,108,650</u>	<u>7,952,205</u>	<u>20,811,129</u>	<u>31,894,550</u>	<u>65,766,534</u>
Capital assets:					
Land	<u>1,042,443</u>	<u>-</u>	<u>2,690,146</u>	<u>1,189,029</u>	<u>4,921,618</u>
Total capital assets	<u>1,042,443</u>	<u>-</u>	<u>2,690,146</u>	<u>1,189,029</u>	<u>4,921,618</u>
Total assets	<u>13,028,575</u>	<u>11,494,457</u>	<u>35,963,907</u>	<u>46,639,701</u>	<u>107,126,640</u>
Liabilities:					
Current liabilities:					
Accounts payable	7,220	5,217	5,217	121,509	139,163
Accrued liabilities	1,808	1,693	1,693	1,718	6,912
Accrued interest payable	491,643	1,959,238	1,409,482	2,100,315	5,960,678
Due to other taxing entities	-	4,779	976	4	5,759
Due to other funds	-	6,593,133	-	-	6,593,133
Noncurrent liabilities:					
Due within one year	2,012,932	2,678,950	2,171,850	2,769,200	9,632,932
Due in more than one year	<u>50,401,541</u>	<u>125,706,923</u>	<u>61,598,137</u>	<u>125,573,986</u>	<u>363,280,587</u>
Total Liabilities	<u>52,915,144</u>	<u>136,949,933</u>	<u>65,187,355</u>	<u>130,566,732</u>	<u>385,619,164</u>
Net Position:					
Held in trust for other taxing entities	<u>\$ (39,886,569)</u>	<u>(125,455,476)</u>	<u>(29,223,448)</u>	<u>(83,927,031)</u>	<u>(278,492,524)</u>

CITY OF SAN MARCOS
Combining Statement of Changes in Fiduciary Net Position by Project Area
Private-Purpose Trust Funds
June 30, 2013

	Redevelopment Retirement Oligation Trust Fund Housing	Redevelopment Retirement Oligation Trust Fund	Redevelopment Retirement Oligation Trust Fund	Redevelopment Retirement Oligation Trust Fund	Total Private- Purpose Trust Funds
		Project Area #1	Project Area #2	Project Area #3	
Additions:					
Tax increment	\$ 7,457,797	7,565,586	3,968,519	9,567,231	28,559,133
Income from property and investments	68,282	88,735	31,157	64,550	252,724
Miscellaneous	-	-	9,224	-	9,224
Transfers in	10,674,712	-	1,189,986	-	11,864,698
Total additions	18,200,791	7,654,321	5,198,886	9,631,781	40,685,779
Deductions:					
General and administrative	636,623	216,601	96,968	208,360	1,158,552
Community development	-	-	6,078	1,229,814	1,235,892
Interest expense and fees	4,119,710	5,117,059	2,915,293	6,083,096	18,235,158
Payment to state	8,997,735	-	-	-	8,997,735
Transfers out	1,189,986	-	-	-	1,189,986
Total deductions	14,944,054	5,333,660	3,018,339	7,521,270	30,817,323
Change in net position	3,256,737	2,320,661	2,180,547	2,110,511	9,868,456
Net position, beginning as restated	(43,143,306)	(127,776,137)	(31,403,995)	(86,037,542)	(288,360,980)
Net position, ending	\$ (39,886,569)	(125,455,476)	(29,223,448)	(83,927,031)	(278,492,524)

STATISTICAL SECTION

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

	CONTENTS	Page
Financial Trends		116
	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		124
	These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity		130
	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		139
	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		142
	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	

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

CITY OF SAN MARCOS
Net Position by Component
Last Nine Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 307,123,731	\$ 341,437,352	\$ 376,880,228	\$ 430,516,043
Restricted/expendable for:				
Capital projects	28,457,759			
Low and moderate income housing	56,344,305	67,616,923	81,735,288	99,574,127
Landscape Maintenance	4,876,677	6,888,685	8,722,189	8,662,907
Other purposes	3,104,720	3,287,401	3,937,485	4,012,114
Restricted/nonexpendable	1,000,000	1,000,000	1,000,000	1,000,000
Unrestricted	(4,329,030)	7,941,869	13,628,356	8,782,155
Total governmental activities net assets	\$ 396,578,162	\$ 428,172,230	\$ 485,903,546	\$ 552,547,346
Business-type activities:				
Invested in capital assets, net of related debt	\$ 30,590,054	\$ 30,219,195	\$ 29,836,841	\$ 29,454,485
Unrestricted	3,518,958	3,859,791	2,586,159	3,464,423
Total business-type activities net assets	\$ 34,109,012	\$ 34,078,986	\$ 32,423,000	\$ 32,918,908
Primary Government:				
Invested in capital assets, net of related debt	\$ 337,713,785	\$ 371,656,547	\$ 406,717,069	\$ 459,970,528
Restricted/expendable for:				
Capital projects	28,457,759	-		
Low and moderate income housing	56,344,305	67,616,923	81,735,288	99,574,127
Landscape Maintenance	4,876,677	6,888,685	8,722,189	8,662,907
Other purposes	3,104,720	3,287,401	3,937,485	4,012,114
Restricted/nonexpendable	1,000,000	1,000,000	1,000,000	1,000,000
Unrestricted	(810,072)	11,801,660	16,214,515	12,246,578
Total primary government net assets	\$ 430,687,174	\$ 462,251,216	\$ 518,326,546	\$ 585,466,254

Note:

(1) The City implemented GASB 44 in fiscal year 2005. Therefore, ten years of data is not available.

