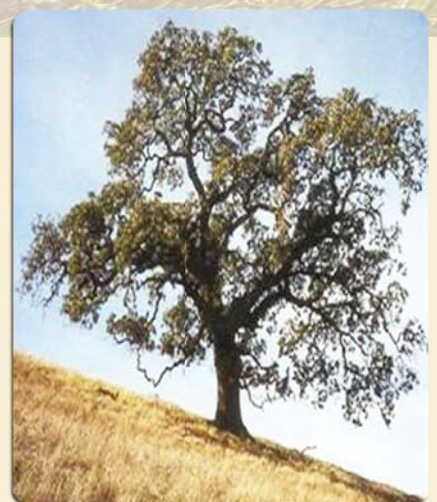


# *City of* SAN MARCOS California

Comprehensive Annual Financial Report  
For Fiscal Year Ending  
June 30, 2014



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# *City of* SAN MARCOS California

## Comprehensive Annual Financial Report For Fiscal Year Ending June 30, 2014



*City Manager*      **Jack Griffin**

*Finance Director*      **Laura Rocha**

*Prepared by the City of San Marcos Finance Department*





# City of SAN MARCOS California

## Mission Statement

*To improve the quality of life for those who live, work or visit San Marcos by providing a safe, family-oriented atmosphere that is rich and diverse in cultural and natural resources and promotes economic and educational opportunities.*

# *City of San Marcos*

## **Comprehensive Annual Financial Report For the Year Ended June 30, 2014**

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# *City of San Marcos*

## **Comprehensive Annual Financial Report For the Year Ended June 30, 2014**

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January 22, 2015

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 (City) fiscal year 2013-14 Comprehensive Annual Financial Report (CAFR). This report has been prepared in conformity with generally accepted accounting principles (GAAP) and has been audited in accordance with generally accepted auditing standards by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, if any, and evaluating the overall financial statement presentation. The auditors concluded that there was a reasonable basis for rendering an 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 33.07 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 72,564 to 90,179, for an average annual growth of 3.03%. San Marcos continues to be one of the fastest growing cities in San Diego County.

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 Financing 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 basic 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 2014 were Hunter Industries Inc., United Parcel Service, Southern California Permanente Medical Group, Wal-Mart, Lusardi Construction Co., Aerotek Inc., Costco Wholesale, RB III Associates, Inc., Fluid Components Intl, LLC, and Oncore Manufacturing Svcs, LLC.

The City's total labor force (the number of persons who work or are available for work) averaged 31,740 from January through October 2014. The number of employed workers in the labor force during that same period averaged 29,780, resulting in an unemployment rate of 6.34% compared to the State's unemployment rate of 7.65%.

San Marcos is known as the educational hub of North San Diego County. California State University San Marcos, which opened in the fall of 1992 on 305 acres less than one-half mile south of city hall, currently serves approximately 11,300 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 an adopted fiscal year budget, two subsequent fiscal years spending plans, and a five-year capital improvement projects budget. The fiscal year 2014-15 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 for fiscal year 2014-15. Reserves are not expected to be utilized unless authorized by City Council in accordance with the City's reserve policy. Projected ending reserves of \$51.2 million represent approximately 80.3% 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.

Street and bridge projects planned throughout the City make up the single largest allocation with more than \$69 million budgeted over the next five years. Street projects planned to improve mobility throughout the City include a San Marcos High School pedestrian bridge and an extension of the Inland Rail Trail. Interchange improvements slated at Woodland Parkway and SR78 will help accommodate the City's anticipated growth near California State University San Marcos and the University District.

Laying the groundwork for the 214-acre San Marcos Downtown Creek District is central to the capital improvement program with an allocation of approximately \$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 Downtown Creek District is expected to take 15 to 20 years.

Other projects include the conversion of the Civic Center and San Marcos Boulevard medians and parkways to water-wise landscape, conversion of City streetlights to L.E.D for reduced energy usage and improved light quality, and the development of three parks – Richmar Community Park, South Lake Community Park, and Rancho Coronado Regional Park.

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. Cooperation among the five cities will convey to businesses both locally and out of area that the Highway 78 Corridor is a great place to do business in San Diego County.

## **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, 2013. 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.

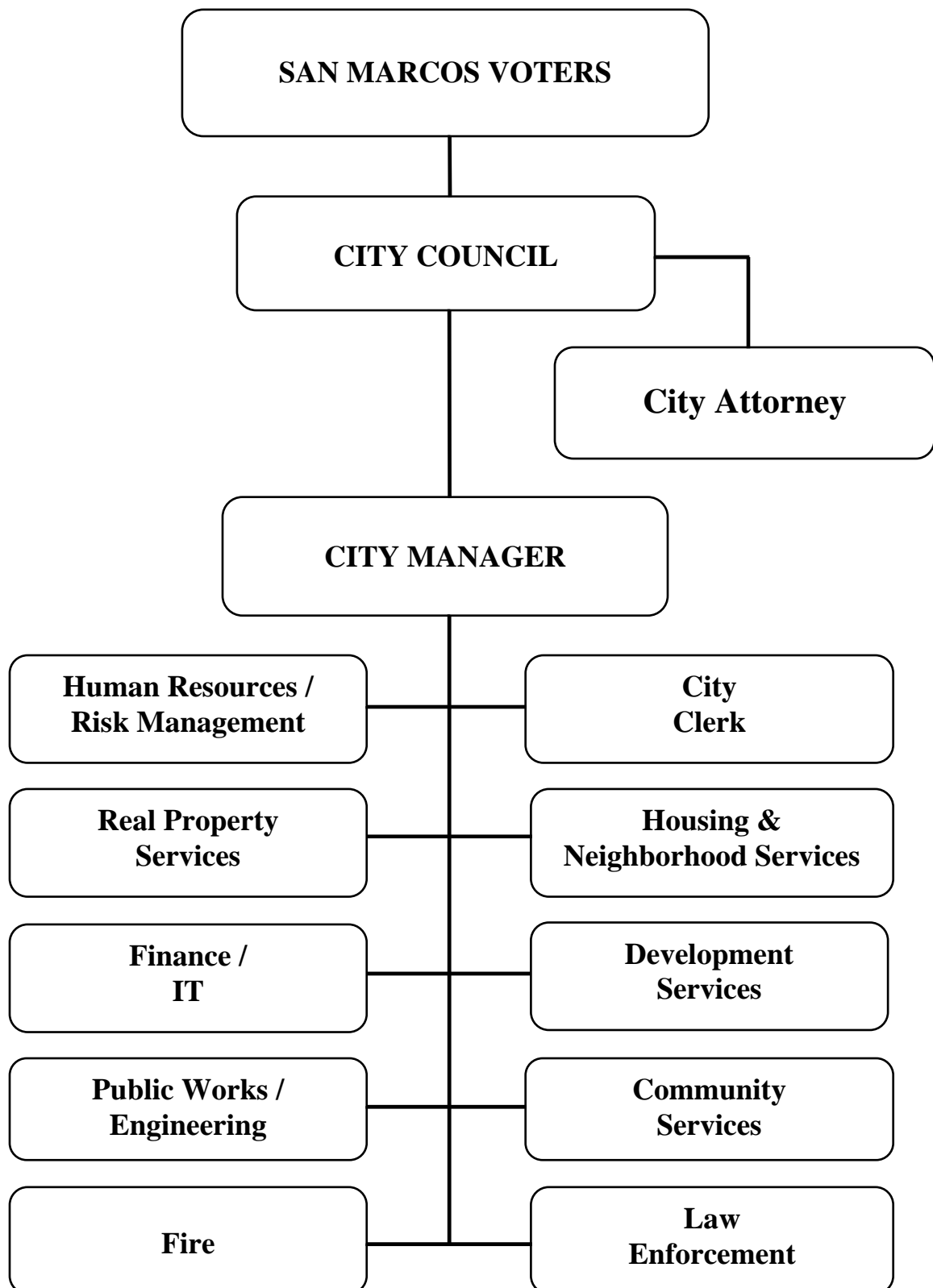
The certificate is valid for a period of one year only. The City has received this award for the past fourteen consecutive years. We believe the current report continues to conform to the program requirements and are submitting it to GFOA for its consideration.

**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 Stacey Tang, 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, 2014**



**CITY OF SAN MARCOS**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 2014**

**City Council**

Mayor  
Vice Mayor  
Councilmember  
Jabara  
Councilmember  
Councilmember

Jim Desmond  
Rebecca Jones  
Kristal Kritzer-  
  
Chris Orlando  
Sharon Jenkins

**Administration**

City Manager  
Deputy City Manager  
City Attorney  
City Clerk

Jack Griffin  
Lydia Romero  
Helen Holmes Peak  
Phillip Scollick

**Department/Division Heads**

Public Works Director/City Engineer  
Finance Director  
Human Resources/Risk Management Director  
Community Services Director  
Fire Chief  
Planning Division Director  
Real Property Services Director  
Housing & Neighborhood Services Director  
Sheriff Station Captain

Mike Edwards  
Laura Rocha  
Michelle Miller  
Buck Martin  
Brett VanWey  
Jerry Backoff  
Ellen Hegarty  
Karl Schwarm  
Scott Ybarrando





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of San Marcos  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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

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Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

#### MANAGERS / STAFF

Bradferd A. Welebir, CPA, MBA  
Jenny Liu, CPA, MST  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Yiann Fang, CPA  
Nathan Statham, CPA, MBA  
Brigitta Bartha, CPA  
Gardenya Duran, CPA  
Juan Romero, CPA  
Ivan Gonzales, CPA, MSA  
Brianna Pascoe, CPA

The Honorable City Council  
of the 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 (City), as of and for the year ended June 30, 2014, 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.

MEMBERS  
American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants



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, 2014, 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***

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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, the schedule of funding progress, and budgetary comparison information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

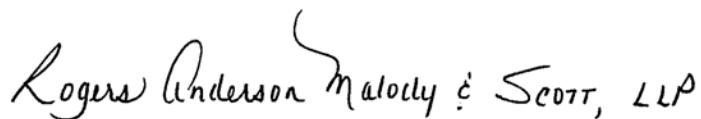
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Marcos's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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 statements and the nonmajor fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015 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.

A handwritten signature in cursive script that reads "Rogers Anderson Malouly & Scott, LLP".

San Bernardino, California  
January 22, 2015

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**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

---

Management's Discussion and Analysis (MD&A) provides an overview of the City of San Marcos's financial performance for the fiscal year ended June 30, 2014. To obtain a complete understanding of the City's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Government-Wide 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 financial 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:

- The assets and deferred outflows of resources of the City of San Marcos (City) exceeded its liabilities at the close of Fiscal Year (FY) 2013-14 by \$966.8 million. Of this amount, \$64.4 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of FY 2013-14, the City's governmental funds reported combined fund balances of \$144.7 million, an increase of \$2.7 million from prior year. Approximately 35.3 percent of this amount, or \$51.1 million, is unassigned fund balance and available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$51.1 million, or 81.0 percent of total general fund expenditures, including transfers.
- The City's total outstanding long-term debt decreased by \$0.2 million during the current fiscal year due primarily to scheduled debt retirement.
- As of July 1, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. FY 2012-13 balances were restated to reflect the impact, as detailed in note 17.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

The annual CAFR consists of six parts – *introductory section* (includes Transmittal Letter and general information), *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, an optional supplementary schedules section that presents *combining statements* for non-major governmental funds, and lastly the *statistical section*. 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 financial 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 Creekside Marketplace and the Municipal Utility Fund.
  - *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 financial 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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Reporting the City as a Whole, continued

These two statements report the City's net position and changes in them. The City's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – 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 Discovery Valley Utility Enterprise Fund is non-operational at this time as the original business intent is no longer being considered.

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about each of the City's most significant funds – called major funds. The concept of major funds and the determination of which are major funds, was established by GASB Statement No. 34 and replaced the concept of combining like funds and presenting them in total. Therefore, each major fund is presented individually, with all non-major funds combined in a single column on each fund statement. Subordinate schedules display these non-major funds in more detail. Major funds present the major activities of the City for the year. The General Fund is always considered a major fund, but other funds may change from year to year as a result of changes in the pattern of City activities.

The fund financial statements display the City's operations in more detail than the government-wide financial statements. Their focus is primarily on the short-term activities of the City's General Fund and other major funds such as Affordable Housing and Capital Projects.



**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

---

Reporting the City's Most Significant Funds, (continued)

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* are described in detail in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, which are part of 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 the City reports in the government-wide financial 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 Net Position. The City excludes 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.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**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 financial 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, 2014, with comparative totals as of June 30, 2013. As previously stated, net position at year-end serves as a useful indicator of a government's financial position.

**STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 279,126,469	\$ 293,773,537	\$ 4,421,949	\$ 5,824,397	\$ 283,548,418	\$ 299,597,934
Capital assets, net	678,001,410	657,345,582	27,160,354	27,542,709	705,161,764	684,888,291
Total assets	957,127,879	951,119,119	31,582,303	33,367,106	988,710,182	984,486,225
Deferred outflows of resources	80,710	84,219	-	-	80,710	84,219
Long-term debt	11,718,694	11,187,541	-	-	11,718,694	11,187,541
Other Liabilities	10,226,415	13,296,482	68,998	63,226	10,295,413	13,359,708
Total Liabilities	21,945,109	24,484,023	68,998	63,226	22,014,107	24,547,249
Net position						
Net investment in capital assets	671,633,533	651,372,393	27,160,354	27,542,709	698,793,887	678,915,102
Restricted	203,555,514	202,457,395	-	-	203,555,514	202,457,395
Unrestricted	60,074,433	72,889,527	4,352,951	5,761,171	64,427,384	78,650,698
Total net position	\$ 935,263,480	\$ 926,719,315	\$ 31,513,305	\$ 33,303,880	\$ 966,776,785	\$ 960,023,195

At June 30, 2014, the City's net position totaled \$966.8 million. The largest portion of the City's net position (\$698.8 million or 72.3 percent) 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 position (\$203.6 million or 21.1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion - the part of net position 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 \$64.4 million at the end of the fiscal year. Overall, the City's net position increased by \$6,753,590 or 0.7 percent, during the current fiscal year.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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, 2014, in relation to a year earlier. For the fiscal year ended June 30, 2014, total net position increased by \$6,753,590 due to revenues exceeding expenditures.

Below summarizes the Statement of Activities for Governmental and Business-Type Activities for fiscal year ended June 30, 2014, with comparative totals for fiscal year ended June 30, 2013.

STATEMENT OF ACTIVITIES						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 22,906,502	\$ 30,497,654	\$ 3,470,369	\$ 4,103,722	\$ 26,376,871	\$ 34,601,376
Operating contributions and grants	16,811,189	24,338,152	-	-	16,811,189	24,338,152
Capital contributions and grants	9,843,740	2,125,409	-	-	9,843,740	2,125,409
General revenues:						
Property taxes	14,730,525	19,036,135	-	-	14,730,525	19,036,135
Sales taxes	15,840,511	14,596,011	-	-	15,840,511	14,596,011
Transient occupancy taxes	794,846	736,035	-	-	794,846	736,035
Franchise taxes	3,520,613	2,582,279	-	-	3,520,613	2,582,279
Motor vehicle license fees	-	80,791	-	-	-	80,791
Rental income	6,260,337	6,261,951	-	-	6,260,337	6,261,951
Investment income, restricted	171,445	105,218	-	-	171,445	105,218
Investment income, unrestricted	937,260	557,640	50,190	5,469	987,450	563,109
Loss on disposal of capital assets	(659,841)	-	-	-	(659,841)	-
Other	489,778	1,869,742	-	817,083	489,778	2,686,825
<b>Total Revenues</b>	<b>91,646,905</b>	<b>102,787,017</b>	<b>3,520,559</b>	<b>4,926,274</b>	<b>95,167,464</b>	<b>107,713,291</b>
<b>Expenses</b>						
General government	16,447,263	15,885,771	-	-	16,447,263	15,885,771
Community development	3,431,959	4,589,991	-	-	3,431,959	4,589,991
Public safety	31,398,530	27,904,872	-	-	31,398,530	27,904,872
Highways, streets and parks	32,779,655	33,147,826	-	-	32,779,655	33,147,826
Culture and recreation	3,022,930	5,027,938	-	-	3,022,930	5,027,938
Interest on long-term debt	272,403	457,681	-	-	272,403	457,681
Creekside Marketplace	-	-	1,061,134	866,501	1,061,134	866,501
<b>Total Expenses</b>	<b>87,352,740</b>	<b>87,014,079</b>	<b>1,061,134</b>	<b>866,501</b>	<b>88,413,874</b>	<b>87,880,580</b>
<b>Increase in Net Position</b>						
Before Transfers	4,294,165	15,772,938	2,459,425	4,059,773	6,753,590	19,832,711
Transfers	4,250,000	(5,674,712)	(4,250,000)	(5,000,000)	-	(10,674,712)
<b>Change in Net Position</b>	<b>8,544,165</b>	<b>10,098,226</b>	<b>(1,790,575)</b>	<b>(940,227)</b>	<b>6,753,590</b>	<b>9,157,999</b>
<b>Net Position, Beginning, as Restated</b>	<b>926,719,315</b>	<b>916,621,089</b>	<b>33,303,880</b>	<b>34,244,107</b>	<b>960,023,195</b>	<b>950,865,196</b>
<b>Net Position, Ending</b>	<b>\$ 935,263,480</b>	<b>\$ 926,719,315</b>	<b>\$ 31,513,305</b>	<b>\$ 33,303,880</b>	<b>\$ 966,776,785</b>	<b>\$ 960,023,195</b>



**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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Governmental Activities

*Revenue Highlights*

Total revenues for governmental activities were \$91.6 million. The largest component of total revenue is taxes at \$34.9 million, making up 38.1 percent 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.

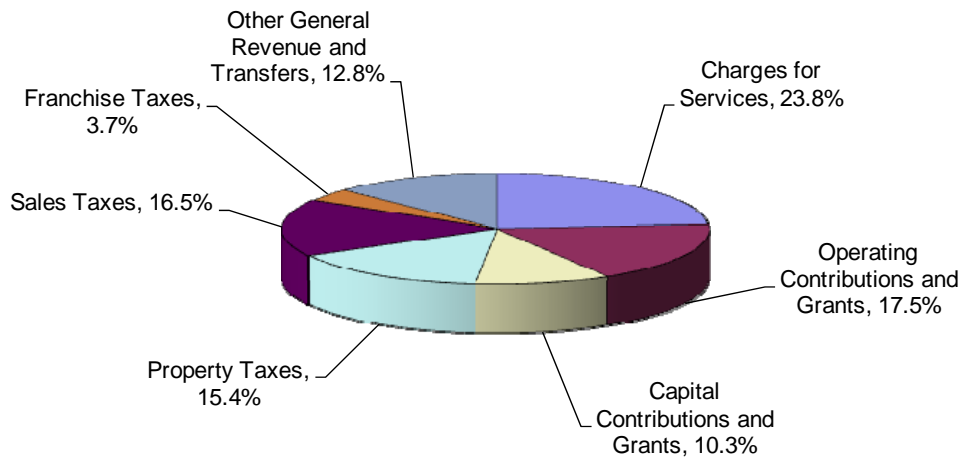
- Sales tax revenues increased by \$1.2 million compared to the prior year. After a few rough years of a downward trend, the City is finally seeing recovery of this major revenue source.
- Property taxes decreased by \$4.3 million related mostly to the continued effects of the dissolution of the former Redevelopment Agency. One-time residual tax increment payments were made to the City as well as the Fire Protection District in the prior years that did not occur in the current fiscal year.
- Charges for services decreased by \$7.6 million due to less developer fee activity occurring in the fiscal year than prior year. Building and plan check permits fees were up significantly over budget, as well as ambulance fees and other staff and project development reimbursement fees, however, the prior year included large development projects such as Palomar Station and other housing developments.
- Operating Contributions and Grants decreased by \$7.5 million as grant activity related to capital projects was not as active as the prior year due to project completions such as Connors Park and/or less construction activity.
- Capital Contributions and Grants increased by \$7.7 million mostly due to capital contributions from the Successor Agency and the San Diego Association of Governments (SANDAG).

