



City of SAN MARCOS CALIFORNIA

Comprehensive Annual Financial Report

*Fiscal Year Ended
June 30, 2016*

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



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.

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March 15, 2017

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 2015-16 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 1980s. Over the past 10 years, San Marcos has seen its population increase from 79,273 to 93,295, for an average annual growth of 2.04%. 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 San Marcos Public Facilities Authority, the California Mobilehome Financing Authority, and the San Marcos Community Foundation. On February 1, 2012, the San Marcos Redevelopment Agency, along with all redevelopment agencies in the State of California, was dissolved and all assets and liabilities were transferred to the City of San Marcos Successor Agency and the City of San Marcos Housing Successor Agency. Additional information on these entities can be found in the notes to 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 2016 were San Marcos Unified School District, Palomar College, California State University San Marcos, Hunter Industries Inc., North County Health Services, United Parcel Service, City of San Marcos, Southern California Permanente Medical Group, Wal-Mart, and Costco Wholesale.

San Diego County's housing market remains amongst the least affordable in Southern California as growth in housing costs continues to outpace economic gains. San Diego County's rental market also remains the tightest in Southern California with vacancy rates of 3.0% in the third quarter of 2016. Sustained income growth is expected to drive development of both single-family and multi-family homes, despite the high cost of housing. The San Diego County labor market is steadily expanding with a local unemployment rate of approximately 4.7%. This signals the region is close to full employment which has been fueled by new jobseekers in major employment

sectors, including Education and Health Care, Leisure and Hospitality, and Professional, Science, and Technology.

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 2016-17 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 2016-17. Reserves are not expected to be utilized unless authorized by City Council in accordance with the City's reserve policy. Projected ending reserves of \$40.1 million represent approximately 57.8% of total projected expenditures.

As directed by City Council's recently adopted Fiscal Management Policy, priority for the fiscal year 2016-17 budget was to direct at least 3.1% of general fund expenditures toward infrastructure, city facility, and vehicle and equipment replacement and rehabilitation. On that note, 3.1% of the adopted fiscal year 2015-16 General Fund budget or \$2,023,167 in the fiscal year 2016-17 budget was set-aside for this purpose. This is a 22% increase over the prior year, and the single largest significant line item increase in the fiscal year 2016-17 budget. This is not an insignificant fact and demonstrates the City's commitment to closing the infrastructure funding gap.

The City developed and completed a General Fund five-year financial forecast as part of the budget process for fiscal year 2016-17 which serves as a guiding working document for long-range fiscal planning and a framework for future budget development. The forecast looks at our major revenue and expenditure items, and provides 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

The City of San Marcos continues to make progress on infrastructure improvements and development projects that improve connectivity and balance growth with the hometown qualities that make San Marcos an exciting place to live, work, play, and do business.

The vision of creating a downtown is becoming a reality. The first completed project in San Marcos Creek District, Promenade at Creekside - Phase 1 is complete with 109 affordable housing units and 3,019 square feet of retail/commercial space. The second project near completion, dubbed EastGate, is a planned 42-unit complex with about 8,500 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 runs parallel to San Marcos Boulevard and connects 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.

San Marcos is pushing forward with infrastructure projects such as the replacement and rehabilitation of corrugated metal pipes which maintain underground drainage throughout the City and a \$3 million facelift of Rancho Santa Fe Road from the 78 Freeway to Lakeridge Drive. San Marcos Creek District bridge construction on Via Vera Cruz and Bent Avenue are expected to begin in fall 2018.

Other important projects underway include the Brookfield Residential project of 340 single-family homes along Twin Oaks Valley Road, the 1.8-acre Richmar Park, the 416-unit community of Marc San Marcos, and the North City (University District) planned 214-acre site across from California State University San Marcos located on both sides of Twin Oaks Valley Road.

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, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

The certificate is valid for a period of one year only. The City has received this award for the past nineteen 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,

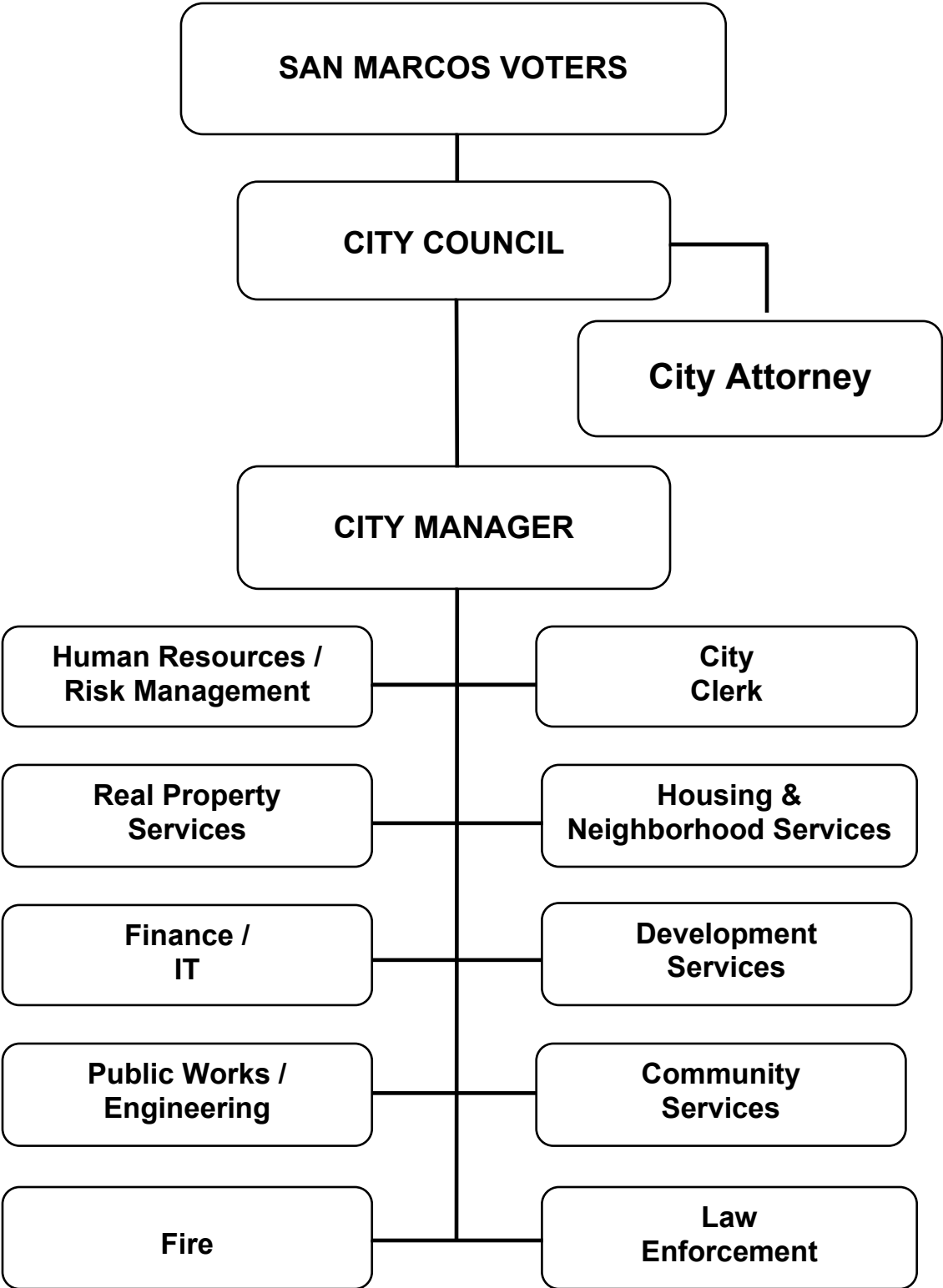


Jack Griffin
City Manager



Laura Rocha, CPA
Finance Director

City of San Marcos
Organizational Chart
June 30, 2016



City of San Marcos

List of Principal Officials

June 30, 2016

City Council

Mayor
Vice Mayor
Councilmember
Councilmember
Councilmember

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

Administration

City Manager/Treasurer
City Attorney
City Clerk

Jack Griffin
Helen Holmes Peak
Phillip Scollick

Department/Division Heads

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

Buck Martin
Matthew Little
Laura Rocha
Brett VanWey
Karl Schwarm
Michelle Miller
Mike Edwards
Christie Coats
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, 2015

Executive Director/CEO



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CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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INDEPENDENT AUDITOR'S REPORT

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MANAGERS / STAFF

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Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
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The Honorable City Council
of the City of San Marcos
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Marcos, California (City), as of and for the year ended June 30, 2016, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, 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. 72, *Fair Value Measurement and Application*. 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's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the non-major fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017 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.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
March 15, 2017

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City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

The management of the City of San Marcos (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found beginning on page i of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of San Marcos exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$995,182,443 (net position). Of this amount, \$143,447,379 represents unrestricted net position, which \$138,424,890 are investments in real estate and joint venture. The remaining \$5,022,489 of the unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of San Marcos' total net position increased \$88,703,326 from the prior fiscal year mainly because of the implementation of GASB Statement No. 72, which requires the City of San Marcos to record certain assets that meet the standard's definition of an investment to be measured at fair value. Under the new standard, an investment is a security or other asset that is held primarily for the purpose of income or profit. Creekside Marketplace as well as the Civic Center Plaza are examples of what is now considered an investment under the new standards of GASB Statement No. 72. Additional information on the implementation of GASB Statement No. 72 can be found in Note 1 on page 42 of this report.
- At the close of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$181,042,287, an increase of \$49,718,242 in comparison with the prior year. Approximately 18.8% of this amount (\$34,023,751) 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 \$44,168,391, or approximately 66.38% 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, 2016

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 intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City 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 following blended component units: San Marcos Public Facilities Authority (Facilities Authority), the California Mobilehome Financing Authority (CAMPFA), 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, functions 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 governments near-term financing requirements.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

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-two 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 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

The basic governmental fund financial statements can be found on pages 21-24 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 25-27 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, 2016

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 28-29 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 30-94 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 changes in the net pension liability and related ratios (miscellaneous employees), schedule of City's proportionate share of the net pension liability and related ratios as of the measurement date (safety employees), schedules of plan contributions (both miscellaneous and safety employees), and general fund and major special revenue funds' budgetary schedules.

