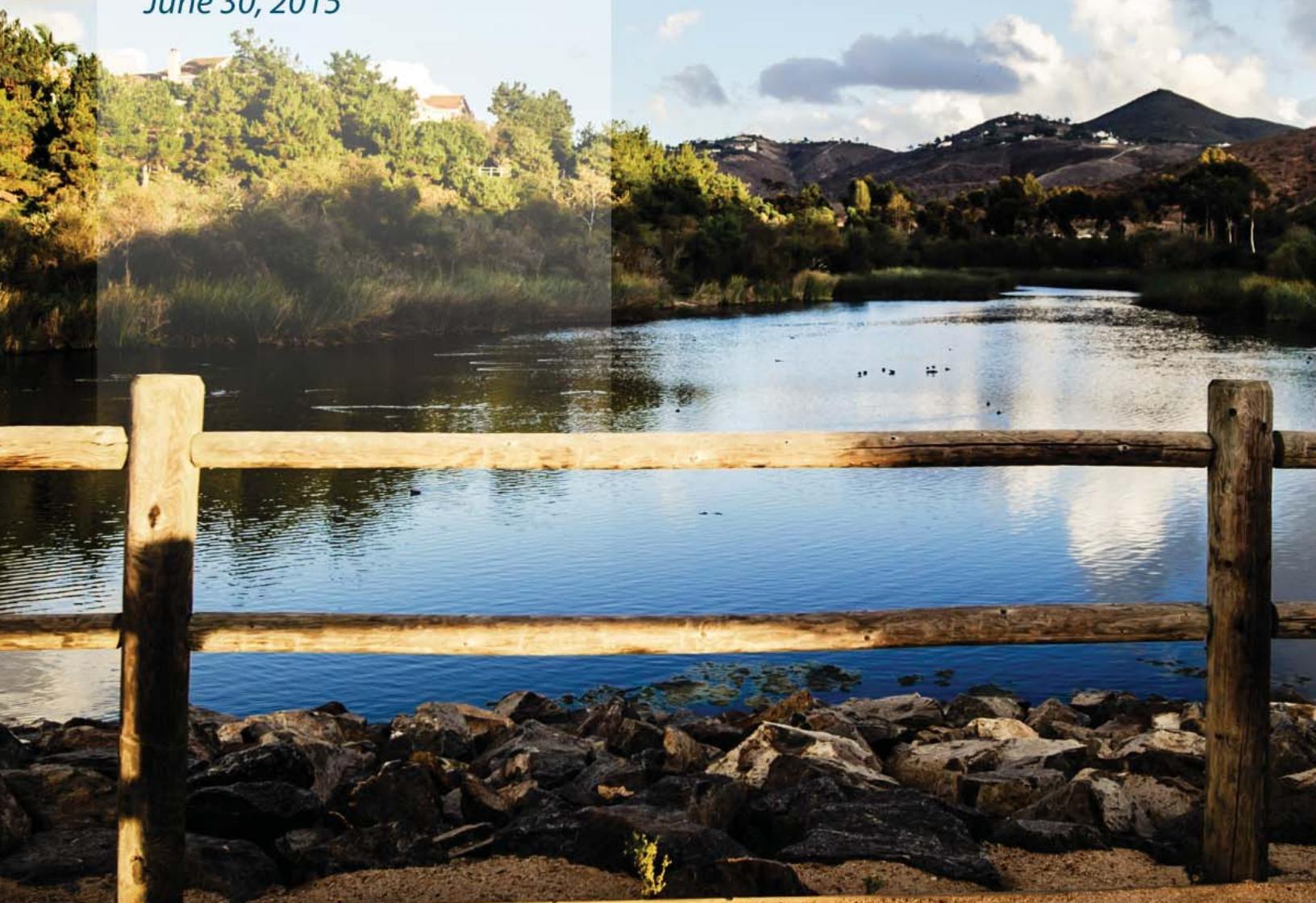


City of SAN MARCOS CALIFORNIA

Comprehensive Annual Financial Report

*Fiscal Year Ended
June 30, 2015*





Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015



City Manager Jack Griffin
Finance Director Laura Rocha

Prepared by the City of San Marcos Finance Department



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, 2015

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For the Year Ended June 30, 2015**

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November 30, 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 2014-15 Comprehensive Annual Financial Report (CAFR). This report has been prepared in conformity with generally accepted accounting principles (GAAP) and has been audited in accordance with generally accepted auditing standards by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, if any, and evaluating the overall financial statement presentation. The auditors concluded that there was a reasonable basis for rendering an unmodified 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 requires that a narrative introduction, overview, and analysis be provided along with the financial statements in the form of Management's Discussion and Analysis (MD&A). The City's MD&A can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement 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 San Diego County to the north and south. The City covers approximately thirty-three 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 76,303 to 90,827, for an average annual growth of 2.28%. 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 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 2015 were Hunter Industries Inc., United Parcel Service, Southern California Permanente Medical Group, Wal-Mart, Costco Wholesale, 24 Hour Fitness, Lusardi Construction Co., RB III Associates, Inc., Fluid Components Intl, LLC, and University Auxiliary and Research Services.

San Diego County home prices, after a fairly significant jump in February of this year of 7.3%, appear to be tracking in close approximation with state and national trends at about a 4.5% increase. Slow and steady in this market is a benefit and continued avoidance of boom/bust cycles is a good thing. Various publications continue to list San Diego County among the top five to ten least affordable home markets. Any significant or protracted economic downturn could have a more pronounced impact on high cost housing markets such as San Marcos. In January of this year, there was approximately a three-month supply of homes on the market in

San Diego County, which is well below what most real estate analysts see as a n optimum supply level.

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, now currently serves over 11 ,000 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 and a five-year capital improvement projects budget. The fiscal year 2015-16 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 2015-16. Reserves are not expected to be utilized unless authorized by City Council in accordance with the City's reserve policy. Projected ending reserves of \$37.2 million represent approximately 55.6% of total projected expenditures.

City Council's first priority for the fiscal year 2015-16 budget was to direct at least 2% of general fund expenditures toward infrastructure, city facility, and vehicle and equipment replacement and rehabilitation under the new Fiscal Management Policy. On that note, 2.6% of the adopted fiscal year 2014-15 General Fund budget or \$1,648,506 in the fiscal year 2015-16 budget was set-aside for this purpose. The 2.6% makes up three-quarters of the overall General Fund increase.

The City is currently working on a General Fund five-year financial forecast expected to be developed and completed as part of the budget process for fiscal year 2016-17. The forecast will look at our major revenue and expenditure items, and provide both trend analysis and projections as to where the City's finances are from a long-term perspective.

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 40% 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.

During fiscal year 2014-15, City Council adopted a new Fiscal Management Policy. The Fiscal Management Policy addresses setting aside specific revenues each budget cycle from the City's general operating budget for infrastructure, city facility, and vehicle and equipment rehabilitation and replacement purposes and provides direction on the use of end of fiscal year budgetary surpluses, one-time revenues and unexpected increases in normal revenues.

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.

The vision of creating a downtown is becoming a reality. Two mixed-use development projects—Promenade at Creekside and EastGate—broke ground this summer to mark the first vertical steps of constructing new buildings in the highly anticipated San Marcos Creek District. The Promenade at Creekside will bring 106 apartment units and 20,000 square feet of commercial space located along Creekside Drive and Grand Avenue directly to the west of Creekside Marketplace.

The second project, dubbed EastGate, is a planned 42-unit complex with about 11,600 feet of commercial space in the same area along Grand Avenue. Included in the two developments is construction of a new road, Creekside Drive, which will run parallel to San Marcos Boulevard and connect Bent and Grand Avenues at the existing dead-end intersection. Residents will see expanded sidewalks and bike access, making the area more bike and pedestrian friendly. By spring 2016, this roadway addition will provide motorists, cyclists and pedestrians an alternative connection to local shopping centers.

As these developments get underway, San Marcos is pushing forward with the infrastructure needed to support the entire Creek District project, including two bridges over San Marcos Creek, the widening of Discovery Street and shoring up and better defining the creek channel to stave off future flooding. Over time, 214-acre s just south of San Marcos Boulevard will be transformed into a thriving downtown neighborhood complete with shopping, housing, and a 80-acre habitat preserve/ parkland and promenade along San Marcos Creek.

The Cities of San Marcos, Carlsbad, Escondido, Oceanside, and Vista continue to work on initiatives to strategically position North San Diego 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 North 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, 2014. 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 content is 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,

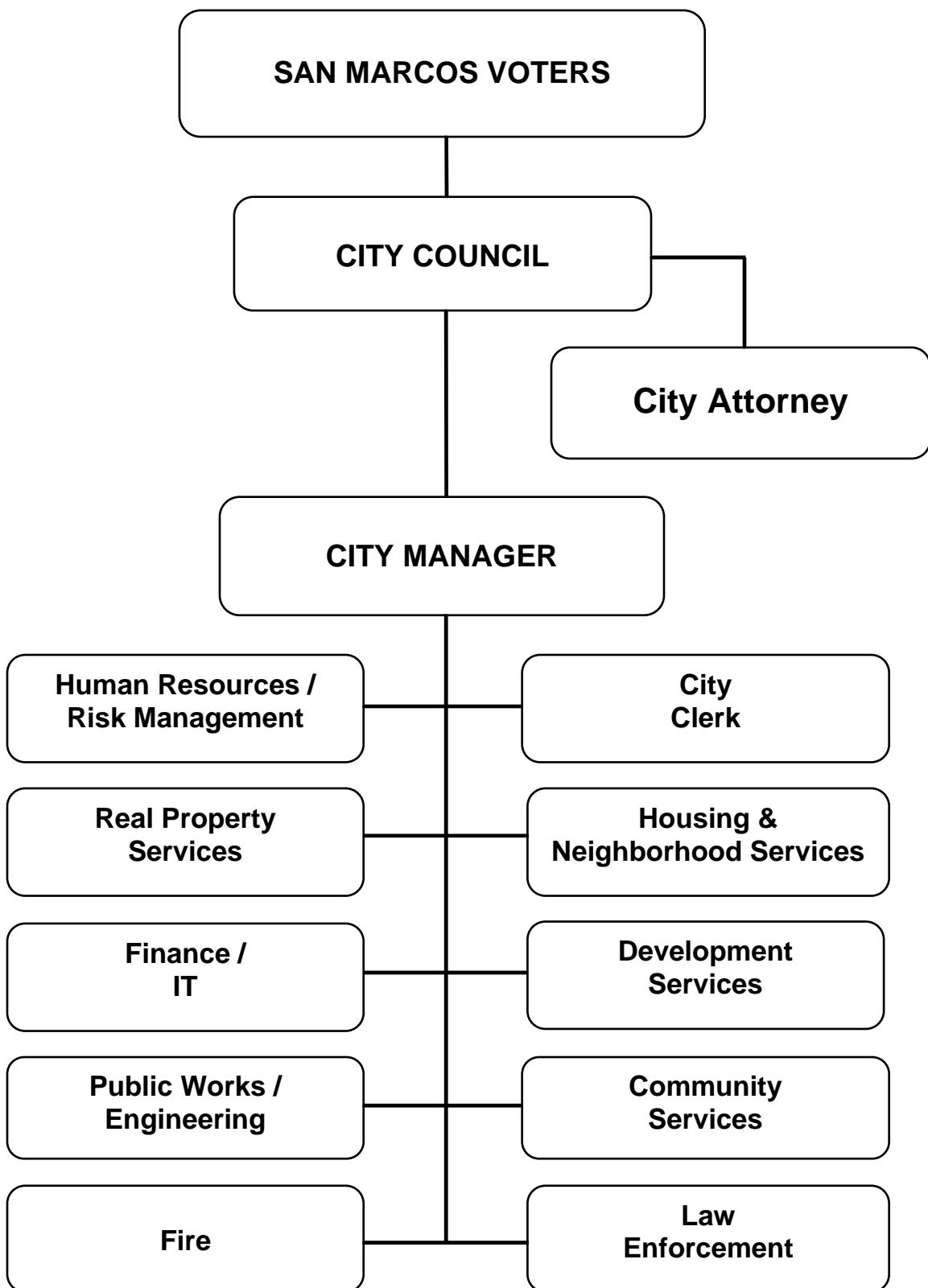


Jack Griffin
City Manager



Laura Rocha, CPA
Finance Director

CITY OF SAN MARCOS
Organizational Chart
June 30, 2015



CITY OF SAN MARCOS

LIST OF PRINCIPAL OFFICIALS

City Council

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

Administration

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

Department/Division Heads

Community Services Director	Buck Martin
Development Services Director/City Engineer	Matthew Little
Finance Director	Laura Rocha
Fire Chief	Brett VanWey
Housing & Neighborhood Services Director	Karl Schwarm
Human Resources/Risk Management Director	Michelle Miller
Public Works Director	Mike Edwards
Real Property Services Director	Ellen Hegarty
Sheriff Station Captain	Michael McClain



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, 2014

A handwritten signature in black ink that reads "Jeffrey R. Einer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Einer" on the bottom line.

Executive Director/CEO



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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

PARTNERS

Brenda L. Odle, CPA, MST
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)

DIRECTORS

Bradferd A. Welebir, CPA, MBA

MANAGERS / STAFF

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
Daniel Hernandez, CPA, MBA

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, 2015, 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
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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, 2015, 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, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transaction for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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 changes in net pension liability and related ratios, the schedule of the City's proportional share of the plans' net pension liability and related ratios as of the measurement date, the schedules of plan contributions, and budgetary comparison information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

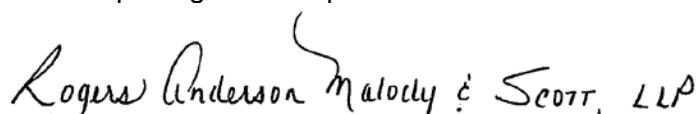
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 November 30, 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 black ink that reads "Rogers Anderson Melotky & Scott, LLP". The signature is fluid and cursive, with "Rogers Anderson" on the top line, "Melotky & Scott" on the middle line, and "LLP" on the bottom line.

San Bernardino, California
November 30, 2015

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

As management of the City of San Marcos, we offer readers of the City of San Marcos' financial statements this narrative overview and analysis of the financial activities of the City of San Marcos for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found beginning on page i of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of San Marcos exceeded its liabilities at the close of the most recent fiscal year by \$906,479,117 (*net position*). Of this amount, \$6,035,274 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of San Marcos' total net position decreased \$60,297,668 from the prior fiscal year mainly because of the implementation of GASB Statement No. 68, which requires the City of San Marcos to record the long-term net pension obligation as a liability. Consequently, the City of San Marcos' total outstanding long-term debt increased by \$47,299,209 during the current fiscal year. Additional information on the implementation of GASB Statement No. 68 can be found in Note 1 on pages 44-45 of this report.
- At the close of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$131,324,045, a decrease of \$13,388,735 in comparison with the prior year. Approximately 24.3% of this amount (\$31,887,817) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$37,872,627, or approximately 52.9% of total general fund expenditures.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

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

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

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

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

The government-wide financial statements can be found on pages 18-20 of this report.

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

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

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

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

The City of San Marcos adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, as noted in the table of contents.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

Proprietary Funds. The City of San Marcos maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of San Marcos uses enterprises funds to account for its Creekside Marketplace and Municipal Utility funds. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center, while the Municipal Utility Enterprise Fund was created a number of years ago to account for the Discovery Valley Utility activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Creekside Marketplace and Municipal Utility, both of which are considered to be major funds of the City of San Marcos.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

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

The fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 34-100 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of San Marcos' schedule of proportionate share of the net pension liability (safety employees), schedule of changes in the net pension liability and related ratios (miscellaneous employees), schedules of contributions (both safety and miscellaneous employees), and major fund budgetary schedules. Required supplementary information can be found on pages 101-107 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 111-116 and 130-133 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of San Marcos, assets and deferred outflows of resources exceeded liabilities by \$906,479,117, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 288,036,155	\$ 279,126,469	\$ 3,029,854	\$ 4,421,949	\$ 291,066,009	\$ 283,548,418
Capital assets, net	653,129,165	678,001,410	34,101,091	27,160,354	687,230,256	705,161,764
Total assets	941,165,320	957,127,879	37,130,945	31,582,303	978,296,265	988,710,182
Deferred outflows of resources	7,374,774	80,710	-	-	7,374,774	80,710
Long-term debt	59,017,903	11,718,694	-	-	59,017,903	11,718,694
Other liabilities	11,384,512	10,226,415	477,122	68,998	11,861,634	10,295,413
Total Liabilities	70,402,415	21,945,109	477,122	68,998	70,879,537	22,014,107
Deferred inflows of resources	8,312,385	-	-	-	8,312,385	-
Net position						
Net investment in capital assets	647,192,005	671,633,533	34,101,091	27,160,354	681,293,096	698,793,887
Restricted	219,150,747	203,555,514	-	-	219,150,747	203,555,514
Unrestricted	3,482,542	60,074,433	2,552,732	4,352,951	6,035,274	64,427,384
Total net position	\$ 869,825,294	\$ 935,263,480	\$ 36,653,823	\$ 31,513,305	\$ 906,479,117	\$ 966,776,785

By far, the largest portion of the City of San Marcos' net position (75.2%) reflects its investment in capital assets (e.g., land, buildings, furniture and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of San Marcos uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of San Marcos' investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of San Marcos' net position (24.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,035,274 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

However, the City of San Marcos' overall net position decreased \$60,297,668 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$65,438,186 from the prior fiscal year for an ending balance of \$869,825,294. The largest decrease in the overall net position of governmental activities is the result of the implementation of GASB Statement No. 68 and the requirement to record the long-term net position obligation as a liability. Other contributing factors include the use of reserves as authorized by City Council for a retroactive retirement obligation and the Hobby Lobby/WinCo and Department of Motor Vehicle projects.