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**GOVERNMENTAL ACTIVITIES  
Revenue by Source**

Revenue Source	Fiscal Year 2013-14	Percent of Total	Increase (Decrease) From 2012-13	Percent Increase (Decrease)
Charges for services	\$ 22,906,502	23.8%	\$ (7,591,152)	-33.1%
Operating contributions and grants	16,811,189	17.5%	(7,526,963)	-44.8%
Capital contributions and grants	9,843,740	10.3%	7,718,331	78.4%
Property taxes	14,730,525	15.4%	(4,305,610)	-29.2%
Sales taxes	15,840,511	16.5%	1,244,500	7.9%
Franchise taxes	3,520,613	3.7%	938,334	26.7%
TOT taxes	-	0.0%	(80,791)	0.0%
Other general revenue and transfers	12,243,825	12.8%	8,387,951	68.5%
Total revenue	<u>\$ 95,896,905</u>	<u>100.0%</u>	<u>\$ (1,215,400)</u>	<u>-1.3%</u>

**GOVERNMENTAL ACTIVITIES  
Revenue by Source  
Fiscal Year 2013-14**

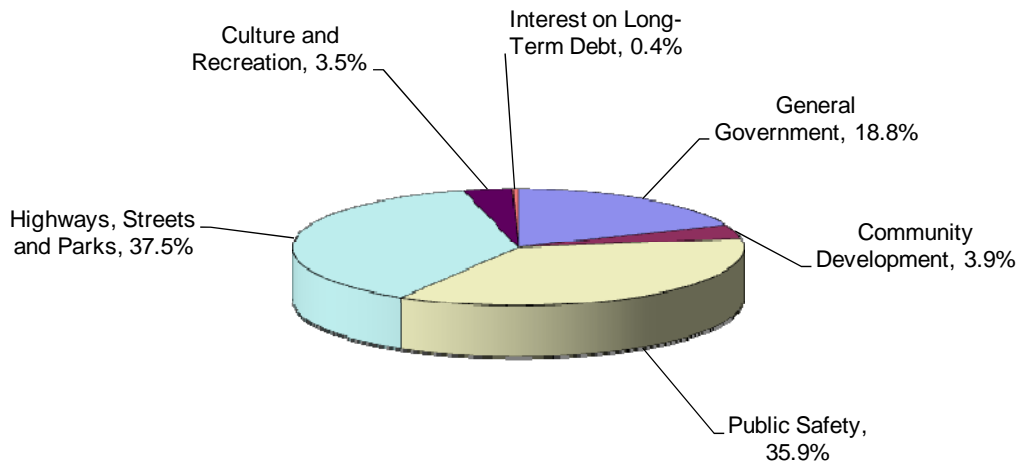


**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**GOVERNMENTAL ACTIVITIES  
Expense by Function**

<b>Function</b>	<b>Fiscal Year 2013-14</b>	<b>Percent of Total</b>	<b>Increase (Decrease) From 2012-13</b>	<b>Percent Increase (Decrease)</b>
General government	\$ 16,447,263	18.8%	\$ 561,492	3.4%
Community development	3,431,959	3.9%	(1,158,032)	-33.7%
Public safety	31,398,530	35.9%	3,493,658	11.1%
Highways, streets and parks	32,779,655	37.5%	(368,171)	-1.1%
Culture and recreation	3,022,930	3.5%	(2,005,008)	-66.3%
Interest on long-term debt	272,403	0.4%	(185,278)	-68.0%
Total expenses	<u>\$ 87,352,740</u>	<u>100.0%</u>	<u>\$ 338,661</u>	<u>0.4%</u>

**GOVERNMENTAL ACTIVITIES  
Expenses by Function  
Fiscal Year 2013-14**



**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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*Expense Highlights*

Functional expenses for the year totaled approximately \$87.4 million, an increase of \$0.4 million from the prior year. The largest components of total expenses were for Highway, Streets and Parks and Public Safety (police and fire), representing \$64.2 million (73.4 percent) 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 \$32.8 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. Increased costs over the prior year resulted primarily from an increase in the County of San Diego Sheriff's contract for public safety as well as additional street maintenance projects that did not occur in the prior year.

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 position decreased by \$1.8 million or 5.4 percent in the Enterprise Funds mainly as a result of the closure of Lowes and other tenant vacancies at Creekside Marketplace. The original business intent of the City Council in regards to the Municipal Utility Fund was that 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 with no further operational activity.

**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.

# City of San Marcos

## Management's Discussion and Analysis For the Year Ended June 30, 2014

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### Governmental Funds, (continued)

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$144.7 million, an increase of \$2.7 million from the previous year. Of this total amount, \$51.1 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved for items such as noncurrent assets, debt service, capital projects, and affordable housing.

### Major Funds

The **General Fund** is the chief operating fund of the City and for CAFR purposes includes the City's activities and funds set-aside for vehicle, equipment, facilities, and infrastructure replacement and rehabilitation purchases. It represents \$63 million or 43.6 percent 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 \$51.1 million constituted 81.1 percent 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 81.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 99.9 percent of that same amount.

The fund balance of the City's General Fund increased by \$1.5 million during the current year due to one-time revenues from a tax settlement agreement and transfers from the Creekside Marketplace Fund to fund operations incurred on behalf of the General Fund.

	General Fund Revenue			
	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)	% Increase (Decrease)
Revenue:				
Taxes and special assessments	\$ 31,518,221	\$ 34,514,920	\$ (2,996,699)	-8.7%
Licenses and permits	4,834,181	5,031,124	(196,943)	-3.9%
Intergovernmental	402,100	849,331	(447,231)	-52.7%
Charges for services/developer fees	14,062,102	14,474,222	(412,120)	-2.8%
Fines and forfeitures	379,517	171,675	207,842	121.1%
Investment and rental income	6,726,845	6,540,320	186,525	2.9%
Miscellaneous	2,078,727	522,304	1,556,423	298.0%
<b>Total Revenue</b>	<b>\$ 60,001,693</b>	<b>\$ 62,103,896</b>	<b>\$ (2,102,203)</b>	<b>-3.4%</b>



# City of San Marcos

## Management's Discussion and Analysis For the Year Ended June 30, 2014

### Major Funds, (continued)

	General Fund Expenditures			
	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)	% Increase (Decrease)
<b>Expenditures:</b>				
General government	\$ 14,985,010	\$ 14,813,846	\$ 171,164	1.2%
Community development	2,396,085	3,950,624	(1,554,539)	-39.3%
Public safety	30,863,346	27,694,879	3,168,467	11.4%
Highways, streets and parks	11,777,248	13,588,347	(1,811,099)	-13.3%
Culture and recreation	2,789,230	4,702,488	(1,913,258)	-40.7%
Debt service:				
Principal	71,512	-	71,512	100.0%
Interest and fiscal charges	7,175	-	7,175	100.0%
<b>Total Expenditures</b>	<b>\$ 62,889,606</b>	<b>\$ 64,750,184</b>	<b>\$ (1,860,578)</b>	<b>-2.9%</b>

*Taxes and special assessments*, including property taxes, property tax in-lieu of motor vehicle license fees, and sales tax came in at \$1.6 million under budget. In total, this was a decrease of \$2.9 million over prior fiscal year attributable to the inconsistent tax increment residual payments flowing to the City from the former Redevelopment activity each year. Sales tax, representing 50.2 percent of total taxes and special assessment revenue, increased by \$1.2 million (8.5 percent) over prior fiscal year and is continuing to show steady signs of growth.

Property taxes represented 43.2 percent (\$13.6 million) of total revenues and ended the year with a net increase from the previous year of \$512,630. Property taxes received from the County for both the City and Fire District were slightly below budget. These property tax amounts include the tax increment pass through payments from the former Redevelopment Agency paid to the San Marcos Fire Protection District. Countywide, assessed valuation increased by 3.5 percent in FY 2013-14, San Marcos, in particular increased by 4.1 percent. Property taxes tend to be a lagging revenue source. In the prior year, the City and Fire District did receive large one-time property tax revenue residual distributions from the former Redevelopment Agency that did not occur in the current fiscal year.

*Charges for services/developer fees* decreased by \$412,120 (2.8 percent) from the prior year, and at \$14.0 million represent 23.4 percent of General Fund total revenues. Actual Charges for Services came in at \$1.5 million over budget. Development throughout the City is trending steady and continues to remain positive with 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 a one-time sales tax revenue settlement from a previous business operator within the City.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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Major Funds, (continued)

On the expenditure side, the total cost of all General Fund programs and services was just over \$62.8 million for FY 2013-14. This was \$1.9 million, or 2.9 percent less than prior year. During the current fiscal year, expenditure categories above were revised to clearly reflect accurate functional descriptions and therefore increases and/or decreases reflected above do not represent actual cost increases or decreases for that particular expenditure category. Overall, as noted on page 94, actual costs were \$2.5 million less than budget as reflected in the functional areas.

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 \$40.1 million fund balance. Approximately \$690,610 was made during the fiscal year to housing corporations to assist with the construction of affordable housing projects. Overall, developer loan activity was significantly down from prior year.

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. Developer fees were significantly less as expected than prior year due to a few large development projects like Palomar Station that occurred towards the end of the prior fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences in appropriations between the original budget and the final amended budget of \$1,283,204 in the General Fund for the current fiscal year represent City Council approved mid-year budget amendments and carry-overs from the prior fiscal year.

Ending fund balance in the General Fund was \$5.1 million more than projected. Revenues and transfers in were \$2.7 million (4.3 percent) over budget and expenditures and transfers out were \$2.8 million (4.3 percent) under budget. The most significant revenue increases were due to Charges for Services related to development activity and one-time revenues from a tax settlement agreement.

Budgetary savings were realized in salaries through attrition, consulting services, and other contract services primarily within the public works/public safety general government function.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**CAPITAL ASSETS**

The City's investment in capital assets net of accumulated depreciation for its governmental activities as of June 30, 2014, amounted to \$678.0 million. This included land, land improvements, buildings, furniture and equipment, and infrastructure. The total net increase in capital assets was \$20.7 million or 3.1 percent. The major additions and deletions to capital assets were as follows:

- The City re-acquired a number of land parcels related to previous affordable housing projects associated with development agreements that became disallowed under the dissolution act of the former Redevelopment Agency including the Promenade at Creekside and the Richmar Senior Project. The City is currently working on new development agreements for these affordable housing projects.
- Construction in progress including right of way of \$10.0 million were constructed/completed by the City. This included continued construction for Connors Park, Bradley Park Channel Improvements, and Montiel Park Enhancements.

A summary of capital assets follows. Additional information can be found in note 7 of the notes to the financial statements.

**Capital Assets  
(Net of Depreciation)  
Governmental Activities**

	<u>Fiscal Year 2013-14</u>	<u>Fiscal Year 2012-13</u>	<u>Net Change</u>
Land	\$ 295,700,506	\$ 273,169,294	\$ 22,531,212
Land and improvements	57,088,520	57,088,520	-
Buildings	49,832,955	50,851,342	(1,018,387)
Furniture and equipment	4,514,265	4,082,385	431,880
Infrastructure	239,154,462	250,624,539	(11,470,077)
Construction in progress	<u>31,710,702</u>	<u>21,529,503</u>	<u>10,181,199</u>
<b>Total</b>	<u><u>\$ 678,001,410</u></u>	<u><u>\$ 657,345,583</u></u>	<u><u>\$ 20,655,827</u></u>

For the business-type activities, capital assets totaled \$27.2 million at June 30, 2014. There were no significant changes from the previous year.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**DEBT ADMINISTRATION**

At year-end, the City had \$11.7 million outstanding in long-term debt including one bond issue, a note payable, compensated absences, workers compensation claims, a capital lease, and one loan payable. Payments were 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**

	<b>Fiscal Year 2013-14</b>	<b>Fiscal Year 2012-13</b>	<b>Net Change</b>
Bonds payable, net	\$ 4,901,333	\$ 5,144,000	\$ (242,667)
Note payable	521,949	635,884	(113,935)
Compensated absences	4,605,623	4,805,469	(199,846)
Workers compensation claims	745,194	719,831	25,363
Capital leases payable	413,919	-	413,919
Loans payable - CEC	530,676	602,188	(71,512)
<b>Total</b>	<b>\$ 11,718,694</b>	<b>\$ 11,907,372</b>	<b>\$ (188,678)</b>

Additional information on the City's long-term debt can be found in note 8 of the notes to the basic financial statements.

**FACTORS AFFECTING NEXT YEAR'S BUDGET**

From a big picture economic perspective, it appears the City continues to slowly recover from the recessionary period of the past several years. The City is seeing small to moderate growth in a number of the City's major revenue categories including property and sales tax. At the same time, the City is seeing a drop in revenue from rental income as a result of the combination of increased vacancies, particularly at City Hall, and re-leasing at rates below prior tenants. This drop was not unexpected. The City also sees a drop in development related revenue. This is more a function of timing as opposed to activity as the Palomar Station project obtained all of their building permits and paid building permit fees late in FY 2013-14. Actual workload relative to development projects has actually increased.

National, statewide and regional economic indicators are mixed. While unemployment rates still remain at relatively high levels, they seem to have leveled off and shown signs of improvement. At the same time, workforce participation levels remain very low which tends to under-report the unemployment rate. Last year at this time, consumer confidence was increasing at a fairly high level. This is an important metric for the City to consider as it is a guide to possible sales tax generation changes. Consumer confidence appears to be gradually trending positive. As the recovery continues on a slow to neutral path and economic reports are mixed and sometimes even contradictory, the need to continue to project revenue growth conservatively is imperative.

**Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**FACTORS AFFECTING NEXT YEAR'S BUDGET, (continued)**

The City benefits from a diverse revenue base. Although, the City is projecting a slight lag in rental revenue for FY 2014-15, rental revenue still accounts for 9.0 percent of General Fund revenue, behind only sales tax and property tax.

In developing the budget for FY 2014-15, there were a number of challenges. 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. Per the contract, costs will increase by 3.0 percent in FY 2014-15. The City's cost for law enforcement, despite the increases, continue to be below what cities with their own police department's experience.

Despite these financial challenges, the City remains fiscally strong. The City is projecting an increase in taxes and special assessments of 4.5 percent for Fiscal Year 2014-15. This increase is offset somewhat by a decrease in rental revenues of approximately 8.0 percent. The City also entered into new memorandums of understandings (MOU) with its employee groups in 2013. Per those MOU's upward salary adjustments were limited to 1 percent for the coming fiscal year, which compares favorably with the San Diego Region Consumer Price Index which rose 1.7 percent in 2013.

**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. This report and other financial reports can be viewed on the City of San Marcos website at: [www.san-marcos.net](http://www.san-marcos.net).



# City of San Marcos

## Statement of Net Position June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (note 2)	\$ 95,165,015	\$ 3,612,644	\$ 98,777,659
Cash and investments with fiscal agents (note 2)	10,299,352	-	10,299,352
Receivables:			
Taxes and special assessments	2,200,105	-	2,200,105
Accounts	1,696,349	-	1,696,349
Interest	54,095	4,466	58,561
Notes (note 3)	121,268,964	-	121,268,964
Other (note 4)	1,120,905	797,590	1,918,495
Due from other governments	6,908,094	-	6,908,094
Advances to Successor Agency (note 16)	24,383,743	-	24,383,743
Deposits	2,449,212	7,249	2,456,461
Prepays	40,631	-	40,631
Land held for resale	12,398,689	-	12,398,689
Investment in joint venture (note 12)	1,141,315	-	1,141,315
Capital assets, not depreciated (note 7)	384,499,728	11,865,697	396,365,425
Capital assets, net of depreciation (note 7)	293,501,682	15,294,657	308,796,339
Total Assets	957,127,879	31,582,303	988,710,182
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on defeasance of debt	80,710	-	80,710
<b>LIABILITIES</b>			
Accounts payable	6,472,657	-	6,472,657
Accrued liabilities	1,872,352	-	1,872,352
Unearned revenue (note 6)	77,636	-	77,636
Deposits payable	1,803,770	68,998	1,872,768
Noncurrent liabilities (note 8):			
Due within one year	2,944,867	-	2,944,867
Due in more than one year	8,773,827	-	8,773,827
Total Liabilities	21,945,109	68,998	22,014,107
<b>NET POSITION</b>			
Net investment in capital assets	671,633,533	27,160,354	698,793,887
Restricted (note 9)	203,555,514	-	203,555,514
Unrestricted	60,074,433	4,352,951	64,427,384
Total Net Position	\$ 935,263,480	\$ 31,513,305	\$ 966,776,785

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

# City of San Marcos

## Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 16,447,263	\$ 1,483,859	\$ 1,547,436	\$ -
Community development	3,431,959	2,997,665	324,077	1,314,694
Public safety	31,398,530	8,888,703	1,024,547	89,247
Highways, streets, and parks	32,779,655	7,455,240	13,436,336	8,439,799
Culture and recreation	3,022,930	2,081,035	478,793	-
Interest on long-term debt	272,403	-	-	-
Total governmental activities	87,352,740	22,906,502	16,811,189	9,843,740
Business-type activities:				
Creekside Marketplace	1,061,134	3,470,369	-	-
Total	\$ 88,413,874	\$ 26,376,871	\$ 16,811,189	\$ 9,843,740

### General revenues:

#### Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Rental income

Investment income, restricted

Investment income, unrestricted

Loss on disposal of capital assets

Miscellaneous income

Transfers (note 5)

Total general revenues and transfers

Change in Net Position

Net Position, Beginning as Previously  
Reported

Prior Period Adjustment

Net Position, Beginning, as Restated

Net Position, Ending

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

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Net (Expense) Revenue  
and Changes in Net Position

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Governmental Activities	Business-Type Activities	Total
\$ (13,415,968)	\$ -	\$ (13,415,968)
1,204,477	-	1,204,477
(21,396,033)	-	(21,396,033)
(3,448,280)	-	(3,448,280)
(463,102)	-	(463,102)
(272,403)	-	(272,403)
(37,791,309)	-	(37,791,309)
-	2,409,235	2,409,235
(37,791,309)	2,409,235	(35,382,074)
14,730,525	-	14,730,525
15,840,511	-	15,840,511
794,846	-	794,846
3,520,613	-	3,520,613
6,260,337	-	6,260,337
171,445	-	171,445
937,260	50,190	987,450
(659,841)	-	(659,841)
489,778	-	489,778
4,250,000	(4,250,000)	-
46,335,474	(4,199,810)	42,135,664
8,544,165	(1,790,575)	6,753,590
906,478,667	32,486,797	938,965,464
20,240,648	817,083	21,057,731
926,719,315	33,303,880	960,023,195
<u>\$ 935,263,480</u>	<u>\$ 31,513,305</u>	<u>\$ 966,776,785</u>