Fiscal Year

2009	2010	2011	2012	2013
\$ 460,101,619	\$ 484,423,039	\$ 499,416,669	\$ 658,296,750	\$ 646,769,141
115,805,089	120,917,457	119,927,089	163,429,723	20,320,721
8,999,420	8,514,304	9,032,742	9,389,874	9,706,762
3,904,177	4,378,971	6,026,400	6,506,958	10,295,075
905,850	1,023,850	1,244,590	1,147,835	1,195,768
2,504,296	(11,409,150)	(6,504,167)	64,955,219	57,252,131
<u>\$ 592,220,451</u>	<u>\$ 607,848,471</u>	<u>\$ 629,143,323</u>	<u>\$ 903,726,359</u>	<u>\$ 906,478,667</u>
\$ 29,072,130	\$ 28,689,775	\$ 28,307,420	\$ 27,925,065	\$ 26,725,626
6,698,002	8,442,809	8,052,471	6,319,042	5,761,171
<u>\$ 35,770,132</u>	<u>\$ 37,132,584</u>	<u>\$ 36,359,891</u>	<u>\$ 34,244,107</u>	<u>\$ 32,486,797</u>
\$ 489,173,749	\$ 513,112,814	\$ 527,724,089	\$ 686,221,815	\$ 673,494,767
115,805,089	120,917,457	119,927,089	163,429,723	20,320,721
8,999,420	8,514,304	9,032,742	9,389,874	9,706,762
3,904,177	4,378,971	6,026,400	6,506,958	10,295,075
905,850	1,023,850	1,244,590	1,147,835	1,195,768
9,202,298	(2,966,341)	1,548,304	71,274,261	63,013,302
<u>\$ 627,990,583</u>	<u>\$ 644,981,055</u>	<u>\$ 665,503,214</u>	<u>\$ 937,970,466</u>	<u>\$ 938,965,464</u>

CITY OF SAN MARCOS
Changes in Net Position
Last Nine Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Expenses:				
Governmental Activities:				
General government	\$ 8,712,101	\$ 10,209,504	\$ 12,936,083	\$ 14,175,161
Community development	9,493,749	4,559,304	6,445,848	4,912,297
Public safety	19,739,954	23,522,750	25,457,293	27,983,233
Highways, streets and parks	37,769,998	50,801,530	39,763,214	30,364,607
Culture and recreation	2,448,993	2,728,120	2,940,238	3,008,578
Interest on long-term debt	13,778,060	15,377,060	17,108,204	17,742,768
Total governmental activities expenses	91,942,855	107,198,268	104,650,880	98,186,644
Business-type activities:				
Creekside Marketplace	771,116	1,170,953	1,136,959	1,002,389
Utility	47,908	20,395		
Total business-type activities expenses	819,024	1,191,348	1,136,959	1,002,389
Total primary government expenses	92,761,879	108,389,616	105,787,839	99,189,033
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (3)	4,753,376	5,233,634	6,116,176	7,347,275
Community development (3)	8,411,715	5,787,928	2,996,263	2,037,057
Public safety	6,395,110	6,846,519	7,191,131	7,582,159
Highways, streets and parks (2) (3)	5,197,553	6,452,402	6,768,511	6,664,978
Culture and recreation (2)	1,210,905	1,372,086	1,502,296	1,544,763
Operating grants and contributions	2,151,934	2,533,966	2,802,258	2,505,258
Capital contributions and grants	65,927,749	30,747,184	38,214,638	44,448,900
Total governmental activities program revenues	94,048,342	58,973,719	65,591,273	72,130,390
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,435,437	3,954,995	4,192,527	4,069,128
Total business-type activities program revenues	3,435,437	3,954,995	4,192,527	4,069,128
Total primary government program revenues	97,483,779	62,928,714	69,783,800	76,199,518
Net (expenses) revenues:				
Governmental activities	(48,224,549)	(39,059,607)	(26,056,254)	(47,527,759)
Business-type activities	2,763,647	3,055,568	3,066,739	2,717,184
Total primary government net (expenses)/revenues	(45,460,902)	(36,004,039)	(22,989,515)	(44,810,575)

Notes:

- (1) The City implemented GASB 44 in fiscal year 2005. Therefore, ten years of data is not available.
- (2) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
- (3) 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.

Fiscal Year					
2009	2010	2011	2012	2013	
\$ 14,639,790	\$ 15,990,955	\$ 18,106,693	\$ 16,992,317	\$ 15,885,771	
4,815,602	6,366,892	5,739,531	28,586,547	6,379,029	
28,733,922	28,603,083	28,216,005	32,163,467	27,531,474	
26,532,368	25,046,164	26,408,488	22,057,522	31,047,726	
3,124,741	3,014,690	3,079,743	3,163,230	4,992,567	
15,984,417	15,307,372	16,325,714	9,399,083	286,343	
93,830,840	94,329,156	97,876,174	112,362,166	86,122,910	
 1,072,662	 1,207,245	 1,296,182	 1,060,528	 866,501	
1,072,662	1,207,245	1,296,182	1,060,528	866,501	
 94,903,502	 95,536,401	 99,172,356	 113,422,694	 86,989,411	
 7,121,094	 8,017,989	 7,569,325	 8,811,334	 7,711,202	
1,501,973	1,568,683	2,131,886	5,179,421	6,998,956	
8,293,907	7,623,734	7,266,747	8,012,187	8,636,601	
6,744,066	6,793,677	7,150,548	6,943,057	8,462,005	
1,590,115	1,825,778	1,837,906	1,878,137	2,105,349	
2,135,832	2,392,703	3,547,679	3,333,506	24,338,152	
18,916,094	25,090,511	15,027,697	20,273,816	2,125,409	
46,303,081	53,313,075	44,531,788	54,431,458	60,377,674	
 3,789,846	 3,639,134	 3,523,109	 3,907,546	 4,103,722	
3,789,846	3,639,134	3,523,109	3,907,546	4,103,722	
 50,092,927	 56,952,209	 48,054,897	 58,339,004	 64,481,396	
 (41,016,081)	 (41,016,081)	 (53,344,386)	 (57,930,708)	 (25,745,236)	
2,431,889	2,431,889	2,226,927	2,847,018	3,237,221	
 (38,584,192)	 (38,584,192)	 (51,117,459)	 (55,083,690)	 (22,508,015)	

(Continued)