City of San Marcos' Changes in Net Position

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 23,969,705	\$ 22,906,502	\$ 3,335,509	\$ 3,470,369	\$ 27,305,214	\$ 26,376,871
Operating contributions and grants	11,893,755	16,811,189	-	-	11,893,755	16,811,189
Capital contributions and grants	4,294,066	9,843,740	-	-	4,294,066	9,843,740
General revenues:						
Property taxes	16,627,912	14,730,525	-	-	16,627,912	14,730,525
Sales taxes	16,209,302	15,840,511	-	-	16,209,302	15,840,511
Transient occupancy taxes	829,724	794,846	-	-	829,724	794,846
Franchise taxes	3,907,803	3,520,613	-	-	3,907,803	3,520,613
Rental income	5,790,384	6,260,337	-	-	5,790,384	6,260,337
Investment income, restricted	1,455	171,445	-	-	1,455	171,445
Investment income, unrestricted	936,192	937,260	8,184	50,190	944,376	987,450
Gain (loss) on disposal of capital assets	1,810,932	(659,841)	-	-	1,810,932	(659,841)
Other	982,947	489,778	-	-	982,947	489,778
Total Revenues	87,254,177	91,646,905	3,343,693	3,520,559	90,597,870	95,167,464
Expenses						
General government	16,944,647	16,447,263	-	-	16,944,647	16,447,263
Community development	7,094,841	3,431,959	-	-	7,094,841	3,431,959
Public safety	36,059,952	31,398,530	-	-	36,059,952	31,398,530
Highways, streets and parks	33,832,005	32,779,655	-	-	33,832,005	32,779,655
Culture and recreation	5,040,297	3,022,930	-	-	5,040,297	3,022,930
Interest on long-term debt	267,688	272,403	-	-	267,688	272,403
Creekside Marketplace	-	-	2,053,600	1,061,134	2,053,600	1,061,134
Total Expenses	99,239,430	87,352,740	2,053,600	1,061,134	101,293,030	88,413,874
Increase in Net Position						
Before Transfers	(11,985,253)	4,294,165	1,290,093	2,459,425	(10,695,160)	6,753,590
Transfers	(3,850,425)	4,250,000	3,850,425	(4,250,000)	-	-
Change in Net Position	(15,835,678)	8,544,165	5,140,518	(1,790,575)	(10,695,160)	6,753,590
Net Position, Beginning, as Restated	885,660,972	926,719,315	31,513,305	33,303,880	917,174,277	960,023,195
Net Position, Ending	\$ 869,825,294	\$ 935,263,480	\$ 36,653,823	\$ 31,513,305	\$ 906,479,117	\$ 966,776,785

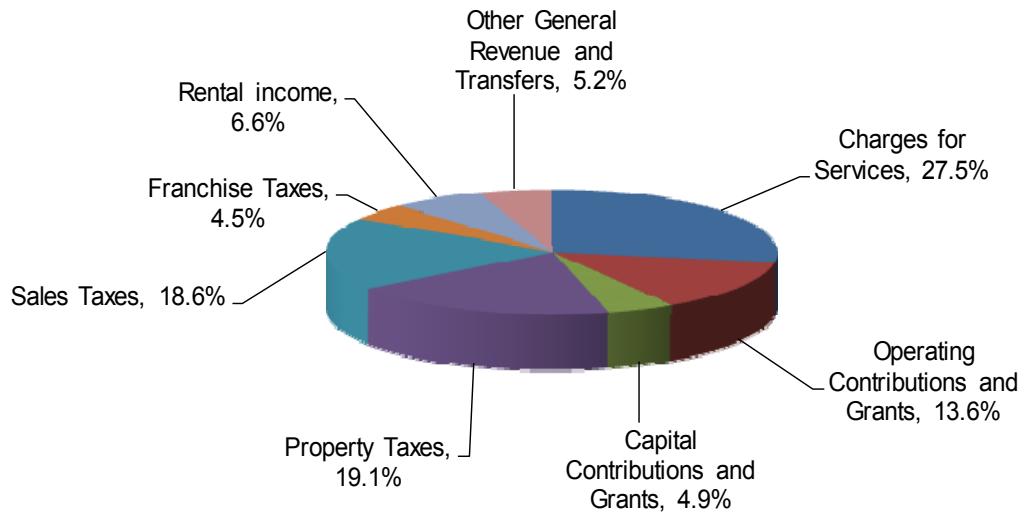
City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2015**

GOVERNMENTAL ACTIVITIES **Revenue by Source**

Revenue Source	2015	Percent of Total	Increase (Decrease)		Percent Increase (Decrease)
			From 2014	2014	
Charges for services	\$ 23,969,705	27.5%	\$ 1,063,203		4.4%
Operating contributions and grants	11,893,755	13.6%	(4,917,434)		-41.3%
Capital contributions and grants	4,294,066	4.9%	(5,549,674)		-129.2%
Property taxes	16,627,912	19.1%	1,897,387		11.4%
Sales taxes	16,209,302	18.6%	368,791		2.3%
Franchise taxes	3,907,803	4.5%	387,190		9.9%
Rental income	5,790,384	6.6%	(469,953)		-8.1%
Other general revenue and transfers	<u>4,561,250</u>	<u>5.2%</u>	<u>2,827,762</u>		62.0%
Total revenue	<u>\$ 87,254,177</u>	<u>100.0%</u>	<u>\$ (4,392,728)</u>		-5.0%

GOVERNMENTAL ACTIVITIES **Revenue by Source** **Fiscal Year 2014-15**



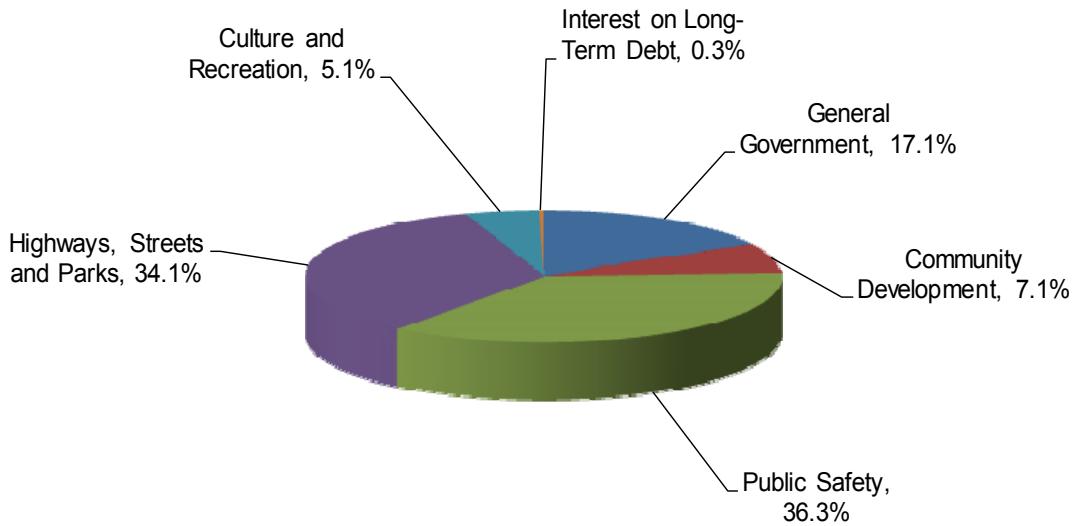
City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

GOVERNMENTAL ACTIVITIES Expense by Function

Function	2015	Percent of Total	Increase (Decrease)		Percent Increase (Decrease)
			From 2014	(Decrease)	
General government	\$ 16,944,647	17.1%	\$ 497,384	2.9%	
Community development	7,094,841	7.1%	3,662,882	51.6%	
Public safety	36,059,952	36.3%	4,661,422	12.9%	
Highways, streets and parks	33,832,005	34.1%	1,052,350	3.1%	
Culture and recreation	5,040,297	5.1%	2,017,367	40.0%	
Interest on long-term debt	267,688	0.3%	(4,715)	-1.8%	
Total expenses	\$ 99,239,430	100.0%	\$ 11,886,690		12.0%

GOVERNMENTAL ACTIVITIES Expenses by Function Fiscal Year 2014-15



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

Business-type Activities. For the City of San Marcos' business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$36,653,823. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center, while the Municipal Utility Enterprise Fund was created a number of years ago to account for the Discovery Valley Utility activities. The total increase in net position for business-type activities (Creekside and Municipal funds) was \$5,140,518 or 16.3% from the prior fiscal year. The growth, in large part, is attributable to the transfer in of funds from the General Fund for the Hobby Lobby/WinCo project, which is expected to be completed fall of 2015.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds. The focus of the City of San Marcos' *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of San Marcos' financing requirements.

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

At June 30, 2015, the City of San Marcos' governmental funds reported combined fund balances of \$131,324,045, a decrease of \$13,388,735 in comparison with the prior year. Approximately 24.3% of this amount (\$31,887,817) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, or assigned* to indicate that it is 1) not in spendable form (\$10,451,246), 2) legally required to be maintained intact (\$1,000,000), 3) restricted for particular purposes (\$80,000,192), or 4) assigned for particular purposes (\$5,984,790).

Major Funds

The general fund is the chief operating fund of the City of San Marcos. At the end of the current fiscal year, unassigned fund balance of the general fund was (\$31,887,837), while total fund balance decreased to \$48,323,873. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 44.6% of total general fund expenditures, while total fund balance represents approximately 67.6% of that same amount.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

The fund balance of the City of San Marcos' general fund decreased by \$14,730,534 during the current fiscal year, as discussed earlier in connection with governmental activities, the decrease was primarily due to the use of reserves as authorized by City Council for a retroactive retirement obligation and the Hobby Lobby/WinCo and Department of Motor Vehicle projects.

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 fund balance of \$38,120,613. Approximately \$3,743,546 was made during the fiscal year to housing developers to assist with the construction of affordable housing projects. Overall, developer loan activity was significantly up from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year significant amendments to increase original budgeted appropriations were authorized by City Council. The operating expenditure budget was increased by \$848,367 for carryovers from fiscal year 2013-14 and mid-year budget adjustments. In addition, City Council authorized the use of reserves in the amount of \$17,252,926 for one-time expenditure items related to a retroactive retirement obligation and the Hobby Lobby/WinCo and Department of Motor Vehicle projects. Other amendments to reallocate appropriations among departments took place when it became clearer which department and/or budgeted line item incurred the expenditure. Generally, the movement of the appropriations between departments was *not* significant and did not increase the overall operating budget.

Ending fund balance in the General Fund was less than projected due mainly to the authorized use of reserves as noted above. The most significant revenue increases were due to one-time revenues from reimbursement for the Cocos Fires in 2014 and the sale of land for future development activity.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City of San Marcos' investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$687,230,256 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture and equipment, and infrastructure. The total decrease in capital assets for the current fiscal year was approximately -2.6%.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 288,815,220	\$ 295,700,506	\$ 11,865,697	\$ 11,865,697	\$ 300,680,917	\$ 307,566,203
Buildings and Improvements	110,709,032	106,921,475	14,912,302	15,294,657	125,621,334	122,216,132
Furniture and Equipment	4,397,150	4,514,265	-	-	4,397,150	4,514,265
Infrastructure	232,740,300	239,154,462	-	-	232,740,300	239,154,462
Construction in progress	16,467,463	31,710,702	7,323,092	-	23,790,555	31,710,702
Total	\$ 653,129,165	\$ 678,001,410	\$ 34,101,091	\$ 27,160,354	\$ 687,230,256	\$ 705,161,764

Major capital asset events during the current fiscal year included the following:

- Land parcels were sold to developers in the amount of \$8,660,000 for affordable and non-affordable housing projects.
- Connor's Park with construction costs of \$4,824,638 was completed and placed in service during the current year.
- Completion of Montiel Park enhancements, and various street and traffic improvement projects at a cost of \$5,488,741.
- Various construction in progress projects related to streets, bridges, and storm water drains at a cost of \$8,262,318 were reclassified as expenditures. These projects were deemed not viable during the planning and design phase of the project.
- Construction in progress improvements for Hobby Lobby/WinCo project in the amount of \$7,323,092.

Additional information on the City of San Marcos' capital assets can be found in Note 7 on pages 58-59 of this report.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

Long-term Debt. At the end of the current fiscal year, the City of San Marcos had total bonded debt outstanding of \$59,017,903. Of this amount, \$4,653,666 is debt backed by the full faith and credit of the government. The remainder of the City of San Marcos' long-term obligations comprises pension-related debt, notes and loans payables, worker's compensation claims, compensated absences, and capital leases.

City of San Marcos' Outstanding Debt

	Governmental Activities			Net Change
	2015	2014		
Bonds payable, net	\$ 4,653,666	\$ 4,901,333		\$ (247,667)
Note payable	401,747	521,949		(120,202)
Compensated absences	4,217,563	4,605,623		(388,060)
Claims payable	814,486	745,194		69,292
Capital leases payable	411,882	413,919		(2,037)
Loans payable - CEC	469,865	530,676		(60,811)
Net pension liability	48,048,694	-		48,048,694
Total	\$ 59,017,903	\$ 11,718,694		\$ 47,299,209

The City of San Marcos' total debt increased by \$47,299,209, or (403.6%) during the current fiscal year. The reason for the increase was that the addition of the City's net pension liability during the year due to the implementation of GASB Statement No. 68.

Additional information on the City of San Marcos' long-term debt can be found in Note 8, on pages 60-64 of this report.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

From a big picture/national economic perspective, the economic upswing out of the recession continues slowly and may have stopped. In the case of the City of San Marcos, slow and steady growth is projected at this point. Maintaining a conservative outlook, particularly with respect to revenues was the continued focus. The slowing economy seems to be borne out by the relatively slow rate of wage inflation. Based on employee group memorandums of understanding, the City of San Marcos will see salary range adjustments due to a 1.85% cost of labor increase for fiscal year 2015-16. This low growth in wages supports the notion that the economy continues to recover very slowly.

National, statewide and regional economic indicators are mixed. The unemployment rate in California dropped another percent from March 2014 through April 2015. Fortunately, San Diego County continues to outperform the state overall. The San Diego County preliminary unemployment rate for April 2015 was 4.8%, well below the statewide average of 6.3%. The labor force participation rate in California remains steady at about 62%, however, this steadiness is not a positive note as the participation rate of 61.8% in April 2014 marked the lowest rate since April 1976. The April 2015 rate of 62.1% indicates a lack of full time job growth and that long term unemployed persons continue to find it difficult to attain employment. On a positive note, in December 2014, the preliminary California Composite Index of Consumer Sentiment reached a ten-year high. A high level of consumer confidence generally is good news for cities since the reliance on sales tax and consumer spending is a major component of the City of San Marcos' revenue stream.

Lastly, on the economic front, San Diego County home prices, after a fairly significant jump of 7.3% in February 2015, appear to be tracking in close approximation with state and national trends at about a 4.5% increase. Slow and steady in this market is a benefit and continued avoidance of boom/bust cycles is a good thing. Various publications continue to list San Diego County among the top five to ten least affordable home markets. Any significant or protracted economic downturn could have a more pronounced impact on high-cost housing markets such as the City of San Marcos. In January 2015, there was approximately a three-month supply of homes on the market in San Diego County, which is well below what most real estate analysts see as an optimum supply level.

In developing the budget for fiscal year 2015-16, the first priority was to build on the City Council's direction to direct at least 2% of general fund expenditures toward infrastructure, city facility, and vehicle and equipment replacement and rehabilitation under the new Fiscal Management Policy. On that note, 2.6% of the adopted fiscal year 2014-15 General Fund budget or \$1,648,506 in the fiscal year 2015-16 budget was set aside for this purpose. The 2.6% makes up three-quarters of the overall General Fund increase. This means that normal City operations are showing about a 1% increase over projected fiscal year 2014-15 spending levels.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2015

Beyond that, there were a number of challenges caused by the ongoing implementation of the Affordable Care Act requiring both additional financial resources as well as significant additional administrative effort. The changes in the definitions of those terms required careful consideration for managing part-time employees in which some areas (Fire Department, Community Services and Public Works) were better served with converting some part-time positions to full-time.

Small to moderate growth (2-4%) is projected in a number of the major revenue categories including property and sales tax. Rental income, excepting the future Hobby Lobby/WinCo building, is relatively flat and vacancy rates at City Hall appear to be higher than historic norms. The Hobby Lobby/WinCo building coming online beginning in the late fall of 2015 will cause a significant increase in rental revenue at the Creekside Marketplace.

It is important to note that the City of San Marcos' budget for fiscal year 2015-16 contains funding for two large data studies that will provide insight for managing ongoing development processing fee revenue and developing a comprehensive asset management program.

The City of San Marcos' financial outlook remains steady and strong. The recommended fiscal year 2015-16 budget is balanced and in compliance with the City Council's amended General Fund Reserve Policy and the recently adopted Fiscal Management Policy.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of San Marcos' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1 Civic Center Drive, San Marcos, California, 92069.

City of San Marcos

Statement of Net Position **June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 2)	\$ 94,758,241	\$ 2,250,745	\$ 97,008,986
Cash and investments with fiscal agents (note 2)	6,579,617	-	6,579,617
Receivables:			
Taxes and special assessments	2,358,970	-	2,358,970
Accounts	1,765,564	-	1,765,564
Interest	73,268	1,012	74,280
Notes (note 3)	136,021,620	-	136,021,620
Other (note 4)	1,175,656	778,097	1,953,753
Due from other governments	2,651,201	-	2,651,201
Advances to Successor Agency (note 16)	21,647,808	-	21,647,808
Deposits	2,396,153	-	2,396,153
Prepays	40,631	-	40,631
Land held for resale	10,700,425	-	10,700,425
Investment in joint venture (note 12)	7,867,001	-	7,867,001
Capital assets, not depreciated (note 7)	367,669,386	19,188,789	386,858,175
Capital assets, net of depreciation (note 7)	285,459,779	14,912,302	300,372,081
 Total Assets	 941,165,320	 37,130,945	 978,296,265
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	7,297,573	-	7,297,573
Loss on defeasance of debt	77,201	-	77,201
 Total Deferred Outflows of Resources	 7,374,774	 -	 7,374,774
LIABILITIES			
Accounts payable	5,286,154	336,592	5,622,746
Accrued liabilities	3,478,544	-	3,478,544
Unearned revenue (note 6)	778,972	-	778,972
Deposits payable	1,840,842	140,530	1,981,372
Noncurrent liabilities (note 8):			
Due within one year	3,015,572	-	3,015,572
Due in more than one year	56,002,331	-	56,002,331
 Total Liabilities	 70,402,415	 477,122	 70,879,537
DEFERRED INFLOWS OF RESOURCES			
Pension related	8,312,385	-	8,312,385
NET POSITION			
Net investment in capital assets	647,192,005	34,101,091	681,293,096
Restricted (note 9)	219,150,747	-	219,150,747
Unrestricted	3,482,542	2,552,732	6,035,274
 Total Net Position	 \$ 869,825,294	 \$ 36,653,823	 \$ 906,479,117

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

City of San Marcos

Statement of Activities For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 16,944,647	\$ 2,052,635	\$ 356,715	\$ -
Community development	7,094,841	2,252,007	400,205	1,016,038
Public safety	36,059,952	9,103,730	4,171,491	50,471
Highways, streets, and parks	33,832,005	8,196,772	6,546,207	3,227,557
Culture and recreation	5,040,297	2,364,561	419,137	-
Interest on long-term debt	267,688	-	-	-
Total governmental activities	99,239,430	23,969,705	11,893,755	4,294,066
Business-type activities:				
Creekside Marketplace	2,053,600	3,335,509	-	-
Total	\$ 101,293,030	\$ 27,305,214	\$ 11,893,755	\$ 4,294,066

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Rental income

Investment income, restricted

Investment income, unrestricted

Gain on disposal and sale 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 Restatement (note 17)

Net Position, Beginning, as Restated

Net Position, Ending

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (14,535,297)	\$ -	\$ (14,535,297)
(3,426,591)	-	(3,426,591)
(22,734,260)	-	(22,734,260)
(15,861,469)	-	(15,861,469)
(2,256,599)	-	(2,256,599)
(267,688)	-	(267,688)
(59,081,904)	-	(59,081,904)
-	1,281,909	1,281,909
(59,081,904)	1,281,909	(57,799,995)
16,627,912	-	16,627,912
16,209,302	-	16,209,302
829,724	-	829,724
3,907,803	-	3,907,803
5,790,384	-	5,790,384
1,455	-	1,455
936,192	8,184	944,376
1,810,932	-	1,810,932
982,947	-	982,947
(3,850,425)	3,850,425	-
43,246,226	3,858,609	47,104,835
(15,835,678)	5,140,518	(10,695,160)
935,263,480	31,513,305	966,776,785
(49,602,508)	-	(49,602,508)
885,660,972	31,513,305	917,174,277
\$ 869,825,294	\$ 36,653,823	\$ 906,479,117

City of San Marcos

Balance Sheet – Governmental Funds June 30, 2015

		General	Special Revenue San Marcos Affordable Housing	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 41,931,430	\$ 10,612,246	\$ 42,214,565	
Cash and investments with fiscal agents (note 2)	-	5,404,655	1,174,962	
Receivables:				
Taxes and special assessments	2,329,084	-	29,886	
Accounts	1,644,487	7,596	113,481	
Interest	34,368	7,724	31,176	
Notes, net (note 3)	-	133,511,992	2,509,628	
Other, net (note 4)	1,055,140	-	120,516	
Due from other governments	162,284	1,730	2,487,187	
Due from other funds (note 5)	479,215	-	-	
Advances to Successor Agency (note 16)	-	21,647,808	-	
Deposits	1,151,460	-	1,244,693	
Land held for resale	9,299,786	542,291	858,348	
Total Assets	\$ 58,087,254	\$ 171,736,042	\$ 50,784,442	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,005,308	\$ 40,565	\$ 1,240,281	
Accrued liabilities	3,222,968	26,690	178,546	
Due to other funds (note 5)	-	-	479,215	
Unearned revenue (note 6)	148,472	500	630,000	
Deposits payable	1,068,065	34,498	738,279	
Total Liabilities	8,444,813	102,253	3,266,321	
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	1,318,568	133,513,176	2,638,562	
Fund Balances:				
Nonspendable:				
Land held for resale	9,299,786	-	-	
Deposits	1,151,460	-	-	
Permanent fund	-	-	1,000,000	
Restricted:				
Affordable housing	-	38,120,613	97,737	
Debt service	-	-	186,980	
Transportation	-	-	5,226,691	
Lighting and landscape	-	-	11,266,533	
Capital improvements	-	-	2,501,594	
Public facilities	-	-	22,376,304	
Other purposes	-	-	2,223,740	
Assigned	5,984,790	-	-	
Unassigned	31,887,837	-	(20)	
Total Fund Balances	48,323,873	38,120,613	44,879,559	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 58,087,254	\$ 171,736,042	\$ 50,784,442	