# City of San Marcos

## Balance Sheet – Governmental Funds June 30, 2014

	General	Special Revenue San Marcos Affordable Housing	Capital Projects Public Facility
<b>ASSETS</b>			
Cash and investments (note 2)	\$ 51,033,993	\$ 6,516,029	\$ 20,386,146
Cash and investments with fiscal agents (note 2)	-	9,129,197	-
Receivables:			
Taxes and special assessments	2,182,285	-	-
Accounts	1,553,410	81,418	-
Interest	28,243	3,649	11,552
Notes, net (note 3)	-	118,970,435	-
Other, net (note 4)	1,000,390	-	120,515
Due from other governments	711,728	-	-
Due from other funds (note 5)	3,221,734	-	-
Advances to Successor Agency (note 16)	-	24,383,743	-
Deposits	1,148,671	-	-
Land held for resale	10,789,838	750,503	858,348
Total Assets	<u>\$ 71,670,292</u>	<u>\$ 159,834,974</u>	<u>\$ 21,376,561</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,344,341	\$ 34,164	\$ 305,512
Accrued liabilities	1,726,947	22,123	-
Due to other funds (note 5)	-	-	-
Unearned revenue (note 6)	77,636	-	-
Deposits payable	964,140	34,498	-
Total Liabilities	<u>7,113,064</u>	<u>90,785</u>	<u>305,512</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>1,502,821</u>	<u>118,970,435</u>	<u>120,516</u>
Fund Balances:			
Nonspendable:			
Land held for resale	10,789,838	-	858,348
Deposits	1,148,671	-	-
Permanent fund	-	-	-
Restricted:			
Affordable housing	-	40,773,754	-
Debt service	-	-	-
Transportation	-	-	-
Lighting and landscape	-	-	-
Capital improvements	-	-	-
Public facilities	-	-	20,092,185
Other purposes	-	-	-
Unassigned	<u>51,115,898</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>63,054,407</u>	<u>40,773,754</u>	<u>20,950,533</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 71,670,292</u>	<u>\$ 159,834,974</u>	<u>\$ 21,376,561</u>

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

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Total Non-Major Governmental Funds	Total
\$ 17,228,847	\$ 95,165,015
1,170,155	10,299,352
17,820	2,200,105
61,521	1,696,349
10,651	54,095
2,298,529	121,268,964
-	1,120,905
6,196,366	6,908,094
-	3,221,734
-	24,383,743
1,300,541	2,449,212
-	12,398,689
<u>\$ 28,284,430</u>	<u>\$ 281,166,257</u>

\$ 1,788,640	\$ 6,472,657
74,323	1,823,393
3,221,734	3,221,734
-	77,636
<u>805,132</u>	<u>1,803,770</u>
<u>5,889,829</u>	<u>13,399,190</u>
<u>2,460,515</u>	<u>123,054,287</u>

-	11,648,186
-	1,148,671
1,000,000	1,000,000
-	40,773,754
137,240	137,240
5,386,577	5,386,577
10,123,779	10,123,779
1,095,303	1,095,303
-	20,092,185
2,191,412	2,191,412
(225)	51,115,673
<u>19,934,086</u>	<u>144,712,780</u>
<u>\$ 28,284,430</u>	<u>\$ 281,166,257</u>



## City of San Marcos

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

---

Fund balances of governmental funds \$ 144,712,780

Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain prepaid insurance costs associated with the issuance of long-term debt are amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds. 40,631

The investment in joint venture is not an available resource and, therefore, is not reported in the governmental funds. 1,141,315

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Capital assets, not depreciated	\$ 384,499,728	
Capital assets, being depreciated	462,738,802	
Less: accumulated depreciation	<u>(169,237,120)</u>	678,001,410

Deferred loss on defeasance of debt is deferred and amortized over the life of bonds in the Statement of Net Position. 80,710

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. Therefore, interest payable is not reported as a liability in governmental funds. (48,959)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (4,901,333)	
Note payable	(521,949)	
Compensated absences	(4,605,623)	
Claims payable	(745,194)	
Capital lease financing	(413,919)	
Loan payable	<u>(530,676)</u>	(11,718,694)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 123,054,287

Net position of governmental activities \$ 935,263,480

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

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# City of San Marcos

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2014

		Special Revenue San Marcos Affordable Housing	Capital Projects Public Facility
	General		
<b>REVENUES</b>			
Taxes and special assessments	\$ 31,518,221	\$ -	\$ -
Licenses and permits	4,834,181	-	-
Intergovernmental	402,100	-	-
Charges for services	14,014,737	-	-
Developer fees	47,365	78,000	478,960
Fines and forfeitures	379,517	-	-
Investment and rental income	6,726,845	708,901	146,630
Miscellaneous	2,078,727	136,292	-
Total Revenues	60,001,693	923,193	625,590
<b>EXPENDITURES</b>			
Current:			
General government	14,985,010	698,529	-
Community development	2,396,085	1,042,128	-
Public safety	30,863,346	-	-
Highways, streets and parks	11,777,248	-	-
Culture and recreation	2,789,230	-	-
Capital outlay	-	-	452,438
Debt service:			
Principal	71,512	-	113,935
Interest and fiscal charges	7,175	-	34,974
Total Expenditures	62,889,606	1,740,657	601,347
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,887,913)	(817,464)	24,243
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of land held for resale	(848,963)	189,122	-
Acquisition under capital lease	427,300	-	-
Transfers in (note 5)	5,003,292	-	-
Transfers out (note 5)	(224,195)	-	-
Total Other Financing Sources (Uses)	4,357,434	189,122	-
Net Change in Fund Balances	1,469,521	(628,342)	24,243
Fund Balances, Beginning, as Previously Reported	60,332,252	41,402,096	20,320,721
Prior period adjustment (note 17)	1,252,634	-	605,569
Fund Balances, Beginning, as Restated	61,584,886	41,402,096	20,926,290
Fund Balances, Ending	\$ 63,054,407	\$ 40,773,754	\$ 20,950,533

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

---

Total Non-Major Governmental Funds		Total	
\$	5,981,231	\$	37,499,452
	-		4,834,181
	14,477,776		14,879,876
	-		14,014,737
	-		604,325
	-		379,517
	808,149		8,390,525
	569,318		2,784,337
	<u>21,836,474</u>		<u>83,386,950</u>
	-		15,683,539
	771,426		4,209,639
	-		30,863,346
	10,098,126		21,875,374
	159,329		2,948,559
	8,009,648		8,462,086
	245,000		430,447
	226,890		269,039
	<u>19,510,419</u>		<u>84,742,029</u>
	<u>2,326,055</u>		<u>(1,355,079)</u>
	-		(659,841)
	-		427,300
	224,195		5,227,487
	<u>(753,292)</u>		<u>(977,487)</u>
	<u>(529,097)</u>		<u>4,017,459</u>
	<u>1,796,958</u>		<u>2,662,380</u>
	19,896,000		141,951,069
	<u>(1,758,872)</u>		<u>99,331</u>
	<u>18,137,128</u>		<u>142,050,400</u>
\$	<u><u>19,934,086</u></u>	\$	<u><u>144,712,780</u></u>

## City of San Marcos

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2014

---

Net change in fund balances - total governmental funds \$ 2,662,380

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset expenditures	\$ 9,209,037	
Depreciation expense, net of deletions	<u>(13,296,736)</u>	(4,087,699)

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

Contributed capital	8,222,807	
Grant and other reimbursement revenue	638,462	
Long-term loans receivable	862,041	
Investment in joint venture revenue	<u>58,527</u>	9,781,837

The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Acquisition under capital lease	(427,300)	
Principal payments on long-term debt	<u>443,828</u>	16,528

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	199,846	
Change in claims payable	(25,363)	
Change in accrued interest	4,245	
Amortization of prepaid insurance	(1,767)	
Amortization of bond discount	(2,333)	
Amortization of loss on defeasance of debt	<u>(3,509)</u>	171,119

Change in net position of governmental activities		<u>\$ 8,544,165</u>
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The accompanying notes are an integral part of these financial statements.



# City of San Marcos

## Statement of Net Position Proprietary Funds June 30, 2014

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments (note 2)	\$ 3,547,089	\$ 65,555	\$ 3,612,644
Receivables:			
Interest	4,428	38	4,466
Deposits	7,249	-	7,249
Total Current Assets	3,558,766	65,593	3,624,359
Noncurrent Assets:			
Other receivable (note 4)	797,590	-	797,590
Capital assets (note 7):			
Land	11,865,697	-	11,865,697
Buildings, net of depreciation	15,294,657	-	15,294,657
Total Noncurrent Assets	27,957,944	-	27,957,944
Total Assets	31,516,710	65,593	31,582,303
<b>LIABILITIES</b>			
Current Liabilities:			
Deposits payable	68,998	-	68,998
Total Liabilities	68,998	-	68,998
<b>NET POSITION</b>			
Net investment in capital assets	27,160,354	-	27,160,354
Unrestricted	4,287,358	65,593	4,352,951
Total Net Position	\$ 31,447,712	\$ 65,593	\$ 31,513,305

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

*City of San Marcos*

**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014**

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
<b>OPERATING REVENUES</b>			
Rental income	\$ 3,084,305	\$ -	\$ 3,084,305
Common area maintenance charges	386,064	-	386,064
Total Operating Revenues	3,470,369	-	3,470,369
<b>OPERATING EXPENSES</b>			
Property management	289,630	-	289,630
Janitorial	106,238	-	106,238
Repair and maintenance	282,911	-	282,911
Depreciation	382,355	-	382,355
Total Operating Expenses	1,061,134	-	1,061,134
Operating Income	2,409,235	-	2,409,235
<b>NON-OPERATING REVENUE</b>			
Investment income	49,706	484	50,190
Income Before Transfer	2,458,941	484	2,459,425
<b>TRANSFERS</b>			
Transfer out (note 5)	(4,250,000)	-	(4,250,000)
Change in Net Position	(1,791,059)	484	(1,790,575)
Net Position, Beginning, as Previously Reported	32,421,688	65,109	32,486,797
Prior period adjustment (note 17)	817,083	-	817,083
Net Position, Beginning, as Restated	33,238,771	65,109	33,303,880
Net Position, Ending	\$ 31,447,712	\$ 65,593	\$ 31,513,305

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

# City of San Marcos

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2014

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,476,141	\$ -	\$ 3,476,141
Payments to suppliers for goods and services	(678,779)	-	(678,779)
Net cash provided by operating activities	2,797,362	-	2,797,362
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from settlement agreement	19,493	-	19,493
Transfer to General Fund	(4,250,000)	-	(4,250,000)
Net cash used for noncapital financing activities	(4,230,507)	-	(4,230,507)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	45,550	448	45,998
Net increase (decrease) in cash and cash equivalents	(1,387,595)	448	(1,387,147)
Cash and cash equivalents, beginning	4,934,684	65,107	4,999,791
Cash and cash equivalents, ending	\$ 3,547,089	\$ 65,555	\$ 3,612,644
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 2,409,235	\$ -	\$ 2,409,235
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	382,355	-	382,355
Increase (decrease) in operating liabilities:			
Deposits payable	5,772	-	5,772
Net cash provided by for operating activities	\$ 2,797,362	\$ -	\$ 2,797,362

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

# City of San Marcos

## Statement of Fiduciary Net Position Fiduciary Funds June 30, 2014

---

	Agency Funds	Private-Purpose Trust Funds
<b>ASSETS</b>		
Cash and investments (note 2)	\$ 1,990,211	\$ 19,805,230
Receivables:		
Accounts	-	679
Notes	-	285,620
Special assessments	27,493	-
Interest	118	15,361
Direct financing lease	-	3,210,773
Prepaid expenses	-	2,709,600
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	16,492,526	66,939,656
Capital Assets:		
Land	-	3,907,369
Total Assets	<u>\$ 18,510,348</u>	<u>96,874,288</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on defeasance of debt		<u>4,387,043</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	806,483
Accrued liabilities	-	32,482
Accrued interest payable	-	5,827,532
Due to other governments	-	5,764
Deposits payable	1,890,108	-
Due to bondholders	16,620,240	-
Noncurrent Liabilities:		
Due within one year	-	10,598,556
Due in more than one year	-	356,248,041
Total Liabilities	<u>\$ 18,510,348</u>	<u>373,518,858</u>
<b>NET POSITION (DEFICIT)</b>		
Held in trust for other taxing entities		<u>\$ (272,257,527)</u>

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

## *City of San Marcos*

### **Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2014**

---

	Private-Purpose Trust Funds
<b>ADDITIONS</b>	
Tax	\$ 33,928,897
Income from property and investments	252,339
Total Additions	<u>34,181,236</u>
<b>DEDUCTIONS</b>	
General and administrative	647,504
Community development	6,359,237
Interest expense and fees	<u>19,946,167</u>
Total Deductions	<u>26,952,908</u>
Change in Net Position	<u>7,228,328</u>
Net Position, Beginning, as Previously Reported	(278,492,524)
Prior period adjustment (note 17)	<u>(993,331)</u>
Net Position (Deficit), Beginning, as Restated	<u>(279,485,855)</u>
Net Position (Deficit), Ending	<u><u>\$ (272,257,527)</u></u>

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

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# City of San Marcos

## Index to Notes to Basic Financial Statements For the Year Ended June 30, 2014

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## *City of San Marcos*

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# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A) Description of Reporting Entity

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

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

#### Blended Component Units

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

Based on the criteria above, the City has four component units, all of which are considered to be blended component units. These component units are described as follows:

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

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

##### A) Description of Reporting Entity, (continued)

##### Blended Component Units, (continued)

- The *California Mobilehome Financing Authority* (CAMPFA) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. CAMPFA exists under a Joint Exercise of Powers Agreement dated May 9, 1995, between the City of San Marcos and the former Redevelopment Agency of the City of San Marcos (now the Successor Agency). Its purpose is to facilitate financing for public capital improvements to be owned by its members and to establish a vehicle which may reduce local borrowing costs and promote the greater use of existing and new financial instruments and mechanisms.
- The *San Marcos Community Foundation* (Foundation) was established, and by-laws were adopted on October 27, 1987. On June 10, 1988, the San Marcos Community Foundation was incorporated and organized under the California Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Foundation provides financial and other assistance to worthy programs which benefit the City and residents of San Marcos. Assets of the Foundation are reported in a Permanent Fund as only the interest earnings on the original principal of \$1,000,000 can be spent on Foundation activity. The amount that is available for spending is the balance over the original endowment and is reported on the balance sheet as restricted fund balance. No less than 4% or more than 5% of total assets may be distributed in any one year as long as total assets do not fall below the original principal.
- The *San Marcos Public Financing Authority* (Financing Authority) was established pursuant to a Joint Exercise of Powers Agreement, dated December 14, 1993, a subsequently amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, each by and between the City and the Fire Protection District (FPD). The Financing Authority was created for the purpose of financing and refinancing of public capital improvements for, and working capital requirements of, the City, the FPD or any other local agency, including community facilities districts created by the City of the FPD, through the construction and/or acquisition by the Financing Authority of such public capital improvements and/or by the Financing Authority of bonds of the City, FPD or any other local agency pursuant the bond purchase agreements and/or the lending of funds by the Financing Authority to the City, the FPD or any other local agency. The Financing Authority is governed by a board of five directors, which is composed of the member of the City Council.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

##### A) Description of Reporting Entity, (continued)

##### Blended Component Units, (continued)

##### *San Marcos Public Financing Authority (continued)*

The executive Director of the Financing Authority is the City Manager of the City. The Financing Authority is specifically granted all of the powers specified in the Bond Law, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or negotiated sale. The Financing Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed. The Financing Authority has no independent staff, and consequently it will be completely dependent upon the officers and employees of the City to administer its program.

Separate financial statements are not prepared for these entities.

The City Council serves as the governing body for all of these blended component units, except for the Foundation, whose governing body is appointed by the City Council. Although the Foundation does not provide direct financial benefits to the City, its activities do directly benefit the City's constituents, which are considered to be an indirect financial benefit to the City in accordance with GASB Statement No. 14.

##### B) Basis of Presentation

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

##### Government-Wide Financial Statements

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

# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### B) Basis of Presentation, (continued)

##### Government-Wide Financial Statements, (continued)

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

##### Fund Financial Statements

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

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

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

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.

# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

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

#### D) Fund Classifications

The City reports the following major governmental funds:

##### General Fund

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

##### San Marcos Affordable Housing Fund

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

##### Public Facility Fund

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 Public Facility Fund is not required to be reported as a major fund in the current year but reported as such for comparative purpose.

The City reports the following major proprietary fund:

##### Creekside Marketplace Fund

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

# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

##### Agency Funds

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

##### Private-Purpose Trust Fund

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

#### E) Financial Statement Elements

##### 1) Cash and Investments

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

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

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



# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### E) Financial Statement Elements, (continued)

##### 2) Receivables and Payables

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

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

##### 3) Prepaid Items

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

##### 4) Land Held for Resale

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

##### 5) Notes Receivable

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

# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### E) Financial Statement Elements, (continued)

##### 6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the loss on defeasance of debt reported in the government-wide statement of net position. A loss on defeasance of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and other reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### 7) Program Revenues

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

##### 8) Property Taxes

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

# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### E) Financial Statement Elements, (continued)

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of assessed value. The assessed value can only increase each year by inflation with a maximum of 2%. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

#### 9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

#### 10) Capital Assets

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

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

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

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

# *City of San Marcos*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### E) Financial Statement Elements, (continued)

##### 11) Compensated Absences

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

##### 12) Long-Term Obligations

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

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

##### 13) Postemployment Benefits other than Pensions

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

##### 14) Reclassifications and Eliminations

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

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

#### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

##### E) Financial Statement Elements, (continued)

###### 15) Use of Estimates

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

###### 16) Fund Equity

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

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

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

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

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

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

---

#### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

##### E) Financial Statement Elements, (continued)

###### 16) Fund Equity, (continued)

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.