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

	Fiscal Year			
	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Taxes:				
Property taxes	9,261,347	11,502,364	12,716,298	13,146,445
Tax increment, net	27,029,309	34,534,046	41,975,892	45,397,153
Sales taxes	14,906,391	16,329,030	16,153,930	15,615,135
Transient occupancy taxes	282,909	327,632	363,885	383,001
Franchise taxes	1,845,266	1,995,384	2,210,341	2,148,183
Gain/(Loss) on sale of capital assets				
Motor Vehicle license fees	1,515,555	476,482	448,352	356,472
Investment income	5,906,949	9,259,909	15,899,432	11,275,635
Other	2,158,669	2,405,041	2,022,793	1,628,030
Transfers	(5,781,245)	2,988,729	5,000,000	2,750,000
Transfer to Successor Agency				
Extraordinary Gain				
Total governmental activities	57,125,150	79,818,617	96,790,923	92,700,054
Business-type activities:				
Investment income	31,982	195,056	288,446	179,169
Transfers	5,781,245	(2,988,729)	(5,000,000)	(2,750,000)
Total business-type activities	5,813,227	(2,793,673)	(4,711,554)	(2,570,831)
Total primary government	62,938,377	77,024,944	92,079,369	90,129,223
Change in Net Assets:				
Governmental activities	8,900,601	40,759,010	70,734,669	45,172,295
Business-type activities	8,576,874	261,895	(1,644,815)	146,353
Total primary government	\$ 17,477,475	\$ 41,020,905	\$ 69,089,854	\$ 45,318,648

Fiscal Year				
2009	2010	2011	2012	2013
12,718,633	12,490,217	12,373,080	12,734,479	19,036,135
45,214,569	21,315,468	36,294,755	11,896,531	
13,432,391	12,269,791	13,091,860	13,836,852	14,596,011
330,412	298,459	610,460	713,538	736,035
2,442,412	2,482,704	2,677,551	2,713,099	2,582,279
3,180,648		67,970		
283,349	246,496	382,275	42,071	80,791
6,226,240	4,397,830	4,583,907	3,692,241	3,508,350
3,372,210	1,943,136	1,390,381	1,160,059	1,991,861
	1,200,000	3,167,000	5,100,000	5,000,000
			(10,674,712)	
			280,624,874	
<u>87,200,864</u>	<u>56,644,101</u>	<u>74,639,239</u>	<u>332,513,744</u>	<u>36,856,750</u>
134,040	130,563	167,380	137,198	5,469
	(1,200,000)	(3,167,000)	(5,100,000)	(5,000,000)
<u>134,040</u>	<u>(1,069,437)</u>	<u>(2,999,620)</u>	<u>(4,962,802)</u>	<u>(4,994,531)</u>
<u>87,334,904</u>	<u>55,574,664</u>	<u>71,639,619</u>	<u>327,550,942</u>	<u>31,862,219</u>
46,184,783	15,628,020	21,294,853	274,583,036	11,111,514
2,565,929	1,362,452	(772,693)	(2,115,784)	(1,757,310)
<u>\$ 48,750,712</u>	<u>\$ 16,990,472</u>	<u>\$ 20,522,160</u>	<u>\$ 272,467,252</u>	<u>\$ 9,354,204</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund:					
Pre-GASB 54:					
Reserved for:					
Noncurrent assets	\$ 11,812,000			\$ 13,397,269	\$ 13,397,269
Prepaid items	377,225	\$ 414,987	\$ 477,867	1,247,217	492,546
Deposits	571,066	583,314	607,328	637,832	723,685
Unreserved, designated	26,985,000	44,232,034	52,052,115	37,344,377	36,814,029
Unreserved, undesignated	87,323	5,367,873	5,461,289	6,208,292	6,045,355
GASB 54:					
Nonspendable					
Restricted					
Unassigned					
Total General Fund	<u>39,832,614</u>	<u>50,598,208</u>	<u>58,598,599</u>	<u>58,834,987</u>	<u>57,472,884</u>
All Other Governmental Funds:					
Pre-GASB 54:					
Reserved for:					
Noncurrent assets	15,631,543	13,650,334	13,210,952	13,090,353	2,702,903
Prepaid items					
Deposits					542,923
Low and moderate income housing	19,020,746	25,165,312	33,719,308	46,474,660	59,766,836
Landscape maintenance	1,319,468	1,572,128	3,420,234	2,324,008	5,368,912
Debt service	8,904,716	4,994,488	4,660,884	4,682,091	4,625,869
Capital projects	47,801,292	123,338,627	131,608,970	120,276,053	90,471,205
Other purposes	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unreserved, reported in:					
Special revenue funds	6,020,196	8,597,890	8,441,925	12,544,241	9,489,562
Debt service funds	(5,498,649)	14,256,219	28,238,856	40,577,486	34,366,082
Capital projects funds	(1,913,516)	(5,883,850)	(13,963,277)	(19,311,650)	212,545
Permanent fund	104,770	88,283	147,814	249,217	98,318
GASB 54:					
Nonspendable					
Restricted					
Unassigned					
Total all other governmental funds	<u>92,390,566</u>	<u>186,779,431</u>	<u>210,485,666</u>	<u>221,906,459</u>	<u>208,645,155</u>
Total governmental funds	<u>\$ 132,223,180</u>	<u>\$ 237,377,639</u>	<u>\$ 269,084,265</u>	<u>\$ 280,741,446</u>	<u>\$ 266,118,039</u>