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

Total

\$	94,758,241
	6,579,617
	2,358,970
	1,765,564
	73,268
	136,021,620
	1,175,656
	2,651,201
	479,215
	21,647,808
	2,396,153
	<u>10,700,425</u>
\$	<u>280,607,738</u>

\$ 5,286,154

3,428,204
479,215
778,972
<u>1,840,842</u>
<u>11,813,387</u>
<u>137,470,306</u>

9,299,786

1,151,460
1,000,000
38,218,350
186,980
5,226,691
11,266,533
2,501,594
22,376,304
2,223,740
5,984,790
<u>31,887,817</u>
<u>131,324,045</u>

\$ 280,607,738

City of San Marcos

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2015

Fund balances of governmental funds	\$ 131,324,045
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.	7,867,001
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	
Capital assets, not depreciated	\$ 367,669,386
Capital assets, being depreciated	466,282,936
Less: accumulated depreciation	<u>(180,823,157)</u> 653,129,165
Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position.	77,201
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.	(50,340)
Deferred inflows and outflows of resources related to pensions have not been reported in the governmental funds:	
Pension related deferred outflows of resources	\$ 7,297,573
Pension related deferred inflows of resources	<u>(8,312,385)</u> (1,014,812)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	\$ (4,653,666)
Note payable	(401,747)
Compensated absences	(4,217,563)
Claims payable	(814,486)
Capital lease financing	(411,882)
Loans payable	(469,865)
Net pension liability	<u>(48,048,694)</u> (59,017,903)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>137,470,306</u>
Net position of governmental activities	<u>\$ 869,825,294</u>

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

City of San Marcos

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2015

	General	Special Revenue San Marcos Affordable Housing	Total Non-Major Governmental Funds
REVENUES			
Taxes and special assessments	\$ 33,828,482	\$ -	\$ 6,917,924
Licenses and permits	4,896,092	-	-
Intergovernmental	4,694,386	-	7,011,567
Charges for services	14,767,944	-	-
Developer fees	44,585	632,400	1,564,709
Fines and forfeitures	378,143	-	-
Investment and rental income	5,722,070	605,747	809,004
Miscellaneous	614,366	495,372	197,310
Total Revenues	<u>64,946,068</u>	<u>1,733,519</u>	<u>16,500,514</u>
EXPENDITURES			
Current:			
General government	15,463,895	618,315	-
Community development	2,797,343	3,992,707	492,080
Public safety	35,723,940	19,342	-
Highways, streets and parks	12,618,195	-	8,051,728
Culture and recreation	4,653,020	-	251,474
Capital outlay	60,513	-	3,611,708
Debt service:			
Principal	200,674	-	370,202
Interest and fiscal charges	14,768	-	245,697
Total Expenditures	<u>71,532,348</u>	<u>4,630,364</u>	<u>13,022,889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,586,280)</u>	<u>(2,896,845)</u>	<u>3,477,625</u>
OTHER FINANCING SOURCES (USES)			
Gain on sale of land held for resale	1,779,016	243,704	-
Acquisition under capital leases	125,074	-	-
Joint venture contributions (note 12)	(6,537,501)	-	-
Developer contributions	-	-	844,145
Issuance of debt	-	-	12,752
Transfers in (note 5)	5,625,712	-	286,130
Transfers out (note 5)	(9,136,555)	-	(625,712)
Total Other Financing Sources (Uses)	<u>(8,144,254)</u>	<u>243,704</u>	<u>517,315</u>
Net Change in Fund Balances	<u>(14,730,534)</u>	<u>(2,653,141)</u>	<u>3,994,940</u>
Fund Balances, Beginning	<u>63,054,407</u>	<u>40,773,754</u>	<u>40,884,619</u>
Fund Balances, Ending	<u>\$ 48,323,873</u>	<u>\$ 38,120,613</u>	<u>\$ 44,879,559</u>

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

Total

\$ 40,746,406
4,896,092
11,705,953
14,767,944
2,241,694
378,143
7,136,821
1,307,048
83,180,101

16,082,210
7,282,130
35,743,282
20,669,923
4,904,494
3,672,221

570,876
260,465
89,185,601

(6,005,500)

2,022,720
125,074
(6,537,501)
844,145
12,752
5,911,842
(9,762,267)
(7,383,235)
(13,388,735)
144,712,780
\$ 131,324,045

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, 2015

Net change in fund balances - total governmental funds \$ (13,388,735)

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	\$ 1,907,046
Depreciation expense, net of deletions to accumulated depreciation	(11,586,037)
Construction in progress projects deemed not viable	<u>(8,262,318)</u>

(17,941,309)

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

Joint venture contributions	6,537,501
Contributed capital	1,624,064
Grants and other reimbursement revenue	(393,250)
Long-term loans receivable	6,254,269
Investment in joint venture revenue	<u>188,185</u>

14,210,769

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.

Long-term debt issued	(12,752)
Acquisition under capital leases	(125,074)
Principal payments on long-term debt	570,876
Changes in pension related items	<u>539,002</u>

972,052

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	388,060
Change in claims payable	(69,292)
Change in accrued interest	(1,381)
Amortization of prepaid insurance	(3,509)
Amortization of bond discount	<u>(2,333)</u>

311,545

Change in net position of governmental activities \$ (15,835,678)

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

City of San Marcos

Statement of Net Position Proprietary Funds June 30, 2015

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
ASSETS			
Current Assets:			
Cash and investments (note 2)	\$ 2,184,711	\$ 66,034	\$ 2,250,745
Receivables:			
Interest	963	49	1,012
Total Current Assets	<u>2,185,674</u>	<u>66,083</u>	<u>2,251,757</u>
Noncurrent Assets:			
Other receivable (note 4)	778,097	-	778,097
Capital assets (note 7):			
Land	11,865,697	-	11,865,697
Construction in progress	7,323,092	-	7,323,092
Buildings, net of depreciation	<u>14,912,302</u>	<u>-</u>	<u>14,912,302</u>
Total Noncurrent Assets	<u>34,879,188</u>	<u>-</u>	<u>34,879,188</u>
Total Assets	<u>37,064,862</u>	<u>66,083</u>	<u>37,130,945</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	336,592	-	336,592
Deposits payable	<u>140,530</u>	<u>-</u>	<u>140,530</u>
Total Liabilities	<u>477,122</u>	<u>-</u>	<u>477,122</u>
NET POSITION			
Net investment in capital assets	34,101,091	-	34,101,091
Unrestricted	<u>2,486,649</u>	<u>66,083</u>	<u>2,552,732</u>
Total Net Position	<u>\$ 36,587,740</u>	<u>\$ 66,083</u>	<u>\$ 36,653,823</u>

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

City of San Marcos

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
OPERATING REVENUES			
Rental income	\$ 2,964,739	\$ -	\$ 2,964,739
Common area maintenance charges	370,770	-	370,770
Total Operating Revenues	<u>3,335,509</u>	-	<u>3,335,509</u>
OPERATING EXPENSES			
Property management	818,386	-	818,386
Janitorial	122,011	-	122,011
Repair and maintenance	730,848	-	730,848
Depreciation	382,355	-	382,355
Total Operating Expenses	<u>2,053,600</u>	-	<u>2,053,600</u>
Operating Income	1,281,909	-	1,281,909
NON-OPERATING REVENUE			
Investment income	<u>7,694</u>	<u>490</u>	<u>8,184</u>
Income Before Transfers	1,289,603	490	1,290,093
TRANSFERS			
Transfers in (note 5)	8,850,425	-	8,850,425
Transfers out (note 5)	(5,000,000)	-	(5,000,000)
Total Transfers	<u>3,850,425</u>	-	<u>3,850,425</u>
Change in Net Position	<u>5,140,028</u>	<u>490</u>	<u>5,140,518</u>
Net Position, Beginning	<u>31,447,712</u>	<u>65,593</u>	<u>31,513,305</u>
Net Position, Ending	<u>\$ 36,587,740</u>	<u>\$ 66,083</u>	<u>\$ 36,653,823</u>

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, 2015**

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,750,882	\$ -	\$ 3,750,882
Payments to suppliers for goods and services	<u>(1,671,245)</u>	<u>-</u>	<u>(1,671,245)</u>
Net cash provided by operating activities	<u>2,079,637</u>	<u>-</u>	<u>2,079,637</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from settlement agreement	19,493	-	19,493
Transfer to General Fund	<u>(5,000,000)</u>	<u>-</u>	<u>(5,000,000)</u>
Net cash used for noncapital financing activities	<u>(4,980,507)</u>	<u>-</u>	<u>(4,980,507)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Construction in progress	(7,323,092)	-	(7,323,092)
Transfer from General Fund	<u>8,850,425</u>	<u>-</u>	<u>8,850,425</u>
Net cash provided by noncapital financing activities	<u>1,527,333</u>	<u>-</u>	<u>1,527,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>11,159</u>	<u>479</u>	<u>11,638</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,362,378)</u>	<u>479</u>	<u>(1,361,899)</u>
Cash and cash equivalents, beginning	<u>3,547,089</u>	<u>65,555</u>	<u>3,612,644</u>
Cash and cash equivalents, ending	<u>\$ 2,184,711</u>	<u>\$ 66,034</u>	<u>\$ 2,250,745</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 1,281,909	\$ -	\$ 1,281,909
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	382,355	-	382,355
Increase (decrease) in operating liabilities:			
Accounts payable	336,592	-	336,592
Deposits payable	<u>78,781</u>	<u>-</u>	<u>78,781</u>
Net cash provided by for operating activities	<u>\$ 2,079,637</u>	<u>\$ -</u>	<u>\$ 2,079,637</u>

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

City of San Marcos

Statement of Fiduciary Net Position **Fiduciary Funds** **June 30, 2015**

	Agency Funds	Private-Purpose Trust Funds
ASSETS		
Cash and investments (note 2)	\$ 2,383,500	\$ 6,501,942
Receivables:		
Notes	-	126,376
Special assessments	34,034	-
Interest	68	18,914
Direct financing lease	-	3,012,525
Prepaid expenses	-	2,576,797
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	14,816,412	77,877,611
Capital Assets:		
Land	-	3,907,369
Total Assets	<u>\$ 17,234,014</u>	<u>94,021,534</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt		<u>4,072,069</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5,637	701,627
Accrued liabilities	-	39,240
Accrued interest payable	-	5,682,269
Due to other governments	-	5,767
Deposits payable	2,315,923	-
Due to bondholders	14,912,454	-
Noncurrent Liabilities:		
Due within one year	-	10,415,427
Due in more than one year	-	<u>342,979,710</u>
Total Liabilities	<u>\$ 17,234,014</u>	<u>359,824,040</u>
NET POSITION (DEFICIT)		
Held in trust for other taxing entities		<u>\$ (261,730,437)</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, 2015

	Private-Purpose Trust Funds
ADDITIONS	
Tax	\$ 29,755,034
Income from property and investments	<u>306,072</u>
 Total Additions	 <u>30,061,106</u>
DEDUCTIONS	
General and administrative	645,630
Community development	1,624,064
Interest expense and fees	<u>17,264,322</u>
 Total Deductions	 <u>19,534,016</u>
 Change in Net Position	 <u>10,527,090</u>
 Net Position (Deficit), Beginning	 <u>(272,257,527)</u>
 Net Position (Deficit), Ending	 <u>\$ (261,730,437)</u>

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

City of San Marcos

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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, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

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

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

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, 2015

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. As part of the by-laws, the City of San Marcos is to provide financial and investment services to the Foundation at no cost. The Foundation provides financial and other assistance to worthy programs which benefit the City and residents of San Marcos. Assets of the Foundation are reported in a Permanent Fund as only the interest earnings on the original principal of \$1,000,000 can be spent on Foundation activity. The amount that is available for spending is the balance over the original endowment and is reported on the balance sheet as restricted fund balance. No less than 4% or more than 5% of total assets may be distributed in any one year as long as total assets do not fall below the original principal.
- The *San Marcos Public Financing Authority* (Financing Authority) was established pursuant to a Joint Exercise of Powers Agreement, dated December 14, 1993, a subsequently amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, each by and between the City and the Fire Protection District (FPD). The Financing Authority was created for the purpose of financing and refinancing of public capital improvements for, and working capital requirements of, the City, the FPD or any other local agency, including community facilities districts created by the City or the FPD, through the construction and/or acquisition by the Financing Authority of such public capital improvements and/or by the Financing Authority of bonds of the City, FPD or any other local agency pursuant the bond purchase agreements and/or the lending of funds by the Financing Authority to the City, the FPD or any other local agency. The Financing Authority is governed by a board of five directors, which is composed of the members of the City Council.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A) Description of Reporting Entity, (continued)

Blended Component Units, (continued)

The San Marcos Public Financing Authority (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.

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, 2015

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, 2015

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.

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.

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements

1) Cash and Investments

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

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

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

2) Receivables and Payables

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

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

4) Land Held for Resale

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

5) Notes Receivable

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

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of 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. 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.

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

8) Property Taxes

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

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

9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

10) Capital Assets

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

10) Capital Assets, continued

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

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

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

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

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.

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

16) Fund Equity, (continued)

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

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

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

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

17) Implementation of New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

17) Implementation of New Pronouncements, (continued)

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

18) Pension Plans

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

2) CASH AND INVESTMENTS

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

Cash and investments at June 30, 2015 consisted of the following:

Demand deposits	\$ 3,391,577
Local Agency Investment Pool (LAIF)	39,329,740
California Asset Management Pool (CAMP)	14,564,823
Federal Agency Securities	24,422,754
U.S. Treasury Obligations	10,601,379
U.S. Corporate	9,996,123
Asset-Backed Securities	4,067,336
Commercial Paper	670,000
Money Market Mutual Funds	<u>98,124,336</u>
 Total Cash and Investments	 \$ 205,168,068

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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.

Investment Type Authorized by State Law	Authorized By City Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Bankers' Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	30 days	50%	None
Reverse Repurchase Agreements	No	1 year	20%	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
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, 2015

2) CASH AND INVESTMENTS, (continued)

Investments Authorized by Debt Agreements

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

2) CASH AND INVESTMENTS, (continued)

Interest Rate Risk

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

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

Investment Type	Total	12 Months or Less	13 to 36 Months	37-60 Months
Federal Agency Securities	\$ 23,154,733	\$ 2,848,789	\$ 13,348,673	\$ 6,957,271
U.S. Treasury Obligations	10,601,379	909,563	5,841,941	3,849,875
U.S. Corporate	9,996,123	-	5,504,729	4,491,394
Asset-Backed Securities	4,067,336	92,523	2,443,849	1,530,964
Commercial Paper	670,000	670,000	-	-
Money Market Mutual Funds	118,715	118,715	-	-
LAIF	39,329,740	39,329,740	-	-
CAMP	14,564,823	14,564,823	-	-
Held by bond trustees:				
Money Market Mutual Funds	98,005,621	98,005,621	-	-
Federal Agency Securities	1,268,021	424,772	843,249	-
Total	\$ 201,776,491	\$156,964,546	\$ 27,982,441	\$ 16,829,504

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

2) CASH AND INVESTMENTS, (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Standard & Poor's Rating as of Year End
Federal Agency Securities	\$ 23,154,733	N/A	AA+
U.S. Treasury Obligations	10,601,379	N/A	AA+
U.S. Corporate	9,996,123	N/A	A+
Asset-Backed Securities	4,067,336	N/A	AAA
Commercial Paper	670,000	N/A	A-1+
Money Market Mutual Funds	118,715	N/A	AAA
LAIF	39,329,740	N/A	Not Rated
CAMP	14,564,823	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	98,005,621	A	AAA
Federal Agency Securities	<u>1,268,021</u>	N/A	AA+
Total	<u><u>\$ 201,776,491</u></u>		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer other than external investment pools and mutual funds that represent 5% or more of the total City investments (or 5% or more of any major fund or non-major funds in the aggregate) must be disclosed. There are no investments at June 30, 2015 that meet the above criteria.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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, 2015, 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>.

The City's investment in this pool is reported in the accompanying City's financial statements at fair value. The fair value of the City's investment in this pool is based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

City of San Marcos

**Notes to Basic Financial Statements
For the Year Ended June 30, 2015**

2) CASH AND INVESTMENTS, (continued)

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, 2015

3) NOTES RECEIVABLE

At June 30, 2015, 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.

\$ 1,930,394

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.

125,885,440

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 30 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, 2015 includes accrued interest of \$346,344.

1,666,344

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, 2015 includes accrued interest of \$65,722.

765,722

City of San Marcos

**Notes to Basic Financial Statements
For the Year Ended June 30, 2015**

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, 2015 includes accrued interest of \$319,279.

\$ 2,164,904

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.

2,509,628

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.

1,099,188

Total notes receivable

\$ 136,021,620

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

4) OTHER RECEIVABLES

At June 30, 2015, other receivables consisted of the following:

Governmental Funds:

In fiscal year 1992-93, the City entered into an agreement whereby Scripps Memorial Hospital agreed to pay \$300,000 per year in public facilities fees for eight years. The City has recorded a receivable and deferred revenue for the future payments.	\$ 600,000
The City has entered into an agreement with a property owner whereby certain public facilities fees are being deferred. The revenue has been deferred in the governmental funds.	120,516
Other miscellaneous receivables	<u>455,140</u>
Total other receivables – governmental funds	<u><u>\$ 1,175,656</u></u>

Proprietary Funds:

In June 2004, the City entered into a Release and Settlement Agreement with a contractor whereby \$974,652 is to be remitted to the City over the next fifty years as compensation for the loss of lease space. Payments of \$1,624 are to be made on the fifteenth day of each month beginning on or about June 15, 2005 through May 15, 2055.	\$ 778,097
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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

5) INTERFUND RECEIVABLES AND TRANSFERS

Loans between funds (Due to/Due from) were as follows at June 30, 2015:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	<u>\$ 479,215</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:

	Transfers In			
	General Fund	Creekside Marketplace Enterprise Fund	Non-Major Governmental Funds	Total Transfers Out
Transfers Out:				
General Fund	\$ -	\$ 8,850,425	\$ 286,130	\$ 9,136,555
Creekside Marketplace Enterprise Fund	5,000,000	-	-	5,000,000
Non-major Governmental Funds	<u>625,712</u>	<u>-</u>	<u>-</u>	<u>625,712</u>
Total Transfers In:	<u>\$ 5,625,712</u>	<u>\$ 8,850,425</u>	<u>\$ 286,130</u>	<u>\$ 14,762,267</u>

The transfer of \$5,000,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations (as budgeted).

The transfer of \$8,850,425 was transferred from the General Fund to the Creekside Marketplace Enterprise Fund to fund a building remodel for two new tenants. The transfer was approved by the City Council.