###### 17) Implementation of New Accounting Principle

Effective July 1, 2013, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Deferred amounts resulting from the refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, the City's deferred amount on refunding of debt has been classified as a deferred outflow of resources in the statement of net position in conformity with GASB 65. GASB 65 amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. Accordingly, as noted in note 17 of the basic financial statements, the City has restated beginning net position for any unamortized debt issuance costs previously reported on the statement of net position in conformity with GASB 65.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **2) CASH AND INVESTMENTS**

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

Statement of net position:	
Cash and investments	\$ 98,777,659
Cash and investments with fiscal agents	10,299,352
Statement of fiduciary net position:	
Cash and investments	21,795,441
Cash and investments with fiscal agents	<u>83,432,182</u>
 Total Cash and Investments	 <u><u>\$ 214,304,634</u></u>

Cash and investments at June 30, 2014 consisted of the following:

Demand deposits	\$ 2,801,947
Local Agency Investment Pool (LAIF)	39,719,330
California Asset Management Pool (CAMP)	30,059,186
Federal Agency Securities	34,454,305
U.S. Treasury	12,728,608
U.S. Corporate	4,000,605
Asset Backed Securities	1,904,484
Commercial Paper	799,164
Money Market Mutual Funds	<u>87,837,005</u>
 Total Cash and Investments	 <u><u>\$ 214,304,634</u></u>



# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2014

### 2) CASH AND INVESTMENTS, (continued)

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

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

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

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 2) CASH AND INVESTMENTS, (continued)

##### Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Repurchase Agreements	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50 Million per entity
Investment Contracts	None	None	None

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2014

### 2) CASH AND INVESTMENTS, (continued)

#### Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total	12 Months or Less	13 to 36 Months	37-60 Months
Federal Agency Securities	\$ 30,006,958	\$ 3,652,559	\$ 19,148,004	\$ 7,206,395
U.S. Treasury Obligations	11,191,763	-	3,407,499	7,784,264
U.S. Corporate	4,000,605	-	195,761	3,804,844
ABS	1,904,484	-	467,835	1,436,649
Commercial Paper	799,164	799,164	-	-
Money Market Mutual Funds	89,663	89,663	-	-
LAIF	39,719,330	39,719,330	-	-
CAMP	30,059,186	30,059,186	-	-
Held by bond trustees:				
Money Market Mutual Funds	87,747,342	87,747,342	-	-
U.S. Treasury	1,536,845	1,536,845	-	-
Federal Agency Securities	4,447,347	2,075,186	2,372,161	-
Total	<u>\$ 211,502,687</u>	<u>\$ 165,679,275</u>	<u>\$ 25,591,260</u>	<u>\$ 20,232,152</u>

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 2) CASH AND INVESTMENTS, (continued)

##### 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 &amp; Poor's Rating as of Year End</u>
Federal Agency Securities	\$ 30,006,958	N/A	AA+
U.S. Treasury	11,191,763	N/A	AA+
U.S. Corporate	4,000,605	N/A	A+
ABS	1,904,484	N/A	AAA
Commercial Paper	799,164	N/A	A-1+
Money Market	89,663	N/A	AAA
LAIF	39,719,330	N/A	Not Rated
CAMP	30,059,186	N/A	AAAm
Held by bond trustees:			
Money market mutual funds	87,747,342	A	AAA
U.S. Treasury	1,536,845	N/A	Not Rated
Federal Agency Securities	4,447,347	N/A	AA+
Total	<u>\$ 211,502,687</u>		

##### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer other than external investment pools and mutual funds that represent 5% or more of the total City investments (or 5% or more of any major fund or non-major funds in the aggregate) must be disclosed. There are no investments at June 30, 2014 that meet the above criteria.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 2) CASH AND INVESTMENTS, (continued)

##### 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. At June 30, 2014, the City deposits (bank balances) were collateralized under California Law.

##### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The City may invest up to \$50 million in LAIF funds. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 2) CASH AND INVESTMENTS, (continued)

##### Investment in State Investment Pool, (continued)

The City's investment in this pool is reported in the accompanying City's financial statements at cost which approximate fair value 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). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$1,206 million, which represent 1.86% of the total LAIF portfolio of \$64.8 billion as of June 30, 2014. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

##### Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust. The Pool's investments are limited to investments permitted by subdivision (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **3) NOTES RECEIVABLE**

At June 30, 2014, 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.

\$ 2,088,471

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

111,197,093

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, 2014 includes accrued interest of \$352,157.

1,672,157

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, 2014 includes accrued interest of \$58,722.

758,722



## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 3) NOTES RECEIVABLE, (continued)

The City made two loans for a total amount of \$1,845,625 to ALFA to assist with the development of a 100-unit affordable rental housing project. The loan is payable in full on June 1, 2040 and bears an interest rate of 3%. Due to the long-term nature of the loan, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2014 includes accrued interest of \$263,910.

\$ 2,109,535

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

2,298,529

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.

1,144,457

Total notes receivable

\$ 121,268,964

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **4) OTHER RECEIVABLES**

At June 30, 2014, 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. 120,515

Other miscellaneous receivables 400,390

Total other receivables – governmental funds \$ 1,120,905

##### **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. \$ 797,590

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 5) INTERFUND RECEIVABLES AND TRANSFERS

Loans between funds (Due to/Due from) were as follows at June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	<u><u>\$ 3,221,734</u></u>

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

Interfund transfers were as follows:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Transfers Out</u>
Transfers Out:			
General Fund	\$ -	\$ 224,195	\$ 224,195
Creekside Marketplace			
Enterprise Fund	4,250,000	-	4,250,000
Non-major Governmental Funds	<u>753,292</u>	<u>-</u>	<u>753,292</u>
Total Transfers In:	<u><u>\$ 5,003,292</u></u>	<u><u>\$ 224,195</u></u>	<u><u>\$ 5,227,487</u></u>

The transfer of \$4,250,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations.

The transfers between the Non-Major Governmental Funds and the General Fund were related to operational activities.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **6) UNAVAILABLE/UNEARNED REVENUE**

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

	Unavailable Revenue	Unearned Revenue	Total
Rental revenue received prior to recognition period	\$ -	\$ 77,636	\$ 77,636
Revenues earned but not available within 60 days after the close of the fiscal year	381,079	-	381,079
Fees receivable from property owners under various agreements	801,411	-	801,411
FEMA Grant to be reimbursed for the Cocos Fires	257,383	-	257,383
Long-term loans to mobilehome owners	2,088,471	-	2,088,471
Long-term loans to individuals under a mortgage assistance program	3,442,986	-	3,442,986
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	114,410,800	-	114,410,800
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,672,157	-	1,672,157
Total deferred/unearned revenue for governmental funds	<u>\$ 123,054,287</u>	<u>\$ 77,636</u>	<u>\$ 123,131,923</u>

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2014

### 7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2014:

<b>Governmental activities:</b>	Balance July 1, 2013	Prior Period Adjustments *	Additions	Deletions	Balance June 30, 2014
Capital assets, not depreciated:					
Land	\$ 272,142,232	\$ 1,027,062	\$ 22,531,212	\$ -	\$ 295,700,506
Land improvements	53,950,728	3,137,792	-	-	57,088,520
Construction in progress	20,878,369	651,134	10,655,929	(474,730)	31,710,702
Total capital assets, not depreciated	346,971,329	4,815,988	33,187,141	(474,730)	384,499,728
Capital assets, being depreciated:					
Buildings	74,708,564	-	474,730	-	75,183,294
Furniture and equipment	17,079,008	551,361	1,136,637	(371,215)	18,395,791
Infrastructure	369,159,717	-	-	-	369,159,717
Total capital assets, being depreciated	460,947,289	551,361	1,611,367	(371,215)	462,738,802
Less accumulated depreciation for:					
Buildings	(23,857,222)	-	(1,493,117)	-	(25,350,339)
Furniture and equipment	(13,386,076)	(161,908)	(699,152)	365,610	(13,881,526)
Infrastructure	(118,535,178)	-	(11,470,077)	-	(130,005,255)
Total accumulated depreciation	(155,778,476)	(161,908)	(13,662,346)	365,610	(169,237,120)
Total capital assets, being depreciated, net	305,168,813	389,453	(12,050,979)	(5,605)	293,501,682
Total governmental activities	\$ 652,140,142	\$ 5,205,441	\$ 21,136,162	\$ (480,335)	\$ 678,001,410
<b>Business-type activities:</b>					
Capital assets, not depreciated:					
Land	\$ 11,865,697	\$ -	\$ -	\$ -	\$ 11,865,697
Capital assets, being depreciated:					
Buildings	18,300,675	817,083	-	-	19,117,758
Less accumulated depreciation	(3,440,746)	-	(382,355)	-	(3,823,101)
Total capital assets, being depreciated, net	14,859,929	817,083	(382,355)	-	15,294,657
Total business-type activities	\$ 26,725,626	\$ 817,083	\$ (382,355)	\$ -	\$ 27,160,354

\* See note 17 for more information on the prior period adjustments.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 7) CAPITAL ASSETS, (continued)

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

Governmental Activities:	
General government	\$ 818,925
Community development	106,712
Public safety	1,002,417
Highways, streets and parks	11,550,672
Culture and recreation	<u>183,620</u>
Total depreciation expense – governmental activities	<u><u>\$ 13,662,346</u></u>
Business-type Activities:	
Creekside Marketplace	<u><u>\$ 382,355</u></u>

Assets acquired through capital leases are as follows:

Equipment	\$ 427,300
Less: Accumulated depreciation	<u>-</u>
Total	<u><u>\$ 427,300</u></u>

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2014

#### 8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 5,200,000	\$ -	\$ (245,000)	\$ 4,955,000	\$ 250,000
Plus (less) deferred amounts:					
Issuance discount	(56,000)	-	2,333	(53,667)	-
Total bonds payable	5,144,000	-	(242,667)	4,901,333	250,000
Note payable	635,884	-	(113,935)	521,949	120,202
Compensated absences	4,805,469	2,664,992	(2,864,838)	4,605,623	2,169,610
Claims payable	719,831	609,455	(584,092)	745,194	250,000
Capital lease payable	-	427,300	(13,381)	413,919	81,492
Loan payable	* 602,188	-	(71,512)	530,676	73,563
Total	<u>\$ 11,907,372</u>	<u>\$ 3,701,747</u>	<u>\$ (3,890,425)</u>	<u>\$ 11,718,694</u>	<u>\$ 2,944,867</u>

\* Includes prior period adjustment. See note 17 for more information on the prior period adjustment.

#### 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.

\$ 4,955,000

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.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 8) LONG-TERM LIABILITIES, (continued)

##### Bonds Payable, (continued)

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
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	300,000	177,532	477,532
2020-2024	1,715,000	639,127	2,354,127
2025-2029	1,865,000	190,881	2,055,881
Total	<u>\$ 4,955,000</u>	<u>\$ 1,809,997</u>	<u>\$ 6,764,997</u>

##### 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.

\$ 521,949



## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 8) LONG-TERM LIABILITIES, (continued)

##### Note Payable, (continued)

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 120,202	\$ 28,707	\$ 148,909
2016	126,813	22,096	148,909
2017	133,788	15,121	148,909
2018	<u>141,146</u>	<u>7,763</u>	<u>148,909</u>
Total	<u>\$ 521,949</u>	<u>\$ 73,687</u>	<u>\$ 595,636</u>

##### Compensated Absences

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

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$4,605,623 as of June 30, 2014.

##### Capital Lease Payable:

In April 2014, The City has entered into a long-term lease to finance the acquisition of an equipment. The lease qualify as a capital lease for accounting purposes as defined under the GASB Statement No. 62 and has been recorded at the present value of the future minimum lease payments.

\$ 413,919

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2014

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#### 8) LONG-TERM LIABILITIES, (continued)

##### Capital Lease Payable, (continued):

Future Lease payments under the capital lease are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2015	\$ 91,137
2016	91,137
2017	91,137
2018	91,137
2019	75,948
Total minimum lease payments	440,496
Less amount representing interest	(26,577)
Net present value of minimum lease payments	<u>\$ 413,919</u>

##### Loan Payable:

In December 2012, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (the Energy Commission) for the amount of \$602,188. The loan was used to fund various energy savings projects at the City Hall and Public Works Buildings. Semi-annual payments of \$39,343.56 from the General Fund, including interest at the rate of 1.0%, are due each December 22 and June 22 through 2021.

\$ 530,676

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 73,563	\$ 5,124	\$ 78,687
2016	74,289	4,398	78,687
2017	75,046	3,642	78,688
2018	75,798	2,889	78,687
2019	76,558	2,129	78,687
2020-2021	155,422	1,952	157,374
Total	<u>\$ 530,676</u>	<u>\$ 20,134</u>	<u>\$ 550,810</u>

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2014

### 9) NET POSITION CLASSIFICATIONS

Net position for governmental activities and business-type activities is classified as (1) net investment in capital assets, (2) restricted, or (3) unrestricted. The details of the Net Position as of June 30, 2014 are presented below:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 678,001,410	\$ 27,160,354	\$ 705,161,764
Less capital related debt balances:			
Bonds payable	(4,901,333)	-	(4,901,333)
Notes payable	(521,949)	-	(521,949)
Capital leases payable	(413,919)	-	(413,919)
Loans payable	(530,676)	-	(530,676)
Total Net Investment in Capital Assets	671,633,533	27,160,354	698,793,887
Restricted for:			
Permanent fund	1,000,000	-	1,000,000
Affordable housing	162,388,168	-	162,388,168
Debt service	137,240	-	137,240
Transportation	5,531,280	-	5,531,280
Lighting and Landscape	10,141,062	-	10,141,062
Public facilities	21,071,049	-	21,071,049
Capital improvements	1,095,303	-	1,095,303
Other purposes	2,191,412	-	2,191,412
Total Restricted	203,555,514	-	203,555,514
Unrestricted	60,074,433	4,352,951	64,427,384
Total	\$ 935,263,480	\$ 31,513,305	\$ 966,776,785

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 10) RETIREMENT PLAN

##### 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.

##### 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. The City is also required to contribute at an actuarially determined rate. The rates for 2014 were 25.275% for miscellaneous employees, and 27.877% 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, 2014, the City's annual pension cost (employer contribution) of \$5,373,474 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, 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) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases from 3.30% to 14.20% depending on age, service, and type of employment, and (c) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. 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 average remaining amortization period as of the valuation date is twenty-one years for safety and twenty-two years for miscellaneous employees.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 10) RETIREMENT PLAN, (continued)

##### Three-Year Trend Information

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)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	24.96%	\$ 3,455,874	100%	-
6/30/2013	25.69%	3,605,368	100%	-
6/30/2014	25.28%	3,449,257	100%	-

##### ANNUAL PENSION COST (SAFETY)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	29.23%	\$ 2,067,948	100%	-
6/30/2013	29.82%	2,180,450	100%	-
6/30/2014	27.88%	1,924,217	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, 2014, the City's total payroll and covered payroll for part-time employees was \$1,152,993. The City made employer contributions of \$21,908 (1.9% of current covered payroll), and employees contributed \$64,569 (5.6% of current covered payroll).

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 11) INSURANCE

##### Description of Self-Insurance Pool Pursuant the Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 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.

##### Self-Insurance Programs of the Authority

Each member pays an annual contribution 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.

##### 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.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 11) INSURANCE, (continued)

##### Liability, (continued)

(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. The \$3 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million to \$50 million are paid under excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 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 \$204,599,494. 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.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 11) INSURANCE, (continued)

##### 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 \$108,782,272. 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.

##### Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-14.

##### 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, 2014, the City had \$678,024 on deposit with PASIS and claims payable of \$745,194.



## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 12) JOINT VENTURES

##### North County Dispatch Joint Powers Authority

The City is a member of the North County Dispatch Joint Powers Authority (the JPA). The JPA was formed on June 11, 1984, and other member agencies include the Rancho Santa Fe Fire Protection District, the North County Fire Protection District and the cities of Vista, Solana Beach, Oceanside, Encinitas, and Carlsbad. The purpose of the JPA is to provide dispatching and emergency communication services for fire protection, security, and medical services. Each member provides an annually determined contribution towards the ongoing operation. In the event of dissolution of the JPA, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement.

The activities of the JPA are supervised by a board consisting of eight directors who are appointed by each member's governing body. Summarized audited information of the JPA for the fiscal year ended June 30, 2014, the most current available information, is as follows:

Assets	\$ 3,516,015
Liabilities	<u>(455,932)</u>
Net position	<u>\$ 3,060,083</u>
Revenues	\$ 3,654,659
Expenses	<u>(3,445,659)</u>
Change in net position	<u>\$ 209,000</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 For the Year Ended June 30, 2014**

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#### 12) JOINT VENTURES, (continued)

##### Rancheros Commercial Park

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 \$1,141,315 as of June 30, 2014. Separate financial statements for this joint venture are not available.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **13) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS BONDS AND CONDUIT DEBT**

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

Type of Debt	Amount of Issue	Outstanding June 30, 2014
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	\$ 19,234,713
City of San Marcos Community Facilities District No. 91-01, 2004 Special Tax Refunding Bonds	3,690,000	1,875,000
City of San Marcos Community Facilities District No. 99-01, Special Revenue Refunding Bonds, Series 2012 D (Improvement Area C2B, I1, I2)	12,585,000	12,155,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2004 Series A (Improvement Area A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, R2)	33,805,000	27,235,000

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **13) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS BONDS AND CONDUIT DEBT, (continued)**

<u>Type of Debt</u>	<u>Amount of Issue</u>	<u>Outstanding June 30, 2014</u>
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A	\$ 13,820,000	\$ 13,525,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B	4,240,000	1,115,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Revenue Bonds, 2006 Series A (Improvement Area F2/V2, J, T, V1A)	13,660,000	9,580,000
City of San Marcos Community Facilities District No. 99-01, 2007 Special Tax Refunding Bonds (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	<u>26,405,000</u>	<u>23,285,000</u>
Total	<u><u>\$130,630,000</u></u>	<u><u>\$ 108,004,713</u></u>

The City, the Successor Agency to the former Redevelopment Agency, the San Marcos Public Facilities Authority, San Marcos Public Financing 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.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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

<u>Type of Debt</u>	<u>Outstanding June 30, 2014</u>
\$2,300,000 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Villa Serena Apartments), 2000 Series A	\$ 1,711,711
\$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
\$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	36,785,000
\$56,860,000 San Marcos Public Financing Authority Tax Increment Pass-through Revenue Refunding Bonds, San Marcos Unified School District, 2006 Series A	50,015,000
\$44,640,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Refunding Bonds, Series 2006 A, B, C (Union City Tropics)	39,690,000
\$11,655,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Bonds, Series 2001 A, B, C (Fresno/Oceano)	<u>9,485,000</u>
Total	<u><u>\$166,006,344</u></u>

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **14) COMMITMENTS AND CONTINGENT LIABILITIES**

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

#### **15) 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.

#### **16) 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).

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)**

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.

#### **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, 2014 is \$285,620.

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2014

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

##### Net Investment in Direct Financing Lease

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

The terms of the amended lease call for semi-annual payments of \$98,906 including interest at 5.87% each July and January 15 commencing July 15, 2002 to July, 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, 2014.

The following lists the components of the net investment in the direct financing lease as of June 30, 2014:

Total minimum lease payments to be received	\$ 4,526,974
Less unearned income	<u>(1,316,201)</u>
Net investment in direct financing lease	<u>\$ 3,210,773</u>

At June 30, 2014, the future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	323,138
2016	323,138
2017	323,138
2018	323,138
2019	323,138
2020-2024	1,553,026
2025-2029	989,057
2030-2032	<u>369,201</u>
Total	<u>\$ 4,526,974</u>



# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2014

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

#### Capital Assets

Capital asset activity was as follows for the year ended June 30, 2014:

	Balance July 1, 2013	Prior Period Adjustment*	Additions	Deletions	Balance June 30, 2014
Capital assets, not depreciated					
Land	\$ 4,921,618	\$ (1,014,249)	\$ -	\$ -	\$ 3,907,369
Total capital assets	\$ 4,921,618	\$ (1,014,249)	\$ -	\$ -	\$ 3,907,369

\* See note 17 for more information on the prior period adjustment.

#### Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Bonds payable	\$322,410,000	\$ -	\$ (9,275,000)	\$313,135,000	\$ 9,655,000
Plus (less) deferred amounts:					
Issuance premium	4,677,735	-	(262,648)	4,415,087	-
Issuance discount	(1,827,221)	-	98,513	(1,728,708)	-
Total bonds payable	325,260,514	-	(9,439,135)	315,821,379	9,655,000
Note payable	1,157,315	-	(357,932)	799,383	374,376
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	24,431,518	-	(47,775)	24,383,743	-
Due to other governments	3,189,938	-	(623,142)	2,566,796	569,180
Total	\$377,314,581	\$ -	\$ (10,467,984)	\$366,846,597	\$ 10,598,556

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)**

##### 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.

\$ 40,215,000

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.