Required supplementary information can be found on pages 95-101 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 105-134 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 \$995,182,443, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 340,507,621	\$ 288,036,155	\$ 95,274,321	\$ 3,029,854	\$ 435,781,942	\$ 291,066,009
Capital assets, net	629,918,883	653,129,165	-	34,101,091	629,918,883	687,230,256
Total assets	970,426,504	941,165,320	95,274,321	37,130,945	1,065,700,825	978,296,265
Deferred outflows of resources	8,539,403	7,374,774	-	-	8,539,403	7,374,774
Long-term debt	59,919,572	59,017,903	-	-	59,919,572	59,017,903
Other liabilities	12,086,739	11,384,512	350,216	477,122	12,436,955	11,861,634
Total Liabilities	72,006,311	70,402,415	350,216	477,122	72,356,527	70,879,537
Deferred inflows of resources	6,701,258	8,312,385	-	-	6,701,258	8,312,385
Net position						
Net investment in capital assets	623,187,760	647,192,005	-	34,101,091	623,187,760	681,293,096
Restricted	228,547,304	219,150,747	-	-	228,547,304	219,150,747
Unrestricted	48,523,274	3,482,542	94,924,105	2,552,732	143,447,379	6,035,274
Total net position	\$ 900,258,338	\$ 869,825,294	\$ 94,924,105	\$ 36,653,823	\$ 995,182,443	\$ 906,479,117

By far, the largest portion of the City of San Marcos' net position (62.6%) 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 (23.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$143,447,379 is unrestricted, however, \$138,424,890 of that amount represents investments in real estate and joint venture. The remaining \$5,022,489 of is available to 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.

The City of San Marcos' overall net position increased \$88,703,326 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$30,433,044 from the prior fiscal year for an ending balance of \$900,258,338. The largest increase in the overall net position of governmental activities is the result of the implementation of GASB Statement No. 72 and the requirement to record previous assets as investments at fair value. This was a significant accounting policy change for the City as assets such as these were recorded at cost. Other contributing factors include a one-time developer agreement settlement in the amount of \$1.6 million, property tax attributable from residual former redevelopment tax increment of \$1.5 million, additional ambulance revenues associated with significantly increased call volume activity, partnership distribution revenue from DMV activity, fire staff time reimbursements for fire activity calls from outside the City, as well as additional charges for services from grading and plan zone fees.

City of San Marcos' Changes in Net Position

STATEMENT OF ACTIVITIES						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 26,557,100	\$ 23,756,532	\$ 4,924,764	\$ 3,335,509	\$ 31,481,864	\$ 27,092,041
Operating contributions and grants	13,919,753	11,893,755	-	-	13,919,753	11,893,755
Capital contributions and grants	3,523,253	4,294,066	-	-	3,523,253	4,294,066
General revenues:						
Property taxes	18,604,256	16,627,912	-	-	18,604,256	16,627,912
Sales taxes	16,868,051	16,209,302	-	-	16,868,051	16,209,302
Transient occupancy taxes	873,863	829,724	-	-	873,863	829,724
Business license tax	228,040	213,173	-	-	228,040	213,173
Franchise fees	4,031,275	3,907,803	-	-	4,031,275	3,907,803
Rental income	5,950,030	5,790,384	-	-	5,950,030	5,790,384
Investment income, restricted	-	1,455	-	-	-	1,455
Investment income, unrestricted	1,731,178	936,192	16,289	8,184	1,747,467	944,376
Gain (loss) on disposal of capital assets	187,956	1,810,932	-	-	187,956	1,810,932
Other	529,653	982,947	-	-	529,653	982,947
Total Revenues	93,004,408	87,254,177	4,941,053	3,343,693	97,945,461	90,597,870
Expenses						
General government	18,256,401	16,944,647	-	-	18,256,401	16,944,647
Community development	12,890,498	7,094,841	-	-	12,890,498	7,094,841
Public safety	32,564,134	36,059,952	-	-	32,564,134	36,059,952
Highways, streets and parks	23,904,189	33,832,005	-	-	23,904,189	33,832,005
Culture and recreation	3,951,699	5,040,297	-	-	3,951,699	5,040,297
Interest on long-term debt	262,067	267,688	-	-	262,067	267,688
Creekside Marketplace	-	-	2,069,680	2,053,600	2,069,680	2,053,600
Total Expenses	91,828,988	99,239,430	2,069,680	2,053,600	93,898,668	101,293,030
Increase in Net Position Before Transfers	1,175,420	(11,985,253)	2,871,373	1,290,093	4,046,793	(10,695,160)
Transfers	4,500,000	(3,850,425)	(4,500,000)	3,850,425	-	-
Change in Net Position	5,675,420	(15,835,678)	(1,628,627)	5,140,518	4,046,793	(10,695,160)
Net Position, Beginning, as Restated	894,582,918	885,660,972	96,552,732	31,513,305	991,135,650	917,174,277
Net Position, Ending	\$ 900,258,338	\$ 869,825,294	\$ 94,924,105	\$ 36,653,823	\$ 995,182,443	\$ 906,479,117

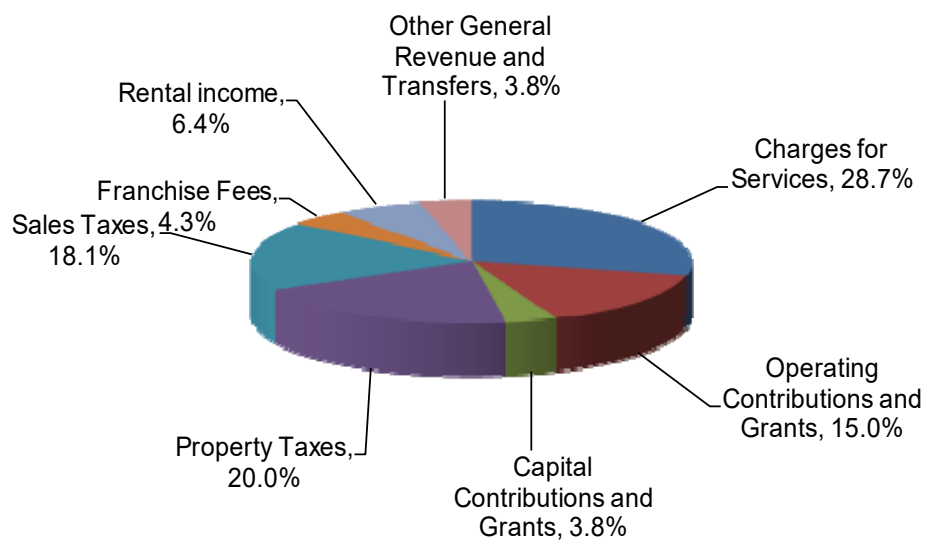
City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

GOVERNMENTAL ACTIVITIES Revenue by Source

Revenue Source	2016	Percent of Total	Increase (Decrease) From 2015	Percent Increase (Decrease)
Charges for services	\$ 26,557,100	28.7%	\$ 2,800,568	10.5%
Operating contributions and grants	13,919,753	15.0%	2,025,998	14.6%
Capital contributions and grants	3,523,253	3.8%	(770,813)	-21.9%
Property taxes	18,604,256	20.0%	1,976,344	10.6%
Sales taxes	16,868,051	18.1%	658,749	3.9%
Franchise fees	4,031,275	4.3%	123,472	3.1%
Rental income	5,950,030	6.4%	159,646	2.7%
Other general revenue and transfers	3,550,690	3.8%	(1,223,733)	-34.5%
Total revenue	<u>\$ 93,004,408</u>	<u>100.1%</u>	<u>\$ 5,750,231</u>	<u>6.2%</u>

GOVERNMENTAL ACTIVITIES Revenue by Source Fiscal Year 2015-16



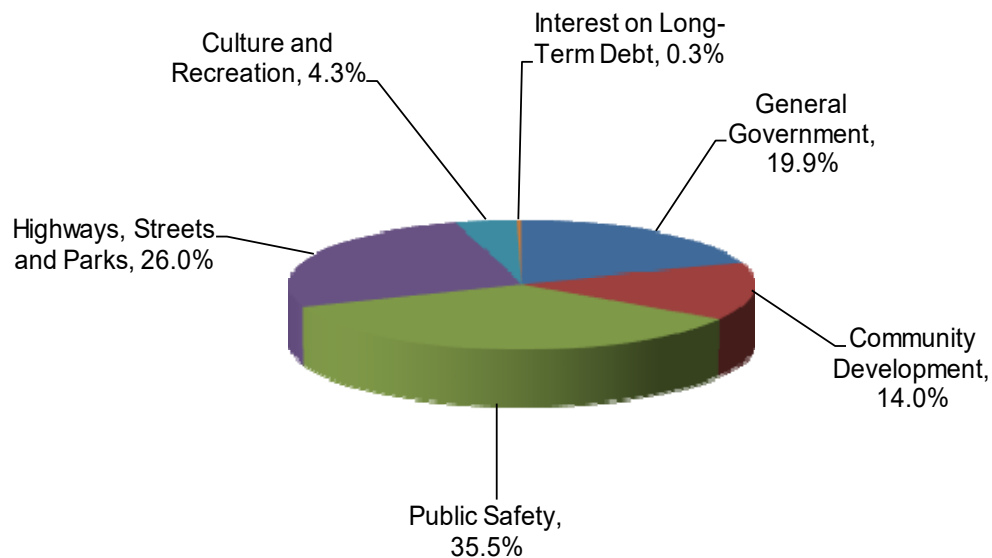
City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

GOVERNMENTAL ACTIVITIES Expense by Function

Function	2016	Percent of Total	Increase (Decrease) From 2015	Percent Increase (Decrease)
General government	\$ 18,256,401	19.9%	\$ 1,311,754	7.2%
Community development	12,890,498	14.0%	5,795,657	45.0%
Public safety	32,564,134	35.5%	(3,495,818)	-10.7%
Highways, streets and parks	23,904,189	26.0%	(9,927,816)	-41.5%
Culture and recreation	3,951,699	4.3%	(1,088,598)	-27.5%
Interest on long-term debt	262,067	0.3%	(5,621)	-2.1%
Total expenses	<u>\$ 91,828,988</u>	<u>100.0%</u>	<u>\$ (7,410,442)</u>	<u>-8.1%</u>

GOVERNMENTAL ACTIVITIES Expenses by Function Fiscal Year 2015-16



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

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 \$94,924,105. 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 \$58,270,282 or 159.0% from the prior fiscal year. The growth, in large part, is again attributable to the fair value presentation of the Creekside Marketplace investment under the new GASB Statement No. 72 measurement standards.

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, 2016, the City of San Marcos' governmental funds reported combined fund balances of \$181,042,287, an increase of \$49,718,242 in comparison with the prior year. Approximately 18.8% of this amount (\$34,023,751) 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 (\$54,456,295), 2) restricted for particular purposes (\$85,451,468), or 3) assigned for particular purposes (\$10,110,773).

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 (\$34,057,618), while total fund balance increased to \$98,624,686. 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 51.19% of total general fund expenditures, while total fund balance represents approximately 148.22% of that same amount.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

The fund balance of the City of San Marcos' General Fund increased by \$50,300,813 during the current fiscal year, as discussed earlier in connection with governmental activities, the increase was primarily due to the fair value presentation of certain assets now reflected as investments under the new GASB Statement No. 72 measurement standards.