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

6) UNAVAILABLE/UNEARNED REVENUE

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

	Unavailable Revenue	Unearned Revenue	Total
Rental revenue received prior to recognition period	\$ -	\$ 148,972	\$ 148,972
Revenue received from developers prior to earning	-	630,000	630,000
Revenues earned but not available within 60 days after the close of the fiscal year	245,212	-	245,212
Fees receivable from property owners under various agreements	803,273	-	803,273
Long-term loans to mobilehome owners	1,930,395	-	1,930,395
Long-term loans to individuals under a mortgage assistance program	3,608,816	-	3,608,816
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	129,216,266	-	129,216,266
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,666,344	-	1,666,344
Total unavailable/earned revenue for governmental funds	<u>\$ 137,470,306</u>	<u>\$ 778,972</u>	<u>\$ 138,249,278</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2015:

Governmental activities:	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets, not depreciated:				
Land	\$ 295,700,506	\$ 1,774,714	\$ (8,660,000)	\$ 288,815,220
Land improvements	57,088,520	5,298,183	-	62,386,703
Construction in progress	31,710,702	4,309,688	(19,552,927)	16,467,463
Total capital assets, not depreciated	<u>384,499,728</u>	<u>11,382,585</u>	<u>(28,212,927)</u>	<u>367,669,386</u>
Capital assets, being depreciated:				
Buildings	75,183,294	-	(32,753)	75,150,541
Furniture and equipment	18,395,791	768,113	(2,206,422)	16,957,482
Infrastructure	369,159,717	5,015,196	-	374,174,913
Total capital assets, being depreciated	<u>462,738,802</u>	<u>5,783,309</u>	<u>(2,239,175)</u>	<u>466,282,936</u>
Less accumulated depreciation for:				
Buildings	(25,350,339)	(1,501,956)	24,083	(26,828,212)
Furniture and equipment	(13,881,526)	(787,109)	2,108,303	(12,560,332)
Infrastructure	(130,005,255)	(11,429,358)	-	(141,434,613)
Total accumulated depreciation	<u>(169,237,120)</u>	<u>(13,718,423)</u>	<u>2,132,386</u>	<u>(180,823,157)</u>
Total capital assets, being depreciated, net	<u>293,501,682</u>	<u>(7,935,114)</u>	<u>(106,789)</u>	<u>285,459,779</u>
Total governmental activities	<u>\$ 678,001,410</u>	<u>\$ 3,447,471</u>	<u>\$ (28,319,716)</u>	<u>\$ 653,129,165</u>
 Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 11,865,697	\$ -	\$ -	\$ 11,865,697
Construction in progress	-	7,323,092	-	7,323,092
Total capital assets, not depreciated	<u>11,865,697</u>	<u>7,323,092</u>	<u>-</u>	<u>19,188,789</u>
Capital assets, being depreciated:				
Buildings	19,117,758	-	-	19,117,758
Less accumulated depreciation	(3,823,101)	(382,355)	-	(4,205,456)
Total capital assets, being depreciated, net	<u>15,294,657</u>	<u>(382,355)</u>	<u>-</u>	<u>14,912,302</u>
Total business-type activities	<u>\$ 27,160,354</u>	<u>\$ 6,940,737</u>	<u>\$ -</u>	<u>\$ 34,101,091</u>

Current year deletions to construction in progress include project costs related to streets, bridges, and storm water drains of \$8,262,318 that were deemed not viable during the planning and design phase of the project. The remainder of the deletions are included as additions to Land, Land Improvements, and Infrastructure.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

7) CAPITAL ASSETS, (continued)

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

Governmental Activities:

General government	\$ 810,743
Community development	106,712
Public safety	1,098,159
Highways, streets and parks	11,510,350
Culture and recreation	<u>192,459</u>

Total depreciation expense – governmental activities

\$ 13,718,423

Business-type Activities:

Creekside Marketplace	<u>\$ 382,355</u>
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Assets acquired through capital leases are as follows:

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions*</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 4,955,000	\$ -	\$ (250,000)	\$ 4,705,000	\$ 265,000
Plus (less) deferred amounts:					
Issuance discount	(53,667)	-	2,333	(51,334)	-
Total bonds payable	4,901,333	-	(247,667)	4,653,666	265,000
Note payable	521,949	-	(120,202)	401,747	126,813
Compensated absences	4,605,623	2,748,885	(3,136,945)	4,217,563	2,180,478
Claims payable	745,194	452,384	(383,092)	814,486	287,500
Capital leases payable	413,919	125,074	(127,111)	411,882	81,492
Loans payable	530,676	12,752	(73,563)	469,865	74,289
Net pension liability	-	56,072,158	(8,023,464)	48,048,694	-
Total	<u>\$ 11,718,694</u>	<u>\$ 59,411,253</u>	<u>\$ (12,112,044)</u>	<u>\$ 59,017,903</u>	<u>\$ 3,015,572</u>

* Additions to the net pension liability resulted from the implementation of GASB Statement No. 68.

The entire net pension liability is reported as a noncurrent liability in the accompanying Statement of Net Position in accordance with GASB Statement No. 68.

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.

\$ 4,705,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

8) LONG-TERM LIABILITIES, (continued)

Bonds Payable, (continued)

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

In March 2008, FGIC's rating was downgraded below "A" triggering the 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
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	310,000	164,409	474,409
2021-2025	1,795,000	561,243	2,356,243
2026-2029	1,475,000	104,356	1,579,356
Total	\$ 4,705,000	\$ 1,593,007	\$ 6,298,007

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

8) LONG-TERM LIABILITIES, (continued)

Note Payable

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

\$ 401,747

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

Year Ending June 30,	Principal	Interest	Total
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>\$ 401,747</u>	<u>\$ 44,980</u>	<u>\$ 446,727</u>

Compensated Absences

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

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The accrued liability for these vested benefits, payable in accordance with various collective bargaining agreements, totals \$4,217,563 as of June 30, 2015.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

8) LONG-TERM LIABILITIES, (continued)

Claims Payable

Claim and judgment liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The City records the estimated loss, net of any insurance coverage under its self insurance program (See note 11). The amount outstanding as of June 30, 2015 was \$814,486.

Capital Leases Payable

The City has entered into two long-term leases to finance the acquisition of equipment. The leases qualify as capital leases for accounting purposes as defined under the GASB Statement No. 62 and have been recorded at the present value of the future minimum lease payments. As of June 30, 2015, future minimum lease payments to be made by the City's General Fund are as follows:

\$ 411,882

Future lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2016	\$ 136,756
2017	136,756
2018	91,137
2019	<u>75,946</u>
Total minimum lease payments	440,595
Less amount representing interest	<u>(28,713)</u>
Net present value of minimum lease payments	<u>\$ 411,882</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

8) LONG-TERM LIABILITIES, (continued)

Loans 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 \$39,344 from the General Fund, including interest at the rate of 1.0%, are due each December 22 and June 22 through year 2021.

\$ 457,113

In March 2014, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (the Energy Commission) for a preliminarily approved amount of \$1,100,000, at an annual interest rate of 1.0%. The loan is for an energy savings project consisting of retrofitting 2,000 LED streetlight fixtures throughout the City. The City receives the loan proceeds on a cost reimbursement basis. The final loan amount will be determined once the project is complete, which is estimated to be in December 2015. It is anticipated the first loan repayment will be in December 2016. The semi-annual loan repayments will be from the Community Facilities District 98-02 and the Street Light District Special Revenue Funds, and will be due each December 22 and June 22 through year 2028. In June 2015, the City received the first disbursement of loan proceeds in the amount of \$12,752.

12,752

Total loans payable \$ 469,865

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

Year Ending June 30,	Principal	Interest	Total
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	77,322	1,365	78,687
2021	<u>90,852</u>	<u>587</u>	<u>91,439</u>
Total	<u>\$ 469,865</u>	<u>\$ 15,010</u>	<u>\$ 484,875</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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, 2015 are presented below:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 653,129,165	\$ 34,101,091	\$ 687,230,256
Less capital related debt balances:			
Bonds payable	(4,653,666)	-	(4,653,666)
Note payable	(401,747)	-	(401,747)
Capital leases payable	(411,882)	-	(411,882)
Loans payable	(469,865)	-	(469,865)
Total Net Investment in Capital Assets	647,192,005	34,101,091	681,293,096
Restricted for:			
Permanent fund	1,000,000	-	1,000,000
Affordable housing	174,239,971	-	174,239,971
Debt service	186,980	-	186,980
Transportation	5,226,691	-	5,226,691
Lighting and landscape	11,266,533	-	11,266,533
Public facilities	22,496,820	-	22,496,820
Capital improvements	2,501,594	-	2,501,594
Other purposes	2,232,158	-	2,232,158
Total Restricted	219,150,747	-	219,150,747
Unrestricted	3,482,542	2,552,732	6,035,274
Total	\$ 869,825,294	\$ 36,653,823	\$ 906,479,117

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN

A. General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent, multiple-employer defined benefit pension plan, in addition to a cost-sharing, multiple-employer defined benefit pension plan administered for miscellaneous and safety employees, respectively, by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

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

Benefits Provided, (continued)

The Plans' provisions and benefits in effect at June 30, 2014 (measurement date) are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	On or After May 15, 2012	On or After January 1, 2013
Hire date	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit formula			
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 & Up	50 & Up	52 & Up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.0%
Required employee contribution rates	8.00%	7.00%	6.50%
Required employer contribution rates	25.275%	25.275%	25.275%

	Safety Plan		
	Prior to May 15, 2012	On or After May 15, 2012	On or After January 1, 2013
Hire date	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit formula			
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 & Up	50 & Up	50 & Up
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	27.877%	22.502%	12.250%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to but not yet receiving benefits	114
Active employees	175
Total	417

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate for the respective miscellaneous and safety plans is 8.0% and 9.0% of annual pay, and the employer's contribution rate is 25.275% and 27.877% of annual payroll. Employer contribution rates may change if plan contracts are amended.

Employer Contributions for the measurement period ended June 30, 2014 for the respective miscellaneous and safety plans are \$3,469,533 and \$1,223,523. Employer Paid Member Contributions for the measurement period ended June 30, 2014 for the respective miscellaneous and safety plans are \$969,245 and \$106,826. The actual employer payments of \$1,924,046 for safety made to CalPERS by the City during the measurement period ended June 30, 2014 differed from the City's proportionate share of the employer's contributions of \$1,223,523 by \$700,523, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The City's net pension liability for the miscellaneous and safety Plans is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

B. Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	Market Value of Assets	Market Value of Assets
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increase (1)	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (2)	7.50%	7.50%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all funds	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on the table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

B. Net Pension Liability, (continued)

Discount Rate, (continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agency multiple-employer plan. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

B. Net Pension Liability, (continued)

Discount Rate, (continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Year 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, and fiduciary self-insurance expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

C. Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for the agent, multiple-employer miscellaneous plan.

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2013 (VD)¹	\$ 104,885,512	\$ 61,873,569	\$ 43,011,943
Changes Recognized for the Measurement Period:			
• Service Cost	2,750,478	-	2,750,478
• Interest on the Total Pension Liability	7,817,338	-	7,817,338
• Changes of Benefit Terms	-	-	-
• Differences between Expected and Actual Experience	-	-	-
• Changes of Assumptions	-	-	-
• Contributions from the Employer	-	3,469,533	(3,469,533)
• Employer Paid Member Contributions	-	969,245	(969,245)
• Contributions from Employees	-	124,842	(124,842)
• Net Investment Income ²	-	10,830,423	(10,830,423)
• Benefit Payments, including Refunds of Employee Contributions	(4,059,146)	(4,059,146)	-
Net Changes during 2013-14	\$ 6,508,670	\$ 11,334,897	\$ (4,826,227)
Balance at: 6/30/2014 (MD)¹	\$ 111,394,182	\$ 73,208,466	\$ 38,185,716

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

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, and fiduciary self-insurance expense. As described in the previous section of this note, this may differ from the plan assets reported in the funding actuarial valuation report.

² Net of administrative expenses.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

C. Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

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

Safety Plan

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 50,623,975	\$ 37,563,760	\$ 13,060,215
Balance at: 6/30/2014 (MD)	\$ 53,079,966	\$ 43,216,988	\$ 9,862,978
Net changes during 2013-14	\$ 2,455,991	\$ 5,653,228	\$ (3,197,237)

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

The City's net pension liability for each of the cost sharing, multiple-employer Plans is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Safety
Proportion - June 30, 2013	0.27298%
Proportion - June 30, 2014	0.26295%
Change - Increase (Decrease)	(0.01003%)

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

C. Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

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

The following presents the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plan's Net Pension Liability	\$ 52,983,969	\$ 38,185,716	\$ 25,888,415
Safety Plan's Net Pension Liability	\$ 16,972,908	\$ 9,862,978	\$ 4,004,703

Subsequent Events

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

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, continued

C. Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

Recognition of Gains and Losses. (continued)

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

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

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

The EARSL for the Miscellaneous Plan for the 2013-14 measurement period is 3.9 years, which was obtained by dividing the total service years of 1,607 (the sum of remaining service lifetimes of the active employees) by 417 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Cost Sharing Safety Plan for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

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

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2013), the net pension liability is \$43,011,943.

For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense of \$3,595,916 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,750,478
Interest on the Total Pension Liability	7,817,338
Changes of Benefit Terms	-
Recognized Differences between Expected and Actual Expenses	-
Recognized Changes of Assumptions	-
Employer Paid Member Contributions	(969,245)
Employee Contributions	(124,842)
Projected Earnings on Pension Plan Investments	(4,639,661)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(1,238,152)
Other Changes in Fiduciary Net Position	-
Total Pension Expense	\$ 3,595,916

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 per cent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

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

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

As of the start of the measurement period (July 1, 2013), the net pension liability for the safety plans is \$13,060,215 (the net pension liability of the aggregate plan as of June 30, 2013 is \$4,784,321,560).

For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense of \$1,677,235 for the safety plan (the pension expense for the aggregate plan for the measurement period is \$351,644,102). A complete breakdown of the pension expense is as follows:

Description	Risk Pool Amounts	Employer's Share	Percentage of Employer's Share
Service Cost	\$ 369,638,880	\$ 2,017,749	0.54587%
Interest on the Total Pension Liability	1,251,259,652	3,748,335	0.29956%
Recognized Differences between Expected and Actual Experience	-	-	N/A
Recognized Changes of Assumptions	-	-	N/A
Employee Contributions	(131,938,305)	(717,252)	0.54363%
Employer Paid Member Contributions	-	106,826	N/A
Projected Earnings on Pension Plan Investments	(897,207,655)	(2,781,918)	0.31006%
Recognized Differences between Projected and Actual Earnings on Plan Investments	(240,108,470)	(744,490)	0.31006%
Other Changes in Fiduciary Net Position	-	-	N/A
Recognized Portion of Adjustment due to Differences in Proportions	-	(136,363)	N/A
Recognized Differences Between Contributions and Proportionate Share of Contributions	-	184,348	N/A
Subtotal: Employer's Share of Expense Components	\$ 351,644,102	1,677,235	0.47697%
Changes of Benefit Terms		-	
Employer's Proportionate Share of Pension Expense		\$ 1,677,235	

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 per cent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

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

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ (4,952,610)	\$ -	\$ (2,977,958)
Adjustment due to Differences in Proportions	-	-	-	(381,817)
Net Difference between Contributions and Proportionate Share of Contributions	-	-	516,175	-
Pension Contributions Subsequent to Measurement Date	4,708,421	-	2,072,977	-
	<u>\$ 4,708,421</u>	<u>\$ (4,952,610)</u>	<u>\$ 2,589,152</u>	<u>\$ (3,359,775)</u>

These amounts above are net of outflows and inflows recognized in the 2013 -14 measurement period expense. \$4,708,021 and \$2,072,977 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
2015	\$ (1,238,152)	\$ (696,505)
2016	(1,238,152)	(696,505)
2017	(1,238,152)	(706,102)
2018	(1,238,154)	(744,488)
2019	-	-
Thereafter	-	-

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

10) RETIREMENT PLAN, (continued)

E. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

F. Defined Contribution Pension Plan

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 plan. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and 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, 2015, the City's total payroll and covered payroll for part-time employees was \$919,259. The City made employer contributions of \$17,466 (1.9% of current covered payroll), and employees contributed \$51,478 (5.9% of current covered payroll).

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

11) INSURANCE

Description of Self-Insurance Pool Pursuant the Joint Powers Agreement

The City of San Marcos is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 118 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 at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

11) INSURANCE, (continued)

Liability, (continued)

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million excess \$2 million layer, (b) 50% quota share of the \$3 million excess \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million excess \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Pollution Legal Liability Insurance

The City of San Marcos participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of San Marcos. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

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

Earthquake and Flood Insurance

The City of San Marcos purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of San Marcos property currently has earthquake protection in the amount of \$116,747,593. 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

11) INSURANCE, (continued)

Crime Insurance

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

Special Event Tenant User Liability Insurance

The City of San Marcos further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of San Marcos according to a schedule. The City of San Marcos then pays for the insurance. The insurance is 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 2014-15.

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, 2015, the City had \$680,812 on deposit with PASIS and claims payable of \$814,486.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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, 2015, the most current available information, is as follows:

Assets	\$ 3,926,621
Liabilities	(573,535)
Net position	<u><u>\$ 3,353,086</u></u>
Revenues	\$ 3,852,990
Expenses	(3,718,620)
Change in net position	<u><u>\$ 134,370</u></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, 2015

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 contributed \$6,537,501 to the Limited Partnership during the year ended June 30, 2015. The City's equity interest in this Limited Partnership is \$7,867,001 as of June 30, 2015. Separate financial statements for this joint venture are not available.

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.

City of San Marcos

Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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

Type of Debt	Amount of Issue	Outstanding June 30, 2015
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	\$ 17,612,928
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	11,790,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A	13,820,000	13,110,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B	4,240,000	315,000
City of San Marcos Community Facilities District No. 99-01, 2007 Special Tax Refunding Bonds (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	26,405,000	2,265,000
City of San Marcos Community Facilities District No. 99-01, 2014 Special Tax Refunding Bonds (Improvement Area A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, V1A, CFD 91-01)	32,395,000	32,395,000
Total	\$111,870,000	\$ 77,487,928

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, 2015

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

<u>Type of Debt</u>	<u>Outstanding June 30, 2015</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	8,485,000
\$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)	38,955,000
\$11,655,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Bonds, Series 2001 A, B, C (Fresno/Oceano)	9,270,000
Total	<u><u>\$136,756,344</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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, 2015

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, 2015 is \$126,376.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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, 2015.

The following lists the components of the net investment in the direct financing lease as of June 30, 2015:

Total minimum lease payments to be received	\$ 4,203,836
Less unearned income	<u>(1,191,311)</u>
Net investment in direct financing lease	<u>\$ 3,012,525</u>

At June 30, 2015, the future minimum lease payments are as follows:

Year Ending June 30,	Amount
2016	\$ 323,138
2017	323,138
2018	323,138
2019	323,138
2020	323,138
2021-2025	1,229,888
2026-2030	989,057
2031-2033	<u>369,201</u>
Total	<u>\$ 4,203,836</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not depreciated Land	\$ 3,907,369	\$ -	\$ -	\$ 3,907,369
Total capital assets	<u>\$ 3,907,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,907,369</u>

Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within One Year</u>
Bonds payable	\$313,135,000	\$ -	\$ (9,655,000)	\$ 303,480,000	\$ 9,480,000
Plus (less) deferred amounts:					
Issuance premium	4,415,087	-	(215,482)	4,199,605	-
Issuance discount	(1,728,708)	-	98,513	(1,630,195)	-
Total bonds payable	315,821,379	-	(9,771,969)	306,049,410	9,480,000
Note payable	799,383	-	(374,376)	425,007	425,007
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	24,383,743	-	(2,735,935)	21,647,808	-
Due to other governments	2,566,796	-	(569,180)	1,997,616	510,420
Total	<u>\$366,846,597</u>	<u>\$ -</u>	<u>\$ (13,451,460)</u>	<u>\$ 353,395,137</u>	<u>\$ 10,415,427</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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.

\$ 38,760,000

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.

6,035,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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

Bonds Payable, (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.

\$ 4,935,000

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.

53,120,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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

Bonds Payable, (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.

\$ 16,725,000

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.

26,800,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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

Bonds Payable, (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.

\$ 26,385,000

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.

50,705,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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

Bonds Payable, (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.

\$ 30,575,000

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.