6,335,000

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)**

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.

\$ 5,165,000

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 reported as a deferred outflow and is being 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.

55,000,000

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) 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 a deferred outflow and is being 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.

\$ 17,220,000

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 a deferred outflow and is being 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.

27,300,000

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)**

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

\$ 27,270,000

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.

52,115,000

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)**

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.

\$ 31,365,000

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 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. A discount of \$1,719,824 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.

51,150,000

Total bonds payable

\$ 313,135,000

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2014

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

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
2015	\$ 9,655,000	\$ 16,755,958	\$ 26,410,958
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	10,990,000	14,756,775	25,746,775
2020-2024	64,405,000	63,971,239	128,376,239
2025-2029	82,545,000	43,246,904	125,791,904
2030-2034	79,570,000	18,411,701	97,981,701
2035-2039	36,085,000	3,830,839	39,915,839
Total	<u>\$ 313,135,000</u>	<u>\$ 208,435,605</u>	<u>\$ 521,570,605</u>

#### 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.

\$ 799,383

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 374,376	\$ 28,313	\$ 402,689
2016	391,575	11,114	402,689
2017	<u>33,432</u>	<u>126</u>	<u>33,558</u>
Total	<u>\$ 799,383</u>	<u>\$ 39,553</u>	<u>\$ 838,936</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%

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



## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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

##### Advance from the City of San Marcos:

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 (SERAF) 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

##### 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.

\$ 2,566,796

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **17) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING FUND BALANCES AND NET POSITION**

##### **FUND STATEMENTS**

During fiscal year 2013-14, prior period adjustments were needed to correct the beginning fund balance in the following funds. The amount of adjustments affecting the cumulative results of operations was due to errors occurred in fiscal year 2012-2013.

##### **General Fund**

Fund balance - beginning, as previously reported	\$ 60,332,252
Prior period adjustment	<u>1,252,634</u>
Fund balance - beginning, as restated	<u><u>\$ 61,584,886</u></u>

A prior period adjustment of net effect of \$1,252,634 was needed to correct the beginning fund balance in the General Fund. In the prior year, \$1,094,145 deposits recorded in the General Fund were erroneously classified. It was also determined during the year that Claims Payable was recorded in the General Fund as a liability. \$158,489 capital project expenditures were also charged to the General Fund instead of Transportation Sales Tax Fund.

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

##### **Community Facilities District 98-02**

Fund balance - beginning, as previously reported	\$ 9,706,762
Prior period adjustment	<u>52,335</u>
Fund balance - beginning, as restated	<u><u>\$ 9,759,097</u></u>

##### **HOME Grant**

Fund balance - beginning, as previously reported	\$ 55,018
Prior period adjustment	<u>(162,697)</u>
Fund balance - beginning, as restated	<u><u>\$ (107,679)</u></u>

In the prior year, prepaid special assessments related to Community Facilities District 98-02 Fund were classified as liabilities rather than revenues. In addition, an accounts receivable related to the HOME Loan program was also discovered to have been reported in prior years in error.

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2014

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#### 17) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING FUND BALANCES AND NET POSITION, (continued)

##### **Capital Projects Funds:**

###### Public Facilities

Fund balance - beginning, as previously reported	\$ 20,320,721
Prior period adjustment	605,569
	<hr/>
Fund balance - beginning, as restated	<u>\$ 20,926,290</u>

###### Capital Improvements

Fund balance - beginning, as previously reported	\$ 922,388
Prior period adjustment	(1,213,134)
	<hr/>
Fund balance - beginning, as restated	<u>\$ (290,746)</u>

###### Transportation Sales Tax

Fund balance - beginning, as previously reported	\$ 1,447,343
Prior period adjustment	(435,376)
	<hr/>
Fund balance - beginning, as restated	<u>\$ 1,011,967</u>

It was determined during the year that capital project expenditures of \$605,569 in the prior year were erroneously charged to the Public Facility fund instead of Capital Improvements Fund. In Capital Improvements Fund, \$884,454 in accounts receivable had been reported in prior years in error instead of in a retention payable account. In addition, \$276,887 was erroneously booked in Capital Improvement Fund instead of Transportation Sales Tax Fund. In Transportation Sales Tax Fund, in addition to the \$276,887 correction, \$158,489 was also charged to the General Fund instead of Transportation Sales Tax Fund.

##### **Proprietary Fund:**

###### Creekside Marketplace

Net position - beginning, as previously reported	\$ 32,421,688
Prior period adjustment	817,083
	<hr/>
Net position - beginning, as restated	<u>\$ 33,238,771</u>

In the prior year, \$817,083 of fixed assets for buildings in the Creekside Marketplace Fund was erroneously reduced.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### 17) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING FUND BALANCES AND NET POSITION, (continued)

##### ***Fiduciary Fund:***

###### Private Purpose Trust Fund

Net position - beginning, as previously reported	\$ (278,492,524)
Prior period adjustment	<u>(993,331)</u>
Net position - beginning, as restated	<u>\$ (279,485,855)</u>

During the year certain fixed assets were discovered that should have been recorded in the City rather than activity related to the former Redevelopment Agency.

###### Government-Wide Statements

Net position - beginning, as previously reported	\$ 906,478,667
Change in accounting principle	(128,940)
Prior period adjustment	<u>20,369,588</u>
Net position - beginning, as restated	<u>\$ 926,719,315</u>

##### **Change in Accounting Principle:**

As discussed in Note 1, the City implemented GASB Statement No. 65 effective July 1, 2013. GASB 65, among other provisions, amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. The City's unamortized balance of debt issuance costs, at the beginning of the year was \$128,940. GASB 65 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Accordingly, beginning net position on the Statement of Activities has been restated for any unamortized debt issuance costs previously reported on the statement of net position.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2014**

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#### **17) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING FUND BALANCES AND NET POSITION, (continued)**

##### **Prior Period Adjustments:**

In the prior year financial statements, the City reported a significantly large amount for allowance for doubtful accounts related to various affordable housing developer loan agreements. Subsequently, the loans were deemed to be collectable and the City removed the allowance for doubtful accounts. During the year, the City determined a loan agreement with the California Energy Resources Conservation and Development Commission should have been reported in the prior fiscal year. During the year, the City determined certain fixed assets were incorrectly classified which resulted in prior period adjustments to correct fixed asset beginning balances.

#### **18) OTHER REQUIRED DISCLOSURES**

##### **Deficit Fund Balances**

The following funds reported deficit fund balances at June 30, 2014:

<u>Governmental Funds - Non-Major Funds</u>	
Special Revenue:	
Street Lighting District	(25)
CalHOME Grant	(200)

These deficits are expected to be reduced by future revenues or transfers from other funds.

#### **19) SUBSEQUENT EVENT**

On October 1, 2014, the San Marcos Public Financing Authority, City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) and City of San Marcos Community Facilities District No. 99-01 executed a Bond Purchase Agreement with Stifel, Nicolaus & Company regarding the issuance of \$32,395,000 of Special Tax Revenue Refunding Bonds, Series 2014A by the San Marcos Public Financing Authority and \$32,395,000 of certain Special Tax Refunding Bonds, Series 2014 issued by City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) and City of San Marcos Community Facilities District No. 99-01. The proceeds of the San Marcos Public Financing Authority Bonds were used to acquire the Special Tax Refunding Bonds, the proceeds of which were used to current refund the San Marcos Public Facilities Authority's outstanding Special Tax Revenue Refunding Bonds, 2004 Series A and 2004 Series B and outstanding Special Tax Revenue Bonds, 2006 Series A. On November 3, 2014, the San Marcos Public Facilities Authority paid in full (1) all \$26,380,000 of the outstanding Special Tax Revenue Refunding Bonds, 2004 Series A, at par, and \$214,655.63 of interest due; (2) all \$1,645,000 of the outstanding Special Tax Revenue Refunding Bonds, 2004 Series B, at par, and \$11,773.97 of interest due; and (3) all \$9,375,000 of the outstanding Special Tax Revenue Bonds, 2006 Series A, at par, and \$80,369.65 of interest due.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

## *City of San Marcos*

### **Schedules of Funding Progress For the Year Ended June 30, 2014**

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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.

#### **SCHEDULES 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
6/30/2011	\$ 86,945,272	\$ 58,675,644	\$ 28,269,628	67.5%	\$ 13,264,398	213.1%
6/30/2012	\$ 92,948,489	\$ 63,505,547	\$ 29,442,942	68.3%	\$ 12,940,182	227.5%
6/30/2013	\$ 99,927,817	\$ 63,505,547	\$ 14,777,267	69.5%	\$ 6,364,655	232.2%

##### **SAFETY 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
6/30/2011	\$ 43,094,634	\$ 31,933,797	\$ 11,160,837	74.1%	\$ 6,969,819	160.1%
6/30/2012	\$ 45,629,055	\$ 33,648,346	\$ 11,980,709	73.7%	\$ 6,463,815	185.4%
6/30/2013	\$ 48,425,613	\$ 33,648,346	\$ 14,777,267	69.5%	\$ 6,364,655	232.2%



# City of San Marcos

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes and special assessments	\$ 33,135,423	\$ 33,135,423	\$ 31,518,221	\$ (1,617,202)
Licenses and permits	4,491,636	4,491,636	4,834,181	342,545
Intergovernmental	357,576	357,576	402,100	44,524
Charges for services	12,500,000	12,500,000	14,014,737	1,514,737
Developer fees	-	-	47,365	47,365
Fines and forfeitures	261,500	261,500	379,517	118,017
Investment and rental income	6,832,439	6,832,439	6,726,845	(105,594)
Miscellaneous	438,988	438,988	2,078,727	1,639,739
Total Revenues	58,017,562	58,017,562	60,001,693	1,984,131
<b>EXPENDITURES</b>				
Current:				
General government	14,442,421	15,373,286	14,985,010	388,276
Community development	2,702,240	2,731,689	2,396,085	335,604
Public safety	31,470,103	31,715,082	30,863,346	851,736
Highways, streets and parks	12,858,095	12,900,910	11,777,248	1,123,662
Culture and recreation	2,558,152	2,593,248	2,789,230	(195,982)
Debt service:				
Principal	60,119	60,119	71,512	(11,393)
Interest and fiscal charges	15,085	15,085	7,175	7,910
Total Expenditures	64,106,215	65,389,419	62,889,606	2,499,813
Excess (Deficiency) of Revenues over Expenditures	(6,088,653)	(7,371,857)	(2,887,913)	4,483,944
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of land held for resale	-	-	(848,963)	(848,963)
Acquisition under capital lease	-	-	427,300	427,300
Transfers in	4,303,000	4,303,000	5,003,292	700,292
Transfers out	(559,940)	(559,940)	(224,195)	335,745
Total Other Financing Sources (Uses)	3,743,060	3,743,060	4,357,434	614,374
Net Change in Fund Balance	(2,345,593)	(3,628,797)	1,469,521	5,098,318
Fund Balance, Beginning, as Previously Reported	60,332,252	60,332,252	60,332,252	-
Prior period adjustment (note 17)	1,252,634	1,252,634	1,252,634	-
Fund Balance, Beginning, as Restated	61,584,886	61,584,886	61,584,886	-
Fund Balance, Ending	\$ 59,239,293	\$ 57,956,089	\$ 63,054,407	\$ 5,098,318

## City of San Marcos

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual San Marcos Affordable Housing For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Developer fees	\$ 331,293	\$ 331,293	\$ 78,000	\$ (253,293)
Investment and rental income	108,449	108,449	708,901	600,452
Miscellaneous	20,500	20,500	136,292	115,792
Total Revenues	460,242	460,242	923,193	462,951
<b>EXPENDITURES</b>				
Current:				
General government	504,830	504,830	698,529	(193,699)
Community development	723,979	723,979	1,042,128	(318,149)
Public safety	3,630	3,630	-	3,630
Total Expenditures	1,232,439	1,232,439	1,740,657	(508,218)
Excess (Deficiency) of Revenues Over Expenditures	(772,197)	(772,197)	(817,464)	(45,267)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of land held for resale	80,000	80,000	189,122	109,122
Total Other Financing Sources (Uses)	80,000	80,000	189,122	109,122
Net Change in Fund Balance	(692,197)	(692,197)	(628,342)	63,855
Fund Balance, Beginning	41,402,096	41,402,096	41,402,096	-
Fund Balance, Ending	\$ 40,709,899	\$ 40,709,899	\$ 40,773,754	\$ 63,855

# City of San Marcos

## Notes to Required Supplementary Information June 30, 2014

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### 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 \$1,283,204 in the General Fund as a result of approved mid year budget amendment and carryovers.

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. Annual budgets are not adopted for the Capital Projects Funds and Community Foundation Fund. Therefore, budget and actual financial statements have not been prepared for Capital Projects Funds and Community Foundation Fund 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.

### 2) EXPENDITURES IN EXCESS OF APPROPRIATIONS

Governmental Funds - Major Fund	Final Budget	Expenditures	Excess
Special Revenue Funds:			
San Marcos Affordable Housing	\$ 1,232,439	\$ 1,740,657	\$ (508,218)
Governmental Funds - Non-Major Fund			
Special Revenue Funds:			
Community Facilities District 98-02	4,785,228	4,840,978	(55,750)
Senior Nutrition Grant	145,000	206,793	(61,793)
Art in Public Places	5,000	7,500	(2,500)
CalHOME Grant	276,931	307,699	(30,768)

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## *City of San Marcos*

### **Non-Major Governmental Funds**

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#### **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.

## *City of San Marcos*

### **Non-Major Governmental Funds (continued)**

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#### **Special Revenue Funds, (continued)**

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

**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.

## *City of San Marcos*

### **Non-Major Governmental Funds (continued)**

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#### **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, 2014

	Total Special Revenue Funds	Debt Service Fund San Marcos Public Facilities Authority	Total Capital Projects Funds	Permanent Fund Community Foundation	Total Non-Major Governmental Funds
<b>ASSETS</b>					
Cash and investments (note 2)	\$ 16,530,895	\$ -	\$ 697,672	\$ 280	\$ 17,228,847
Cash and investments with fiscal agents (note 2)	-	491,322	678,833	-	1,170,155
Receivables:					
Taxes and special assessments	17,820	-	-	-	17,820
Accounts	56,941	4,580	-	-	61,521
Interest	9,974	-	675	2	10,651
Notes, net (note 3)	2,298,529	-	-	-	2,298,529
Due from other governments	1,085,965	-	5,110,401	-	6,196,366
Deposits	-	-	-	1,300,541	1,300,541
Total Assets	<u>\$ 20,000,124</u>	<u>\$ 495,902</u>	<u>\$ 6,487,581</u>	<u>\$ 1,300,823</u>	<u>\$ 28,284,430</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 931,612	\$ -	\$ 851,703	\$ 5,325	\$ 1,788,640
Accrued liabilities	74,323	-	-	-	74,323
Due to other funds (note 5)	557,429	357,342	2,306,963	-	3,221,734
Deposits payable	10,389	-	794,708	35	805,132
Total Liabilities	<u>1,573,753</u>	<u>357,342</u>	<u>3,953,374</u>	<u>5,360</u>	<u>5,889,829</u>
Deferred Inflows of Resources:					
Unavailable revenue	<u>2,315,812</u>	<u>1,320</u>	<u>143,383</u>	<u>-</u>	<u>2,460,515</u>
Fund Balances:					
Nonspendable:					
Permanent fund	-	-	-	1,000,000	1,000,000
Restricted:					
Debt service	-	137,240	-	-	137,240
Transportation	4,091,056	-	1,295,521	-	5,386,577
Lighting and landscaping	10,123,779	-	-	-	10,123,779
Capital improvements	-	-	1,095,303	-	1,095,303
Other purposes	1,895,949	-	-	295,463	2,191,412
Unassigned	<u>(225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(225)</u>
Total Fund Balances	<u>16,110,559</u>	<u>137,240</u>	<u>2,390,824</u>	<u>1,295,463</u>	<u>19,934,086</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,000,124</u>	<u>\$ 495,902</u>	<u>\$ 6,487,581</u>	<u>\$ 1,300,823</u>	<u>\$ 28,284,430</u>



# City of San Marcos

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended June 30, 2014

	Total Special Revenue Funds	Debt Service Fund San Marcos Public Facilities Authority	Total Capital Projects Funds	Permanent Fund Community Foundation	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Taxes and special assessments	\$ 5,981,231	\$ -	\$ -	\$ -	\$ 5,981,231
Intergovernmental	4,558,610	-	9,919,166	-	14,477,776
Investment and rental income	120,149	511,095	5,460	171,445	808,149
Miscellaneous	159,976	-	409,342	-	569,318
Total Revenues	10,819,966	511,095	10,333,968	171,445	21,836,474
<b>EXPENDITURES</b>					
Current:					
Community development	771,426	-	-	-	771,426
Highways, streets and parks	7,966,518	-	2,131,608	-	10,098,126
Culture and recreation	87,579	-	-	71,750	159,329
Capital outlay	476,568	-	7,533,080	-	8,009,648
Debt service:					
Principal	-	245,000	-	-	245,000
Interest and fiscal charges	-	226,890	-	-	226,890
Total Expenditures	9,302,091	471,890	9,664,688	71,750	19,510,419
Excess of Revenues Over (Under) Expenditures	1,517,875	39,205	669,280	99,695	2,326,055
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	224,195	-	-	-	224,195
Transfers out	(753,292)	-	-	-	(753,292)
Total Other Financing Sources (Uses)	(529,097)	-	-	-	(529,097)
Net Change in Fund Balances	988,778	39,205	669,280	99,695	1,796,958
Fund Balances, Beginning, as Previously Reported	15,232,143	98,035	3,370,054	1,195,768	19,896,000
Prior period adjustment (note 17)	(110,362)	-	(1,648,510)	-	(1,758,872)
Fund Balances, Beginning, as Restated	15,121,781	98,035	1,721,544	1,195,768	18,137,128
Fund Balances, Ending	\$ 16,110,559	\$ 137,240	\$ 2,390,824	\$ 1,295,463	\$ 19,934,086

# City of San Marcos

## Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2014

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
<b>ASSETS</b>						
Cash and investments	\$ 2,716,338	\$ 1,113,803	\$ 10,679,057	\$ 150,082	\$ 80,943	\$ -
Receivables:						
Taxes and special assessments	-	-	17,036	784	-	-
Accounts	-	-	-	-	-	-
Interest	1,384	651	6,773	-	120	-
Notes, net (note 3)	-	-	-	-	-	-
Due from other governments	266,366	32,410	17,283	-	15,838	221,311
Total Assets	<u>\$ 2,984,088</u>	<u>\$ 1,146,864</u>	<u>\$ 10,720,149</u>	<u>\$ 150,866</u>	<u>\$ 96,901</u>	<u>\$ 221,311</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 133,576	\$ 5,113	\$ 578,682	\$ 150,860	\$ 12,346	\$ 44,255
Accrued liabilities	67,199	-	405	31	-	6,688
Due to other funds (note 5)	-	-	-	-	-	60,311
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>200,775</u>	<u>15,502</u>	<u>579,087</u>	<u>150,891</u>	<u>12,346</u>	<u>111,254</u>
Deferred Inflows of Resources:						
Unavailable revenue	<u>-</u>	<u>-</u>	<u>17,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit):						
Restricted						
Transportation	2,783,313	1,131,362	-	-	-	-
Lighting and landscaping	-	-	10,123,779	-	-	-
Other purposes	-	-	-	-	84,555	110,057
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>2,783,313</u>	<u>1,131,362</u>	<u>10,123,779</u>	<u>(25)</u>	<u>84,555</u>	<u>110,057</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,984,088</u>	<u>\$ 1,146,864</u>	<u>\$ 10,720,149</u>	<u>\$ 150,866</u>	<u>\$ 96,901</u>	<u>\$ 221,311</u>