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 \$36,219,450. Approximately \$4,256,493 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 amendments to increase original budgeted appropriations were authorized by City Council. The operating expenditure budget was increased by \$582,591 due to carryover appropriations from FY 2014-15. Additionally, mid-year budget amendments were approved in the amount of \$952,843 for a total amended expenditure budget of \$76,609,134 for FY 2015-16. 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.

Actual revenues exceeded budgeted revenues by approximately \$6 million. This excess revenue not anticipated at the time of budget is due to a one-time developer agreement settlement in the amount of \$1.6 million, property tax attributable from residual former redevelopment tax increment of \$1.5 million, additional ambulance revenues associated with significantly increased call volume activity, partnership distribution revenue from DMV activity, fire staff time reimbursements for fire activity calls from outside the City, as well as additional charges for services from grading and plan zone fees.

General Fund expenditures wrapped up under budget by approximately \$10 million. Lower than anticipated expenditures occurred for benefits such as retirement costs and healthcare premiums attributable to lower rates and employee attrition. Savings also occurred in utilities, supplies, and repair and maintenance due to efficient and sensible spending practices.

Ending fund balance in the General Fund was more than projected due mainly to the one-time revenues as noted above and less spending than anticipated. It should also be noted that no reserves were used during the fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

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, 2016, amounts to \$629,918,883 (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 8.3%.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 332,380,875	\$ 351,201,923	\$ -	\$ 11,865,697	\$ 332,380,875	\$ 363,067,620
Buildings and Improvements	46,892,388	48,322,329	-	14,912,302	46,892,388	63,234,631
Furniture and Equipment	4,739,285	4,397,150	-	-	4,739,285	4,397,150
Infrastructure	223,672,017	232,740,300	-	-	223,672,017	232,740,300
Construction in progress	22,234,318	16,467,463	-	7,323,092	22,234,318	23,790,555
Total	\$ 629,918,883	\$ 653,129,165	\$ -	\$ 34,101,091	\$ 629,918,883	\$ 687,230,256

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

- Due to the implementation of GASB Statement No. 72, \$47,282,594 of the previously recorded capital assets that meet the standard's definition of an investment were reclassified as investments in real estate.
- Land parcels were sold to developers in the amount of \$6,160,635 for affordable housing projects.
- Completion of drainage, bicycle and pedestrian improvement projects at a cost of \$2,461,379.
- Various construction-in-progress projects related to streets and parks at a cost of \$1,220,871 were reclassified as expenditures. These projects were deemed not viable during the planning and design phase of the project.

Additional information on the City of San Marcos' capital assets can be found in Note 7 on pages 55-56 of this report.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

Long-term Debt. At the end of the current fiscal year, the City of San Marcos had total debt outstanding of \$59,919,572. Of this amount, \$4,390,999 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, note and loans payables, worker's compensation claims, compensated absences, and capital leases.

City of San Marcos' Outstanding Debt

	Governmental Activities		Net Change
	2016	2015	
Bonds payable, net	\$ 4,390,999	\$ 4,653,666	\$ (262,667)
Note payable	274,934	401,747	(126,813)
Compensated absences	4,224,199	4,217,563	6,636
Claims payable	934,619	814,486	120,133
Capital leases payable	633,034	411,882	221,152
Loans payable - CEC	1,432,156	469,865	962,291
Net pension liability	48,029,631	48,048,694	(19,063)
Total	\$ 59,919,572	\$ 59,017,903	\$ 901,669

The City of San Marcos' total debt increased by \$901,669, or 1.5% during the current fiscal year. The main reason for the increase was the addition of a loan from the California Energy Resources Conservation and Development Commission to complete the energy savings project consisting of retrofitting 2,000 LED streetlight fixtures throughout the City.

Additional information on the City of San Marcos' long-term debt can be found in Note 8, on pages 57-61 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At this time, the City continues to see slow and steady growth. This points towards maintaining a conservative outlook, particularly with respect to revenues. The meandering economy seems to be borne out by the relatively slow rate of wage inflation. Based on the City's employee group memorandums of understanding, the City's staff will see 2% cost of labor increases in FY 2016-17. That low growth in wages supports the notion that the economy continues to recover very slowly. The City has prescribed wage indexes for establishing cost of labor increases which include both public and private sector industries and appears to be a reliable snapshot of the growth of the economy from a wages perspective.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

The City is seeing small to moderate growth in a number of the City's major revenue categories including property and sales tax. Rental income is relatively flat except at Creekside Marketplace where a full year of rental revenue will be coming in from Winco and Hobby Lobby. The City will also see a full year of revenue from the new DMV facility on Rancheros Drive. At City Hall, the City will continue to have a higher than typical vacancy rate. That was exacerbated by the departure of US Colleges, due to a bankruptcy, as a tenant, somewhat unexpectedly. Council approved a mid-year appropriation for overall space improvements to that suite that will hopefully position the City to appeal to a wider range of potential tenants.

National, statewide and regional economic indicators are mixed. The unemployment rate in California dropped 1.2% from April of 2014 through April of 2016. Fortunately, San Diego continues to outperform the state overall. The San Diego County preliminary unemployment rate for April of 2016 was 4.5%, slightly better than the same month in 2015 and below the statewide rate of 5.2%. 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 of 2014 marked the lowest rate since April of 1976. The April rate of 62.0% indicates a lack of full time job growth and that long term unemployed persons continue to find it difficult to attain employment. The California Composite Index of Consumer Sentiment dropped through 2015 after reaching a ten year high in December of 2014. This downward trend seems to accurately reflect the flat level of sales tax over the past 12 to 18 months.

As with past years, the economic data is a mixed bag which makes it difficult to draw any concrete or semi-concrete conclusions. This supports the City's continued slow and steady approach to the budget. The recommended budget does contain a number of additional items, however, overall general fund operating spending growth compared to FY 2015-16 year end projection is 2% or approximately \$1.4 million. This is a much smaller increase than the FY 2015-16 budget was when compared to FY 2014-15. Of further interest, the recommended FY 2016-17 budget is only 1.5% higher than the amended FY 15-16 budget.

Lastly, on the economic front, the San Diego Union Tribune reported in April 2016 that the median San Diego County home price of \$478,000 was the highest value since August of 2007, indicating that home prices have substantially recovered from the burst housing bubble of 2007 – 2010. San Diego continues to be one of the least affordable housing markets with middle income earners paying on average 53% of their monthly income on housing. Any significant or protracted economic downturn could have a more pronounced impact on high cost housing markets such as the City's.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2016

In developing the budget for Fiscal Year 2016-17, the first thing the City did was to build on the City Council's adopted policy of directing general funds toward infrastructure, City facilities and vehicles and equipment replacement and rehabilitation. As the Council knows, the Fiscal Management Policy it adopted in 2015 provided that 2.6% of the adopted FY 2014-15 General Fund budget or \$1,648,506 in the FY 2015-16 be budgeted for this purpose. The policy escalates that set aside each year. The recommended FY 2016-17 budget sets aside 3.1% of the adopted FY 2015-16 budget or \$2,023,167 toward that purpose. The increase from FY 2015-16 to FY 2016-17 is \$374,661 which is an increase over the prior year of 22%, the single largest significant line item increase in the budget. That is not an insignificant fact and demonstrates the staff's and the Council's commitment to closing that infrastructure funding gap.

The Affordable Care Act continues to present challenges that require both additional financial resources as well as significant additional administrative effort. One of the interesting aspects of the Affordable Care Act was that it was supposed to reduce administrative burdens on the insurance industry and, potentially, employers as well. The opposite is true for the City and likely any employer that has both full and part time employees. The changes in the definitions of those terms have required the City to look very carefully at the way the City utilizes and manages part time employees. This year, the City is recommending converting 14 part time positions in Public Works to 3 full time positions. This will result in fewer work hours available to Public Works. The management and replacement of those part time positions continue to be more difficult. Public Works proposed this change and coupled it with out-sourcing some additional maintenance activities. This is a difficult situation for those part time employees, but it was becoming increasingly burdensome and inefficient to continue under that structure. The change will result in a modest budget savings, and will likely increase efficiency both in the field and the administrative office. The City continues to try to be more strategic in how the City uses part time staff and recognizes that the fiscal risks associated with the Affordable Care Act, and recent increases in the minimum wage state wide, make the management of some part time staff untenable or less fiscally efficient.

The City's financial outlook remains quite strong. The recommended Fiscal Year 2016-17 budget is balanced and in compliance with the Council's amended General Fund Reserve Policy and 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, 2016

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	\$ 104,553,601	\$ 189,049	\$ 104,742,650	\$ 7,875
Cash and investments with fiscal agents (note 2)	3,607,415	-	3,607,415	-
Investments in real estate (note 2)	36,761,000	94,000,000	130,761,000	-
Investment in joint venture (note 2)	7,663,890	-	7,663,890	-
Receivables:				
Taxes and special assessments	5,171,114	-	5,171,114	-
Accounts	1,781,136	315,500	2,096,636	-
Interest	145,674	1,168	146,842	13
Notes (note 3)	145,955,205	-	145,955,205	-
Other (note 4)	1,231,756	758,604	1,990,360	-
Due from other governments	2,611,230	-	2,611,230	-
Advances to Successor Agency (note 16)	19,754,663	-	19,754,663	-
Deposits	731,619	10,000	741,619	1,156,836
Prepays	37,097	-	37,097	-
Land held for resale	10,502,221	-	10,502,221	-
Capital assets, not depreciated (note 7)	354,615,193	-	354,615,193	-
Capital assets, net of depreciation (note 7)	275,303,690	-	275,303,690	-
Total Assets	970,426,504	95,274,321	1,065,700,825	1,164,724
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	8,465,711	-	8,465,711	-
Loss on defeasance of debt	73,692	-	73,692	-
Total Deferred Outflows of Resources	8,539,403	-	8,539,403	-
LIABILITIES				
Accounts payable	6,241,918	281,218	6,523,136	6,766
Accrued liabilities	2,463,232	-	2,463,232	-
Unearned revenue (note 6)	1,381,092	-	1,381,092	-
Deposits payable	2,000,497	68,998	2,069,495	35
Noncurrent liabilities (note 8):				-
Due within one year	3,597,096	-	3,597,096	-
Due in more than one year	56,322,476	-	56,322,476	-
Total Liabilities	72,006,311	350,216	72,356,527	6,801
DEFERRED INFLOWS OF RESOURCES				
Pension related	6,701,258	-	6,701,258	-
NET POSITION				
Net investment in capital assets	623,187,760	-	623,187,760	-
Restricted (note 9)	228,547,304	-	228,547,304	1,000,000
Unrestricted	48,523,274	94,924,105	143,447,379	157,923
Total Net Position	\$ 900,258,338	\$ 94,924,105	\$ 995,182,443	\$ 1,157,923