49,440,000

Total bonds payable

\$ 303,480,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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
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	11,555,000	14,163,706	25,718,706
2021-2025	67,390,000	60,307,092	127,697,092
2026-2030	86,645,000	38,328,766	124,973,766
2031-2035	70,330,000	14,383,150	84,713,150
2036-2039	26,685,000	2,277,969	28,962,969
Total	<u>\$ 303,480,000</u>	<u>\$ 191,679,647</u>	<u>\$ 495,159,647</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.

\$ 425,007

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

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>
2016	<u>\$ 425,007</u>	<u>\$ 11,240</u>	<u>\$ 436,247</u>
Total	<u>\$ 425,007</u>	<u>\$ 11,240</u>	<u>\$ 436,247</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, 2015**

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 Fiduciary Funds to fund the fiscal years 2009-10 and 2010-11 Supplemental Educational Revenue Augmentation Fund (SERAFF) payments. The loans bear an interest rate equal to the City's average portfolio rate and are to be repaid no later than June 30, 2015 for the fiscal year 2009-10 amount and no later than June 30, 2016 for the fiscal year 2010-11 amount.

\$ 21,647,808

Due to Other Governments

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

\$ 1,997,616

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

17) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING NET POSITION

As discussed in Note 1, the City implemented GASB Statement No. 68 effective July 1, 2014. GASB Statement No. 68, among other provisions, amended prior guidance with respect to the reporting of pensions. GASB Statement No. 68, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the City's net pension liability was not previously recorded on the statement of net position. GASB Statement No. 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Accordingly, beginning net position on the Statement of Activities for the year ended June 30, 2015 has been restated for changes related to GASB Statement No. 68 as follows:

GOVERNMENT WIDE STATEMENTS

Net position - beginning, as previously reported	\$ 935,263,480
Change in accounting principle	<u>(49,602,508)</u>
Net position - beginning, as restated	<u>\$ 885,660,972</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2015

18) OTHER REQUIRED DISCLOSURES

Deficit Fund Balances

The following funds reported deficit fund balances at June 30, 2015:

<u>Governmental Funds - Non-Major Funds</u>		
Special Revenue:		
Street Lighting District	\$	(20)

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

19) SUBSEQUENT EVENT

In July 2015, the San Marcos Public Financing Authority and the Successor Agency to the San Marcos Redevelopment Agency issued Tax Allocation Refunding Bonds, Series 2015A in the amount of \$84,710,000 and Taxable Tax Allocation Refunding Bonds, Series 2015B in the amount of \$139,285,000. The bonds were issued to refund certain outstanding obligations of the Successor Agency, to purchase a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corporation for deposit in the reserve account in satisfaction of the reserve requirement, and to pay costs of issuance with respect to the 2015 bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of San Marcos

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

Miscellaneous Plan

Measurement Period	Fiscal Year 2013-14
TOTAL PENSION LIABILITY	
Service Cost	\$ 2,750,478
Interest	7,817,338
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)
Net Change in Total Pension Liability	6,508,670
Total Pension Liability - Beginning	104,885,512
Total Pension Liability - Ending (a)	<u>111,394,182</u>
 PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 3,469,533
Contributions - Employee Paid Member Contributions	969,245
Contributions - Employee	124,842
Net Investment Income ¹	10,830,423
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)
Other Changes in Fiduciary Net Position	-
Net Change in Fiduciary Net Position	11,334,897
Plan Fiduciary Net Position - Beginning	61,873,569
Plan Fiduciary Net Position - Ending (b)	<u>73,208,466</u>
 Plan Net Position Liability - Ending (a) - (b)	<u>38,185,716</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.72%
 Covered-Employee Payroll	\$ 14,466,706
 Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	263.96%

¹ Net of administrative expenses.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: There were no changes in assumptions.

City of San Marcos

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

Miscellaneous Plan

	Fiscal Year 2013-14
Actuarially Determined Contribution	\$ 3,469,533
Contributions in Relation to the Actuarially Determined Contribution	(3,469,533)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
 Covered-Employee Payroll	 \$ 14,466,706
 Contributions as a Percentage of Covered-Employee Payroll	 23.98%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of San Marcos

Required Supplementary Information

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

and Related Ratios as of the Measurement Date

Last Ten Years*

Safety Plan

Measurement Period	Fiscal Year 2013-14	
Plan's Proportion of the Net Pension Liability		0.15839%
Plan's Proportionate Share of the Net Pension Liability	\$	9,862,978
Plan's Covered-Employee Payroll ¹	\$	8,996,362
Plan's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll		109.63%
Plan's Proportion of the Fiduciary Net Position ²		0.31006%
Plan's Share of Risk Pool Fiduciary Net Position ²	\$	43,216,988
Plan's Additional Payments to Side Fund During Measurement Period	\$	-
Plan's Proportionate Share of the Fiduciary Net Position (<i>sum of the two preceding lines</i>)	\$	43,216,988
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability		81.42%
Plan's Proportionate Share of Aggregate Employer Contributions ³	\$	1,223,523

¹ Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

² The term Fiduciary Net Position (FNP) as used in this line denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all employers' additional side fund contributions made during the measurement period.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of Fiduciary Net Position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only one year is shown.

City of San Marcos

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

Safety Plan

	Fiscal Year 2013-14
Actuarially Determined Contribution	\$ 1,938,477
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,938,477)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 Covered-Employee Payroll ¹	 \$ 8,996,362
Contributions as a Percentage of Covered-Employee Payroll	21.55%

¹ Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only one year is shown.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 32,476,896	\$ 32,476,896	\$ 33,828,482	\$ 1,351,586
Licenses and permits	4,966,947	4,966,947	4,896,092	(70,855)
Intergovernmental	361,943	361,943	4,694,386	4,332,443
Charges for services	13,240,523	13,240,523	14,767,944	1,527,421
Developer fees	16,500	16,500	44,585	28,085
Fines and forfeitures	346,500	346,500	378,143	31,643
Investment and rental income	6,828,061	6,828,061	5,722,070	(1,105,991)
Miscellaneous	504,120	504,120	614,366	110,246
Total Revenues	<u>58,741,490</u>	<u>58,741,490</u>	<u>64,946,068</u>	<u>6,204,578</u>
EXPENDITURES				
Current:				
General government	15,883,916	16,613,918	15,463,895	1,150,023
Community development	3,044,257	3,044,257	2,797,343	246,914
Public safety	31,632,320	32,085,010	35,723,940	(3,638,930)
Highways, streets and parks	13,727,643	14,902,547	12,618,195	2,284,352
Culture and recreation	2,848,696	4,133,957	4,653,020	(519,063)
Capital outlay	3,960,000	4,200,000	60,513	4,139,487
Debt service:				
Principal	70,694	70,694	200,674	(129,980)
Interest and fiscal charges	7,476	7,476	14,768	(7,292)
Total Expenditures	<u>71,175,002</u>	<u>75,057,859</u>	<u>71,532,348</u>	<u>3,525,511</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(12,433,512)</u>	<u>(16,316,369)</u>	<u>(6,586,280)</u>	<u>9,730,089</u>
OTHER FINANCING SOURCES (USES)				
Gain on sale of land held for resale	-	-	1,779,016	1,779,016
Acquisition under capital lease	-	-	125,074	125,074
Joint venture contributions (note 12)	-	(6,537,501)	(6,537,501)	-
Transfers in (note 5)	5,088,500	5,049,500	5,625,712	576,212
Transfers out (note 5)	(161,000)	(9,011,425)	(9,136,555)	(125,130)
Total Other Financing Sources (Uses)	<u>4,927,500</u>	<u>(10,499,426)</u>	<u>(8,144,254)</u>	<u>2,355,172</u>
Net Change in Fund Balance	<u>(7,506,012)</u>	<u>(26,815,795)</u>	<u>(14,730,534)</u>	<u>12,085,261</u>
Fund Balance, Beginning	<u>63,054,407</u>	<u>63,054,407</u>	<u>63,054,407</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 55,548,395</u>	<u>\$ 36,238,612</u>	<u>\$ 48,323,873</u>	<u>\$ 12,085,261</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
San Marcos Affordable Housing
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Developer fees	\$ 358,989	\$ 358,989	\$ 632,400	\$ 273,411
Investment and rental income	57,450	57,450	605,747	548,297
Miscellaneous	427,177	427,177	495,372	68,195
Total Revenues	<u>843,616</u>	<u>843,616</u>	<u>1,733,519</u>	<u>889,903</u>
EXPENDITURES				
Current:				
General government	699,244	723,844	618,315	105,529
Community development	5,164,796	5,164,796	3,992,707	1,172,089
Public safety	118,030	118,030	19,342	98,688
Total Expenditures	<u>5,982,070</u>	<u>6,006,670</u>	<u>4,630,364</u>	<u>1,376,306</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,138,454)</u>	<u>(5,163,054)</u>	<u>(2,896,845)</u>	<u>2,266,209</u>
OTHER FINANCING SOURCES				
Gain on sale of land held for resale	-	-	243,704	243,704
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>243,704</u>	<u>243,704</u>
Net Change in Fund Balance	<u>(5,138,454)</u>	<u>(5,163,054)</u>	<u>(2,653,141)</u>	<u>2,509,913</u>
Fund Balance, Beginning	<u>40,773,754</u>	<u>40,773,754</u>	<u>40,773,754</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 35,635,300</u>	<u>\$ 35,610,700</u>	<u>\$ 38,120,613</u>	<u>\$ 2,509,913</u>

City of San Marcos

Notes to Required Supplementary Information **June 30, 2015**

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, with the exception of the Energy Efficiency & Conservation Block Grant Special Revenue Fund. 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 - Non-Major Fund	Final Budget	Expenditures	Excess
Special Revenue Funds:			
Community Development Block Grant	\$ 255,157	\$ 1,041,427	\$ (786,270)
HOME Grant	253,203	290,138	(36,935)
CalHOME Grant	42,000	43,952	(1,952)

City of San Marcos

Non-Major Governmental Funds

Special Revenue Funds

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

The Gas Tax Fund is used to account for 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 Program.

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

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

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

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 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 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 developer contributions.

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

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

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)

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, 2015

	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
ASSETS					
Cash and investments (note 2)	\$ 17,748,555	\$ -	\$ 24,466,010	\$ -	\$ 42,214,565
Cash and investments with fiscal agents (note 2)	-	496,029	678,933	-	1,174,962
Receivables:					
Taxes and special assessments	29,886	-	-	-	29,886
Accounts	63,247	770	49,464	-	113,481
Interest	13,702	-	17,474	-	31,176
Notes, net (note 3)	2,509,628	-	-	-	2,509,628
Other, net (note 4)	-	-	120,516	-	120,516
Due from other governments	516,179	-	1,971,008	-	2,487,187
Deposits	-	-	-	1,244,693	1,244,693
Land held for resale	-	-	858,348	-	858,348
Total Assets	<u>\$ 20,881,197</u>	<u>\$ 496,799</u>	<u>\$ 28,161,753</u>	<u>\$ 1,244,693</u>	<u>\$ 50,784,442</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 745,017	\$ -	\$ 490,034	\$ 5,230	\$ 1,240,281
Accrued liabilities	178,536	-	-	10	178,546
Due to other funds (note 5)	156,938	309,049	-	13,228	479,215
Unearned revenue (note 6)	-	-	630,000	-	630,000
Deposits payable	10,389	-	727,855	35	738,279
Total Liabilities	<u>1,090,880</u>	<u>309,049</u>	<u>1,847,889</u>	<u>18,503</u>	<u>3,266,321</u>
Deferred Inflows of Resources:					
Unavailable revenue (note 6)	<u>2,509,628</u>	<u>770</u>	<u>128,164</u>	<u>-</u>	<u>2,638,562</u>
Fund Balances:					
Nonspendable:					
Permanent fund	-	-	-	1,000,000	1,000,000
Restricted:					
Affordable housing	97,737	-	-	-	97,737
Debt service	-	186,980	-	-	186,980
Transportation	3,918,889	-	1,307,802	-	5,226,691
Lighting and landscaping	11,266,533	-	-	-	11,266,533
Capital improvements	-	-	2,501,594	-	2,501,594
Public facilities	-	-	22,376,304	-	22,376,304
Other purposes	1,997,550	-	-	226,190	2,223,740
Unassigned	(20)	-	-	-	(20)
Total Fund Balances	<u>17,280,689</u>	<u>186,980</u>	<u>26,185,700</u>	<u>1,226,190</u>	<u>44,879,559</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,881,197</u>	<u>\$ 496,799</u>	<u>\$ 28,161,753</u>	<u>\$ 1,244,693</u>	<u>\$ 50,784,442</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, 2015

	Total Special Revenue Funds	Debt Service Fund		Total Capital Projects Funds	Permanent Fund Community Foundation	Total Non-Major Governmental Funds
		San Marcos Public Facilities Authority				
REVENUES						
Taxes and special assessments	\$ 6,917,924	\$ -	\$ -	\$ -	\$ -	\$ 6,917,924
Intergovernmental	4,048,876	-	2,962,691	-	-	7,011,567
Developer fees	-	-	1,564,709	-	-	1,564,709
Investment and rental income	121,365	516,730	169,454	1,455	809,004	
Miscellaneous	185,910	-	11,400	-	-	197,310
Total Revenues	<u>11,274,075</u>	<u>516,730</u>	<u>4,708,254</u>	<u>1,455</u>	<u>16,500,514</u>	
EXPENDITURES						
Current:						
Community development	492,080	-	-	-	-	492,080
Highways, streets and parks	7,947,517	-	104,211	-	-	8,051,728
Culture and recreation	180,746	-	-	70,728	251,474	
Capital outlay	1,156,772	-	2,454,936	-	-	3,611,708
Debt service:						
Principal	-	250,000	120,202	-	-	370,202
Interest and fiscal charges	-	216,990	28,707	-	-	245,697
Total Expenditures	<u>9,777,115</u>	<u>466,990</u>	<u>2,708,056</u>	<u>70,728</u>	<u>13,022,889</u>	
Excess of Revenues Over (Under) Expenditures	<u>1,496,960</u>	<u>49,740</u>	<u>2,000,198</u>	<u>(69,273)</u>	<u>3,477,625</u>	
OTHER FINANCING SOURCES (USES)						
Developer contributions	-	-	844,145	-	-	844,145
Issuance of debt	12,752	-	-	-	-	12,752
Transfers in (note 5)	286,130	-	-	-	-	286,130
Transfers out (note 5)	(625,712)	-	-	-	-	(625,712)
Total Other Financing Sources (Uses)	<u>(326,830)</u>	<u>-</u>	<u>844,145</u>	<u>-</u>	<u>517,315</u>	
Net Change in Fund Balances	<u>1,170,130</u>	<u>49,740</u>	<u>2,844,343</u>	<u>(69,273)</u>	<u>3,994,940</u>	
Fund Balances, Beginning	<u>16,110,559</u>	<u>137,240</u>	<u>23,341,357</u>	<u>1,295,463</u>	<u>40,884,619</u>	
Fund Balances, Ending	<u>\$ 17,280,689</u>	<u>\$ 186,980</u>	<u>\$ 26,185,700</u>	<u>\$ 1,226,190</u>	<u>\$ 44,879,559</u>	

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2015

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments	\$ 2,489,073	\$ 1,202,890	\$ 11,796,190	\$ 87,886	\$ 9,582	\$ 5,073
Receivables:						
Taxes and special assessments	-	-	28,552	1,021	-	-
Accounts	-	5,496	-	-	-	-
Interest	1,760	905	9,364	-	43	-
Notes, net (note 3)	-	-	-	-	-	-
Due from other governments	-	25,764	-	-	14,898	213,459
Total Assets	\$ 2,490,833	\$ 1,235,055	\$ 11,834,106	\$ 88,907	\$ 24,523	\$ 218,532
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 8,580	\$ 22,004	\$ 477,161	\$ 86,947	\$ 11,044	\$ 126,716
Accrued liabilities	72,624	-	90,412	1,980	6,324	7,196
Due to other funds (note 5)	-	-	-	-	-	-
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	81,204	32,393	567,573	88,927	17,368	133,912
Deferred Inflows of Resources:						
Unavailable revenue (note 6)	-	-	-	-	-	-
Fund Balances (Deficit):						
Restricted						
Affordable housing	-	-	-	-	-	-
Transportation	2,409,629	1,202,662	-	-	-	-
Lighting and landscaping	-	-	11,266,533	-	-	-
Other purposes	-	-	-	-	7,155	84,620
Unassigned	-	-	-	(20)	-	-
Total Fund Balances (Deficit)	2,409,629	1,202,662	11,266,533	(20)	7,155	84,620
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,490,833	\$ 1,235,055	\$ 11,834,106	\$ 88,907	\$ 24,523	\$ 218,532

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
\$ -	\$ 85,336	\$ 7,363	\$ 565,581	\$ 1,278,689	\$ 220,892	\$ -	\$ 17,748,555
-	-	-	-	-	313	-	29,886
-	-	-	-	57,751	-	-	63,247
-	74	5	425	961	165	-	13,702
1,854,139	-	-	-	-	-	655,489	2,509,628
262,058	-	-	-	-	-	-	516,179
<u>\$ 2,116,197</u>	<u>\$ 85,410</u>	<u>\$ 7,368</u>	<u>\$ 566,006</u>	<u>\$ 1,337,401</u>	<u>\$ 221,370</u>	<u>\$ 655,489</u>	<u>\$ 20,881,197</u>
 \$ 7,383	 \$ 182	 \$ -	 \$ 5,000	 \$ -	 \$ -	 \$ -	 \$ 745,017
-	-	-	-	-	-	-	178,536
156,938	-	-	-	-	-	-	156,938
-	-	-	-	-	-	-	10,389
<u>164,321</u>	<u>182</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,090,880</u>
 1,854,139	 -	 -	 -	 -	 -	 655,489	 2,509,628
 97,737	 -	 -	 -	 -	 -	 -	 97,737
-	85,228	-	-	-	221,370	-	3,918,889
-	-	-	-	-	-	-	11,266,533
-	-	7,368	561,006	1,337,401	-	-	1,997,550
-	-	-	-	-	-	-	(20)
<u>97,737</u>	<u>85,228</u>	<u>7,368</u>	<u>561,006</u>	<u>1,337,401</u>	<u>221,370</u>	<u>-</u>	<u>17,280,689</u>
 <u>\$ 2,116,197</u>	 <u>\$ 85,410</u>	 <u>\$ 7,368</u>	 <u>\$ 566,006</u>	 <u>\$ 1,337,401</u>	 <u>\$ 221,370</u>	 <u>\$ 655,489</u>	 <u>\$ 20,881,197</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, 2015

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 6,015,897	\$ 532,252	\$ -	\$ -
Intergovernmental	2,289,558	323,060	17,283	-	96,775	1,015,990
Investment and rental income	15,972	8,823	82,206	(1,261)	375	-
Miscellaneous	-	-	40,134	7,838	43,951	-
Total Revenues	2,305,530	331,883	6,155,520	538,829	141,101	1,015,990
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	157,990
Highways, streets and parks	2,679,214	-	4,442,377	824,954	-	-
Culture and recreation	-	-	-	-	175,746	-
Capital outlay	-	260,583	7,651	5,101	-	883,437
Total Expenditures	2,679,214	260,583	4,450,028	830,055	175,746	1,041,427
Excess (Deficiency) of Revenues Over (Under) Expenditures	(373,684)	71,300	1,705,492	(291,226)	(34,645)	(25,437)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	7,651	5,101	-	-
Transfers in	-	-	-	286,130	-	-
Transfers out	-	-	(570,389)	-	(42,755)	-
Total Other Financing Sources (Uses)	-	-	(562,738)	291,231	(42,755)	-
Net Change in Fund Balances	(373,684)	71,300	1,142,754	5	(77,400)	(25,437)
Fund Balances (Deficit), Beginning	2,783,313	1,131,362	10,123,779	(25)	84,555	110,057
Fund Balances (Deficit), Ending	\$ 2,409,629	\$ 1,202,662	\$ 11,266,533	\$ (20)	\$ 7,155	\$ 84,620