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
\$ -	\$ 67,787	\$ 7,309	\$ 563,978	\$ 1,042,838	\$ 108,760	\$ -	\$ 16,530,895
-	-	-	-	-	-	-	17,820
-	-	-	-	56,941	-	-	56,941
-	45	4	331	606	60	-	9,974
1,708,471	-	-	-	-	-	590,058	2,298,529
324,056	-	-	-	-	-	208,701	1,085,965
<u>\$ 2,032,527</u>	<u>\$ 67,832</u>	<u>\$ 7,313</u>	<u>\$ 564,309</u>	<u>\$ 1,100,385</u>	<u>\$ 108,820</u>	<u>\$ 798,759</u>	<u>\$ 20,000,124</u>
\$ 4,009	\$ 271	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ 931,612
-	-	-	-	-	-	-	74,323
288,217	-	-	-	-	-	208,901	557,429
-	-	-	-	-	-	-	10,389
<u>292,226</u>	<u>271</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>208,901</u>	<u>1,573,753</u>
<u>1,708,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,058</u>	<u>2,315,812</u>
-	67,561	-	-	-	108,820	-	4,091,056
-	-	-	-	-	-	-	10,123,779
31,830	-	7,313	561,809	1,100,385	-	-	1,895,949
-	-	-	-	-	-	(200)	(225)
<u>31,830</u>	<u>67,561</u>	<u>7,313</u>	<u>561,809</u>	<u>1,100,385</u>	<u>108,820</u>	<u>(200)</u>	<u>16,110,559</u>
<u>\$ 2,032,527</u>	<u>\$ 67,832</u>	<u>\$ 7,313</u>	<u>\$ 564,309</u>	<u>\$ 1,100,385</u>	<u>\$ 108,820</u>	<u>\$ 798,759</u>	<u>\$ 20,000,124</u>

# City of San Marcos

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Special Revenue Funds For the Year Ended June 30, 2014

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
<b>REVENUES</b>						
Taxes and special assessments	\$ -	\$ -	\$ 5,125,210	\$ 538,307	\$ -	\$ -
Intergovernmental	2,741,278	349,468	-	-	89,564	635,063
Investment and rental income	15,172	7,241	77,786	-	1,347	-
Miscellaneous	-	-	2,664	2,206	46,200	-
Total Revenues	2,756,450	356,709	5,205,660	540,513	137,111	635,063
<b>EXPENDITURES</b>						
Current:						
Community development	-	-	-	-	-	163,674
Highways, streets and parks	2,944,853	29,933	4,226,039	764,733	-	-
Culture and recreation	-	-	-	-	80,079	-
Capital outlay	-	-	-	-	-	476,568
Total Expenditures	2,944,853	29,933	4,226,039	764,733	80,079	640,242
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,403)	326,776	979,621	(224,220)	57,032	(5,179)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	224,195	-	-
Transfers out	-	-	(614,939)	-	(126,714)	-
Total Other Financing Sources (Uses)	-	-	(614,939)	224,195	(126,714)	-
Net Change in Fund Balances	(188,403)	326,776	364,682	(25)	(69,682)	(5,179)
Fund Balances, Beginning, as Previously Reported	2,971,716	804,586	9,706,762	-	154,237	115,236
Prior period adjustment (note 17)	-	-	52,335	-	-	-
Fund Balances, Beginning, as Restated	2,971,716	804,586	9,759,097	-	154,237	115,236
Fund Balances (Deficit), Ending	\$ 2,783,313	\$ 1,131,362	\$ 10,123,779	\$ (25)	\$ 84,555	\$ 110,057

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
\$ -	\$ 25,870	\$ -	\$ -	\$ 210,963	\$ 80,881	\$ -	\$ 5,981,231
324,056	-	16	-	-	-	419,165	4,558,610
6,387	479	54	4,193	7,046	444	-	120,149
108,906	-	-	-	-	-	-	159,976
439,349	26,349	70	4,193	218,009	81,325	419,165	10,819,966
299,840	-	-	-	213	-	307,699	771,426
-	960	-	-	-	-	-	7,966,518
-	-	-	7,500	-	-	-	87,579
-	-	-	-	-	-	-	476,568
299,840	960	-	7,500	213	-	307,699	9,302,091
139,509	25,389	70	(3,307)	217,796	81,325	111,466	1,517,875
-	-	-	-	-	-	-	224,195
-	(11,639)	-	-	-	-	-	(753,292)
-	(11,639)	-	-	-	-	-	(529,097)
139,509	13,750	70	(3,307)	217,796	81,325	111,466	988,778
55,018	53,811	7,243	565,116	882,589	27,495	(111,666)	15,232,143
(162,697)	-	-	-	-	-	-	(110,362)
(107,679)	53,811	7,243	565,116	882,589	27,495	(111,666)	15,121,781
\$ 31,830	\$ 67,561	\$ 7,313	\$ 561,809	\$ 1,100,385	\$ 108,820	\$ (200)	\$ 16,110,559

## *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, 2014**

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	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 2,483,324	\$ 2,483,324	\$ 2,741,278	\$ 257,954
Investment and rental income	13,000	13,000	15,172	2,172
Total Revenues	<u>2,496,324</u>	<u>2,496,324</u>	<u>2,756,450</u>	<u>260,126</u>
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	<u>4,557,414</u>	<u>4,557,414</u>	<u>2,944,853</u>	<u>1,612,561</u>
Total Expenditures	<u>4,557,414</u>	<u>4,557,414</u>	<u>2,944,853</u>	<u>1,612,561</u>
Net Change in Fund Balance	(2,061,090)	(2,061,090)	(188,403)	1,872,687
Fund Balance, Beginning	<u>2,971,716</u>	<u>2,971,716</u>	<u>2,971,716</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 910,626</u>	<u>\$ 910,626</u>	<u>\$ 2,783,313</u>	<u>\$ 1,872,687</u>

## *City of San Marcos*

### **Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Traffic Safety Special Revenue Fund For the Year Ended June 30, 2014**

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 274,500	\$ 274,500	\$ 349,468	\$ 74,968
Investment and rental income	3,500	3,500	7,241	3,741
Total Revenues	278,000	278,000	356,709	78,709
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	739,343	739,343	29,933	709,410
Total Expenditures	739,343	739,343	29,933	709,410
Net Change in Fund Balance	(461,343)	(461,343)	326,776	788,119
Fund Balance, Beginning	804,586	804,586	804,586	-
Fund Balance, Ending	<u>\$ 343,243</u>	<u>\$ 343,243</u>	<u>\$ 1,131,362</u>	<u>\$ 788,119</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes and special assessments	\$ 5,058,640	\$ 5,058,640	\$ 5,125,210	\$ 66,570
Investment and rental income	53,500	53,500	77,786	24,286
Miscellaneous	-	-	2,664	2,664
Total Revenues	5,112,140	5,112,140	5,205,660	93,520
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	4,765,228	4,785,228	4,226,039	559,189
Total Expenditures	4,765,228	4,785,228	4,226,039	559,189
Excess of Revenues Over Expenditures	346,912	326,912	979,621	652,709
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(614,939)	(614,939)
Total Other Financing Sources (Uses)	-	-	(614,939)	(614,939)
Net Change in Fund Balance	346,912	326,912	364,682	37,770
Fund Balance Beginning, as Previously Reported	9,706,762	9,706,762	9,706,762	-
Prior period adjustment (note 17)	52,335	52,335	52,335	-
Fund Balance, Beginning, as Restated	9,759,097	9,759,097	9,759,097	-
Fund Balance, Ending	\$ 10,106,009	\$ 10,086,009	\$ 10,123,779	\$ 37,770



# 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes and special assessments	\$ 532,204	\$ 532,204	\$ 538,307	\$ 6,103
Miscellaneous	-	-	2,206	2,206
Total Revenues	532,204	532,204	540,513	8,309
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	1,092,294	1,092,294	764,733	327,561
Total Expenditures	1,092,294	1,092,294	764,733	327,561
Excess of Revenues Over Expenditures	(560,090)	(560,090)	(224,220)	335,870
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	559,940	559,940	224,195	(335,745)
Total Other Financing Sources (Uses)	559,940	559,940	224,195	(335,745)
Net Change in Fund Balance	(150)	(150)	(25)	125
Fund Balance, Beginning	-	-	-	-
Fund Balance (Deficit), Ending	\$ (150)	\$ (150)	\$ (25)	\$ 125

# 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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 95,000	\$ 95,000	\$ 89,564	\$ (5,436)
Investment and rental income	450	450	1,347	897
Miscellaneous	35,000	35,000	46,200	11,200
Total Revenues	130,450	130,450	137,111	6,661
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	95,000	95,000	80,079	14,921
Total Expenditures	95,000	95,000	80,079	14,921
Excess of Revenues Over Expenditures	35,450	35,450	57,032	21,582
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(50,000)	(50,000)	(126,714)	(76,714)
Total Other Financing Sources (Uses)	(50,000)	(50,000)	(126,714)	(76,714)
Net Change in Fund Balance	(14,550)	(14,550)	(69,682)	(55,132)
Fund Balance, Beginning	154,237	154,237	154,237	-
Fund Balance, Ending	\$ 139,687	\$ 139,687	\$ 84,555	\$ (55,132)

## *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, 2014**

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,231,573	\$ 1,231,573	\$ 635,063	\$ (596,510)
Total Revenues	1,231,573	1,231,573	635,063	(596,510)
<b>EXPENDITURES</b>				
Current:				
Community development	162,467	162,467	163,674	(1,207)
Capital outlay	1,064,106	1,064,106	476,568	587,538
Total Expenditures	1,226,573	1,226,573	640,242	586,331
Net Change in Fund Balance	5,000	5,000	(5,179)	(10,179)
Fund Balance, Beginning	115,236	115,236	115,236	-
Fund Balance, Ending	\$ 120,236	\$ 120,236	\$ 110,057	\$ (10,179)

## *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, 2014**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 323,000	\$ 323,000	\$ 324,056	\$ 1,056
Investment and rental income	-	-	6,387	6,387
Miscellaneous	-	-	108,906	108,906
Total Revenues	323,000	323,000	439,349	116,349
<b>EXPENDITURES</b>				
Current:				
Community development	320,000	320,000	299,840	20,160
Total Expenditures	320,000	320,000	299,840	20,160
Net Change in Fund Balance	3,000	3,000	139,509	136,509
Fund Balance, Beginning, as Previously Reported	55,018	55,018	55,018	-
Prior period adjustment (note 17)	(162,697)	(162,697)	(162,697)	-
Fund Balance (Deficit), Beginning, as Restated	(107,679)	(107,679)	(107,679)	-
Fund Balance (Deficit), Ending	\$ (104,679)	\$ (104,679)	\$ 31,830	\$ 136,509

# 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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 21,000	\$ 21,000	\$ 25,870	\$ 4,870
Investment and rental income	650	650	479	(171)
Total Revenues	21,650	21,650	26,349	4,699
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	3,903	3,903	960	2,943
Total Expenditures	3,903	3,903	960	2,943
Excess of Revenues Over Expenditures	17,747	17,747	25,389	7,642
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(11,639)	(11,639)	(11,639)	-
Total Other Financing Sources (Uses)	(11,639)	(11,639)	(11,639)	-
Net Change in Fund Balance	6,108	6,108	13,750	7,642
Fund Balance, Beginning	53,811	53,811	53,811	-
Fund Balance, Ending	\$ 59,919	\$ 59,919	\$ 67,561	\$ 7,642

*City of San Marcos*

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Energy Efficiency & Conservation Block Grant Special Revenue Fund  
For the Year Ended June 30, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 16	\$ 16
Investment and rental income	-	-	54	54
Total Revenues	-	-	70	54
<b>EXPENDITURES</b>	-	-	-	-
Net Change in Fund Balances	-	-	70	54
Fund Balances, Beginning	7,243	7,243	7,243	-
Fund Balances, Ending	<u>\$ 7,243</u>	<u>\$ 7,243</u>	<u>\$ 7,313</u>	<u>\$ -</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, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment and rental income	\$ 5,500	\$ 5,500	\$ 4,193	\$ (1,307)
Total Revenues	5,500	5,500	4,193	(1,307)
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	5,000	5,000	7,500	(2,500)
Total Expenditures	5,000	5,000	7,500	(2,500)
Net Change in Fund Balance	500	500	(3,307)	(3,807)
Fund Balance, Beginning	565,116	565,116	565,116	-
Fund Balance, Ending	<u>\$ 565,616</u>	<u>\$ 565,616</u>	<u>\$ 561,809</u>	<u>\$ (3,807)</u>

*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, 2014**

---

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 191,302	\$ 191,302	\$ 210,963	\$ 19,661
Investment and rental income	7,700	7,700	7,046	(654)
Total Revenues	199,002	199,002	218,009	19,007
<b>EXPENDITURES</b>				
Current:				
Community development	75,000	75,000	213	74,787
Total Expenditures	75,000	75,000	213	74,787
Net Change in Fund Balance	124,002	124,002	217,796	93,794
Fund Balance, Beginning	882,589	882,589	882,589	-
Fund Balance, Ending	<u>\$ 1,006,591</u>	<u>\$ 1,006,591</u>	<u>\$ 1,100,385</u>	<u>\$ 93,794</u>



## *City of San Marcos*

### **Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Congestion Management CFD Special Revenue Fund For the Year Ended June 30, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes and special assessments	\$ 75,000	\$ 75,000	\$ 80,881	\$ 5,881
Investment and rental income	400	400	444	44
Total Revenues	75,400	75,400	81,325	5,925
<b>EXPENDITURES</b>	-	-	-	-
Net Change in Fund Balance	75,400	75,400	81,325	5,925
Fund Balance, Beginning	27,495	27,495	27,495	-
Fund Balance, Ending	<u>\$ 102,895</u>	<u>\$ 102,895</u>	<u>\$ 108,820</u>	<u>\$ 5,925</u>

## *City of San Marcos*

### **Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual CalHOME Grant Special Revenue Fund For the Year Ended June 30, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 419,165	\$ 119,165
Total Revenues	300,000	300,000	419,165	119,165
<b>EXPENDITURES</b>				
Current:				
Community development	276,931	276,931	307,699	(30,768)
Total Expenditures	276,931	276,931	307,699	(30,768)
Net Change in Fund Balance	23,069	23,069	111,466	88,397
Fund Balance (Deficit), Beginning	(111,666)	(111,666)	(111,666)	-
Fund Balance (Deficit), Ending	\$ (88,597)	\$ (88,597)	\$ (200)	\$ 88,397

## *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, 2014**

---

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Investment and rental income	\$ 493,949	\$ 493,949	\$ 511,095	\$ 17,146
Total Revenues	493,949	493,949	511,095	17,146
<b>EXPENDITURES</b>				
Debt service:				
Principal	245,000	245,000	245,000	-
Interest and fiscal charges	226,890	226,890	226,890	-
Total Expenditures	471,890	471,890	471,890	-
Net Change in Fund Balance	22,059	22,059	39,205	17,146
Fund Balance, Beginning	98,035	98,035	98,035	-
Fund Balance, Ending	<u>\$ 120,094</u>	<u>\$ 120,094</u>	<u>\$ 137,240</u>	<u>\$ 17,146</u>

## *City of San Marcos*

### **Combining Balance Sheet Non-Major Capital Projects Funds June 30, 2014**

---

	Transportation Development Act	Capital Improvements
<b>ASSETS</b>		
Cash and investments (note 2)	\$ 52,109	\$ -
Cash and investments with fiscal agents	-	-
Receivables:		
Interest	31	-
Due from other governments	-	3,969,150
Total Assets	<u>\$ 52,140</u>	<u>\$ 3,969,150</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ -	\$ 722,786
Due to other funds (note 5)	-	2,306,963
Deposits payable	-	794,708
Total Liabilities	<u>-</u>	<u>3,824,457</u>
Deferred Inflows of Resources:		
Unavailable revenue	<u>-</u>	<u>-</u>
Fund Balances:		
Restricted for:		
Transportation	52,140	-
Capital improvements	-	144,693
Total Fund Balances	<u>52,140</u>	<u>144,693</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 52,140</u>	<u>\$ 3,969,150</u>

---

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
\$ 5,014	\$ 373,945	\$ 266,604	\$ 697,672
678,833	-	-	678,833
	-		
3	485	156	675
-	1,141,251	-	5,110,401
<u>\$ 683,850</u>	<u>\$ 1,515,681</u>	<u>\$ 266,760</u>	<u>\$ 6,487,581</u>
\$ -	\$ 128,917	\$ -	\$ 851,703
-	-	-	2,306,963
-	-	-	794,708
<u>-</u>	<u>128,917</u>	<u>-</u>	<u>3,953,374</u>
<u>-</u>	<u>143,383</u>	<u>-</u>	<u>143,383</u>
-	1,243,381	-	1,295,521
683,850	-	266,760	1,095,303
<u>683,850</u>	<u>1,243,381</u>	<u>266,760</u>	<u>2,390,824</u>
<u>\$ 683,850</u>	<u>\$ 1,515,681</u>	<u>\$ 266,760</u>	<u>\$ 6,487,581</u>

*City of San Marcos*

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Capital Projects Funds  
For the Year Ended June 30, 2014**

---

	Transportation Development Act	Capital Improvements
<b>REVENUES</b>		
Intergovernmental	\$ -	\$ 5,846,685
Investment and rental income	418	-
Miscellaneous	-	370,541
Total Revenues	418	6,217,226
<b>EXPENDITURES</b>		
Highways, streets and parks	93	206,230
Capital outlay	-	5,575,557
Total Expenditures	93	5,781,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	325	435,439
Fund Balances, Beginning, as Previously Reported	51,815	922,388
Prior period adjustment (note 17)	-	(1,213,134)
Fund Balances, Beginning, as Restated	51,815	(290,746)
Fund Balances, Ending	\$ 52,140	\$ 144,693

---

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
\$ -	\$ 4,072,481	\$ -	\$ 9,919,166
132	2,940	1,970	5,460
-	38,801	-	409,342
132	4,114,222	1,970	10,333,968
-	1,925,285	-	2,131,608
-	1,957,523	-	7,533,080
-	3,882,808	-	9,664,688
132	231,414	1,970	669,280
683,718	1,447,343	264,790	3,370,054
-	(435,376)	-	(1,648,510)
683,718	1,011,967	264,790	1,721,544
\$ 683,850	\$ 1,243,381	\$ 266,760	\$ 2,390,824

## *City of San Marcos*

### **Combining Balance Sheet Agency Funds June 30, 2014**

---

	1915 Act Assessment District	Deposits	Community Facilities District 88-1
<b>ASSETS</b>			
Cash and investments	\$ 57,428	\$ 1,890,108	\$ 52
Cash and investments with fiscal agents	-	-	4,336,751
Receivables:			
Special assessments	-	-	6,002
Interest	34	-	12
Total Assets	<u>\$ 57,462</u>	<u>\$ 1,890,108</u>	<u>\$ 4,342,817</u>
<b>LIABILITIES</b>			
Due to bondholders	\$ 57,462	\$ -	\$ 4,342,817
Deposits payable	-	1,890,108	-
Total Liabilities	<u>\$ 57,462</u>	<u>\$ 1,890,108</u>	<u>\$ 4,342,817</u>