			Fiscal Year		
	2009	2010	2011	2012	2013
\$	13,397,269	\$ 13,447,269			
558,711		1,000,066			
771,931		1,001,672			
37,521,231		36,200,000			
6,058,840		5,995,245			
			\$ 19,463,456	\$ 16,924,452	\$ 16,184,816
			35,162,531	34,951,893	44,147,436
	<u>58,307,982</u>	<u>57,644,252</u>	<u>54,625,987</u>	<u>51,876,345</u>	<u>60,332,252</u>
	8,112,147		28,282,658		
640,408		102,982			
35,347,108		10,056,506			
5,845,298		5,845,298			
10,850,533		12,941,982			
68,302,091		45,462,977			
905,850		1,023,850			
10,127,713		6,468,443			
32,924,058		16,466,613			
(5,658,656)		(6,026,005)			
			1,244,590	1,147,835	1,195,768
			164,514,929	81,486,140	80,423,049
	<u>167,396,550</u>	<u>120,625,304</u>	<u>165,759,519</u>	<u>82,633,975</u>	<u>81,618,817</u>
\$ 225,704,532	<u>\$ 178,269,556</u>	<u>\$ 220,385,506</u>	<u>\$ 134,510,320</u>	<u>\$ 141,951,069</u>	

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

	2004	2005	2006	2007	2008
Revenues:					
Taxes and special assessments	\$ 56,601,047	\$ 71,181,516	\$ 87,121,780	\$ 94,466,701	\$ 97,363,686
Licenses and permits	6,466,027	6,179,840	5,116,926	4,753,491	3,907,123
Intergovernmental	9,841,835	14,537,688	15,192,674	9,093,528	6,587,388
Charges for services	11,188,371	11,495,652	11,544,038	11,486,338	11,429,757
Developer fees	10,910,960	12,589,123	8,809,768	5,774,108	1,776,517
Fines and forfeitures	141,438	131,081	169,261	181,280	269,365
Use of money and property	6,477,568	9,380,735	13,474,072	19,676,632	19,925,978
Contributions from property owners	17,567,040	31,808,603		11,424,122	
Miscellaneous	4,059,192	2,502,536	6,158,895	3,500,561	1,452,870
Total Revenues	123,253,478	159,806,774	147,587,414	160,356,761	142,712,684
Expenditures:					
Current:					
General government (3)	6,933,237	7,958,025	8,835,833	11,867,052	12,733,906
Community development (3)	8,450,713	10,164,579	6,903,003	6,888,307	8,761,007
Public safety	17,014,795	18,739,876	22,454,034	24,441,222	26,225,302
Highways, streets and parks (2) (3)	7,676,236	9,065,061	11,953,716	12,371,008	15,223,370
Culture and recreation (2)	1,995,952	2,221,286	2,424,190	2,708,416	2,556,853
Tax increment distrib. to other gov. agencies	12,199,149	16,644,360	20,603,185	19,001,916	18,747,685
SERAFF payment					
Capital outlay	51,577,449	49,655,461	67,138,844	55,027,905	46,197,846
Debt service:					
Principal retirement	3,910,503	7,908,488	4,900,575	6,571,846	11,079,781
Interest and fiscal charges	10,879,082	14,154,572	13,420,348	16,988,635	19,984,462
Payment to bond escrow agent		5,031,723			
Cost of issuance		3,166,552	935,126	214,172	
Total expenditures	120,637,116	144,709,983	159,568,854	156,080,479	161,510,212
Excess/(deficiency) of Revenues Over Expenditures	2,616,362	15,096,791	(11,981,440)	4,276,282	(18,797,528)
Other financing sources (uses):					
Long-term debt issued	4,375,123	129,992,578	40,717,247	8,752,626	1,441,826
Gain on sale of land held for resale	45,304	48,167	69,577	100,328	
Premium on bonds issued		3,885,710			
Discount on bonds issued		(259,360)	(116,318)	(69,998)	
Payment to bond escrow agent		(42,020,421)		(6,440,273)	
Sale of capital assets	11,500	23,554	17,500	38,216	30,541
Transfers in	6,500,817	5,051,872	10,497,941	17,690,782	32,041,467
Transfers out	(6,500,817)	(6,664,372)	(7,497,941)	(12,690,782)	(29,291,467)
Extraordinary Loss					
Total other financing sources (uses)	4,431,927	90,057,728	43,688,006	7,380,899	4,222,367
Net Change in Fund Balances	\$ 7,048,289	\$ 105,154,519	\$ 31,706,566	\$ 11,657,181	\$ (14,575,161)
Debt service as a percentage of noncapital expenditures	18.11%	23.28%	14.43%	18.21%	23.41%

Notes:

- (1) Beginning in fiscal year 2001-02, employee benefit costs are allocated to each function rather than reported in general government.
- (2) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
- (3) 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.

Fiscal Year					
2009	2010	2011	2012	2013	
\$ 94,097,283	\$ 87,852,421	\$ 87,336,566	\$ 44,811,128	\$ 40,050,764	
4,229,537	4,274,969	4,722,075	5,210,749	5,031,124	
10,406,686	6,816,194	10,725,506	14,657,647	16,273,969	
11,783,938	11,341,050	11,273,011	13,430,631	14,423,983	
3,773,174	2,860,402	3,734,747	8,822,043	12,333,859	
292,642	279,735	284,452	203,253	171,675	
11,422,319	9,248,874	9,656,305	8,710,563	8,108,512	
4,444,346	3,358,490	1,984,750	2,020,386	1,656,624	
<u>140,449,925</u>	<u>126,032,135</u>	<u>129,717,412</u>	<u>97,866,400</u>	<u>98,050,510</u>	
13,333,406	14,825,068	17,457,897	15,640,014	15,237,915	
43,870,002	17,085,690	10,223,010	17,717,361	9,148,706	
27,392,057	27,461,612	27,317,174	30,262,221	27,156,685	
15,455,033	14,040,659	13,379,798	14,053,498	13,407,088	
2,822,593	2,763,210	2,814,054	2,984,215	4,819,380	
18,086,645	37,060,348	16,266,743	410,877		
		4,163,078			
39,281,839	38,456,751	26,289,568	20,163,235	16,677,835	
9,481,695	9,325,010	9,566,685	9,903,628	342,996	
15,911,227	15,221,332	15,782,349	9,509,119	277,403	
		674,238			
<u>185,634,497</u>	<u>176,239,680</u>	<u>143,934,594</u>	<u>120,644,168</u>	<u>87,068,008</u>	
(45,184,572)	(50,207,545)	(14,217,182)	(22,777,768)	10,982,502	
730,998	330,709	54,779,110			
		67,970			
		(1,719,824)			
3,991,821	1,241,860	38,876	23,611	6,489	
6,772,976	8,056,903	14,843,444	65,681,454	11,511,222	
(6,772,976)	(6,856,903)	(11,676,444)	(60,581,454)	(17,185,934)	
<u>4,722,819</u>	<u>2,772,569</u>	<u>56,333,132</u>	<u>5,123,611</u>	<u>(5,668,223)</u>	
<u>\$ (40,461,753)</u>	<u>\$ (47,434,976)</u>	<u>\$ 42,115,950</u>	<u>\$ (17,654,157)</u>	<u>\$ 5,314,279</u>	
15.80%	16.08%	22.07%	20.52%	1.02%	