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
\$ - 262,058	\$ 30,591	\$ -	\$ -	\$ 227,940	\$ 111,244	\$ - 44,152	\$ 6,917,924 4,048,876
-	616	55	4,197	9,076	1,306	-	121,365
93,987	-	-	-	-	-	-	185,910
356,045	31,207	55	4,197	237,016	112,550	44,152	11,274,075
290,138	-	-	-	-	-	43,952	492,080
-	972	-	-	-	-	-	7,947,517
-	-	-	5,000	-	-	-	180,746
-	-	-	-	-	-	-	1,156,772
290,138	972	-	5,000	-	-	43,952	9,777,115
65,907	30,235	55	(803)	237,016	112,550	200	1,496,960
-	-	-	-	-	-	-	12,752
-	-	-	-	-	-	-	286,130
-	(12,568)	-	-	-	-	-	(625,712)
-	(12,568)	-	-	-	-	-	(326,830)
65,907	17,667	55	(803)	237,016	112,550	200	1,170,130
31,830	67,561	7,313	561,809	1,100,385	108,820	(200)	16,110,559
\$ 97,737	\$ 85,228	\$ 7,368	\$ 561,006	\$ 1,337,401	\$ 221,370	\$ -	\$ 17,280,689

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, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 2,142,928	\$ 2,142,928	\$ 2,289,558	\$ 146,630
Investment and rental income	<u>2,500</u>	<u>2,500</u>	<u>15,972</u>	<u>13,472</u>
Total Revenues	<u>2,145,428</u>	<u>2,145,428</u>	<u>2,305,530</u>	<u>160,102</u>
EXPENDITURES				
Current:				
Highways, streets and parks	<u>3,967,113</u>	<u>4,382,296</u>	<u>2,679,214</u>	<u>1,703,082</u>
Total Expenditures	<u>3,967,113</u>	<u>4,382,296</u>	<u>2,679,214</u>	<u>1,703,082</u>
Net Change in Fund Balance	(1,821,685)	(2,236,868)	(373,684)	1,863,184
Fund Balance, Beginning	<u>2,783,313</u>	<u>2,783,313</u>	<u>2,783,313</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 961,628</u>	<u>\$ 546,445</u>	<u>\$ 2,409,629</u>	<u>\$ 1,863,184</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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 327,500	\$ 327,500	\$ 323,060	\$ (4,440)
Investment and rental income	4,250	4,250	8,823	4,573
Total Revenues	<u>331,750</u>	<u>331,750</u>	<u>331,883</u>	<u>133</u>
EXPENDITURES				
Current:				
Capital outlay	<u>566,220</u>	<u>581,220</u>	<u>260,583</u>	<u>320,637</u>
Total Expenditures	<u>566,220</u>	<u>581,220</u>	<u>260,583</u>	<u>320,637</u>
Net Change in Fund Balance	(234,470)	(249,470)	71,300	320,770
Fund Balance, Beginning	<u>1,131,362</u>	<u>1,131,362</u>	<u>1,131,362</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 896,892</u>	<u>\$ 881,892</u>	<u>\$ 1,202,662</u>	<u>\$ 320,770</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, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 5,498,267	\$ 5,498,267	\$ 6,015,897	\$ 517,630
Intergovernmental	-	-	17,283	17,283
Investment and rental income	17,000	17,000	82,206	65,206
Miscellaneous	-	-	40,134	40,134
Total Revenues	5,515,267	5,515,267	6,155,520	640,253
EXPENDITURES				
Current:				
Highways, streets and parks	4,855,065	4,885,615	4,442,377	443,238
Capital outlay	-	-	7,651	(7,651)
Total Expenditures	4,855,065	4,885,615	4,450,028	435,587
Excess of Revenues Over Expenditures	660,202	629,652	1,705,492	1,075,840
OTHER FINANCING SOURCES (USES)				
Issuance of debt	656,857	656,857	7,651	(649,206)
Transfers out	-	-	(570,389)	(570,389)
Total Other Financing Sources (Uses)	656,857	656,857	(562,738)	(1,219,595)
Net Change in Fund Balance	1,317,059	1,286,509	1,142,754	(143,755)
Fund Balance, Beginning	10,123,779	10,123,779	10,123,779	-
Fund Balance, Ending	\$ 11,440,838	\$ 11,410,288	\$ 11,266,533	\$ (143,755)

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, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 531,478	\$ 531,478	\$ 532,252	\$ 774
Investment and rental income	550	550	(1,261)	(1,811)
Miscellaneous	-	-	7,838	7,838
Total Revenues	<u>532,028</u>	<u>532,028</u>	<u>538,829</u>	<u>6,801</u>
EXPENDITURES				
Current:				
Highways, streets and parks	682,697	682,697	824,954	(142,257)
Capital outlay	443,143	443,143	5,101	438,042
Total Expenditures	<u>1,125,840</u>	<u>1,125,840</u>	<u>830,055</u>	<u>295,785</u>
Excess of Revenues Over Expenditures	<u>(593,812)</u>	<u>(593,812)</u>	<u>(291,226)</u>	<u>302,586</u>
OTHER FINANCING SOURCES				
Issuance of debt	443,143	443,143	5,101	(438,042)
Transfers in	161,000	161,000	286,130	125,130
Total Other Financing Sources	<u>604,143</u>	<u>604,143</u>	<u>291,231</u>	<u>(312,912)</u>
Net Change in Fund Balance	10,331	10,331	5	(10,326)
Fund Balance (Deficit), Beginning	<u>(25)</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>
Fund Balance (Deficit), Ending	<u>\$ 10,306</u>	<u>\$ 10,306</u>	<u>\$ (20)</u>	<u>\$ (10,326)</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Senior Nutrition Grant Special Revenue Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 95,000	\$ 105,000	\$ 96,775	\$ (8,225)
Investment and rental income	1,000	1,000	375	(625)
Miscellaneous	40,000	44,500	43,951	(549)
Total Revenues	136,000	150,500	141,101	(9,399)
EXPENDITURES				
Current:				
Culture and recreation	96,500	188,023	175,746	12,277
Total Expenditures	96,500	188,023	175,746	12,277
Excess of Revenues Over Expenditures	39,500	(37,523)	(34,645)	2,878
OTHER FINANCING SOURCES (USES)				
Transfers out	(75,000)	(36,000)	(42,755)	(6,755)
Total Other Financing Sources (Uses)	(75,000)	(36,000)	(42,755)	(6,755)
Net Change in Fund Balance	(35,500)	(73,523)	(77,400)	(3,877)
Fund Balance, Beginning	84,555	84,555	84,555	-
Fund Balance, Ending	\$ 49,055	\$ 11,032	\$ 7,155	\$ (3,877)

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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 565,620	\$ 565,620	\$ 1,015,990	\$ 450,370
Total Revenues	<u>565,620</u>	<u>565,620</u>	<u>1,015,990</u>	<u>450,370</u>
EXPENDITURES				
Current:				
Community development	135,157	135,157	157,990	(22,833)
Capital outlay	<u>120,000</u>	<u>120,000</u>	<u>883,437</u>	<u>(763,437)</u>
Total Expenditures	<u>255,157</u>	<u>255,157</u>	<u>1,041,427</u>	<u>(786,270)</u>
Net Change in Fund Balance	310,463	310,463	(25,437)	(335,900)
Fund Balance, Beginning	110,057	110,057	110,057	-
Fund Balance, Ending	<u>\$ 420,520</u>	<u>\$ 420,520</u>	<u>\$ 84,620</u>	<u>\$ (335,900)</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
HOME Grant Special Revenue Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 253,203	\$ 253,203	\$ 262,058	\$ 8,855
Miscellaneous	-	-	93,987	93,987
Total Revenues	<u>253,203</u>	<u>253,203</u>	<u>356,045</u>	<u>102,842</u>
EXPENDITURES				
Current:				
Community development	253,203	253,203	290,138	(36,935)
Total Expenditures	<u>253,203</u>	<u>253,203</u>	<u>290,138</u>	<u>(36,935)</u>
Net Change in Fund Balance	-	-	65,907	65,907
Fund Balance, Beginning	31,830	31,830	31,830	-
Fund Balance, Ending	<u>\$ 31,830</u>	<u>\$ 31,830</u>	<u>\$ 97,737</u>	<u>\$ 65,907</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Center Drive Maintenance District Special Revenue Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 29,593	\$ 29,593	\$ 30,591	\$ 998
Investment and rental income	650	650	616	(34)
Total Revenues	<u>30,243</u>	<u>30,243</u>	<u>31,207</u>	<u>964</u>
EXPENDITURES				
Current:				
Highways, streets and parks	<u>61,073</u>	<u>61,073</u>	<u>972</u>	<u>60,101</u>
Total Expenditures	<u>61,073</u>	<u>61,073</u>	<u>972</u>	<u>60,101</u>
Excess of Revenues Over Expenditures	<u>(30,830)</u>	<u>(30,830)</u>	<u>30,235</u>	<u>61,065</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(11,639)</u>	<u>(11,639)</u>	<u>(12,568)</u>	<u>(929)</u>
Total Other Financing Sources (Uses)	<u>(11,639)</u>	<u>(11,639)</u>	<u>(12,568)</u>	<u>(929)</u>
Net Change in Fund Balance	<u>(42,469)</u>	<u>(42,469)</u>	<u>17,667</u>	<u>60,136</u>
Fund Balance, Beginning	<u>67,561</u>	<u>67,561</u>	<u>67,561</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 25,092</u>	<u>\$ 25,092</u>	<u>\$ 85,228</u>	<u>\$ 60,136</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, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ 5,500	\$ 5,500	\$ 4,197	\$ (1,303)
Total Revenues	5,500	5,500	4,197	(1,303)
EXPENDITURES				
Current:				
Culture and recreation	5,500	5,500	5,000	500
Total Expenditures	5,500	5,500	5,000	500
Net Change in Fund Balance	-	-	(803)	(803)
Fund Balance, Beginning	561,809	561,809	561,809	-
Fund Balance, Ending	\$ 561,809	\$ 561,809	\$ 561,006	\$ (803)

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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 190,612	\$ 190,612	\$ 227,940	\$ 37,328
Investment and rental income	3,500	3,500	9,076	5,576
Total Revenues	<u>194,112</u>	<u>194,112</u>	<u>237,016</u>	<u>42,904</u>
EXPENDITURES				
Current:				
Community development	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Net Change in Fund Balance	<u>44,112</u>	<u>44,112</u>	<u>237,016</u>	<u>192,904</u>
Fund Balance, Beginning	<u>1,100,385</u>	<u>1,100,385</u>	<u>1,100,385</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,144,497</u>	<u>\$ 1,144,497</u>	<u>\$ 1,337,401</u>	<u>\$ 192,904</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, 2015**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Taxes and special assessments	\$ 100,792	\$ 100,792	\$ 111,244	\$ 10,452	
Investment and rental income	300	300	1,306	1,006	
Total Revenues	<u>101,092</u>	<u>101,092</u>	<u>112,550</u>	<u>11,458</u>	
EXPENDITURES					
Net Change in Fund Balance	101,092	101,092	112,550	11,458	
Fund Balance, Beginning	<u>108,820</u>	<u>108,820</u>	<u>108,820</u>	<u>-</u>	
Fund Balance, Ending	<u>\$ 209,912</u>	<u>\$ 209,912</u>	<u>\$ 221,370</u>	<u>\$ 11,458</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, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ 45,000	\$ 44,152	\$ (848)
Total Revenues	-	45,000	44,152	(848)
EXPENDITURES				
Current:				
Community development	-	42,000	43,952	(1,952)
Total Expenditures	-	42,000	43,952	(1,952)
Net Change in Fund Balance	-	3,000	200	(2,800)
Fund Balance (Deficit), Beginning	(200)	(200)	(200)	-
Fund Balance (Deficit), Ending	\$ (200)	\$ 2,800	\$ -	\$ (2,800)

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, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ 468,566	\$ 468,566	\$ 516,730	\$ 48,164
Total Revenues	468,566	468,566	516,730	48,164
EXPENDITURES				
Debt service:				
Principal	250,000	250,000	250,000	-
Interest and fiscal charges	216,990	216,990	216,990	-
Total Expenditures	466,990	466,990	466,990	-
Net Change in Fund Balance	1,576	1,576	49,740	48,164
Fund Balance, Beginning	137,240	137,240	137,240	-
Fund Balance, Ending	\$ 138,816	\$ 138,816	\$ 186,980	\$ 48,164

City of San Marcos

Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2015

	Public Facility	Transportation Development Act	Capital Improvements
ASSETS			
Cash and investments (note 2)	\$ 21,511,865	\$ -	\$ 1,314,853
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts	-	-	49,464
Interest	16,232	-	-
Other, net (note 4)	120,516	-	-
Due from other governments	-	-	1,963,360
Land held for resale	858,348	-	-
Total Assets	\$ 22,506,961	\$ -	\$ 3,327,677
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,141	\$ -	\$ 420,969
Unearned revenue (note 6)	-	-	630,000
Deposits payable	-	-	727,855
Total Liabilities	10,141	-	1,778,824
Deferred Inflows of Resources:			
Unavailable revenue (note 6)	120,516	-	-
Fund Balances:			
Restricted for:			
Transportation	-	-	-
Capital improvements	-	-	1,548,853
Public facilities	22,376,304	-	-
Total Fund Balances	22,376,304	-	1,548,853
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,506,961	\$ -	\$ 3,327,677

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
\$ 5,050	\$ 1,365,690	\$ 268,552	\$ 24,466,010
678,933	-	-	678,933
-	-	-	49,464
4	1,036	202	17,474
-	-	-	120,516
-	7,648	-	1,971,008
-	-	-	858,348
\$ 683,987	\$ 1,374,374	\$ 268,754	\$ 28,161,753
\$ -	\$ 58,924	\$ -	\$ 490,034
-	-	-	630,000
-	-	-	727,855
-	58,924	-	1,847,889
-	7,648	-	128,164
-	1,307,802	-	1,307,802
683,987	-	268,754	2,501,594
-	-	-	22,376,304
683,987	1,307,802	268,754	26,185,700
\$ 683,987	\$ 1,374,374	\$ 268,754	\$ 28,161,753

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, 2015

	Public Facility	Transportation Development Act	Capital Improvements
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 2,700,760
Developer fees	1,564,709	-	-
Investment and rental income	158,636	190	-
Miscellaneous	-	-	11,400
Total Revenues	<u>1,723,345</u>	<u>190</u>	<u>2,712,160</u>
EXPENDITURES			
Current:			
Highways, streets and parks	-	-	-
Capital outlay	148,665	52,330	2,152,145
Debt service:			
Principal	120,202	-	-
Interest and fiscal charges	28,707	-	-
Total Expenditures	<u>297,574</u>	<u>52,330</u>	<u>2,152,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,425,771</u>	<u>(52,140)</u>	<u>560,015</u>
OTHER FINANCING SOURCES (USES)			
Developer contributions	-	-	844,145
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>844,145</u>
Net Change in Fund Balances	1,425,771	(52,140)	1,404,160
Fund Balances, Beginning	<u>20,950,533</u>	<u>52,140</u>	<u>144,693</u>
Fund Balances, Ending	<u>\$ 22,376,304</u>	<u>\$ -</u>	<u>\$ 1,548,853</u>

Community Facilities District 99-01	Transportation Sales Tax	Community Facilities District 02-01	Total
\$ -	\$ 261,931	\$ -	\$ 2,962,691
-	-	-	1,564,709
137	8,497	1,994	169,454
-	-	-	11,400
<u>137</u>	<u>270,428</u>	<u>1,994</u>	<u>4,708,254</u>
 - 104,211	 - 101,796	 - -	 104,211 2,454,936 120,202 28,707 2,708,056
 <u>137</u> <u>64,421</u>	 <u>1,994</u>	 <u>2,000,198</u>	 <u>844,145</u>
 - -	 - -	 - -	 844,145
 137 64,421	 1,994	 2,844,343	
 683,850 1,243,381	 266,760	 23,341,357	
<u>\$ 683,987</u>	<u>\$ 1,307,802</u>	<u>\$ 268,754</u>	<u>\$ 26,185,700</u>

City of San Marcos

Combining Balance Sheet
Agency Funds
June 30, 2015

	1915 Act Assessment District	Deposits	Community Facilities District 88-1
ASSETS			
Cash and investments (note 2)	\$ 57,796	\$ 2,321,560	\$ 1,148
Restricted Assets:			
Cash and investments with fiscal agents (note 2)	-	-	4,314,375
Receivables:			
Special assessments	-	-	5,023
Interest	43	-	3
Total Assets	<u>\$ 57,839</u>	<u>\$ 2,321,560</u>	<u>\$ 4,320,549</u>
LIABILITIES			
Accounts payable	\$ -	\$ 5,637	\$ -
Deposits payable	-	2,315,923	-
Due to bondholders	<u>57,839</u>	<u>-</u>	<u>4,320,549</u>
Total Liabilities	<u>\$ 57,839</u>	<u>\$ 2,321,560</u>	<u>\$ 4,320,549</u>

Community Facilities District 99-1	Community Facilities District 02-01	Total
\$ 2,983	\$ 13	\$ 2,383,500
8,511,238	1,990,799	14,816,412
25,758	3,253	34,034
20	2	68
<u>\$ 8,539,999</u>	<u>\$ 1,994,067</u>	<u>\$ 17,234,014</u>
\$ -	\$ -	\$ 5,637
-	-	2,315,923
<u>8,539,999</u>	<u>1,994,067</u>	<u>14,912,454</u>
<u>\$ 8,539,999</u>	<u>\$ 1,994,067</u>	<u>\$ 17,234,014</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>1915 ACT Assessment District</u>				
ASSETS				
Cash and investments	\$ 57,428	\$ 368	\$ -	\$ 57,796
Interest receivable	34	43	34	43
Total Assets	\$ 57,462	\$ 411	\$ 34	\$ 57,839
LIABILITIES				
Due to bondholders	\$ 57,462	\$ 399	\$ 22	\$ 57,839
Deposits				
ASSETS				
Cash and investments	\$ 1,890,108	\$ 2,036,564	\$ 1,605,112	\$ 2,321,560
Total Assets	\$ 1,890,108	\$ 2,036,564	\$ 1,605,112	\$ 2,321,560
LIABILITIES				
Accounts payable	\$ 2,527	\$ 1,802,993	\$ 1,799,883	\$ 5,637
Deposits payable	1,887,581	2,034,847	1,606,505	2,315,923
Total Liabilities	\$ 1,890,108	\$ 3,837,840	\$ 3,406,388	\$ 2,321,560

City of San Marcos

**Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2015**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>Community Facilities District 88-1</u>				
ASSETS				
Cash and investments	\$ 52	\$ 2,514,887	\$ 2,513,791	\$ 1,148
Cash and investments with fiscal agents	4,336,751	2,528,220	2,550,596	4,314,375
Special assessments receivable	6,002	5,023	6,002	5,023
Interest receivable	12	3	12	3
Total Assets	\$ 4,342,817	\$ 5,048,133	\$ 5,070,401	\$ 4,320,549
LIABILITIES				
Due to bondholders	<u>\$ 4,342,817</u>	<u>\$ 5,048,133</u>	<u>\$ 5,070,401</u>	<u>\$ 4,320,549</u>
<u>Community Facilities District 99-1</u>				
ASSETS				
Cash and investments	\$ 36,634	\$ 6,277,412	\$ 6,311,063	\$ 2,983
Cash and investments with fiscal agents	9,921,502	7,850,426	9,260,690	8,511,238
Special assessments receivable	19,080	25,758	19,080	25,758
Interest receivable	53	20	53	20
Total Assets	\$ 9,977,269	\$ 14,153,616	\$ 15,590,886	\$ 8,539,999
LIABILITIES				
Due to bondholders	<u>\$ 9,977,269</u>	<u>\$ 42,385,696</u>	<u>\$ 43,822,966</u>	<u>\$ 8,539,999</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Community Facilities District 02-01				
ASSETS				
Cash and investments	\$ 5,989	\$ 1,649,653	\$ 1,655,629	\$ 13
Cash and investments with fiscal agents	2,234,273	1,649,465	1,892,939	1,990,799
Special assessments receivable	2,411	3,253	2,411	3,253
Interest receivable	19	2	19	2
Total Assets	\$ 2,242,692	\$ 3,302,373	\$ 3,550,998	\$ 1,994,067
LIABILITIES				
Due to bondholders	<u>\$ 2,242,692</u>	<u>\$ 1,654,116</u>	<u>\$ 1,902,741</u>	<u>\$ 1,994,067</u>
Total - Agency Funds				
ASSETS				
Cash and investments	\$ 1,990,211	\$ 12,478,884	\$ 12,085,595	\$ 2,383,500
Cash and investments with fiscal agents	16,492,526	12,028,111	13,704,225	14,816,412
Special assessments receivable	27,493	34,034	27,493	34,034
Interest receivable	118	68	118	68
Total Assets	\$ 18,510,348	\$ 24,541,097	\$ 25,817,431	\$ 17,234,014
LIABILITIES				
Accounts payable	\$ 2,527	\$ 1,802,993	\$ 1,799,883	\$ 5,637
Deposits payable	1,887,581	2,034,847	1,606,505	2,315,923
Due to bondholders	<u>16,620,240</u>	<u>49,088,344</u>	<u>50,796,130</u>	<u>14,912,454</u>
Total Liabilities	<u>\$ 18,510,348</u>	<u>\$ 52,926,184</u>	<u>\$ 54,202,518</u>	<u>\$ 17,234,014</u>