---

Community Facilities District 99-1	Community Facilities District 02-01	Total
\$ 36,634	\$ 5,989	\$ 1,990,211
9,921,502	2,234,273	16,492,526
19,080	2,411	27,493
53	19	118
<u>\$ 9,977,269</u>	<u>\$ 2,242,692</u>	<u>\$ 18,510,348</u>
\$ 9,977,269	\$ 2,242,692	\$ 16,620,240
-	-	1,890,108
<u>\$ 9,977,269</u>	<u>\$ 2,242,692</u>	<u>\$ 18,510,348</u>

## *City of San Marcos*

### **Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2014**

---

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b><u>1915 ACT Assessment District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 57,071	\$ 357	\$ -	\$ 57,428
Interest receivable	2	32	-	34
Total Assets	<u>\$ 57,073</u>	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 57,462</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 57,073</u>	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 57,462</u>
 <b><u>Deposits</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,201,925	\$ 688,183	\$ -	\$ 1,890,108
Total Assets	<u>\$ 1,201,925</u>	<u>\$ 688,183</u>	<u>\$ -</u>	<u>\$ 1,890,108</u>
<b>LIABILITIES</b>				
Deposits payable	<u>\$ 1,201,925</u>	<u>\$ 688,183</u>	<u>\$ -</u>	<u>\$ 1,890,108</u>

# City of San Marcos

## Combining Statement of Changes in Assets and Liabilities Agency Funds (Continued) For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b><u>Community Facilities District 88-1</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 32	\$ 20	\$ -	\$ 52
Cash and investments with fiscal agents	4,340,400	-	3,649	4,336,751
Special assessments receivable	3,364	2,638	-	6,002
Interest receivable	5	7	-	12
	<u>5</u>	<u>7</u>	<u>-</u>	<u>12</u>
Total Assets	<u>\$ 4,343,801</u>	<u>\$ 2,665</u>	<u>\$ 3,649</u>	<u>\$ 4,342,817</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 4,343,801</u>	<u>\$ 2,665</u>	<u>\$ 3,649</u>	<u>\$ 4,342,817</u>
<b><u>Community Facilities District 99-1</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,011	\$ 35,623	\$ -	\$ 36,634
Cash and investments with fiscal agents	10,054,901	-	133,399	9,921,502
Special assessments receivable	17,824	1,256	-	19,080
Interest receivable	12	41	-	53
	<u>12</u>	<u>41</u>	<u>-</u>	<u>53</u>
Total Assets	<u>\$ 10,073,748</u>	<u>\$ 36,920</u>	<u>\$ 133,399</u>	<u>\$ 9,977,269</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 10,073,748</u>	<u>\$ 36,920</u>	<u>\$ 133,399</u>	<u>\$ 9,977,269</u>

# City of San Marcos

## Combining Statement of Changes in Assets and Liabilities Agency Funds (Continued) For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b><u>Community Facilities District 02-01</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 530	\$ 5,459	\$ -	\$ 5,989
Cash and investments with fiscal agents	3,182,821	-	948,548	2,234,273
Special assessments receivable	5,597	-	3,186	2,411
Interest receivable	5	14	-	19
	<u>5</u>	<u>14</u>	<u>-</u>	<u>19</u>
Total Assets	<u>\$ 3,188,953</u>	<u>\$ 5,473</u>	<u>\$ 951,734</u>	<u>\$ 2,242,692</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 3,188,953</u>	<u>\$ 5,473</u>	<u>\$ 951,734</u>	<u>\$ 2,242,692</u>
<b><u>Total - Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,260,569	\$ 729,642	\$ -	\$ 1,990,211
Cash and investments with fiscal agents	17,578,122	-	1,085,596	16,492,526
Special assessments receivable	26,785	3,894	3,186	27,493
Interest receivable	24	94	-	118
	<u>24</u>	<u>94</u>	<u>-</u>	<u>118</u>
Total Assets	<u>\$ 18,865,500</u>	<u>\$ 733,630</u>	<u>\$ 1,088,782</u>	<u>\$ 18,510,348</u>
<b>LIABILITIES</b>				
Due to bondholders	\$ 17,663,575	\$ 45,447	\$ 1,088,782	\$ 16,620,240
Deposits payable	1,201,925	688,183	-	1,890,108
	<u>1,201,925</u>	<u>688,183</u>	<u>-</u>	<u>1,890,108</u>
Total Liabilities	<u>\$ 18,865,500</u>	<u>\$ 733,630</u>	<u>\$ 1,088,782</u>	<u>\$ 18,510,348</u>

# City of San Marcos

## Combining Statement of Fiduciary Net Position by Project Area Private-Purpose Trust Funds June 30, 2014

	Redevelopment Retirement Obligation Trust Fund Housing	Redevelopment Retirement Obligation Trust Fund Project Area #1	Redevelopment Retirement Obligation Trust Fund Project Area #2	Redevelopment Retirement Obligation Trust Fund Project Area #3	Eliminations	Total Private- Purpose Trust Funds
<b>ASSETS</b>						
Cash and investments	\$ 5,255,915	\$ -	\$ 5,591,754	\$ 8,957,561	\$ -	\$ 19,805,230
Receivables:						
Accounts	-	-	-	679	-	679
Notes	-	285,620	-	-	-	285,620
Interest	2,544	-	6,325	6,492	-	15,361
Direct financing lease	-	1,284,309	802,693	1,123,771	-	3,210,773
Due from other funds	-	-	5,804,451	-	(5,804,451)	-
Prepaid expenses	-	917,867	495,967	1,295,766	-	2,709,600
Total Current Assets	5,258,459	2,487,796	12,701,190	11,384,269	(5,804,451)	26,027,263
Restricted Assets:						
Cash and investment with fiscal agents	5,963,665	8,069,481	20,774,779	32,131,731	-	66,939,656
Total Restricted Assets	5,963,665	8,069,481	20,774,779	32,131,731	-	66,939,656
Capital Assets:						
Land	-	-	2,690,146	1,217,223	-	3,907,369
Total Capital Assets	-	-	2,690,146	1,217,223	-	3,907,369
Total Assets	11,222,124	10,557,277	36,166,115	44,733,223	(5,804,451)	96,874,288
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Loss on defeasance	-	1,843,791	103,774	2,439,478	-	4,387,043
<b>LIABILITIES</b>						
Accounts payable	9,719	10,188	10,187	776,389	-	806,483
Accrued liabilities	7,335	8,773	8,773	7,601	-	32,482
Accrued interest payable	484,920	1,940,748	1,042,586	2,359,278	-	5,827,532
Due to other governments	-	4,779	976	9	-	5,764
Due to other funds	-	5,804,451	-	-	(5,804,451)	-
Noncurrent Liabilities:						
Due within one year	2,653,556	2,788,800	2,620,850	2,535,350	-	10,598,556
Due in more than one year	47,833,976	125,167,910	58,453,304	124,792,851	-	356,248,041
Total Liabilities	50,989,506	135,725,649	62,136,676	130,471,478	(5,804,451)	373,518,858
<b>NET POSITION (DEFICIT)</b>						
Held in trust for other taxing entities	\$ (39,767,382)	\$ (123,324,581)	\$ (25,866,787)	\$ (83,298,777)	\$ -	\$ (272,257,527)

# City of San Marcos

## Combining Statement of Changes in Fiduciary Net Position by Project Area Private-Purpose Trust Funds For the Year Ended June 30, 2014

	Redevelopment Retirement Obligation Trust Fund Housing	Redevelopment Retirement Obligation Trust Fund Project Area #1	Redevelopment Retirement Obligation Trust Fund Project Area #2	Redevelopment Retirement Obligation Trust Fund Project Area #3	Eliminations	Total Private- Purpose Trust Funds
<b>ADDITIONS</b>						
Tax	\$ 7,307,269	\$ 8,324,306	\$ 4,548,349	\$ 13,748,973	\$ -	\$ 33,928,897
Income from property and investments	21,246	24,774	82,131	124,188	-	252,339
Transfers in	-	-	1,336,482	-	(1,336,482)	-
Total Additions	7,328,515	8,349,080	5,966,962	13,873,161	(1,336,482)	34,181,236
<b>DEDUCTIONS</b>						
General and administrative	179,001	203,566	81,891	183,046	-	647,504
Community Development	-	-	-	6,359,237	-	6,359,237
Interest expense and fees	4,651,403	6,014,619	2,528,410	6,751,735	-	19,946,167
Transfers out	1,336,482	-	-	-	(1,336,482)	-
Total Deductions	6,166,886	6,218,185	2,610,301	13,294,018	(1,336,482)	26,952,908
Change in Net Position	1,161,629	2,130,895	3,356,661	579,143	-	7,228,328
Net Position, Beginning, as Previously Reported	(39,886,569)	(125,455,476)	(29,223,448)	(83,927,031)	-	(278,492,524)
Prior period adjustment	(1,042,442)	-	-	49,111	-	(993,331)
Net Position (Deficit), Beginning as Restated	(40,929,011)	(125,455,476)	(29,223,448)	(83,877,920)	-	(279,485,855)
Net Position (Deficit), Ending	<u>\$ (39,767,382)</u>	<u>\$ (123,324,581)</u>	<u>\$ (25,866,787)</u>	<u>\$ (83,298,777)</u>	<u>\$ -</u>	<u>\$ (272,257,527)</u>

## **Statistical Section**

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

<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends</b>	132
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
<b>Revenue Capacity</b>	142
These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	147
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	156
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	159
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	

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

## City of San Marcos

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities:				
Net investment in capital assets	\$ 307,123,731	\$ 341,437,352	\$ 376,880,228	\$ 430,516,043
Restricted 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
Endowment	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 position	<u>\$ 396,578,162</u>	<u>\$ 428,172,230</u>	<u>\$ 485,903,546</u>	<u>\$ 552,547,346</u>
Business-type activities:				
Net investment in capital assets	\$ 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 position	<u>\$ 34,109,012</u>	<u>\$ 34,078,986</u>	<u>\$ 32,423,000</u>	<u>\$ 32,918,908</u>
Primary Government:				
Net investment in capital assets	\$ 337,713,785	\$ 371,656,547	\$ 406,717,069	\$ 459,970,528
Restricted 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
Endowment	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 position	<u>\$ 430,687,174</u>	<u>\$ 462,251,216</u>	<u>\$ 518,326,546</u>	<u>\$ 585,466,254</u>



Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 460,101,619	\$ 484,423,039	\$ 499,416,669	\$ 658,296,750	\$ 646,769,141	\$ 671,633,533
-	-	-	-	20,320,721	21,071,049
115,805,089	120,917,457	119,927,089	163,429,723	160,939,069	162,388,168
8,999,420	8,514,304	9,032,742	9,389,874	9,706,762	10,141,062
3,904,177	4,378,971	6,026,400	6,506,958	10,295,075	8,955,235
905,850	1,023,850	1,244,590	1,147,835	1,195,768	1,000,000
2,504,296	(11,409,150)	(6,504,167)	64,955,219	57,252,131	60,074,433
<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>	<u>\$ 935,263,480</u>
\$ 29,072,130	\$ 28,689,775	\$ 28,307,420	\$ 27,925,065	\$ 26,725,626	\$ 27,160,354
6,698,002	8,442,809	8,052,471	6,319,042	5,761,171	4,352,951
<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>	<u>\$ 31,513,305</u>
\$ 489,173,749	\$ 513,112,814	\$ 527,724,089	\$ 686,221,815	\$ 673,494,767	\$ 698,793,887
-	-	-	-	20,320,721	21,071,049
115,805,089	120,917,457	119,927,089	163,429,723	160,939,069	162,388,168
8,999,420	8,514,304	9,032,742	9,389,874	9,706,762	10,141,062
3,904,177	4,378,971	6,026,400	6,506,958	10,295,075	8,955,235
905,850	1,023,850	1,244,590	1,147,835	1,195,768	1,000,000
9,202,298	(2,966,341)	1,548,304	71,274,261	63,013,302	64,427,384
<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>	<u>\$ 966,776,785</u>

# City of San Marcos

## Changes in Net Position Last Ten Fiscal Years (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 (2)	4,753,376	5,233,634	6,116,176	7,347,275
Community development (2)	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 (1) (2)	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)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 14,639,790	\$ 15,990,955	\$ 18,106,693	\$ 16,992,317	\$ 15,885,771	\$ 16,447,263
4,815,602	6,366,892	5,739,531	28,586,547	6,379,029	3,431,958
28,733,922	28,603,083	28,216,005	32,163,467	27,531,474	31,398,530
26,532,368	25,046,164	26,408,488	22,057,522	31,047,726	32,779,655
3,124,741	3,014,690	3,079,743	3,163,230	4,992,567	3,022,930
15,984,417	15,307,372	16,325,714	9,399,083	286,343	272,403
93,830,840	94,329,156	97,876,174	112,362,166	86,122,910	87,352,739
1,072,662	1,207,245	1,296,182	1,060,528	866,501	1,061,134
-	-	-	-	-	-
1,072,662	1,207,245	1,296,182	1,060,528	866,501	1,061,134
94,903,502	95,536,401	99,172,356	113,422,694	86,989,411	88,413,873
7,121,094	8,017,989	7,569,325	8,811,334	7,711,202	1,483,859
1,501,973	1,568,683	2,131,886	5,179,421	6,998,956	2,997,665
8,293,907	7,623,734	7,266,747	8,012,187	8,636,601	8,888,703
6,744,066	6,793,677	7,150,548	6,943,057	8,462,005	7,455,240
1,590,115	1,825,778	1,837,906	1,878,137	2,105,349	2,081,035
2,135,832	2,392,703	3,547,679	3,333,506	24,338,152	16,811,188
18,916,094	25,090,511	15,027,697	20,273,816	2,125,409	9,843,740
46,303,081	53,313,075	44,531,788	54,431,458	60,377,674	49,561,430
3,789,846	3,639,134	3,523,109	3,907,546	4,103,722	3,470,369
3,789,846	3,639,134	3,523,109	3,907,546	4,103,722	3,470,369
50,092,927	56,952,209	48,054,897	58,339,004	64,481,396	53,031,799
(41,016,081)	(41,016,081)	(53,344,386)	(57,930,708)	(25,745,236)	(37,791,309)
2,431,889	2,431,889	2,226,927	2,847,018	3,237,221	2,409,235
(38,584,192)	(38,584,192)	(51,117,459)	(55,083,690)	(22,508,015)	(35,382,074)

## City of San Marcos

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

	Fiscal Year			
	2005	2006	2007	2008
General Revenues and Other Changes in Net Positions:				
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
Rental income	-	-	-	-
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	<u>57,125,150</u>	<u>79,818,617</u>	<u>96,790,923</u>	<u>92,700,054</u>
Business-type activities:				
Investment income	31,982	195,056	288,446	179,169
Transfers	<u>5,781,245</u>	<u>(2,988,729)</u>	<u>(5,000,000)</u>	<u>(2,750,000)</u>
Total business-type activities	<u>5,813,227</u>	<u>(2,793,673)</u>	<u>(4,711,554)</u>	<u>(2,570,831)</u>
Total primary government	<u>62,938,377</u>	<u>77,024,944</u>	<u>92,079,369</u>	<u>90,129,223</u>
Change in Net Position:				
Governmental activities	8,900,601	40,759,010	70,734,669	45,172,295
Business-type activities	<u>8,576,874</u>	<u>261,895</u>	<u>(1,644,815)</u>	<u>146,353</u>
Total primary government	<u>\$ 17,477,475</u>	<u>\$ 41,020,905</u>	<u>\$ 69,089,854</u>	<u>\$ 45,318,648</u>

#### Notes:

- (1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
- (2) Beginning in fiscal year 2009-2010, all costs relating to construction inspections function are reported under community development instead of highways, streets and parks. Also, storm water management function is under general government instead of highways, streets and parks.

Fiscal Year					
2009	2010	2011	2012	2013	2014
12,718,633	12,490,217	12,373,080	12,734,479	19,036,135	14,730,525
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	15,840,511
330,412	298,459	610,460	713,538	736,035	794,846
2,442,412	2,482,704	2,677,551	2,713,099	2,582,279	3,520,613
3,180,648	-	67,970	-	-	(659,841)
283,349	246,496	382,275	42,071	80,791	-
-	-	-	-	-	6,260,337
6,226,240	4,397,830	4,583,907	3,692,241	3,508,350	1,108,705
3,372,210	1,943,136	1,390,381	1,160,059	1,991,861	489,778
-	1,200,000	3,167,000	5,100,000	5,000,000	4,250,000
-	-	-	-	(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>	<u>46,335,474</u>
134,040	130,563	167,380	137,198	5,469	50,190
	(1,200,000)	(3,167,000)	(5,100,000)	(5,000,000)	(4,250,000)
<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>(4,199,810)</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>	<u>42,135,664</u>
46,184,783	15,628,020	21,294,853	274,583,036	11,111,514	8,544,165
<u>2,565,929</u>	<u>1,362,452</u>	<u>(772,693)</u>	<u>(2,115,784)</u>	<u>(1,757,310)</u>	<u>(1,790,575)</u>
<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>	<u>\$ 6,753,590</u>

# City of San Marcos

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	\$ -	\$ -	\$ 13,397,269	\$ 13,397,269
Prepaid items	414,987	477,867	1,247,217	492,546
Deposits	583,314	607,328	637,832	723,685
Unreserved, designated	44,232,034	52,052,115	37,344,377	36,814,029
Unreserved, undesignated	5,367,873	5,461,289	6,208,292	6,045,355
GASB 54:				
Nonspendable				
Restricted				
Unassigned				
Total General Fund	50,598,208	58,598,599	58,834,987	57,472,884
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	13,650,334	13,210,952	13,090,353	2,702,903
Prepaid items	-	-	-	-
Deposits	-	-	-	542,923
Low and moderate income housing	25,165,312	33,719,308	46,474,660	59,766,836
Landscape maintenance	1,572,128	3,420,234	2,324,008	5,368,912
Debt service	4,994,488	4,660,884	4,682,091	4,625,869
Capital projects	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
Unreserved, reported in:				
Special revenue funds	8,597,890	8,441,925	12,544,241	9,489,562
Debt service funds	14,256,219	28,238,856	40,577,486	34,366,082
Capital projects funds	(5,883,850)	(13,963,277)	(19,311,650)	212,545
Permanent fund	88,283	147,814	249,217	98,318
GASB 54:				
Nonspendable				
Restricted				
Unassigned				
Total all other governmental funds	186,779,431	210,485,666	221,906,459	208,645,155
Total governmental funds	\$ 237,377,639	\$ 269,084,265	\$ 280,741,446	\$ 266,118,039

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 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	\$ 11,938,509
		-	-	-	-
		35,162,531	34,951,893	44,147,436	51,115,898
<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>	<u>63,054,407</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	1,000,000
		164,514,929	81,486,140	80,423,049	80,658,373
		-	-	-	-
<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>	<u>81,658,373</u>
<u>\$ 225,704,532</u>	<u>\$ 178,269,556</u>	<u>\$ 220,385,506</u>	<u>\$ 134,510,320</u>	<u>\$ 141,951,069</u>	<u>\$ 144,712,780</u>

# City of San Marcos

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
Taxes and special assessments	\$ 71,181,516	\$ 87,121,780	\$ 94,466,701	\$ 97,363,686
Licenses and permits	6,179,840	5,116,926	4,753,491	3,907,123
Intergovernmental	14,537,688	15,192,674	9,093,528	6,587,388
Charges for services	11,495,652	11,544,038	11,486,338	11,429,757
Developer fees	12,589,123	8,809,768	5,774,108	1,776,517
Fines and forfeitures	131,081	169,261	181,280	269,365
Use of money and property	9,380,735	13,474,072	19,676,632	19,925,978
Contributions from property owners	31,808,603	-	11,424,122	-
Miscellaneous	2,502,536	6,158,895	3,500,561	1,452,870
Total Revenues	<u>159,806,774</u>	<u>147,587,414</u>	<u>160,356,761</u>	<u>142,712,684</u>
Expenditures:				
Current:				
General government (2)	7,958,025	8,835,833	11,867,052	12,733,906
Community development (2)	10,164,579	6,903,003	6,888,307	8,761,007
Public safety	18,739,876	22,454,034	24,441,222	26,225,302
Highways, streets and parks (1) (2)	9,065,061	11,953,716	12,371,008	15,223,370
Culture and recreation (1)	2,221,286	2,424,190	2,708,416	2,556,853
Tax increment distrib. to other gov. agencies	16,644,360	20,603,185	19,001,916	18,747,685
SERAF payment	-	-	-	-
Capital outlay	49,655,461	67,138,844	55,027,905	46,197,846
Debt service:				
Principal retirement	7,908,488	4,900,575	6,571,846	11,079,781
Interest and fiscal charges	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	<u>144,709,983</u>	<u>159,568,854</u>	<u>156,080,479</u>	<u>161,510,212</u>
Excess/(deficiency) of Revenues Over Expenditures	<u>15,096,791</u>	<u>(11,981,440)</u>	<u>4,276,282</u>	<u>(18,797,528)</u>
Other financing sources (uses):				
Long-term debt issued	129,992,578	40,717,247	8,752,626	1,441,826
Gain on sale of land held for resale	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	23,554	17,500	38,216	30,541
Acquisition under capital lease	-	-	-	-
Transfers in	5,051,872	10,497,941	17,690,782	32,041,467
Transfers out	(6,664,372)	(7,497,941)	(12,690,782)	(29,291,467)
Total other financing sources (uses)	<u>90,057,728</u>	<u>43,688,006</u>	<u>7,380,899</u>	<u>4,222,367</u>
Net Change in Fund Balances	<u>\$ 105,154,519</u>	<u>\$ 31,706,566</u>	<u>\$ 11,657,181</u>	<u>\$ (14,575,161)</u>
Debt service as a percentage of noncapital expenditures	23.28%	14.43%	18.21%	23.41%

### Notes:

(1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.