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

City (1)

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (3)
2004	\$ 5,013,232,710	\$ 241,767,386	\$ (203,515,600)	\$ 5,051,484,496	0.0883
2005	6,099,717,310	263,146,015	(225,472,172)	6,137,391,153	0.0883
2006	7,546,999,066	306,344,173	(258,902,856)	7,594,440,383	0.0883
2007	8,917,662,485	332,372,762	(288,440,819)	8,961,594,428	0.0883
2008	9,707,243,947	316,267,589	(336,468,219)	9,687,043,317	0.0883
2009	9,612,859,892	336,188,166	(406,413,814)	9,542,634,244	0.0883
2010	8,948,612,795	343,678,128	(433,607,449)	8,858,683,474	0.0883
2011	8,829,981,997	343,767,058	(432,933,115)	8,740,815,940	0.0883
2012	8,908,023,695	342,676,146	(441,238,868)	8,809,460,973	0.0883
2013	8,949,312,131	351,245,593	(482,223,209)	8,818,334,515	0.0883

Notes:

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

Redevelopment Agency (RDA) (2)

		Taxable Assessed			
Secured	Unsecured	Less: Exemptions		Value	Direct Tax Rate
\$ 2,768,984,226	\$ 182,013,455	\$ (106,577,232)		\$ 2,844,420,449	1.00
3,570,231,758	200,742,283	(123,731,296)		3,647,242,745	1.00
4,632,364,100	243,702,276	(135,521,826)		4,740,544,550	1.00
5,625,496,019	269,320,651	(156,913,713)		5,737,902,957	1.00
6,159,597,590	95,505,864	(204,434,763)		6,050,668,691	1.00
6,099,738,611	278,835,976	(250,921,128)		6,127,653,459	1.00
5,695,351,795	285,488,163	(275,552,686)		5,705,287,272	1.00
5,593,688,336	285,261,217	(274,668,889)		5,604,280,664	1.00
5,653,565,275	283,043,617	(283,674,242)		5,652,934,650	1.00
5,678,695,390	284,351,568	(325,595,079)		5,637,451,879	1.00

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

Allocation of 1% Ad Valorem Property Taxes

Fiscal Year	City Direct Rate	Total Direct Rate	San Marcos	San Marcos	Other	Total
			Unified School District	Fire Protection District		
2004	0.0883 %	0.0883 %	0.3805 %	0.0632 %	0.2481 %	0.2200 % 1.0000 %
2005	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2006	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2007	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2008	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2009	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2010	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2011	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2012	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000
2013	0.0883	0.0883	0.3805	0.0632	0.2481	0.2200 1.0000

Notes:

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

Source: San Diego County Auditor and Controller Office.

Voter Approved Debt	Total Tax Rate
0.0238 %	1.0238 %
0.0238	1.0238
0.0346	1.0346
0.0349	1.0349
0.0432	1.0432
0.0470	1.0470
0.0439	1.0439
0.0559	1.0560
0.0994	1.0994
0.0994	1.0994

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

Taxpayer	2012			2003		
	Taxable Assessed		Percentage of Total City Taxable Assessed Value	Taxable Assessed		Percentage of Total City Taxable Assessed Value
	Value	Rank		Value	Rank	
World Premier Investments	\$ 112,137,009	1	1.26% %			
Hunter Industries Inc.	95,852,083	2	1.08%	\$ 51,088,775	1	0.97 %
Willmark Communities Inc.	79,724,086	3	0.89%			
Urban Villages San Marcos LLC	59,509,307	4	0.67%			
Camden USA Inc.	54,555,725	5	0.61%			
Ralphs Grocery Company	35,918,883	6	0.40%			
Woodland Parkway Dev. LLC	33,329,877	7	0.37%			
Costco Wholesale Corporation	33,264,840	8	0.37%			
San Elijo Hills Dev. Company	31,422,676	9	0.35%			
Vons Companies	30,149,734	10	0.34%			
Judd Wire, Inc.				33,051,209	2	0.63
MCW RC California LLC				31,373,804	3	0.60
S.M. Prominence Inc.				24,557,929	4	0.47
Standard Pacific Corporation				23,826,087	5	0.45
Signet Armorlite Inc.				22,787,082	6	0.43
Kaiser Foundation Hospitals				22,009,937	7	0.42
Kenneth G & Nancy M Walker Trust				21,797,923	8	0.41
IGPX Mission Park Associates LP				21,651,146	9	0.41
Daniel J. & Tesa T. Dahl				19,747,200	10	0.38
Total	\$ 565,864,220		6.35% %	\$ 271,891,092		5.17 %

Source: Rosenow Spevacek Group, Inc.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal			Delinquent Collections (2)	Total Collections to Date			
		Year of the Levy		Percentage of Levy		Amount	Amount	Percentage	
		Year	Amount						
2004	\$ 5,058,512	\$ 4,880,776	96.49	\$ 77,745	\$ 4,958,521	98.02	%		
2005	6,256,364	5,882,189	94.02	78,862	5,961,051	95.28			
2006	6,908,062	6,472,381	93.69	133,657	6,606,038	95.63			
2007	6,837,608	6,368,465	93.14	184,632	6,553,097	95.84			
2008	6,773,119	6,341,932	93.63	167,455	6,509,387	96.11			
2009	6,183,776	5,932,421	95.94	241,543	6,173,964	99.84			
2010	5,575,114	5,363,998	96.21	227,310	5,591,308	100.29			
2011	5,604,503	5,413,368	96.59	226,828	5,640,196	100.64			
2012	5,645,057	5,477,833	97.04	130,736	5,608,569	99.35			
2013	5,898,965	5,733,817	97.20	122,068	5,855,885	99.27			

Notes:

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

(2) Includes prior years' delinquent collections, penalties and interest.