City of San Marcos

Combining Statement of Fiduciary Net Position Private-Purpose Trust Funds June 30, 2015

	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
ASSETS						
Cash and investments	\$ 416,027	\$ -	\$ 1,280	\$ 6,084,635	\$ -	\$ 6,501,942
Receivables:						
Notes	-	126,376	-	-	-	126,376
Interest	1,950	-	7,753	9,211	-	18,914
Direct financing lease	-	1,205,010	753,131	1,054,384	-	3,012,525
Due from other funds	-	-	8,708,634	2,401,790	(11,110,424)	-
Prepaid expenses	-	869,831	472,616	1,234,350	-	2,576,797
Total Current Assets	417,977	2,201,217	9,943,414	10,784,370	(11,110,424)	12,236,554
Restricted Assets:						
Cash and investment with fiscal agents	9,927,769	13,348,847	23,939,763	30,661,232	-	77,877,611
Total Restricted Assets	9,927,769	13,348,847	23,939,763	30,661,232	-	77,877,611
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	10,345,746	15,550,064	36,573,323	42,662,825	(11,110,424)	94,021,534
DEFERRED OUTFLOWS OF RESOURCES						
Loss on defeasance of debt	-	1,699,938	92,243	2,279,888	-	4,072,069
LIABILITIES						
Accounts payable	1,593	2,593	2,593	694,848	-	701,627
Accrued liabilities	8,370	10,966	10,966	8,938	-	39,240
Accrued interest payable	476,370	1,889,558	1,004,116	2,312,225	-	5,682,269
Due to other governments	-	4,779	976	12	-	5,767
Due to other funds	-	11,110,424	-	-	(11,110,424)	-
Noncurrent Liabilities:						
Due within one year	2,205,007	2,912,700	1,881,600	3,416,120	-	10,415,427
Due in more than one year	46,284,140	121,480,673	56,293,995	118,920,902	-	342,979,710
Total Liabilities	48,975,480	137,411,693	59,194,246	125,353,045	(11,110,424)	359,824,040
NET POSITION (DEFICIT)						
Held in trust for other taxing entities	\$ (38,629,734)	\$ (120,161,691)	\$ (22,528,680)	\$ (80,410,332)	\$ -	\$ (261,730,437)

City of San Marcos

**Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2015**

	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
ADDITIONS						
Tax	\$ 7,324,522	\$ 8,187,114	\$ 3,875,103	\$ 10,368,295	\$ -	\$ 29,755,034
Income from property and investments	20,084	(945)	120,430	166,503	-	306,072
Transfers in	-	-	2,107,297	-	(2,107,297)	-
Total Additions	<u>7,344,606</u>	<u>8,186,169</u>	<u>6,102,830</u>	<u>10,534,798</u>	<u>(2,107,297)</u>	<u>30,061,106</u>
DEDUCTIONS						
General and administrative	136,802	192,896	68,457	247,475	-	645,630
Community Development	-	-	-	1,624,064	-	1,624,064
Interest expense and fees	3,962,859	4,830,383	2,696,266	5,774,814	-	17,264,322
Transfers out	2,107,297	-	-	-	(2,107,297)	-
Total Deductions	<u>6,206,958</u>	<u>5,023,279</u>	<u>2,764,723</u>	<u>7,646,353</u>	<u>(2,107,297)</u>	<u>19,534,016</u>
Change in Net Position	1,137,648	3,162,890	3,338,107	2,888,445	-	10,527,090
Net Position (Deficit), Beginning	<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>
Net Position (Deficit), Ending	<u>\$ (38,629,734)</u>	<u>\$ (120,161,691)</u>	<u>\$ (22,528,680)</u>	<u>\$ (80,410,332)</u>	<u>\$ -</u>	<u>\$ (261,730,437)</u>

City of San Marcos

Statistical Section

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

	CONTENTS	Page
Financial Trends		142
	These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
Revenue Capacity		152
	These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity		156
	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
Demographic and Economic Information		162
	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information		165
	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			
	2006	2007	2008	2009
Governmental Activities:				
Net investment in capital assets	\$ 341,437,352	\$ 376,880,228	\$ 430,516,043	\$ 460,101,619
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	67,616,923	81,735,288	99,574,127	115,805,089
Landscape Maintenance	6,888,685	8,722,189	8,662,907	8,999,420
Other purposes	3,287,401	3,937,485	4,012,114	3,904,177
Endowment	1,000,000	1,000,000	1,000,000	905,850
Unrestricted	7,941,869	13,628,356	8,782,155	2,504,296
Total governmental activities net position	<u>428,172,230</u>	<u>485,903,546</u>	<u>552,547,346</u>	<u>592,220,451</u>
Business-type activities:				
Net investment in capital assets	30,219,195	29,836,841	29,454,485	29,072,130
Unrestricted	3,859,791	2,586,159	3,464,423	6,698,002
Total business-type activities net position	<u>34,078,986</u>	<u>32,423,000</u>	<u>32,918,908</u>	<u>35,770,132</u>
Primary Government:				
Net investment in capital assets	371,656,547	406,717,069	459,970,528	489,173,749
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	67,616,923	81,735,288	99,574,127	115,805,089
Landscape Maintenance	6,888,685	8,722,189	8,662,907	8,999,420
Other purposes	3,287,401	3,937,485	4,012,114	3,904,177
Endowment	1,000,000	1,000,000	1,000,000	905,850
Unrestricted	11,801,660	16,214,515	12,246,578	9,202,298
Total primary government net position	<u>\$ 462,251,216</u>	<u>\$ 518,326,546</u>	<u>\$ 585,466,254</u>	<u>\$ 627,990,583</u>

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 484,423,039	\$ 499,416,669	\$ 658,296,750	\$ 646,769,141	\$ 671,633,533	\$ 647,192,005	
-	-	-	20,320,721	21,071,049	24,998,414	
120,917,457	119,927,089	163,429,723	160,939,069	162,388,168	174,239,971	
8,514,304	9,032,742	9,389,874	9,706,762	10,141,062	11,266,533	
4,378,971	6,026,400	6,506,958	10,295,075	8,955,235	7,645,829	
1,023,850	1,244,590	1,147,835	1,195,768	1,000,000	1,000,000	
(11,409,150)	(6,504,167)	64,955,219	57,252,131	60,074,433	3,482,542	
<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>	<u>869,825,294</u>	
28,689,775	28,307,420	27,925,065	26,725,626	27,160,354	\$ 34,101,091	
8,442,809	8,052,471	6,319,042	5,761,171	4,352,951	2,552,732	
<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>	<u>36,653,823</u>	
513,112,814	527,724,089	686,221,815	673,494,767	698,793,887	681,293,096	
-	-	-	20,320,721	21,071,049	24,998,414	
120,917,457	119,927,089	163,429,723	160,939,069	162,388,168	174,239,971	
8,514,304	9,032,742	9,389,874	9,706,762	10,141,062	11,266,533	
4,378,971	6,026,400	6,506,958	10,295,075	8,955,235	7,645,829	
1,023,850	1,244,590	1,147,835	1,195,768	1,000,000	1,000,000	
(2,966,341)	1,548,304	71,274,261	63,013,302	64,427,384	6,035,274	
<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>	<u>\$ 906,479,117</u>	

City of San Marcos

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

	Fiscal Year			
	2006	2007	2008	2009
Expenses:				
Governmental Activities:				
General government	\$ 10,209,504	\$ 12,936,083	\$ 14,175,161	\$ 14,639,790
Community development	4,559,304	6,445,848	4,912,297	4,815,602
Public safety	23,522,750	25,457,293	27,983,233	28,733,922
Highways, streets and parks	50,801,530	39,763,214	30,364,607	26,532,368
Culture and recreation	2,728,120	2,940,238	3,008,578	3,124,741
Interest on long-term debt	15,377,060	17,108,204	17,742,768	15,984,417
Total governmental activities expenses	<u>107,198,268</u>	<u>104,650,880</u>	<u>98,186,644</u>	<u>93,830,840</u>
Business-type activities:				
Creekside Marketplace	1,170,953	1,136,959	1,002,389	1,072,662
Utility	20,395	-	-	-
Total business-type activities expenses	<u>1,191,348</u>	<u>1,136,959</u>	<u>1,002,389</u>	<u>1,072,662</u>
Total primary government expenses	<u>108,389,616</u>	<u>105,787,839</u>	<u>99,189,033</u>	<u>94,903,502</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	5,233,634	6,116,176	7,347,275	7,121,094
Community development (2)	5,787,928	2,996,263	2,037,057	1,501,973
Public safety	6,846,519	7,191,131	7,582,159	8,293,907
Highways, streets and parks (1) (2)	6,452,402	6,768,511	6,664,978	6,744,066
Culture and recreation (2)	1,372,086	1,502,296	1,544,763	1,590,115
Operating grants and contributions	2,533,966	2,802,258	2,505,258	2,135,832
Capital contributions and grants	30,747,184	38,214,638	44,448,900	18,916,094
Total governmental activities program revenues	<u>58,973,719</u>	<u>65,591,273</u>	<u>72,130,390</u>	<u>46,303,081</u>
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,954,995	4,192,527	4,069,128	3,789,846
Total business-type activities program revenues	<u>3,954,995</u>	<u>4,192,527</u>	<u>4,069,128</u>	<u>3,789,846</u>
Total primary government program revenues	<u>62,928,714</u>	<u>69,783,800</u>	<u>76,199,518</u>	<u>50,092,927</u>
Net (expenses) revenues:				
Governmental activities	(39,059,607)	(26,056,254)	(47,527,759)	(41,016,081)
Business-type activities	3,055,568	3,066,739	2,717,184	2,431,889
Total primary government net (expenses)/revenues	<u>\$ (36,004,039)</u>	<u>\$ (22,989,515)</u>	<u>\$ (44,810,575)</u>	<u>\$ (38,584,192)</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 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						
2010	2011	2012	2013	2014	2015	
\$ 15,990,955	\$ 18,106,693	\$ 16,992,317	\$ 15,885,771	\$ 16,447,263	\$ 16,944,647	
6,366,892	5,739,531	28,586,547	6,379,029	3,431,958	7,094,841	
28,603,083	28,216,005	32,163,467	27,531,474	31,398,530	36,059,952	
25,046,164	26,408,488	22,057,522	31,047,726	32,779,655	33,832,005	
3,014,690	3,079,743	3,163,230	4,992,567	3,022,930	5,040,297	
15,307,372	16,325,714	9,399,083	286,343	272,403	267,688	
<u>94,329,156</u>	<u>97,876,174</u>	<u>112,362,166</u>	<u>86,122,910</u>	<u>87,352,739</u>	<u>99,239,430</u>	
 1,207,245	 1,296,182	 1,060,528	 866,501	 1,061,134	 2,053,600	
<u>1,207,245</u>	<u>1,296,182</u>	<u>1,060,528</u>	<u>866,501</u>	<u>1,061,134</u>	<u>2,053,600</u>	
 95,536,401	 99,172,356	 113,422,694	 86,989,411	 88,413,873	 101,293,030	
 8,017,989	 7,569,325	 8,811,334	 7,711,202	 1,483,859	 2,052,635	
1,568,683	2,131,886	5,179,421	6,998,956	2,997,665	2,252,007	
7,623,734	7,266,747	8,012,187	8,636,601	8,888,703	9,103,730	
6,793,677	7,150,548	6,943,057	8,462,005	7,455,240	8,196,772	
1,825,778	1,837,906	1,878,137	2,105,349	2,081,035	2,364,561	
2,392,703	3,547,679	3,333,506	24,338,152	16,811,188	11,893,755	
25,090,511	15,027,697	20,273,816	2,125,409	9,843,740	4,294,066	
<u>53,313,075</u>	<u>44,531,788</u>	<u>54,431,458</u>	<u>60,377,674</u>	<u>49,561,430</u>	<u>40,157,526</u>	
 3,639,134	 3,523,109	 3,907,546	 4,103,722	 3,470,369	 3,335,509	
<u>3,639,134</u>	<u>3,523,109</u>	<u>3,907,546</u>	<u>4,103,722</u>	<u>3,470,369</u>	<u>3,335,509</u>	
 56,952,209	 48,054,897	 58,339,004	 64,481,396	 53,031,799	 43,493,035	
 (41,016,081)	 (53,344,386)	 (57,930,708)	 (25,745,236)	 (37,791,309)	 (59,081,904)	
2,431,889	2,226,927	2,847,018	3,237,221	2,409,235	1,281,909	
 <u>\$ (38,584,192)</u>	 <u>\$ (51,117,459)</u>	 <u>\$ (55,083,690)</u>	 <u>\$ (22,508,015)</u>	 <u>\$ (35,382,074)</u>	 <u>\$ (57,799,995)</u>	

City of San Marcos

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

	Fiscal Year			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 11,502,364	\$ 12,716,298	\$ 13,146,445	\$ 12,718,633
Tax increment, net	34,534,046	41,975,892	45,397,153	45,214,569
Sales taxes	16,329,030	16,153,930	15,615,135	13,432,391
Transient occupancy taxes	327,632	363,885	383,001	330,412
Franchise taxes	1,995,384	2,210,341	2,148,183	2,442,412
Gain/(Loss) on sale of capital assets	-	-	-	3,180,648
Motor vehicle license fees	476,482	448,352	356,472	283,349
Rental income	-	-	-	-
Investment income	9,259,909	15,899,432	11,275,635	6,226,240
Other	2,405,041	2,022,793	1,628,030	3,372,210
Transfers	2,988,729	5,000,000	2,750,000	-
Transfer to Successor Agency	-	-	-	-
Extraordinary gain	-	-	-	-
Total governmental activities	<u>79,818,617</u>	<u>96,790,923</u>	<u>92,700,054</u>	<u>87,200,864</u>
Business-type activities:				
Investment income	195,056	288,446	179,169	134,040
Transfers	(2,988,729)	(5,000,000)	(2,750,000)	134,040
Total business-type activities	<u>(2,793,673)</u>	<u>(4,711,554)</u>	<u>(2,570,831)</u>	<u>134,040</u>
Total primary government	<u>77,024,944</u>	<u>92,079,369</u>	<u>90,129,223</u>	<u>87,334,904</u>
Change in Net Position:				
Governmental activities	40,759,010	70,734,669	45,172,295	46,184,783
Business-type activities	261,895	(1,644,815)	146,353	2,565,929
Total primary government	<u>\$ 41,020,905</u>	<u>\$ 69,089,854</u>	<u>\$ 45,318,648</u>	<u>\$ 48,750,712</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						
2010	2011	2012	2013	2014	2015	
\$ 12,490,217	\$ 12,373,080	\$ 12,734,479	\$ 19,036,135	\$ 14,730,525	\$ 16,627,912	
21,315,468	36,294,755	11,896,531	-	-	-	
12,269,791	13,091,860	13,836,852	14,596,011	15,840,511	16,209,302	
298,459	610,460	713,538	736,035	794,846	829,724	
2,482,704	2,677,551	2,713,099	2,582,279	3,520,613	3,907,803	
-	67,970	-	-	(659,841)	1,810,932	
246,496	382,275	42,071	80,791	-	-	
-	-	-	-	6,260,337	5,790,384	
4,397,830	4,583,907	3,692,241	3,508,350	1,108,705	937,647	
1,943,136	1,390,381	1,160,059	1,991,861	489,778	982,947	
1,200,000	3,167,000	5,100,000	5,000,000	4,250,000	(3,850,425)	
-	-	-	(10,674,712)	-	-	
-	-	280,624,874	-	-	-	
<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>	<u>43,246,226</u>	
130,563	167,380	137,198	5,469	50,190	8,184	
(1,200,000)	(3,167,000)	(5,100,000)	(5,000,000)	(4,250,000)	3,850,425	
<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>3,858,609</u>	
55,574,664	71,639,619	327,550,942	31,862,219	42,135,664	47,104,835	
15,628,020	21,294,853	274,583,036	11,111,514	8,544,165	(15,835,678)	
1,362,452	(772,693)	(2,115,784)	(1,757,310)	(1,790,575)	5,140,518	
<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>	<u>\$ (10,695,160)</u>	

City of San Marcos

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

	Fiscal Year			
	2006	2007	2008	2009
General Fund:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	\$ -	\$ 13,397,269	\$ 13,397,269	\$ 13,397,269
Prepaid items	477,867	1,247,217	492,546	558,711
Deposits	607,328	637,832	723,685	771,931
Unreserved, designated	52,052,115	37,344,377	36,814,029	37,521,231
Unreserved, undesignated	5,461,289	6,208,292	6,045,355	6,058,840
GASB 54:				
Nonspendable				
Assigned				
Unassigned				
Total General Fund	<u>58,598,599</u>	<u>58,834,987</u>	<u>57,472,884</u>	<u>58,307,982</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	13,210,952	13,090,353	2,702,903	8,112,147
Deposits	-	-	542,923	640,408
Low and moderate income housing	33,719,308	46,474,660	59,766,836	35,347,108
Landscape maintenance	3,420,234	2,324,008	5,368,912	5,845,298
Debt service	4,660,884	4,682,091	4,625,869	10,850,533
Capital projects	131,608,970	120,276,053	90,471,205	68,302,091
Other purposes	1,000,000	1,000,000	1,000,000	905,850
Unreserved, reported in:				
Special revenue funds	8,441,925	12,544,241	9,489,562	10,127,713
Debt service funds	28,238,856	40,577,486	34,366,082	32,924,058
Capital projects funds	(13,963,277)	(19,311,650)	212,545	(5,658,656)
Permanent fund	147,814	249,217	98,318	-
GASB 54:				
Nonspendable				
Restricted				
Unassigned				
Total all other governmental funds	<u>210,485,666</u>	<u>221,906,459</u>	<u>208,645,155</u>	<u>167,396,550</u>
Total governmental funds	<u>\$ 269,084,265</u>	<u>\$ 280,741,446</u>	<u>\$ 266,118,039</u>	<u>\$ 225,704,532</u>

	Fiscal Year				
	2010	2011	2012	2013	2014
\$ 13,447,269					
1,000,066					
1,001,672					
36,200,000					
5,995,245					
	\$ 19,463,456	\$ 16,924,452	\$ 16,184,816	\$ 11,938,509	\$ 10,451,246
	- - -	- - -	- - -	- - -	5,984,790
	35,162,531	34,951,893	44,147,436	51,115,898	31,887,837
	<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>
					<u>48,323,873</u>
28,282,658					
102,982					
10,056,506					
5,845,298					
12,941,982					
45,462,977					
1,023,850					
6,468,443					
16,466,613					
(6,026,005)					
	- - -	- - -	- - -	- - -	- - -
	1,244,590	1,147,835	1,195,768	1,000,000	1,000,000
	164,514,929	81,486,140	80,423,049	80,658,598	82,000,192
	- - -	- - -	- - -	(225)	(20)
	<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>83,000,172</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>
					<u>\$ 131,324,045</u>