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

City of San Marcos

Statement of Activities For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 18,256,401	\$ 1,137,053	\$ 1,867,108	\$ -
Community development	12,890,498	4,554,470	767,365	296,532
Public safety	32,564,134	10,358,412	395,035	90,501
Highways, streets, and parks	23,904,189	7,931,273	10,536,755	3,136,220
Culture and recreation	3,951,699	2,575,892	353,490	-
Interest on long-term debt	262,067	-	-	-
Total governmental activities	91,828,988	26,557,100	13,919,753	3,523,253
Business-type activities:				
Creskide Marketplace	2,069,680	4,924,764	-	-
Total Primary Government	<u>\$ 93,898,668</u>	<u>\$ 31,481,864</u>	<u>\$ 13,919,753</u>	<u>\$ 3,523,253</u>
Component Unit:				
Permanent Fund Community Foundation	56,622	-	-	-
Total Component Unit	<u>\$ 56,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Permanent Fund
	Governmental Activities	Business-Type Activities	Total	Community Foundation
Governmental activities:				
General government	\$ (15,252,240)	\$ -	\$ (15,252,240)	\$ -
Community development	(7,272,131)	-	(7,272,131)	-
Public safety	(21,720,186)	-	(21,720,186)	-
Highways, streets, and parks	(2,299,941)	-	(2,299,941)	-
Culture and recreation	(1,022,317)	-	(1,022,317)	-
Interest on long-term debt	(262,067)	-	(262,067)	-
Total governmental activities	(47,828,882)	-	(47,828,882)	-
Business-type activities:				
Creekside Marketplace	-	2,855,084	2,855,084	-
Total Primary Government	(47,828,882)	2,855,084	(44,973,798)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(56,622)
Total Component Unit	-	-	-	(56,622)
General revenues:				
Taxes:				
Property taxes	18,604,256	-	18,604,256	-
Sales taxes	16,868,051	-	16,868,051	-
Transient occupancy taxes	873,863	-	873,863	-
Business license tax	228,040	-	228,040	-
Franchise fees	4,031,275	-	4,031,275	-
Rental income	5,950,030	-	5,950,030	-
Investment income, restricted	-	-	-	(11,645)
Investment income, unrestricted	1,731,178	16,289	1,747,467	-
Gain on disposal and sale of capital assets	187,956	-	187,956	-
Miscellaneous income	529,653	-	529,653	-
Transfers (note 5)	4,500,000	(4,500,000)	-	-
Total general revenues and transfers	53,504,302	(4,483,711)	49,020,591	(11,645)
Change in Net Position	5,675,420	(1,628,627)	4,046,793	(68,267)
Net Position, Beginning, as Restated	894,582,918	96,552,732	991,135,650	1,226,190
Net Position, Ending	\$ 900,258,338	\$ 94,924,105	\$ 995,182,443	\$ 1,157,923

City of San Marcos

Balance Sheet - Governmental Funds June 30, 2016

	General	Special Revenue San Marcos Affordable Housing	Total Non-Major Governmental Funds	Total
ASSETS				
Cash and investments (note 2)	\$ 44,297,155	\$ 13,895,206	\$ 46,361,240	\$ 104,553,601
Cash and investments with fiscal agents (note 2)	-	2,306,057	1,301,358	3,607,415
Investments in real estate (note 2)	36,761,000	-	-	36,761,000
Investment in joint venture (note 2)	7,663,890	-	-	7,663,890
Receivables:				
Taxes and special assessments	5,144,355	-	26,759	5,171,114
Accounts	1,624,214	2,476	154,446	1,781,136
Interest	66,597	18,385	60,692	145,674
Notes, net (note 3)	-	143,535,932	2,419,273	145,955,205
Other, net (note 4)	1,111,240	-	120,516	1,231,756
Due from other governments	179,764	-	2,431,466	2,611,230
Due from other funds (note 5)	445,471	-	-	445,471
Advances to Successor Agency (note 16)	-	19,754,663	-	19,754,663
Deposits	731,619	-	-	731,619
Land held for resale	9,299,786	344,087	858,348	10,502,221
Total Assets	<u>\$ 107,325,091</u>	<u>\$ 179,856,806</u>	<u>\$ 53,734,098</u>	<u>\$ 340,915,995</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,782,343	\$ 51,330	\$ 2,408,245	\$ 6,241,918
Accrued liabilities	2,289,816	15,471	107,605	2,412,892
Due to other funds (note 5)	-	-	445,471	445,471
Unearned revenue (note 6)	96,009	-	1,285,083	1,381,092
Deposits payable	1,250,437	34,498	715,562	2,000,497
Total Liabilities	<u>7,418,605</u>	<u>101,299</u>	<u>4,961,966</u>	<u>12,481,870</u>
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	<u>1,281,800</u>	<u>143,536,057</u>	<u>2,573,981</u>	<u>147,391,838</u>
Fund Balances:				
Nonspendable:				
Land held for resale	9,299,786	-	-	9,299,786
Deposits	731,619	-	-	731,619
Investments in real estate (note 2)	36,761,000	-	-	36,761,000
Investment in joint venture (note 2)	7,663,890	-	-	7,663,890
Restricted:				
Affordable housing	-	36,219,450	-	36,219,450
Debt service	-	-	234,791	234,791
Transportation	-	-	4,520,893	4,520,893
Lighting and landscape	-	-	12,064,078	12,064,078
Capital improvements	-	-	2,565,476	2,565,476
Public facilities	-	-	24,895,127	24,895,127
Other purposes	-	-	1,951,653	1,951,653
Assigned	10,110,773	-	-	10,110,773
Unassigned	<u>34,057,618</u>	<u>-</u>	<u>(33,867)</u>	<u>34,023,751</u>
Total Fund Balances	<u>98,624,686</u>	<u>36,219,450</u>	<u>46,198,151</u>	<u>181,042,287</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 107,325,091</u>	<u>\$ 179,856,806</u>	<u>\$ 53,734,098</u>	<u>\$ 340,915,995</u>

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

City of San Marcos

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

Fund balances of governmental funds \$ 181,042,287

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. 37,097

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

Capital assets, not depreciated	\$ 354,615,193	
Capital assets, being depreciated	467,412,459	
Less: accumulated depreciation	<u>(192,108,769)</u>	629,918,883

Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position. 73,692

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	\$ 8,465,711	
Pension related deferred inflows of resources	<u>(6,701,258)</u>	1,764,453

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

Bonds payable	\$ (4,390,999)	
Note payable	(274,934)	
Compensated absences	(4,224,199)	
Claims payable	(934,619)	
Capital lease financing	(633,034)	
Loans payable	(1,432,156)	
Net pension liability	<u>(48,029,631)</u>	(59,919,572)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 147,391,838

Net position of governmental activities \$ 900,258,338

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, 2016

	General	Special Revenue San Marcos Affordable Housing	Total Non-Major Governmental Funds	Total
REVENUES				
Taxes and special assessments	\$ 36,735,689	\$ -	\$ 6,653,000	\$ 43,388,689
Licenses and permits	5,190,125	-	-	5,190,125
Intergovernmental	595,550	-	7,793,070	8,388,620
Charges for services	15,644,089	-	-	15,644,089
Developer fees	17,925	1,050,900	4,611,415	5,680,240
Fines and forfeitures	492,091	-	-	492,091
Investment and rental income	7,143,857	1,481,397	1,262,526	9,887,780
Miscellaneous	2,044,047	572,253	387,175	3,003,475
Total Revenues	67,863,373	3,104,550	20,707,186	91,675,109
EXPENDITURES				
Current:				
General government	14,999,889	749,220	20,444	15,769,553
Community development	4,070,165	4,256,493	891,912	9,218,570
Public safety	33,512,449	-	-	33,512,449
Highways, streets and parks	9,816,575	-	6,955,089	16,771,664
Culture and recreation	3,380,058	-	231,103	3,611,161
Capital outlay	442,317	-	10,641,139	11,083,456
Debt service:				
Principal	285,385	-	391,813	677,198
Interest and fiscal charges	31,114	-	228,620	259,734
Total Expenditures	66,537,952	5,005,713	19,360,120	90,903,785
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,325,421	(1,901,163)	1,347,066	771,324
OTHER FINANCING SOURCES (USES)				
Acquisition under capital leases	432,248	-	-	432,248
Issuance of debt	-	-	1,036,580	1,036,580
Transfers in (note 5)	5,377,714	-	1,063,850	6,441,564
Transfers out (note 5)	(1,038,850)	-	(902,714)	(1,941,564)
Total Other Financing Sources (Uses)	4,771,112	-	1,197,716	5,968,828
Net Change in Fund Balances	6,096,533	(1,901,163)	2,544,782	6,740,152
Fund Balances, Beginning, as Restated	92,528,153	38,120,613	43,653,369	174,302,135
Fund Balances, Ending	\$ 98,624,686	\$ 36,219,450	\$ 46,198,151	\$ 181,042,287

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

City of San Marcos

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 6,740,152

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	\$ (4,096,399)	
Depreciation expense, net of deletions to accumulated depreciation	(8,876,544)	
Construction in progress projects deemed not viable	<u>(1,220,871)</u>	(14,193,814)

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.

Contributed capital	\$ 1,336,997	
Grants and other reimbursement revenue	(7,698)	
Long-term loans receivable	<u>9,929,230</u>	11,258,529

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	\$ (1,036,580)	
Acquisition under capital leases	(432,248)	
Principal payments on long-term debt	677,198	
Changes in pension related items	<u>2,798,328</u>	2,006,698

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	\$ (6,636)	
Change in claims payable	(120,133)	
Change in accrued interest	(3,534)	
Amortization of prepaid insurance	(3,509)	
Amortization of bond discount	<u>(2,333)</u>	(136,145)

Change in net position of governmental activities		<u>\$ 5,675,420</u>
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The accompanying notes are an integral part of these financial statements.