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

Fiscal Year	Governmental Activities					
	General Obligation Bonds		Tax Allocation Bonds		Notes Payable	Capital Leases
	Revenue Bonds					
2004	\$ -	\$ 58,995,000	\$ 148,430,000	\$ 6,218,329	\$ 756,191	
2005	-	57,645,000	230,450,000	2,498,934	1,447,350	
2006	-	56,435,000	264,975,000	1,846,648	1,305,963	
2007	-	55,490,000	260,715,000	1,436,910	753,855	
2008	-	54,170,000	255,715,000	1,231,685	377,845	
2009	-	52,805,000	250,555,000	1,035,245	-	
2010	-	51,395,000	245,215,000	943,274	-	
2011	-	49,925,000	292,500,000	2,646,245	-	
2012	-	48,400,000	286,765,000	2,243,406	-	
2013	-	46,815,000	280,795,000	1,793,199	-	

Note:

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

Cooperation Agreement	Due to Other Governments	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 24,667,706	\$ 7,979,128	\$ 247,046,354	7.52 %	3,685
28,240,032	7,543,702	327,825,018	9.16	4,518
32,335,372	6,947,144	363,845,127	9.67	4,768
34,347,998	6,430,930	359,174,693	9.47	4,531
31,611,278	5,877,439	348,983,247	9.03	4,250
29,959,866	5,250,946	339,606,057	8.58	4,098
27,807,535	4,577,183	329,937,992	7.79	3,938
25,501,989	3,860,541	374,433,775	8.84	4,427
23,196,443	3,143,899	363,748,748	8.59	4,271
23,275,296	3,860,541	356,539,036	8.42	4,096

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

General Bonded Debt							
Fiscal Year	General Obligation Bonds	Revenue Bonds (2)	Tax Allocation Bonds (2)	Less: Amounts Available in Debt Service Funds (2)			
2004	\$ -	\$ 58,995,000	\$ 148,430,000	\$ (3,406,067)			
2005	-	57,645,000	230,450,000	(19,250,767)			
2006	-	56,435,000	264,975,000	(30,652,740)			
2007	-	55,490,000	260,715,000	(45,259,577)			
2008	-	54,170,000	255,715,000	(38,991,951)			
2009	-	51,395,000	245,215,000	(43,774,591)			
2010	-	51,395,000	245,215,000	(29,408,595)			
2011	-	49,925,000	292,500,000	(36,334,022)			
2012	-	5,435,000					
2013	-	5,200,000					

Note:

- (1) Assessed value has been used because actual value of taxable property is not readily available in the State of California.
- (2) Debt with dissolved former Redevelopment Agency is not presented for FY2012 and FY2013. Revenue bonds are shown for the City and are secured with Successor Agency RPTTF (Redevelopment Property Tax Trust Fund), formerly tax increment.

Source: City Finance Department.

		Percent of Assessed Value	
Total	(1)	Per Capita	
\$ 204,018,933	4.039	%	3,043
268,844,233	4.380		3,705
290,757,260	3.829		3,811
270,945,423	3.023		3,418
270,893,049	2.796		3,299
252,835,409	2.650		3,051
267,201,405	3.016		3,189
306,090,978	3.502		3,619
5,435,000	0.062		64
5,200,000	0.059		60

CITY OF SAN MARCOS
Legal Debt Margin Information
Last Ten Fiscal years

	2004	2005	2006	2007	2008
Total assessed valuation	\$ 5,255,000,096	\$ 6,362,863,325	\$ 7,853,343,239	\$ 9,250,035,247	\$ 10,023,511,536
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,313,750,024	1,590,715,831	1,963,335,810	2,312,508,812	2,505,877,884
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	197,062,504	238,607,375	294,500,371	346,876,322	375,881,683
Total net debt applicable to limit: General obligation bonds	<hr/> -				
Legal debt margin	<hr/> \$ 197,062,504	<hr/> \$ 238,607,375	<hr/> \$ 294,500,371	<hr/> \$ 346,876,322	<hr/> \$ 375,881,683
Total debt applicable to the limit as a percentage of debt limit	0.000%	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.

Fiscal Year					
2009	2010	2011	2012	2013	
\$ 9,949,048,058	\$ 9,292,290,923	\$ 9,173,749,055	\$ 9,250,699,841	\$ 9,300,557,724	
25%	25%	25%	25%	25%	
2,487,262,015	2,323,072,731	2,293,437,264	2,312,674,960	2,325,139,431	
15%	15%	15%	15%	15%	
373,089,302	348,460,910	344,015,590	346,901,244	348,770,915	
—	—	—	—	—	
<u>\$ 373,089,302</u>	<u>\$ 348,460,910</u>	<u>\$ 344,015,590</u>	<u>\$ 346,901,244</u>	<u>\$ 348,770,915</u>	
0.000%	0.000%	0.000%	0.000%	0.000%	