(2) Beginning in fiscal year 2009-2010, all costs relating to the construction inspection function are reported under community development instead of highways, streets, and parks. Also, the storm water management function is under general government instead of highways, streets, and parks.



Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 94,097,283	\$ 87,852,421	\$ 87,336,566	\$ 44,811,128	\$ 40,050,764	\$ 37,499,452
4,229,537	4,274,969	4,722,075	5,210,749	5,031,124	4,834,181
10,406,686	6,816,194	10,725,506	14,657,647	16,273,969	14,879,876
11,783,938	11,341,050	11,273,011	13,430,631	14,423,983	14,014,737
3,773,174	2,860,402	3,734,747	8,822,043	12,333,859	604,325
292,642	279,735	284,452	203,253	171,675	379,517
11,422,319	9,248,874	9,656,305	8,710,563	8,108,512	8,390,525
-	-	-	-	-	-
4,444,346	3,358,490	1,984,750	2,020,386	1,656,624	2,784,337
140,449,925	126,032,135	129,717,412	97,866,400	98,050,510	83,386,950
13,333,406	14,825,068	17,457,897	15,640,014	15,237,915	15,683,539
43,870,002	17,085,690	10,223,010	17,717,361	9,148,706	4,209,639
27,392,057	27,461,612	27,317,174	30,262,221	27,156,685	30,863,346
15,455,033	14,040,659	13,379,798	14,053,498	13,407,088	21,875,374
2,822,593	2,763,210	2,814,054	2,984,215	4,819,380	2,948,559
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	8,462,086
9,481,695	9,325,010	9,566,685	9,903,628	342,996	430,447
15,911,227	15,221,332	15,782,349	9,509,119	277,403	269,039
-	-	-	-	-	-
-	-	674,238	-	-	-
185,634,497	176,239,680	143,934,594	120,644,168	87,068,008	84,742,029
(45,184,572)	(50,207,545)	(14,217,182)	(22,777,768)	10,982,502	(1,355,079)
730,998	330,709	54,779,110	-	-	-
-	-	67,970	-	-	-
-	-	-	-	-	-
-	-	(1,719,824)	-	-	-
-	-	-	-	-	-
3,991,821	1,241,860	38,876	23,611	6,489	(659,841)
-	-	-	-	-	427,300
6,772,976	8,056,903	14,843,444	65,681,454	11,511,222	5,227,487
(6,772,976)	(6,856,903)	(11,676,444)	(60,581,454)	(17,185,934)	(977,487)
4,722,819	2,772,569	56,333,132	5,123,611	(5,668,223)	4,017,459
\$ (40,461,753)	\$ (47,434,976)	\$ 42,115,950	\$ (17,654,157)	\$ 5,314,279	\$ 2,662,380
15.80%	16.08%	22.07%	20.52%	1.02%	1.19%

## City of San Marcos

### Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended June 30	City (1)				
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (3)
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
2014	9,339,081,684	337,792,578	(503,189,791)	9,173,684,471	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.

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Redevelopment Agency (RDA) (2)

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Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate
\$ 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
5,962,729,406	275,661,597	(346,541,112)	5,891,849,891	1.00

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## City of San Marcos

### Direct 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 Unified School District		San Marcos Fire Protection District		San Diego County		Other		Total		Voter Approved Debt		Total Tax Rate	
2005	0.0883	%	0.0883	%	0.3805	%	0.0632	%	0.2481	%	0.2200	%	1.0000	%	0.0238	%	1.0238	%
2006	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0346		1.0346	
2007	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0349		1.0349	
2008	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0432		1.0432	
2009	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0470		1.0470	
2010	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0439		1.0439	
2011	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0559		1.0560	
2012	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0994		1.0994	
2013	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0994		1.0994	
2014	0.0883		0.0883		0.3805		0.0632		0.2481		0.2200		1.0000		0.0978		1.0978	

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.

# City of San Marcos

## Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
World Premier Investments (2)	\$ 126,020,953	1	1.36 %			
Urban Villages San Marcos LLC	83,163,160	2	0.90			
Hunter Industries Inc.	82,012,304	3	0.88	\$ 53,795,085	2	0.85 %
Willmark Communities Inc.	79,724,086	4	0.86			
Ralphs Grocery Company	36,476,721	5	0.39			
Estancia Coastal, LLC	34,840,388	6	0.38			
Costco Wholesale Corporation	33,732,192	7	0.36			
Weingarten Realty Investors	30,514,965	8	0.33			
MG Properties Group	28,559,457	9	0.31			
Kaiser Foundation Hospitals	27,462,391	10	0.30	27,358,916	7	0.43
Centex Homes				63,156,450	1	0.99
Nordahl Marketplace				43,107,319	3	0.68
Pulte Home Corporation				37,923,299	4	0.60
MCW RC California				32,348,808	5	0.51
Shea Homes Limited Partnership				28,437,792	6	0.45
Signet Armorlite Inc.				25,608,506	8	0.40
S.M. Prominence Inc				22,305,712	9	0.35
Scripps Health				21,738,775	10	0.34
Total	<u>\$ 562,506,617</u>		<u>6.07 %</u>	<u>\$ 355,780,662</u>		<u>5.60 %</u>

### Notes:

- (1) Assessed values represented above are net of all other exemptions.
- (2) Assessor's database lists this taxpayer under the following names: Grand Las Posas LLC, Grand Plaza LLC, Nordahl Marketplace LLC, and WPI-Las Posas/Mission LLC. Taxpayers are included in totals listed above.

## *City of San Marcos*

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

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Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Collections (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
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
2014	6,279,428	6,069,950	96.66	104,591	6,174,541	98.33

**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 (1)				
	General Obligation Bonds	Revenue Bonds (2)	Tax Allocation Bonds (2)	Notes Payable (2)	Capital Leases
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	-	5,435,000	-	743,880	-
2013	-	5,200,000	-	635,884	602,188
2014	-	4,955,000	-	521,949	413,919

**Notes:**

- (1) General bonded debt is debt payable with governmental fund resources. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- (2) Debt issued by the San Marcos Redevelopment Agency is no longer reported as a result of the dissolution of the San Marcos Redevelopment Agency on February 1, 2012.



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<u>Loans Payable</u>	<u>Cooperation Agreement (2)</u>	<u>Due to Other Governments (2)</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ -	\$ 28,240,032	\$ 7,543,702	\$ 327,825,018	9.98 %	4,518
-	32,335,372	6,947,144	363,845,127	10.17	4,768
-	34,347,998	6,430,930	359,174,693	10.04	4,531
-	31,611,278	5,877,439	348,983,247	9.27	4,250
-	29,959,866	5,250,946	339,606,057	8.95	4,098
-	27,807,535	4,577,183	329,937,992	8.54	3,938
-	25,501,989	3,860,541	374,433,775	9.46	4,427
-	-	-	6,178,880	0.15	4,271
-	-	-	6,438,072	0.14	74
530,676	-	-	6,421,543	0.14	71

## *City of San Marcos*

### **Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt				Less: Amounts Available in Debt Service Funds (2)
	General Obligation Bonds	Revenue Bonds (2)	Tax Allocation Bonds (2)		
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	-		-
2014	-	4,955,000	-		-

**Notes:**

- (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 through FY2014. Revenue bonds are shown for the City and are secured with lease payments to be made by the City and the County of San Diego.

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Total	Percent of Assessed Value (1)	Per Capita
\$ 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
4,955,000	0.054	55

# City of San Marcos

## Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year				
	2005	2006	2007	2008	2009
Total assessed valuation	\$ 6,362,863,325	\$ 7,853,343,239	\$ 9,250,035,247	\$ 10,023,511,536	\$ 9,949,048,058
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,590,715,831	1,963,335,810	2,312,508,812	2,505,877,884	2,487,262,015
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	238,607,375	294,500,371	346,876,322	375,881,683	373,089,302
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 238,607,375</u>	<u>\$ 294,500,371</u>	<u>\$ 346,876,322</u>	<u>\$ 375,881,683</u>	<u>\$ 373,089,302</u>
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.

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Fiscal Year				
2010	2011	2012	2013	2014
\$ 9,292,290,923	\$ 9,173,749,055	\$ 9,250,699,841	\$ 9,300,557,724	\$ 9,676,874,262
25%	25%	25%	25%	25%
2,323,072,731	2,293,437,264	2,312,674,960	2,325,139,431	2,419,218,566
15%	15%	15%	15%	15%
348,460,910	344,015,590	346,901,244	348,770,915	362,882,785
-	-	-	-	-
<u>\$ 348,460,910</u>	<u>\$ 344,015,590</u>	<u>\$ 346,901,244</u>	<u>\$ 348,770,915</u>	<u>\$ 362,882,785</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
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	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-

### Notes:

- (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 through FY2014. Revenue bonds are shown for the City and are secured with lease payments to be made by the City and the County of San Diego.
- (2) Debt service shown is annual debt service.
- (3) Calculated as gross increment net of set-aside tax increment.

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Revenue Bonds - City

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Debt Service				
Revenue	Principal	Interest	Coverage	
\$ 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	
471,890	245,000	226,890	1.00	

# City of San Marcos

## Direct and Overlapping Debt As of June 30, 2014

<u>2013-14 Assessed Valuation:</u>		\$9,269,165,871		
				Estimated Share of Overlapping Debt
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Percentage Applicable (1)</u>	<u>Outstanding Debt June 30, 2014 (2)</u>		
Metropolitan Water District	0.422%	\$ 132,275,000	\$	558,201
Palomar Community College District	9.930%	312,768,901		31,057,952
San Marcos Unified School District	60.363%	281,096,744		169,678,428
San Marcos Unified School District Facilities Improvement District No. 1	58.555%	6,503,019		3,807,843
San Marcos Unified School District Community Facilities District No. 2	100.00%	925,000		925,000
San Marcos Unified School District Community Facilities District No. 3	100.00%	1,475,000		1,475,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	20,965,000		13,544,858
Other School Districts	Various	450,261,521		230,313
Palomar Pomerado Hospital	11.177%	474,823,578		53,071,031
<b>City of San Marcos</b>	<b>100.00%</b>			
City of San Marcos Community Facilities District No. 88-1	100.00%	19,275,601		19,275,601
City of San Marcos Community Facilities District No. 91-01	100.00%	1,905,679		1,905,679
City of San Marcos Community Facilities District No. 99-01	100.00%	72,755,552		72,755,552
City of San Marcos Community Facilities District No. 2002-1	100.00%	14,640,000		14,640,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$</b>	<b>382,925,458</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>				
San Diego County General Fund Obligations	2.346%	379,835,000		8,910,929
San Diego County Pension Obligations	2.346%	720,855,256		16,911,264
San Diego County Superintendent of Schools Obligations	2.346%	16,125,000		378,293
Palomar Community College District General Fund Obligations	9.930%	4,855,000		482,102
San Marcos Unified School District General Fund Obligations	60.363%	55,093,327		33,255,985
Other School District Certificates of Participation	Various	105,460,000		126,312
<b>City of San Marcos General Fund Obligations</b>	<b>100.00%</b>	<b>4,955,000</b>		<b>4,955,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$</b>	<b>65,019,885</b>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100%	363,150,000	\$	363,150,000
<b>TOTAL DIRECT DEBT</b>			<b>\$</b>	<b>4,955,000</b>
<b>TOTAL OVERLAPPING DEBT</b>				<b>806,140,343</b>
<b>COMBINED TOTAL DEBT (2)</b>			<b>\$</b>	<b>811,095,343</b>

### Notes:

- (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) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

### Ratios to 2013-14 Assessed Valuation:

<b>Direct Debt</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt	4.13%
<b>Combined Direct Debt (\$5,200,000)</b>	<b>0.05%</b>
Combined Total Debt	8.75%

### Ratios to Redevelopment Incremental Valuation (\$5,891,860,340):

Total Overlapping Tax Increment Debt	6.16%
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Source: California Municipal Statistics, Inc.



## *City of San Marcos*

### **Demographic and Economic Statistics Last Ten Fiscal Years**

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Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income (3)	Per Capita Personal Income (3)	Unemployment Rate (2)
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	87,165	2.36	4,478,886,360	51,384	7.50
2014	33.07	90,179	3.46	(1)	(1)	6.34

**Notes:**

- (1) Personal income and per capita personal income data for 2014 are unavailable.
- (2) Final unemployment rate for 2014 is unavailable; rate presented is average unemployment rate for 10 months of 2014 including preliminary October data.
- (3) Data presented is for San Diego/Carlsbad/San Marcos economic area.

# City of San Marcos

## Principal Employers Current Year and Nine Years Ago

Employer	2014			2005		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Hunter Industries Inc	756	1	2.54%	628	1	2.21%
United Parcel Service	438	2	1.47%	448	3	1.58%
Southern CA Permante Med Group	361	3	1.21%			
Wal-Mart Stores, Inc	350	4	1.18%	266	6	0.94%
Lusardi Construction Co	300	5	1.01%			
Aerotek Inc	283	6	0.95%			
Costco Wholesale	268	7	0.90%	230	11	0.81%
RB III Associates Inc	259	8	0.87%	250	7	0.88%
Fluid Components Intl LLC	245	9	0.82%	155	19	0.55%
Oncore Manufacturing Svcs, LLC	233	10	0.78%			
Fry's Electronics	186	11	0.63%	310	5	1.09%
Hollandia Dairy Inc	185	12	0.62%	200	14	0.70%
Hughes Circuits Inc	170	13	0.57%			
Home Depot	164	14	0.55%	177	17	0.62%
Swartz Burgers Inc	150	15	0.50%			
Southern Contracting	150	16	0.50%			
Diamond Environmental Svcs LP	148	17	0.50%			
Markstein Beverage Co	140	18	0.47%			
Plum Health Care Group	135	19	0.45%			
Falmat Inc	130	20	0.44%			
Vanpike Inc				582	2	2.05%
Signet Armorlite, Inc				393	4	1.38%
Walker Wood Products, Inc.				245	8	0.86%
South Coast Framers				230	9	0.81%
University Aux. & Research Svcs (2)				230	10	0.81%
Natural Alternatives				230	12	0.81%
Jacques Gourmet				200	13	0.70%
Par Electrical Contractors				200	15	0.70%
Ortho Organizers, Inc				195	16	0.69%
Baker Electric Inc				175	18	0.62%
Regal Entertainment Group				154	20	0.54%
Total	5,051		17.00%	5,498		19.36%

### Notes:

- (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 Employees by Function Last Ten Fiscal Years**

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Function/Program:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	35	37	45	51	50	60	59	55	58	57
Community development	38	44	43	40	37	44	39	38	39	42
Public safety (1)	72	85	84	91	94	101	97	92	95	97
Highways, streets and parks	73	76	87	77	66	71	76	77	76	76
Culture and recreation	<u>153</u>	<u>137</u>	<u>126</u>	<u>141</u>	<u>126</u>	<u>120</u>	<u>128</u>	<u>126</u>	<u>128</u>	<u>120</u>
Total	<u>371</u>	<u>379</u>	<u>385</u>	<u>400</u>	<u>373</u>	<u>396</u>	<u>399</u>	<u>388</u>	<u>396</u>	<u>392</u>

**Note:**

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

# City of San Marcos

## Operating Indicators by Function (1) Last Nine 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	5	-
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	1,263	1,505	1,307	1,225

### Notes:

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

Source: Various City Departments.

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<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
5,320	5,330	5,455	5,451	5,210
211	202	270	253	238
98	93	86	85	90
19,296	13,020	11,810	12,354	13,464
7,184	6,928	7,382	7,287	7,371
2,211	2,101	2,367	3,214	2,953
14	36	24	6	19
3	3	1	-	1
14,976	14,976	14,976	15,165	15,175
-	-	-	5	23
389	474	580	568	597
857	757	761	768	799
30,110	34,494	40,820	46,211	52,577
31,772	35,105	38,897	41,660	46,313
17,610	18,105	13,714	20,946	22,946
13,126	13,295	14,031	13,455	12,775
454	618	866	1,248	1,700
24,819	24,888	28,466	15,247	15,713
1,261	1,328	1,273	1,316	1,342

## *City of San Marcos*

### **Capital Asset Statistics by Function/Program Last Ten Fiscal Years**

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<u>Function/Program</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	4	4	4	4
Number of emergency vehicles	29	32	33	35	33
Highways and Streets:					
Miles of streets (2)	200	212	236	236	236
Number of street lights	2,383	2,428	2,600	2,625	2,645
Culture and Recreation:					
Parks	27	27	28	28	30
Acres of park land	331	336	366	373	373
Pools	2	2	2	2	2

#### Notes:

- (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.

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
4	4	4	4	4
40	31	32	36	38
236	241	194	199	222
2,659	2,695	2,691	2,702	2,708
32	33	34	34	35
377	379	380	380	384
2	2	2	2	2

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