City of San Marcos

Statement of Net Position - Proprietary Funds June 30, 2016

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
ASSETS			
Current Assets:			
Cash and investments (note 2)	\$ 122,166	\$ 66,883	\$ 189,049
Investments in real estate (note 2)	94,000,000	-	94,000,000
Receivables:			
Accounts	315,500	-	315,500
Interest	1,078	90	1,168
Deposits	10,000	-	10,000
Total Current Assets	94,448,744	66,973	94,515,717
Noncurrent Assets:			
Other receivable (note 4)	758,604	-	758,604
Total Noncurrent Assets	758,604	-	758,604
Total Assets	95,207,348	66,973	95,274,321
LIABILITIES			
Current Liabilities:			
Accounts payable	281,218	-	281,218
Deposits payable	68,998	-	68,998
Total Liabilities	350,216	-	350,216
NET POSITION			
Unrestricted	94,857,132	66,973	94,924,105
Total Net Position	\$ 94,857,132	\$ 66,973	\$ 94,924,105

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, 2016**

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
OPERATING REVENUES			
Rental income	\$ 4,306,888	\$ -	\$ 4,306,888
Common area maintenance charges	617,876	-	617,876
Total Operating Revenues	4,924,764	-	4,924,764
OPERATING EXPENSES			
Property management	750,730	-	750,730
Janitorial	137,663	-	137,663
Repair and maintenance	1,181,287	-	1,181,287
Total Operating Expenses	2,069,680	-	2,069,680
Operating Income	2,855,084	-	2,855,084
NON-OPERATING REVENUE			
Investment income	15,399	890	16,289
Income Before Transfers	2,870,483	890	2,871,373
TRANSFERS			
Transfers out (note 5)	(4,500,000)	-	(4,500,000)
Total Transfers	(4,500,000)	-	(4,500,000)
Change in Net Position	(1,629,517)	890	(1,628,627)
Net Position, Beginning, as Restated	96,486,649	66,083	96,552,732
Net Position, Ending	\$ 94,857,132	\$ 66,973	\$ 94,924,105

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, 2016

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,472,358	\$ -	\$ 4,472,358
Payments to suppliers for goods and services	(2,069,680)	-	(2,069,680)
Net cash provided by operating activities	2,402,678	-	2,402,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from settlement agreement	19,493	-	19,493
Transfer to general fund	(4,500,000)	-	(4,500,000)
Net cash provided by (used for) noncapital financing activities	(4,480,507)	-	(4,480,507)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	15,284	849	16,133
Net increase (decrease) in cash and cash equivalents	(2,062,545)	849	(2,061,696)
Cash and cash equivalents, beginning	2,184,711	66,034	2,250,745
Cash and cash equivalents, ending	<u>\$ 122,166</u>	<u>\$ 66,883</u>	<u>\$ 189,049</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 2,855,084	\$ -	\$ 2,855,084
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in operating receivables:			
Accounts receivable	(315,500)	-	(315,500)
Increase (decrease) in operating liabilities:			
Accounts payable	(55,374)	-	(55,374)
Deposits payable	(81,532)	-	(81,532)
Net cash provided by for operating activities	<u>\$ 2,402,678</u>	<u>\$ -</u>	<u>\$ 2,402,678</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, 2016

	Agency Funds	Private-Purpose Trust Funds
ASSETS		
Cash and investments (note 2)	\$ 2,775,199	\$ 7,344,249
Receivables:		
Special assessments	33,695	-
Interest	205	17,315
Direct financing lease	-	2,809,932
Due from other governments	-	631
Prepaid expenses	-	256,793
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	13,883,070	56,737,342
Capital Assets:		
Land	-	3,907,369
Total Assets	<u>\$ 16,692,169</u>	<u>71,073,631</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt		<u>5,615,514</u>
LIABILITIES		
Accounts payable	\$ -	93,766
Accrued liabilities	-	23,878
Accrued interest payable	-	5,418,813
Due to other governments	-	5,755
Deposits payable	2,716,091	-
Due to bondholders	13,976,078	-
Noncurrent Liabilities:		
Due within one year	-	10,680,032
Due in more than one year	-	315,363,741
Total Liabilities	<u>\$ 16,692,169</u>	<u>331,585,985</u>
NET POSITION (DEFICIT)		
Held in trust for other taxing entities		<u>\$ (254,896,840)</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, 2016

	Private-Purpose Trust Funds
ADDITIONS	
Tax	\$ 26,360,263
Income from property and investments	410,229
Other revenue	<u>126,943</u>
Total Additions	<u>26,897,435</u>
DEDUCTIONS	
General and administrative	827,284
Community development	1,336,997
Interest expense and fees	16,276,310
Cost of debt issuance	<u>1,623,247</u>
Total Deductions	<u>20,063,838</u>
Change in Net Position	6,833,597
Net Position (Deficit), Beginning	<u>(261,730,437)</u>
Net Position (Deficit), Ending	<u><u>\$ (254,896,840)</u></u>

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

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For the Year Ended June 30, 2016**

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City of San Marcos

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**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

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

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

Component Units

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

Discretely Presented Component Unit

- The 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A) Description of Reporting Entity, (continued)

Component Units, (continued)

Blended Component Units

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

Separate financial statements are not prepared for these entities.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B) Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursements under state and federal grants are accrued if received within 180 days. Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise fees, vehicle license fees, highway users' tax, interest, and some state and federal grants.

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

D) Fund Classifications

The City reports the following major governmental funds:

General Fund

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

San Marcos Affordable Housing Fund

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

Agency Funds

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

Private-Purpose Trust Fund

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

E) Financial Statement Elements

(1) Cash and Investments

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

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

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

(2) Receivables and Payables

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(2) Receivables and Payables, (continued)

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

(3) Prepaid Items

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

(4) Land Held for Resale

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

(5) Notes Receivable

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

(6) Deferred Outflows/Inflows of Resources

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(7) Program Revenues

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

(8) Property Taxes

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

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

(9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(10) Capital Assets

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

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

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

	Years
Buildings	50
Furniture and Equipment	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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(12) Long-Term Obligations

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

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

(13) Postemployment Benefits other than Pensions

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(16) Fund Equity

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

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

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

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

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

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.

Notes to Basic Financial Statements
For the Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(17) Implementation of New Pronouncements

The City has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The City implemented GASB Statement No. 82, *Pension Issues*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

(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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 104,742,650
Cash and investments with fiscal agents	3,607,415
Investments in real estate	130,761,000
Investment in joint venture	7,663,890
Statement of fiduciary net position:	
Cash and investments	10,119,448
Cash and investments with fiscal agents	<u>70,620,412</u>
 Total Cash and Investments	 <u><u>\$ 327,514,815</u></u>

Cash and investments at June 30, 2016 consisted of the following:

Demand deposits	\$ 1,427,442
Local Agency Investment Pool (LAIF)	43,481,604
California Asset Management Pool (CAMP)	10,090,354
Federal Agency Securities	29,286,803
U.S. Treasury Obligations	16,531,383
U.S. Corporate	13,623,091
Asset-Backed Securities	3,926,801
Commercial Paper	999,760
Money Market Mutual Funds	69,722,687
Real Estate	130,761,000
Joint Venture	<u>7,663,890</u>
 Total Cash and Investments	 <u><u>\$ 327,514,815</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

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

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

<u>Investment Type Authorized by State Law</u>	<u>Authorized By City Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Bankers' Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	30 days	50%	None
Reverse Repurchase Agreements	No	1 year	20%	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	10%	None
Asset-Backed Securities	Yes	5 years	10%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$65 million per entity
California Asset Management Program (CAMP)	Yes	N/A	None	None
County Pooled Investment Funds	No	N/A	None	None

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Repurchase Agreements	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million per entity
Investment Contracts	None	None	None

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

Interest Rate Risk

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

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

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	N/A
Federal Agency Securities	\$ 27,633,450	\$ -	\$ 12,173,753	\$ 15,459,697	\$ -
U.S. Treasury Obligations	13,652,560	-	2,234,776	11,417,784	-
U.S. Corporate	13,623,091	-	6,203,772	7,419,319	-
Asset-Backed Securities	3,926,801	306,065	1,050,379	2,570,357	-
Commercial Paper	999,760	-	999,760	-	-
Money Market Mutual Funds	27,036	27,036	-	-	-
LAIF	43,481,604	43,481,604	-	-	-
CAMP	10,090,354	10,090,354	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	69,695,651	69,695,651	-	-	-
U.S. Treasury Obligations	2,878,823	1,663,215	1,215,608	-	-
Federal Agency Securities	1,653,353	-	1,653,353	-	-
Real Estate	130,761,000	-	-	-	130,761,000
Joint Venture	7,663,890	-	-	-	7,663,890
Total	<u>\$ 326,087,373</u>	<u>\$ 125,263,925</u>	<u>\$ 25,531,401</u>	<u>\$ 36,867,157</u>	<u>\$ 138,424,890</u>

Credit Risk

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

Credit Risk, (continued)

Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Standard & Poor's Rating as of Year End
Federal Agency Securities	\$ 27,633,450	N/A	AA+
U.S. Treasury Obligations	13,652,560	N/A	AA+
U.S. Corporate	13,623,091	N/A	A+
Asset-Backed Securities	3,926,801	N/A	AAA
Commercial Paper	999,760	N/A	A-1+
Money Market Mutual Funds	27,036	N/A	AAA
LAIF	43,481,604	N/A	Not Rated
CAMP	10,090,354	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	69,695,651	A	AAA
U.S. Treasury Obligations	2,878,823	N/A	AA+
Federal Agency Securities	1,653,353	N/A	AA+
Real Estate	130,761,000	N/A	Not Rated
Joint Venture	7,663,890	N/A	Not Rated
Total	<u>\$ 326,087,373</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, 2016 that meet the above criteria.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

2) CASH AND INVESTMENTS, (continued)

Custodial Credit Risk, (continued)

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy requires that all securities owned by the City be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and by the City. At June 30, 2016, the City deposits (bank balances) were collateralized under California Law.

Investment in State Investment Pool

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

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

Investment in California Asset Management Program Pool

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

Fair Value Measurements

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

The following table presents the balances of the assets measured at fair value on a recurring basis of June 30, 2016.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 27,633,450	\$ -	\$ 27,633,450	\$ -
U.S. Treasury Obligations	13,652,560	-	13,652,560	-
U.S. Corporate	13,623,091	-	13,623,091	-
Asset-Backed Securities	3,926,801	-	3,926,801	-
Commercial Paper	999,760	-	999,760	-
Held by bond trustees:				
U.S. Treasury Obligations	2,878,823	-	2,878,823	-
Federal Agency Securities	1,653,353	-	1,653,353	-
Real Estate	130,761,000	-	-	130,761,000
Joint Venture	7,663,890	-	-	7,663,890
Total Investments by Fair Value Level	202,792,728	\$ -	\$ 64,367,838	\$ 138,424,890
Investments Measured at Net Asset Value (NAV)				
LAIF	43,481,604			
CAMP	10,090,354			
Money Market Mutual Funds	27,036			
Held by bond trustees:				
Money Market Mutual Funds	69,695,651			
Total	\$ 326,087,373			

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

3) NOTES RECEIVABLE

At June 30, 2016, 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.

\$ 1,854,727

The City and former City of San Marcos Redevelopment Agency made several loans to various housing developers for the acquisition, construction or rehabilitation of low and moderate housing. Upon the dissolution of the Redevelopment Agency, these loans were transferred to the City's affordable housing program. The loans were made in fiscal years 1997 through 2011 at various amounts and at interest rates ranging from 0.25% to 5.9% per annum. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. Due to the long-term nature of the loans, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund.