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

Tax Allocation and Revenue Bonds (1)											
Redevelopment Agency Low and Moderate Income Housing Fund					Redevelopment Agency Debt Service Fund						
Fiscal Year	Tax Increment Revenue	Debt Service (2)			Tax Increment Revenue (3)	Debt Service			Principal	Interest	Coverage
		Principal	Interest	Coverage		Principal	Interest	Coverage			
2004	\$ 7,927,695	\$ 295,000	\$ 897,050	6.65	\$ 25,918,030	\$ 1,205,000	\$ 8,181,909	2.76			
2005	10,155,237	310,000	882,536	8.52	33,083,005	2,275,000	9,314,440	2.85			
2006	12,829,183	330,000	866,861	10.72	41,711,486	2,375,000	10,503,910	3.24			
2007	14,249,035	340,000	850,170	11.97	46,212,559	5,015,000	13,801,859	2.46			
2008	14,974,683	355,000	832,604	12.61	48,616,665	5,770,000	13,966,026	2.46			
2009	14,737,707	375,000	813,101	12.40	47,937,014	5,945,000	13,783,236	2.43			
2010	13,536,113	400,000	791,379	11.36	44,165,941	6,140,000	13,580,656	2.24			
2011	13,144,947	425,000	1,499,668	6.83	42,862,987	6,350,000	13,354,716	2.18			
2012											
2013											

Note:

- (1) Tax allocation and revenue bonds were secured by tax increment revenue from the former Redevelopment Agency prior to February 1, 2012. Debt with dissolved former Redevelopment Agency is not presented for FY2012 and FY2013. Revenue bonds are shown for the City and are secured with Successor Agency RPTTF (Redevelopment Property Tax Trust Fund), formerly tax increment.
- (2) Debt service shown is annual debt service.
- (3) Calculated as gross increment net of set-aside tax increment.

Revenue Bonds - City

Debt Service

	Revenue	Principal	Interest	Coverage
\$	506,404	\$ 130,000	\$ 376,404	1.00
	504,514	135,000	369,514	1.00
	507,234	145,000	362,234	1.00
	461,903	255,000	206,903	1.00
	472,887	195,000	277,887	1.00
	475,509	205,000	270,509	1.00
	472,728	210,000	262,728	1.00
	469,490	215,000	254,490	1.00
	470,690	225,000	245,690	1.00
	471,490	235,000	236,490	1.00

CITY OF SAN MARCOS
Direct and Overlapping Debt
As of June 30, 2013

2012-13 City Assessed Valuation: \$8,914,997,515

	Percentage Applicable (1) (2)	Outstanding Debt June 30, 2013	Estimated Share of Overlapping Debt
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.422%	\$ 165,085,000	\$ 696,659
Palomar Community College District	9.865%	315,828,901	31,156,521
San Marcos Unified School District	59.943%	207,041,998	124,107,185
San Marcos Unified School District Facilities Improvement District No. 1	58.082%	8,498,019	4,935,819
San Marcos Unified School District Community Facilities District No. 2	100.00%	1,215,000	1,215,000
San Marcos Unified School District Community Facilities District No. 3	100.00%	1,595,000	1,595,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	21,595,000	13,951,882
Other School Districts	Various	299,763,195	230,655
Palomar Pomerado Hospital	11.206%	477,631,555	53,523,392
City of San Marcos	100.00%	0	0
San Marcos Community Facilities District No. 88-1	100.00%	20,905,650	20,905,650
San Marcos Community Facilities District No. 91-01	100.00%	2,136,110	2,136,110
San Marcos Community Facilities District No. 99-01	100.00%	74,724,316	74,724,316
San Marcos Community Facilities District No. 2002-01 (3)	100.00%	15,360,000	15,360,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 344,538,189
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	2.333%	399,780,000	9,326,867
San Diego County Pension Obligations	2.333%	753,897,748	17,588,434
San Diego County Superintendent of Schools Obligations	2.333%	17,462,500	407,400
Palomar Community College District General Fund Obligations	9.865%	5,345,000	527,284
San Marcos Unified School District General Fund Obligations	59.943%	55,483,327	33,258,371
Other School District Certificates of Participation	Various	92,670,000	127,072
City of San Marcos General Fund Obligations	100.00%	5,200,000	5,200,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 66,435,428
OVERLAPPING TAX INCREMENT DEBT (Successor Agency) (4)	100%	373,440,000	\$ 373,440,000
TOTAL DIRECT DEBT			\$ 5,200,000
TOTAL OVERLAPPING DEBT			\$ 779,213,617
COMBINED TOTAL DEBT (5)			\$ 784,413,617

- (1) 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.
- (2) With the dissolution of redevelopment agencies, the "% Applicable" column is no longer based on redevelopment adjusted assessed valuations for overlapping general fund debt calculations.
- (3) Accounts for \$1,255,000 bond call 9/1/13 to be made with special tax prepayments.
- (4) Includes \$41,615,000 2001 Public Improvement Refunding Revenue Bonds previously reported as general fund debt.
- (5) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	3.86%
Combined Direct Debt (\$5,200,000)	0.06%
Combined Total Debt	8.80%

Ratios to Redevelopment Incremental Valuation (\$5,637,462,125):

Total Overlapping Tax Increment Debt	6.62%
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Source: California Municipal Statistics, Inc.

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

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income		Per Capita Personal Income (3)	Unemployment Rate (2)
				(3)			
2004	31.33	67,048	5.44	\$ 2,589,310,912	\$ 38,536		4.50
2005	31.37	72,564	8.23	2,952,124,992	40,569		4.10
2006	31.37	76,303	5.15	3,283,599,825	42,797		4.00
2007	33.10	79,273	3.89	3,578,131,584	44,832		4.60
2008	33.10	82,116	3.59	3,763,813,584	45,488		6.00
2009	33.10	82,879	0.93	3,794,088,870	45,630		9.60
2010	33.10	83,781	1.09	3,865,692,500	46,075		10.53
2011	33.10	84,586	0.96	3,958,624,800	46,800		10.00
2012	33.07	85,159	0.68	4,234,020,321	49,719		8.90
2013	33.07	87,040	2.21	(1)	(1)		7.35

(1) Personal income and per capita personal income data for 2013 are unavailable.
 (2) Final unemployment rate for 2013 is unavailable; rate presented is average unemployment rate for 12 months of 2013 including preliminary December data.
 (3) Data presented is for San Diego/Carlsbad/San Marcos economic area.