City of San Marcos

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

	Fiscal Year			
	2006	2007	2008	2009
Revenues:				
Taxes and special assessments	\$ 87,121,780	\$ 94,466,701	\$ 97,363,686	\$ 94,097,283
Licenses and permits	5,116,926	4,753,491	3,907,123	4,229,537
Intergovernmental	15,192,674	9,093,528	6,587,388	10,406,686
Charges for services	11,544,038	11,486,338	11,429,757	11,783,938
Developer fees	8,809,768	5,774,108	1,776,517	3,773,174
Fines and forfeitures	169,261	181,280	269,365	292,642
Use of money and property	13,474,072	19,676,632	19,925,978	11,422,319
Contributions from property owners	-	11,424,122	-	-
Miscellaneous	6,158,895	3,500,561	1,452,870	4,444,346
Total Revenues	<u>147,587,414</u>	<u>160,356,761</u>	<u>142,712,684</u>	<u>140,449,925</u>
Expenditures:				
Current:				
General government (2)	8,835,833	11,867,052	12,733,906	13,333,406
Community development (2)	6,903,003	6,888,307	8,761,007	43,870,002
Public safety	22,454,034	24,441,222	26,225,302	27,392,057
Highways, streets and parks (1) (2)	11,953,716	12,371,008	15,223,370	15,455,033
Culture and recreation (1)	2,424,190	2,708,416	2,556,853	2,822,593
Tax increment distrib. to other gov. agencies	20,603,185	19,001,916	18,747,685	18,086,645
SERAFF payment	-	-	-	-
Capital outlay	67,138,844	55,027,905	46,197,846	39,281,839
Debt service:				
Principal retirement	4,900,575	6,571,846	11,079,781	9,481,695
Interest and fiscal charges	13,420,348	16,988,635	19,984,462	15,911,227
Cost of issuance	935,126	214,172	-	-
Total expenditures	<u>159,568,854</u>	<u>156,080,479</u>	<u>161,510,212</u>	<u>185,634,497</u>
Excess/(deficiency) of Revenues Over Expenditures	<u>(11,981,440)</u>	<u>4,276,282</u>	<u>(18,797,528)</u>	<u>(45,184,572)</u>
Other financing sources (uses):				
Issuance of debt	40,717,247	8,752,626	1,441,826	730,998
Gain on sale of land held for resale	69,577	100,328	-	-
Discount on bonds issued	(116,318)	(69,998)	-	-
Payment to bond escrow agent	-	(6,440,273)	-	-
Sale of capital assets	17,500	38,216	30,541	3,991,821
Acquisition under capital leases	-	-	-	-
Partnership contributions	-	-	-	-
Developer contributions	-	-	-	-
Transfers in	10,497,941	17,690,782	32,041,467	6,772,976
Transfers out	(7,497,941)	(12,690,782)	(29,291,467)	(6,772,976)
Total other financing sources (uses)	<u>43,688,006</u>	<u>7,380,899</u>	<u>4,222,367</u>	<u>4,722,819</u>
Net Change in Fund Balances	<u>\$ 31,706,566</u>	<u>\$ 11,657,181</u>	<u>\$ (14,575,161)</u>	<u>\$ (40,461,753)</u>
Debt service as a percentage of noncapital expenditures	14.43%	18.21%	23.41%	15.80%

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						
2010	2011	2012	2013	2014	2015	
\$ 87,852,421	\$ 87,336,566	\$ 44,811,128	\$ 40,050,764	\$ 37,499,452	\$ 40,746,406	
4,274,969	4,722,075	5,210,749	5,031,124	4,834,181	4,896,092	
6,816,194	10,725,506	14,657,647	16,273,969	14,879,876	11,705,953	
11,341,050	11,273,011	13,430,631	14,423,983	14,014,737	14,767,944	
2,860,402	3,734,747	8,822,043	12,333,859	604,325	2,241,694	
279,735	284,452	203,253	171,675	379,517	378,143	
9,248,874	9,656,305	8,710,563	8,108,512	8,390,525	7,136,821	
3,358,490	1,984,750	2,020,386	1,656,624	2,784,337	1,307,048	
126,032,135	129,717,412	97,866,400	98,050,510	83,386,950	83,180,101	
14,825,068	17,457,897	15,640,014	15,237,915	15,683,539	16,082,210	
17,085,690	10,223,010	17,717,361	9,148,706	4,209,639	7,282,130	
27,461,612	27,317,174	30,262,221	27,156,685	30,863,346	35,743,282	
14,040,659	13,379,798	14,053,498	13,407,088	21,875,374	20,669,923	
2,763,210	2,814,054	2,984,215	4,819,380	2,948,559	4,904,494	
37,060,348	16,266,743	410,877	-	-	-	
-	4,163,078	-	-	-	-	
38,456,751	26,289,568	20,163,235	16,677,835	8,462,086	3,672,221	
9,325,010	9,566,685	9,903,628	342,996	430,447	570,876	
15,221,332	15,782,349	9,509,119	277,403	269,039	260,465	
-	674,238	-	-	-	-	
176,239,680	143,934,594	120,644,168	87,068,008	84,742,029	89,185,601	
(50,207,545)	(14,217,182)	(22,777,768)	10,982,502	(1,355,079)	(6,005,500)	
330,709	54,779,110	-	-	-	12,752	
-	67,970	-	-	-	2,022,720	
-	(1,719,824)	-	-	-	-	
-	-	-	-	-	-	
1,241,860	38,876	23,611	6,489	(659,841)	-	
-	-	-	-	427,300	125,074	
-	-	-	-	-	(6,537,501)	
-	-	-	-	-	844,145	
8,056,903	14,843,444	65,681,454	11,511,222	5,227,487	5,911,842	
(6,856,903)	(11,676,444)	(60,581,454)	(17,185,934)	(977,487)	(9,762,267)	
2,772,569	56,333,132	5,123,611	(5,668,223)	4,017,459	(7,383,235)	
\$ (47,434,976)	\$ 42,115,950	\$ (17,654,157)	\$ 5,314,279	\$ 2,662,380	\$ (13,388,735)	
16.08%	22.07%	18.82%	0.81%	0.93%	0.95%	

City of San Marcos

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

Fiscal Year Ended June 30,	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (2)
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
2015	10,183,486,233	337,507,007	(548,057,005)	9,972,936,235	0.0883

Notes:

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

Source: San Diego County Assessor's Office

City of San Marcos

Direct and Overlapping Property Tax Rates (1)

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Allocation of 1% Ad Valorem Property Taxes

Fiscal Year	City of San Marcos	Overlapping Rates												Total Tax Rate (2)	
		San Marcos Unified School District		San Marcos Fire Protection District		San Diego County		Others		Voter Approved Debt					
		Direct Rate													
2006	0.0883	%	0.3805	%	0.0632	%	0.2481	%	0.2200	%	0.0346	%	1.0346	%	
2007	0.0883		0.3805		0.0632		0.2481		0.2200		0.0349		1.0349		
2008	0.0883		0.3805		0.0632		0.2481		0.2200		0.0432		1.0432		
2009	0.0883		0.3805		0.0632		0.2481		0.2200		0.0470		1.0470		
2010	0.0883		0.3805		0.0632		0.2481		0.2200		0.0439		1.0439		
2011	0.0883		0.3805		0.0632		0.2481		0.2200		0.0559		1.0560		
2012	0.0883		0.3805		0.0632		0.2481		0.2200		0.0994		1.0994		
2013	0.0883		0.3805		0.0632		0.2481		0.2200		0.0994		1.0994		
2014	0.0883		0.3805		0.0632		0.2481		0.2200		0.0978		1.0978		
2015	0.0883		0.3805		0.0632		0.2481		0.2200		0.1138		1.1138		

Notes:

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

Source: San Diego County Auditor and Controller Office.

City of San Marcos

Principal Property Taxpayers **Current Year and Nine Years Ago**

Taxpayer	2015			2006		
	Taxable Assessed Value (1)	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total City Taxable Assessed Value
World Premier Investments	\$ 141,170,150	1	1.40 %			
Willmark Communities Inc.	90,403,601	2	0.90	\$ 30,008,401	7	0.40 %
Hunter Industries Inc.	88,327,689	3	0.88	57,978,226	1	0.76
Urban Villages San Marcos LLC	87,004,913	4	0.86			
Camden USA Inc.	66,147,315	5	0.66			
Ralphs Grocery Company	36,513,433	6	0.36	32,995,783	4	0.43
Woodland Parkway Development LLC	34,150,815	7	0.34			
Costco Wholesale Corporation	33,714,111	8	0.33			
Weingarten Realty Investors	30,849,890	9	0.31			
HomeFed Corporation	30,234,951	10	0.30			
Pulte Home Corporation				53,275,899	2	0.70
Kaiser Foundation Hospitals				52,939,478	3	0.70
Fieldstone Rancho Santalina LLC				31,919,295	5	0.42
Shea Homes Limited Partnership				30,510,104	6	0.40
Wal Mart Real Estate Business Trust				27,672,958	8	0.36
Standard Pacific Corporation				24,171,393	9	0.32
BLC of California San Marcos LP				24,480,000	10	0.32
Total	\$ 638,516,868		6.34 %	\$ 365,951,537		4.81 %

Note:

(1) Assessed values represented above are net of all other exemptions.

Source: San Diego County Auditor and Controller Office and Rosenow Spevacek Group, Inc.

City of San Marcos

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2006	\$ 6,908,062	\$ 6,472,381	93.69 %	206,042	6,678,423	96.68 %
2007	6,837,608	6,368,465	93.14	273,703	6,642,168	97.14
2008	6,773,119	6,341,932	93.63	326,176	6,668,108	98.45
2009	6,183,776	5,932,421	95.94	247,950	6,180,371	99.94
2010	5,575,114	5,363,998	96.21	193,309	5,557,307	99.68
2011	5,604,503	5,413,368	96.59	117,002	5,530,370	98.68
2012	5,646,455	5,479,552	97.04	96,671	5,576,223	98.76
2013	5,900,446	5,735,557	97.21	64,574	5,800,131	98.30
2014	6,281,371	6,071,920	96.67	49,382	6,121,302	97.45
2015	6,502,541	6,342,713	97.54	N/A	6,342,713	97.54

Note:

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

Source: San Diego County Auditor and Controller Office.

City of San Marcos

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable				
2006	\$ -	\$ -	\$ 1,846,648	\$ 1,305,963	\$ -	\$ 3,152,611	0.10 %	41	
2007	-	6,415,002	1,436,910	753,855	-	8,605,767	0.24	109	
2008	-	6,222,335	1,231,685	377,845	-	7,831,865	0.21	95	
2009	-	6,019,668	1,035,245	-	-	7,054,913	0.19	85	
2010	-	5,812,001	943,274	-	-	6,755,275	0.17	81	
2011	-	5,599,334	2,646,245	-	-	8,245,579	0.21	97	
2012	-	5,376,667	743,880	-	-	6,120,547	0.14	72	
2013	-	5,144,000	635,884	602,188	-	6,382,072	0.15	73	
2014	-	4,901,333	521,949	413,919	530,676	6,367,876	0.14	71	
2015	-	4,653,666	401,747	411,883	469,865	5,937,160	0.13	65	

Note:

(1) General bonded debt is debt payable with governmental fund resources. Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

Source: City Finance Department.

City of San Marcos

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

Fiscal Year	General Obligation Bonds	Revenue Bonds (1)	Total	Percent of Assessed Value (2)	Per Capita
2006	\$ -	\$ -	\$ -	0.000 %	-
2007	-	6,415,002	6,415,002	0.072	81
2008	-	6,222,335	6,222,335	0.064	76
2009	-	6,019,668	6,019,668	0.063	73
2010	-	5,812,001	5,812,001	0.066	69
2011	-	5,599,334	5,599,334	0.064	66
2012	-	5,376,667	5,376,667	0.061	63
2013	-	5,144,000	5,144,000	0.058	59
2014	-	4,901,333	4,901,333	0.053	54
2015	-	4,653,666	4,653,666	0.047	51

Notes:

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

Source: City Finance Department.

City of San Marcos

**Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year			
	2006	2007	2008	2009
Total assessed valuation	\$ 7,853,343,239	\$ 9,250,035,247	\$ 10,023,511,536	\$ 9,949,048,058
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,963,335,810	2,312,508,812	2,505,877,884	2,487,262,015
Debt limit percentage	15%	15%	15%	15%
Debt limit	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>\$ 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%

Note:

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

Source: City Finance Department
County of San Diego Tax Assessor's Office

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 9,292,290,923	\$ 9,173,749,055	\$ 9,250,699,841	\$ 9,300,557,724	\$ 9,676,874,262	\$ 10,520,993,240
25%	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	2,630,248,310
15%	15%	15%	15%	15%	15%
348,460,910	344,015,590	346,901,244	348,770,915	362,882,785	394,537,247
-	-	-	-	-	-
<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>	<u>\$ 394,537,247</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Revenue Bonds (1)						Coverage
	Debt Service (2)						
	Revenue	Principal	Interest				
2006	\$ 507,234	\$ 145,000	\$ 362,234				1.00
2007	461,903	255,000	206,903				1.00
2008	472,887	195,000	277,887				1.00
2009	475,509	205,000	270,509				1.00
2010	472,728	210,000	262,728				1.00
2011	469,490	215,000	254,490				1.00
2012	470,690	225,000	245,690				1.00
2013	471,490	235,000	236,490				1.00
2014	471,890	245,000	226,890				1.00
2015	466,990	250,000	216,990				1.00

Notes:

- (1) Revenue bonds are secured by lease payments to be made by the City and the County of San Diego.
- (2) Debt service shown is annual debt service.

Source: City Finance Department.

City of San Marcos

Direct and Overlapping Debt **As of June 30, 2015**

<u>2014-15 Assessed Valuation (1):</u>	\$ 10,069,484,359		
	<u>Percentage Applicable (2)</u>	<u>Outstanding Debt June 30, 2015 (3)</u>	<u>Estimated Share of Overlapping Debt</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.432%	\$ 110,420,000	\$ 477,014
Palomar Community College District	10.110%	515,523,901	52,119,466
San Marcos Unified School District	60.925%	280,348,736	170,802,467
San Marcos Unified School District Facilities Improvement District No. 1	59.161%	4,333,019	2,563,457
San Marcos Unified School District Community Facilities District No. 2	100%	630,000	630,000
San Marcos Unified School District Community Facilities District No. 3	100%	1,355,000	1,355,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	19,720,000	12,740,500
Other School Districts	Various	609,206,254	335,348
Palomar Pomerado Hospital	11.238%	471,441,406	52,980,585
City of San Marcos	100%	0	0
City of San Marcos Community Facilities District No. 88-1	100%	17,612,928	17,612,928
City of San Marcos Community Facilities District No. 91-01	100%	1,451,771	1,451,771
City of San Marcos Community Facilities District No. 99-01	100%	65,715,138	65,715,138
City of San Marcos Community Facilities District No. 2002-1	100%	13,425,000	13,425,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		392,208,674	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	2.403%	351,670,000	8,450,630
San Diego County Pension Obligations	2.403%	682,615,180	16,403,243
San Diego County Superintendent of Schools Obligations	2.403%	14,732,500	354,022
Palomar Community College District General Fund Obligations	10.110%	4,350,000	439,785
San Marcos Unified School District General Fund Obligations	60.925%	54,688,327	33,318,863
Other School District Certificates of Participation	Various	104,724,125	143,093
City of San Marcos General Fund Obligations	100%	5,937,160	5,937,160
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		65,046,796	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100%	352,440,000	352,440,000
TOTAL DIRECT DEBT			5,937,160
TOTAL OVERLAPPING DEBT			803,758,310
COMBINED TOTAL DEBT (3)			\$ 809,695,470

Notes:

- (1) Total gross assessed valuation less all other exemptions except homeowners.
- (2) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	3.90%
Combined Direct Debt (\$5,937,160)	0.06%
Combined Total Debt	8.04%

Source: California Municipal Statistics, Inc. and the City of San Marcos

City of San Marcos

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
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	48,260	10.00
2012	33.07	85,159	0.68	4,234,020,321	48,990	8.90
2013	33.07	87,165	2.36	4,350,143,655	49,907	7.50
2014	33.07	89,946	3.19	4,628,531,214	51,459	5.00
2015	33.07	90,827	0.98	(3)	(3)	4.00

Notes:

- (1) Data presented is for San Diego/Carlsbad/San Marcos economic area. Prior year data has been updated.
- (2) Final unemployment rate for 2015 is unavailable; rate presented is average unemployment rate for 9 months of 2015 including preliminary September data.
- (3) Personal income and per capita personal income data for 2015 are unavailable.

Sources:

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

City of San Marcos

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

Employer	2015			2006		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Hunter Industries Inc.	740	1	1.90%	772	1	2.72%
United Parcel Service Inc.	484	2	1.24%	448	2	1.58%
Southern Ca Permanente Med Group	403	3	1.04%			
Wal-Mart Stores, Inc.	350	4	0.90%	266	6	0.94%
Costco Wholesale	350	5	0.90%	230	10	0.81%
24 Hour Fitness	318	6	0.82%			
Lusardi Construction Co	300	7	0.77%			
RB III Associates Inc.	259	8	0.67%	250	7	0.88%
Fluid Components Intl LLC	245	9	0.63%			
University Aux. & Research Services (2)	230	10	0.59%	230	9	0.81%
Gothic Landscaping				400	3	1.41%
Fry's Electronics				325	4	1.14%
Signet Armorlite, Inc.				309	5	1.09%
Walker Wood Products, Inc.				245	8	0.86%
 Total	 <u>3,679</u>		 <u>9.45%</u>	 <u>3,475</u>		 <u>12.24%</u>

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

Function/Program:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	37	45	51	50	60	59	55	58	57	61
Community development	44	43	40	37	44	39	38	39	42	34
Public safety (1)	85	84	91	94	101	97	92	95	97	90
Highways, streets and parks	76	87	77	66	71	76	77	76	76	77
Culture and recreation	137	126	141	126	120	128	126	128	120	149
Total	379	385	400	373	396	399	388	396	392	411

Note:

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

Source: City Finance Department.

City of San Marcos

Operating Indicators by Function (1) Last Ten Years

<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.

Source: Various City Departments.

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
5,320	5,330	5,455	5,519	5,623	5,593
211	202	270	253	238	276
98	93	86	85	90	123
19,296	13,020	11,810	12,354	13,464	13,342
7,184	6,928	7,382	7,287	7,675	8,889
2,211	2,101	2,367	3,214	2,953	2,894
14	36	24	6	19	-
3	3	1	-	1	1
14,976	14,976	14,976	15,165	15,175	19,448
-	-	-	5	-	-
389	474	580	568	597	596
857	757	761	768	799	802
30,110	34,494	40,820	46,211	52,577	57,009
31,772	35,105	38,897	41,660	46,313	47,094
17,610	18,105	13,714	20,946	22,946	23,014
13,126	13,295	14,031	13,455	12,775	13,039
454	618	866	1,248	1,700	1,877
24,819	24,888	28,466	15,247	15,713	10,922
1,261	1,328	1,273	1,316	1,342	1,462

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety:					
Police (1)					
Fire					
Number of fire stations	4	4	4	4	4
Number of emergency vehicles	32	33	35	33	40
Highways and Streets:					
Miles of streets (2)	212	236	236	236	236
Number of street lights	2,428	2,600	2,625	2,645	2,659
Culture and Recreation:					
Parks	27	28	28	30	32
Acres of park land	336	366	373	373	377
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.

Sources: Various City departments.

2011 2012 2013 2014 2015

4 4 4 4 4
31 32 36 38 41

241 194 199 197 197
2,695 2,691 2,702 2,708 2,708

33 34 34 35 35
379 380 380 384 384
2 2 2 2 2