135,983,402

In June 2001, the City loaned \$1,320,000 to a developer for the acquisition, development and construction of a commercial pad. The loan has a term of thirty years and bears an interest rate of 3%. Payments from residual receipts, if any, are to be made on an annual basis beginning with May 15 of the year first following the date the project is completed. Due to the long-term nature of the loan, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2016 includes accrued interest of \$385,944.

1,705,944

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, 2016 includes accrued interest of \$72,722.

772,722

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016 includes accrued interest of \$374,648.

\$ 2,220,273

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.

2,419,273

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.

998,864

Total notes receivable

\$ 145,955,205

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

4) OTHER RECEIVABLES

At June 30, 2016, 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 ten 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

511,240

Total other receivables – governmental funds

\$ 1,231,756

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.

\$ 758,604

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) INTERFUND RECEIVABLES AND TRANSFERS

Loans between funds (Due to/Due from) were as follows at June 30, 2016:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	<u>\$ 445,471</u>

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

Interfund transfers were as follows:

	<u>General Fund</u>	<u>Transfers In Non-Major Governmental Funds</u>	<u>Total Transfers Out</u>
Transfers Out:			
General Fund	\$ -	\$ 1,038,850	\$ 1,038,850
Creekside Marketplace			
Enterprise Fund	4,500,000	-	4,500,000
Non-major Governmental Funds	<u>877,714</u>	<u>25,000</u>	<u>902,714</u>
Total Transfers In:	<u>\$ 5,377,714</u>	<u>\$ 1,063,850</u>	<u>\$ 6,441,564</u>

The transfer of \$4,500,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations (as budgeted).

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, 2016

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	\$ -	\$ 96,009	\$ 96,009
Revenue received from developers prior to earning	-	1,285,083	1,285,083
Revenues earned but not available within 60 days after the close of the fiscal year	178,946	-	178,946
Fees receivable from property owners under various agreements	801,387	-	801,387
Long-term loans to mobilehome owners	1,854,727	-	1,854,727
Long-term loans to individuals under a mortgage assistance program	3,418,137	-	3,418,137
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	139,432,697	-	139,432,697
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,705,944	-	1,705,944
Total unavailable/unearned revenue for governmental funds	<u>\$ 147,391,838</u>	<u>\$ 1,381,092</u>	<u>\$ 148,772,930</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2016:

Governmental Activities:	Balance June 30, 2015*	GASB 72 Restatement	Additions	Deletions	Balance June 30, 2016
Capital assets, not depreciated:					
Land	\$ 288,815,220	\$ (13,181,503)	\$ 808,727	\$ (6,371,078)	\$ 270,071,366
Land improvements	62,386,703	-	-	(77,194)	62,309,509
Construction in progress	16,467,463	-	9,449,105	(3,682,250)	22,234,318
Total capital assets, not depreciated	367,669,386	(13,181,503)	10,257,832	(10,130,522)	354,615,193
Capital assets, being depreciated:					
Buildings	80,387,647	-	-	(5,901,783)	74,485,864
Furniture and equipment	16,957,482	-	1,295,773	(1,962,952)	16,290,303
Infrastructure	374,174,913	-	2,461,379	-	376,636,292
Total capital assets, being depreciated	471,520,042	-	3,757,152	(7,864,735)	467,412,459
Less accumulated depreciation for:					
Buildings	(29,237,280)	-	(1,384,975)	3,028,779	(27,593,476)
Furniture and equipment	(12,560,332)	-	(953,638)	1,962,952	(11,551,018)
Infrastructure	(141,434,613)	-	(11,529,662)	-	(152,964,275)
Total accumulated depreciation	(183,232,225)	-	(13,868,275)	4,991,731	(192,108,769)
Total capital assets, being depreciated, net	288,287,817	-	(10,111,123)	(2,873,004)	275,303,690
Total governmental activities	\$ 655,957,203	\$ (13,181,503)	\$ 146,709	\$ (13,003,526)	\$ 629,918,883
* Includes prior period adjustment to buildings of \$5,237,106 and corresponding accumulated depreciation of \$2,409,069 for buildings that were completed in 1993 but never recorded on the City's books in error. See Note 17 for details.					
Business-Type Activities:	Balance June 30, 2015	GASB 72 Restatement	Additions	Deletions	Balance June 30, 2016
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	19,188,789	(19,188,789)	-	-	-
Capital assets, being depreciated:					
Buildings	19,117,758	(19,117,758)	-	-	-
Less accumulated depreciation	(4,205,456)	4,205,456	-	-	-
Total capital assets, being depreciated, net	14,912,302	(14,912,302)	-	-	-
Total business-type activities	\$ 34,101,091	\$ (34,101,091)	\$ -	\$ -	\$ -

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

7) CAPITAL ASSETS, (continued)

Current year deletions to construction in progress include project costs related to street, and parks of \$1,220,871 that were deemed not viable during the planning and design phase of the project. The remainder of the deletions is included as additions to Infrastructure.

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

Governmental Activities:	
General government	\$ 802,672
Community development	37,532
Public safety	1,067,474
Highways, streets and parks	11,769,488
Culture and recreation	<u>191,109</u>
 Total depreciation expense – governmental activities	 <u><u>\$ 13,868,275</u></u>
 Business-Type Activities:	
Creekside Marketplace	<u><u>\$ -</u></u>

Assets acquired through capital leases are as follows:

Equipment	\$ 641,807
Less: Accumulated depreciation	<u>(85,460)</u>
 Total	 <u><u>\$ 556,347</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 4,705,000	\$ -	\$ (265,000)	\$ 4,440,000	\$ 275,000
Plus (less) deferred amounts:					
Issuance discount	(51,334)	-	2,333	(49,001)	-
Total bonds payable	4,653,666	-	(262,667)	4,390,999	275,000
 Note payable	401,747	-	(126,813)	274,934	133,788
Compensated absences	4,217,563	2,808,311	(2,801,675)	4,224,199	2,452,146
Claims payable	814,486	560,596	(440,463)	934,619	300,000
Capital leases payable	411,882	432,248	(211,096)	633,034	275,990
Loans payable	469,865	1,036,580	(74,289)	1,432,156	160,172
Net pension liability	48,048,694	-	(19,063)	48,029,631	-
 Total	<u>\$ 59,017,903</u>	<u>\$ 4,837,735</u>	<u>\$ (3,936,066)</u>	<u>\$ 59,919,572</u>	<u>\$ 3,597,096</u>

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.

\$ 4,440,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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 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:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 275,000	\$ 195,353	\$ 470,353
2018	285,000	183,590	468,590
2019	300,000	170,971	470,971
2020	310,000	157,589	467,589
2021	325,000	143,456	468,456
2022-2026	1,880,000	472,633	2,352,633
2027-2029	1,065,000	62,891	1,127,891
Total	<u>\$ 4,440,000</u>	<u>\$ 1,386,483</u>	<u>\$ 5,826,483</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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.

\$ 274,934

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 133,788	\$ 15,121	\$ 148,909
2018	<u>141,146</u>	<u>7,763</u>	<u>148,909</u>
Total	<u>\$ 274,934</u>	<u>\$ 22,884</u>	<u>\$ 297,818</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 \$4,224,199 as of June 30, 2016.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016 was \$934,619.

Capital Leases Payable

The City has entered into four 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, 2016, future minimum lease payments to be made by the City's General Fund are as follows:

\$ 633,034

Future lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2017	\$ 297,718
2018	252,099
2019	<u>115,363</u>
Total minimum lease payments	665,180
Less amount representing interest	<u>(32,146)</u>
Net present value of minimum lease payments	<u><u>\$ 633,034</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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.

\$ 382,824

In March 2014, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission (the Energy Commission) for a preliminarily approved amount of \$1,100,000, at an annual interest rate of 1.0%. The loan is for an energy savings project consisting of retrofitting 2,000 LED streetlight fixtures throughout the City. The City receives the loan proceeds on a cost reimbursement basis. The project was completed, and the amount of the loan was finalized on May 3, 2016 at \$1,049,332. The semi-annual loan repayments of \$48,484 from the Community Facilities District 98-02 and the Street Light District Special Revenue Funds are due each December 22 and June 22 through year 2027.

1,049,332

Total loans payable

\$ 1,432,156

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 160,172	\$ 15,482	\$ 175,654
2018	163,341	12,314	175,655
2019	164,978	10,676	175,654
2020	166,609	9,046	175,655
2021	168,302	7,352	175,654
2022-2026	464,747	20,091	484,838
2027-2028	144,007	1,444	145,451
	<u>\$ 1,432,156</u>	<u>\$ 76,405</u>	<u>\$ 1,508,561</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
Net Investment in Capital Assets:				
Capital assets, net of accumulated depreciation	\$ 629,918,883	\$ -	\$ 629,918,883	\$ -
Less capital related debt balances:				
Bonds payable	(4,390,999)	-	(4,390,999)	-
Note payable	(274,934)	-	(274,934)	-
Capital leases payable	(633,034)	-	(633,034)	-
Loans payable	(1,432,156)	-	(1,432,156)	-
Total Net Investment in Capital Assets	623,187,760	-	623,187,760	-
Restricted for:				
Permanent Fund	-	-	-	1,000,000
Affordable housing	182,174,655	-	182,174,655	-
Debt service	234,791	-	234,791	-
Transportation	4,530,875	-	4,530,875	-
Lighting and landscape	12,073,491	-	12,073,491	-
Capital improvements	2,565,476	-	2,565,476	-
Public facilities	25,015,643	-	25,015,643	-
Other purposes	1,952,373	-	1,952,373	-
Total Restricted	228,547,304	-	228,547,304	1,000,000
Unrestricted	48,523,274	94,924,105	143,447,379	157,923
Total	\$ 900,258,338	\$ 94,924,105	\$ 995,182,443	\$ 1,157,923

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

10) RETIREMENT PLAN

A) General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent multiple-employer defined benefit pension plan and a public agency cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and the City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website.

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016 are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.50%
Required employer contribution rates	28.379%	28.379%	28.379%

	Safety Plan		
	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	20.230%	17.295%	11.923%

Employees Covered

At June 30, 2014 (valuation date), the following employees were covered by the benefit terms:

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer Contributions to the Miscellaneous and Safety Plans for the fiscal year ended June 30, 2016 were \$3,975,080 and \$2,510,800, respectively. The actual employer payments for the Safety Plan of \$1,976,541 made to CalPERS by the City during the measurement period ended June 30, 2015 differed from the City's proportionate share of the employer's contributions of \$1,574,679 by \$401,862, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
	7.65%. For measurement date June 30,
Discount Rate	2014, 7.5%
Inflation	2.75%
Salary Increase (1)	Varies by Entry Age and Service
	7.65%. For measurement date June 30,
Investment Rate of Return (2)	2014, 7.5%
Mortality Rate Table (3)	Derived using CalPERS' membership
	data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until
	purchasing power protection allowance
	floor on purchasing power applies, 2.75%
	thereafter

(1) Annual 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, 2014 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.