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	2013			2004		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Hunter Industries Inc	725	1	2.45%	645	1	2.30%
United Parcel Service	433	2	1.46%	432	3	1.54%
Wal-Mart Stores, Inc	350	3	1.18%	201	14	0.72%
Southern CA Permanente Med Group	301	4	1.02%			
Lusardi Construction Co	300	5	1.01%			
Vanpike Inc	286	6	0.97%	494	2	1.76%
Fry's Electronics	270	7	0.91%	301	5	1.07%
Oncore Manufacturing Svcs, LLC	257	8	0.87%			
Costco Wholesale	253	9	0.86%	228	10	0.81%
RB III Associates Inc	237	10	0.80%	250	6	0.89%
University Aux. & Research Svcs (2)	230	11	0.78%	230	9	0.82%
Fluid Components Intl LLC	225	12	0.76%	155	19	0.55%
24 Hour Fitness	224	13	0.76%			
Hollandia Dairy Inc	185	14	0.63%	190	15	0.68%
Hughes Circuits Inc	164	15	0.55%			
Diamond Environmental Svcs LP	150	16	0.51%			
Southern Contracting	150	17	0.51%			
Home Depot	148	18	0.50%	186	16	0.66%
Aerotek Inc	138	19	0.47%			
Plum Health Care Group	135	20	0.46%			
Signet Armorlite, Inc				425	4	1.51%
Walker Wood Products, Inc.				245	7	0.87%
South Coast Framers				230	8	0.82%
Jacques Gourmet				205	11	0.73%
Ortho Organizers, Inc.				205	12	0.73%
Natural Alternatives				203	13	0.72%
Baker Electric Inc				175	17	0.62%
Schultz, L. Inc				160	18	0.57%
Von's Grocery				153	20	0.54%
Total	5,161		17.44%	5,313		18.91%

Note:

(1) Total Employment as used above represents the total employment of all employers located within City limits.
(2) Formerly the "CA State University SM Foundation."

Sources: City of San Marcos Business License Directory.
California Employment Development Department.

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

Function/Program:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	33	35	37	45	51	50	60	59	55	58
Community development	33	38	44	43	40	37	44	39	38	39
Public safety (1)	64	72	85	84	91	94	101	97	92	95
Highways, streets and parks	69	73	76	87	77	66	71	76	77	76
Culture and recreation	128	153	137	126	141	126	120	128	126	128
Total	327	371	379	385	400	373	396	399	388	396

Notes:

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

Source: City Finance Department.

CITY OF SAN MARCOS
Operating Indicators by Function (1)
Last Eight Fiscal Years (2)

<u>Function/Program</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
General Government:				
Number of business licenses issued	4,925	5,450	5,161	5,436
Number of requests for public information	144	112	160	176
Number of new hires including part-time	45	128	98	71
Number of invoices processed	11,432	14,616	11,208	11,256
Public Safety:				
Police:				
Contracts with the San Diego County Sheriff's Department for full service law enforcement				
Fire:				
Number of emergency calls	6,477	6,880	6,911	6,955
Number of fire inspections	1,524	1,495	1,459	1,852
Highways and Streets:				
Number of street lights added in current year	45	172	25	17
Number of traffic signals added in current year	11	7	3	4
Miles of streets swept	5,515	14,770	14,770	14,770
Miles of centerline streets added	12	24	-	-
Storm drain structures cleaned and repaired	92	113	114	116
Culture and Recreation:				
Number of facility rentals	362	486	670	669
Number of swim program participants	13,199	13,221	17,688	19,714
Number of adult sports participants	10,562	20,503	21,204	25,961
Number of youth sports participants	8,505	10,366	11,126	12,108
Number of senior nutrition program meals served	21,715	22,500	16,426	15,708
Community Development:				
Number of building permits issued	1,030	836	502	458
Approximate number of building inspections conducted	40,000	41,076	21,554	14,501
Number of new business licenses issued (3)	1,263	1,505	1,307	1,225

Note:

- (1) Water and sewage treatment services are provided by the Vallecitos Water District.
- (2) Years prior to fiscal year 2005-06 have not been presented because data for those years is not readily available.
- (3) The number of new business licenses issued has been updated for fiscal years 2009-10, 2010-11, and 2011-12 from what was originally reported for those years.

Source: Various City Departments.

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
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5,320	5,330	5,455	5,451
211	202	270	253
98	93	86	85
19,296	13,020	11,810	12,354

7,184	6,928	7,382	7,905
2,211	2,101	2,367	3,214

14	36	24	6
3	3	1	-
14,976	14,976	14,976	15,165
-	-	-	5
389	474	580	568

857	757	761	768
30,110	34,494	40,820	46,211
31,772	35,105	38,897	41,660
17,610	18,105	13,714	20,946
13,126	13,295	14,031	13,455

454	618	866	1,248
24,819	24,888	28,466	15,247
1,261	1,328	1,273	1,316

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety:						
Police (1)						
Fire						
Number of fire stations	3	3	4	4	4	4
Number of emergency vehicles	26	29	32	33	35	33
Highways and Streets:						
Miles of streets	175	200	212	236	236	236
Number of street lights	2,267	2,383	2,428	2,600	2,625	2,645
Culture and Recreation:						
Parks	25	27	27	28	28	30
Acres of park land	317	331	336	366	373	373
Pools	2	2	2	2	2	2

Note:

- (1) The City of San Marcos contracts with the San Diego County Sheriff's Department for full service law enforcement.
- (2) An audit of the City's street inventory was conducted during fiscal year 2011-12 and it was determined that private streets were being included in the total miles of streets. Private streets have now been removed from the total.

Sources: Various City departments.

2010 2011 2012 2013

4	4	4	4
40	31	32	36

236	241	194	199 (2)
2,659	2,695	2,691	2,702

32	33	34	34
377	379	380	380
2	2	2	2