Change of Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

10) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability for measurement date June 30, 2015 was 7.65 percent. The discount rate used to measure the total pension liability in the previous year was 7.50 percent. 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 of the plan, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 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 68 section.

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 (Public Employees' Retirement 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	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	100.0%		

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

10) RETIREMENT PLAN, (continued)

C) Proportionate Share of Net Pension Liability

Miscellaneous Plan

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

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2014 (VD)¹	\$ 111,394,182	\$ 73,208,466	\$ 38,185,716
Changes Recognized for the Measurement Period:			
• Service Cost	2,559,947	-	2,559,947
• Interest on the Total Pension Liability	8,083,219	-	8,083,219
• Changes of Benefit Terms	-	-	-
• Differences between Expected and Actual Experience	(2,717,435)	-	(2,717,435)
• Changes of Assumptions	(2,000,140)	-	(2,000,140)
• Contributions from the Employer	-	4,558,184	(4,558,184)
• Employer Paid Member Contributions	-	-	-
• Contributions from Employees	-	1,302,378	(1,302,378)
• Net Investment Income ²	-	1,709,531	(1,709,531)
• Benefit Payments, including Refunds of Employee Contributions	(4,587,163)	(4,587,163)	-
• Administrative Expense	-	(85,688)	85,688
Net Changes during 2014-15	1,338,428	2,897,242	(1,558,814)
Balance at: 6/30/2015 (MD)¹	\$ 112,732,610	\$ 76,105,708	\$ 36,626,902

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, 2016

10) RETIREMENT PLAN, (continued)

C) 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: 6/30/2014 (VD)	\$ 53,079,966	\$ 43,216,988	\$ 9,862,978
Balance at: 6/30/2015 (MD)	57,687,137	46,284,408	11,402,729
Net changes during 2014-15	4,607,171	3,067,420	1,539,751

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	Safety Plan
Proportion - June 30, 2014	0.26294%
Proportion - June 30, 2015	0.27674%
Change - Increase (Decrease)	0.01380%

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

10) RETIREMENT PLAN, (continued)

C) Proportionate Share of Net Pension Liability (continued)

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

The following presents the City's proportionate share of the net pension liability of each Plan as of the measurement date, calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plans' Net Pension Liability	\$ 51,950,751	\$ 36,626,902	\$ 23,958,825
Safety Plans' Net Pension Liability	\$ 19,312,224	\$ 11,402,729	\$ 4,917,088

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

10) RETIREMENT PLAN, (continued)

C) 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 Agent Plan for the June 30, 2015 measurement date is 3.7 years, which was obtained by dividing the total service years of 1,763 (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 Plan for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (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, 2016

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, 2014), the net pension liability is \$38,185,716.

For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense of \$2,135,623 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,559,947
Interest on the Total Pension Liability	8,083,219
Changes of Benefit Terms	-
Recognized Differences between Expected and Actual Experience	(696,778)
Recognized Changes of Assumptions	(512,856)
Employee Contributions	(1,302,378)
Projected Earnings on Pension Plan Investments	(5,626,451)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(454,768)
Administrative Expense	85,688
Total Pension Expense	\$ 2,135,623

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

As of the start of the measurement period (July 1, 2014), the net pension liability for the safety plans is \$9,862,978.

For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense of \$851,329 for the safety plan.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

10) RETIREMENT PLAN, (continued)

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

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ (2,020,657)	\$ -	\$ (260,018)
Changes of Assumptions	-	(1,487,284)	-	(1,195,916)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(580,922)	-	(606,098)
Change in Employer's Proportion			1,351,895	
Difference in Actual vs Projected Contributions	-	(550,363)	627,936	-
Pension Contributions Subsequent to Measurement Date	3,975,080	-	2,510,800	-
	<u>\$ 3,975,080</u>	<u>\$ (4,639,226)</u>	<u>\$ 4,490,631</u>	<u>\$ (2,062,032)</u>

These amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. The \$3,975,080 and \$2,510,800 reported as deferred outflows of resources related to the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other 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
2016	\$ (1,854,182)	\$ (133,405)
2017	(1,854,182)	(143,002)
2018	(1,714,246)	(212,638)
2019	783,384	406,844
Thereafter	-	-

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

10) RETIREMENT PLAN, (continued)

E) Payable to the Pension Plan

The City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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, 2016, the City's total payroll and covered payroll for part-time employees was \$1,091,331. The City made employer contributions of \$20,375 (1.9% of current covered payroll), and employees contributed \$61,115 (5.6% of current covered payroll).

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

11) INSURANCE

A) California Joint Powers Insurance Authority

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

The City of San Marcos is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

(2) Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

11) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

Liability, (continued)

For coverage year 2015-16 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) \$2.5 million annual aggregate deductible in the \$3 million excess \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million excess \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million excess \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

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.

(3) Purchased Insurance

Pollution Legal Liability Insurance

The City of San Marcos participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of San Marcos. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has 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 \$164,675,342. 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 \$184,471,462. 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, 2016

11) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (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.

(4) Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2015-16.

B) Public Agency Self-Insurance System (PASIS)

(1) 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, 2016, the City had \$684,762 on deposit with PASIS and claims payable of \$934,619.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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	\$ 3,856,385
Deferred outflows	319,284
Liabilities	(1,723,894)
Deferred inflows	<u>(445,512)</u>
Net position	<u>\$ 2,006,263</u>
Revenues	\$ 3,852,989
Expenses	<u>(3,684,358)</u>
Change in net position	<u>\$ 168,631</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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

12) JOINT VENTURES, (continued)

Rancheros Commercial Park

The former City of San Marcos Redevelopment Agency entered into a Disposition and Development Agreement with LBP Partnership on March 6, 1989. In accordance with that Agreement, the Agency and LBP Partnership formed a Limited Partnership known as Rancheros Commercial Park, a Limited Partnership. The purpose of this Limited Partnership was to engage in the business of leasing, developing, constructing, maintaining and operating certain commercial/ industrial property. Each of the Partners leased to the Partnership certain real property owned by the General and Limited Partners. The capital contributions to be made by Partners were to be adjusted to match, on a percentage basis, the proportionate land areas leased by the Partners to the Partnership. The net profits of the Partnership are allocated to, and net losses suffered by the Partnership are borne by, the Partners in proportion to their respective contributions of capital and real estate. On March 26, 2010, the Agency's interest in this partnership was transferred to the City. The City's equity interest in this Limited Partnership is \$7,663,890 as of June 30, 2016. 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, 2016

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

<u>Type of Debt</u>	<u>Amount of Issue</u>	<u>Outstanding June 30, 2016</u>
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	\$ 15,922,151
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	11,425,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A	13,820,000	12,680,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B	4,240,000	145,000
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	21,990,000
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	30,580,000
Total	<u>\$ 111,870,000</u>	<u>\$ 92,742,151</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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

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

<u>Type of Debt</u>	<u>Outstanding June 30, 2016</u>
\$2,300,000 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Villa Serena Apartments), 2000 Series A	\$ 1,566,257
\$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
\$56,860,000 San Marcos Public Financing Authority Tax Increment Pass-through Revenue Refunding Bonds, San Marcos Unified School District, 2006 Series A	47,865,000
\$44,640,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Refunding Bonds, Series 2006 A, B, C (Union City Tropics)	<u>38,190,000</u>
Total	<u>\$ 115,940,890</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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).

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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 note was paid in full in fiscal year 2016.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016.

The following lists the components of the net investment in the direct financing lease as of June 30, 2016:

Total minimum lease payments to be received	\$ 3,880,698
Less unearned income	<u>(1,070,766)</u>
Net investment in direct financing lease	<u>\$ 2,809,932</u>

At June 30, 2016, the future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 323,138
2018	323,138
2019	323,138
2020	323,138
2021	323,138
2022-2026	906,750
2027-2031	989,057
2032-2033	<u>369,201</u>
Total	<u>\$ 3,880,698</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
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, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Bonds payable	\$ 303,480,000	\$ 223,995,000	\$ (255,820,000)	\$ 271,655,000	\$ 10,190,000
Plus (less) deferred amounts:					
Issuance premium	4,199,605	11,633,876	(4,705,426)	11,128,055	-
Issuance discount	(1,630,195)	-	340,326	(1,289,869)	-
Total bonds payable	306,049,410	235,628,876	(260,185,100)	281,493,186	10,190,000
Note payable	425,007	-	(391,575)	33,432	33,432
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	21,647,808	-	(1,893,145)	19,754,663	-
Due to other governments	1,997,616	-	(510,420)	1,487,196	456,600
Total	<u>\$ 353,395,137</u>	<u>\$ 235,628,876</u>	<u>\$ (262,980,240)</u>	<u>\$ 326,043,773</u>	<u>\$ 10,680,032</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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

Bonds Payable

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.

\$ 47,660,000

In July 2015, the San Marcos Public Facilities Authority and the Successor Agency to the San Marcos Redevelopment Agency issued \$84,710,000, 2015 Tax Allocation Refunding Bonds, Series A, to refund certain outstanding obligations, 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 2015A bonds. 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.

84,710,000

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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

Bonds Payable, (continued)

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

\$ 139,285,000

Total bonds payable

\$ 271,655,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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

Bonds Payable (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
2017	\$ 10,190,000	\$ 13,241,710	\$ 23,431,710
2018	10,410,000	13,003,062	23,413,062
2019	10,740,000	12,667,316	23,407,316
2020	11,115,000	12,285,055	23,400,055
2021	11,565,000	11,821,349	23,386,349
2022-2026	65,570,000	50,308,755	115,878,755
2027-2031	82,395,000	30,897,583	113,292,583
2032-2036	52,210,000	11,452,376	63,662,376
2037-2039	17,460,000	1,323,529	18,783,529
Total	<u>\$ 271,655,000</u>	<u>\$ 157,000,735</u>	<u>\$ 428,655,735</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.

\$ 33,432

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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

Note Payable (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>
2017	\$ 33,432	\$ 125	\$ 33,557
Total	<u>\$ 33,432</u>	<u>\$ 125</u>	<u>\$ 33,557</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, 2016

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 (SERAF) payments. The loans bear an interest rate equal to the City's average portfolio rate and are to be repaid subject to Health & Safety Code Section 34176(d), under the provisions of Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California.

\$ 19,754,663

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.

\$ 1,487,196

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

Fund Statements

Beginning fund balance on the governmental funds balance sheet for the year ended June 30, 2016 has been restated for changes related to GASB Statement No. 72 as follows:

General Fund

General Fund

Fund balance - beginning, as previously reported	\$ 48,323,873
Change in accounting principle	<u>44,204,280</u>
Fund balance - beginning, as restated	<u>\$ 92,528,153</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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

Fund Statements, (continued)

Beginning net position proprietary funds statement of net position for the year ended June 30, 2016 has been restated for changes related to GASB Statement No. 72 as follows:

Proprietary Fund:

Creekside Marketplace

Net position - beginning, as previously reported	\$ 36,587,740
Change in accounting principle	<u>59,898,909</u>
	<u><u>\$ 96,486,649</u></u>

During fiscal year 2015-16, prior period adjustments were needed to correct the beginning fund balance in the following funds: The adjustments were due to errors which occurred in fiscal year 2014-15.

Capital Projects Funds:

Capital Improvements

Fund balance - beginning, as previously reported	\$ 1,548,853
Prior period adjustment	<u>10,857</u>
Fund balance - beginning, as restated	<u><u>\$ 1,559,710</u></u>

Transportation Sales Tax

Fund balance - beginning, as previously reported	\$ 1,307,802
Prior period adjustment	<u>(10,857)</u>
Fund balance - beginning, as restated	<u><u>\$ 1,296,945</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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

Government-Wide Statements

As discussed in Note 1, the City implemented GASB Statement No. 72. Accordingly, beginning net position on the Statement of Activities for the year ended June 30, 2016 has been restated for changes related to GASB Statement No. 72 as follows:

GOVERNMENT WIDE STATEMENTS

Governmental Activities:

Net position - beginning, as previously reported	\$ 869,825,294
Prior period restatement	4,054,227
Change in accounting principle	<u>20,703,397</u>
Net position - beginning, as restated	<u><u>\$ 894,582,918</u></u>

Business-Type Activities:

Net position - beginning, as previously reported	\$ 36,653,823
Change in accounting principle	<u>59,898,909</u>
Net position - beginning, as restated	<u><u>\$ 96,552,732</u></u>

The beginning net position of for governmental activities also includes the following prior period adjustments: during fiscal year 2015-16, prior period adjustments were needed to correct the depreciable capital assets, more specifically, buildings. These buildings were inadvertently excluded during the GASB Statement No. 34 implementation. During fiscal year 2015-16 the San Marcos Community Foundation was moved to be presented as a discretely presented component unit resulting in a prior period adjustment of \$1,126,190 to the net position of the City's governmental activities.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2016

18) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

The following funds reported deficit fund balances at June 30, 2016:

<u>Governmental Funds - Non-Major</u>	
Special Revenue:	
HOME Grant	\$ (20,586)
Energy Efficiency & Conservation Block Grant	(13,281)

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

19) SUBSEQUENT EVENT

On December 21, 2016, the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the CalPERS discount rate from 7.5 percent to 7.0 percent over the next three years. The discount rate will change as follows:

Fiscal year 2017-2018	7.375%
Fiscal year 2018-2019	7.250%
Fiscal year 2019-2020	7.000%

Lowering the discount rate, also known as the assumed rate of investment return, will lead to increases in an employer's normal cost for pension contributions and unfunded actuarial liabilities.

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**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 6/30/2014	Measurement Period 6/30/2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,750,478	\$ 2,559,947
Interest	7,817,338	8,083,219
Difference Between Expected and Actual Experience	-	(2,717,435)
Changes of Assumptions	-	(2,000,140)
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)
Net Change in Total Pension Liability	6,508,670	1,338,428
Total Pension Liability - Beginning	104,885,512	111,394,182
Total Pension Liability - Ending (a)	\$ 111,394,182	\$ 112,732,610
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 3,469,533	\$ 4,558,184
Contributions - Employee	1,094,087	1,302,378
Net Investment Income ¹	10,830,423	1,709,531
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)
Other Changes in Fiduciary Net Position	-	(85,688)
Net Change in Fiduciary Net Position	11,334,897	2,897,242
Plan Fiduciary Net Position - Beginning	61,873,569	73,208,466
Plan Fiduciary Net Position - Ending (b)	\$ 73,208,466	\$ 76,105,708
Plan Net Pension Liability - Ending (a) - (b)	\$ 38,185,716	\$ 36,626,902
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.72%	67.51%
Covered Payroll	\$ 14,466,706	13,912,118
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	263.96%	263.27%

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

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. 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: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent for the June 30, 2015 measurement period.

City of San Marcos

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

Miscellaneous Plan

	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Contribution	\$ 3,469,533	\$ 4,558,184
Contributions in Relation to the Actuarially Determined Contribution	(3,469,533)	(4,558,184)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 14,466,706	\$ 13,912,118
Contributions as a Percentage of Covered Payroll	23.98%	32.76%

* Fiscal year 2014-15 was the first year of implementation, therefore, only two years are presented.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2014 Funding Valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2014 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses; includes Inflation. For 2014-15, 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 Date 6/30/2014	Measurement Date 6/30/2015
Employer's Proportion of the Collective Net Pension Liability ¹	0.26294%	0.27674%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 9,862,978	\$ 11,402,729
Employer's Covered Payroll ²	\$ 8,996,362	\$ 6,816,670
Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	109.63%	167.28%
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	81.42%	80.23%

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

² Covered Payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

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

City of San Marcos

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

Safety Plan

	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Contribution	\$ 1,938,477	\$ 1,976,541
Contributions in Relation to the Actuarially Determined Contributions	(1,938,477)	(1,976,541)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll ¹	\$ 8,996,362	\$ 6,816,670
Contributions as a Percentage of Covered Payroll	21.55%	29.00%

¹ Covered Payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Fiscal year 2014-15 was the first year of implementation, therefore, only two years are presented.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 35,160,019	\$ 35,160,019	\$ 36,735,689	\$ 1,575,670
Licenses and permits	5,008,444	5,008,944	5,190,125	181,181
Intergovernmental	336,522	336,522	595,550	259,028
Charges for services	13,937,286	13,936,786	15,644,089	1,707,303
Developer fees	15,000	15,000	17,925	2,925
Fines and forfeitures	725,000	725,000	492,091	(232,909)
Investment and rental income	6,254,746	6,254,746	7,143,857	889,111
Miscellaneous	441,800	441,800	2,044,047	1,602,247
Total Revenues	61,878,817	61,878,817	67,863,373	5,984,556
EXPENDITURES				
Current:				
General government	16,530,704	17,349,164	14,999,889	2,349,275
Community development	4,567,719	4,758,360	4,070,165	688,195
Public safety	33,618,987	33,650,987	33,512,449	138,538
Highways, streets and parks	10,528,248	10,889,332	9,816,575	1,072,757
Culture and recreation	3,362,375	3,367,225	3,380,058	(12,833)
Capital outlay	6,212,816	6,275,066	442,317	5,832,749
Debt service:				
Principal	158,403	285,896	285,385	511
Interest and fiscal charges	13,964	33,104	31,114	1,990
Total Expenditures	74,993,216	76,609,134	66,537,952	10,071,182
Excess (Deficiency) of Revenues over Expenditures	(13,114,399)	(14,730,317)	1,325,421	16,055,738
OTHER FINANCING SOURCES (USES)				
Acquisition under capital lease	-	-	432,248	432,248
Transfers in (note 5)	5,092,664	5,127,782	5,377,714	249,932
Transfers out (note 5)	(1,220,514)	(1,496,828)	(1,038,850)	457,978
Total Other Financing Sources (Uses)	3,872,150	3,630,954	4,771,112	1,140,158
Net Change in Fund Balance	(9,242,249)	(11,099,363)	6,096,533	17,195,896
Fund Balance, Beginning, as Restated	92,528,153	92,528,153	92,528,153	-
Fund Balance, Ending	\$ 83,285,904	\$ 81,428,790	\$ 98,624,686	\$ 17,195,896

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Developer fees	\$ 117,847	\$ 117,847	\$ 1,050,900	\$ 933,053
Investment and rental income	607,500	607,500	1,481,397	873,897
Miscellaneous	202,200	202,200	572,253	370,053
Total Revenues	927,547	927,547	3,104,550	2,177,003
EXPENDITURES				
Current:				
General government	1,299,028	1,299,028	749,220	549,808
Community development	10,554,453	10,754,453	4,256,493	6,497,960
Total Expenditures	11,853,481	12,053,481	5,005,713	7,047,768
Net Change in Fund Balance	(10,925,934)	(11,125,934)	(1,901,163)	9,224,771
Fund Balances, Beginning	38,120,613	38,120,613	38,120,613	-
Fund Balances, Ending	\$ 27,194,679	\$ 26,994,679	\$ 36,219,450	\$ 9,224,771

City of San Marcos

Notes to Required Supplementary Information June 30, 2016

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 \$1,615,918 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:			
HOME Grant	\$ 141,400	\$ 341,200	\$ (199,800)
Center Drive Maintenance District	3,612	4,606	(994)

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

City of San Marcos

Non-Major Governmental Funds

Special Revenue Funds, (continued)

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

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

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

Debt Service Funds

Debt service funds are used to account for debt service transactions including revenue collection and payments of principal and interest on long-term obligations.

The San Marcos Public Facilities Authority Fund is used to account for the accumulation of resources for and the payment of principal and interest of the various debt obligations of the San Marcos Public Facilities Authority.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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

The 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.

City of San Marcos

Non-Major Governmental Funds

Capital Projects Funds, (continued)

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

Combining Balance Sheet Non-Major Governmental Funds June 30, 2016

	Total Special Revenue Funds	Total Debt Service Funds San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 18,458,709	\$ -	\$ 27,902,531	\$ 46,361,240
Cash and investments with fiscal agents (note 2)	-	622,328	679,030	1,301,358
Receivables:				
Taxes and special assessments	26,759	-	-	26,759
Accounts	136,878	17,568	-	154,446
Interest	25,828	-	34,864	60,692
Notes, net (note 3)	2,419,273	-	-	2,419,273
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	281,993	-	2,149,473	2,431,466
Land held for resale	-	-	858,348	858,348
Total Assets	<u>\$ 21,349,440</u>	<u>\$ 639,896</u>	<u>\$ 31,744,762</u>	<u>\$ 53,734,098</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,546,552	\$ -	\$ 861,693	\$ 2,408,245
Accrued liabilities	107,605	-	-	107,605
Due to other funds (note 5)	55,163	390,308	-	445,471
Unearned revenue (note 6)	-	-	1,285,083	1,285,083
Deposits payable	10,389	-	705,173	715,562
Total Liabilities	<u>1,719,709</u>	<u>390,308</u>	<u>2,851,949</u>	<u>4,961,966</u>
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	<u>2,438,668</u>	<u>14,797</u>	<u>120,516</u>	<u>2,573,981</u>
Fund Balances:				
Restricted:				
Debt service	-	234,791	-	234,791
Transportation	3,209,199	-	1,311,694	4,520,893
Lighting and landscaping	12,064,078	-	-	12,064,078
Capital improvements	-	-	2,565,476	2,565,476
Public facilities	-	-	24,895,127	24,895,127
Other purposes	1,951,653	-	-	1,951,653
Unassigned	<u>(33,867)</u>	<u>-</u>	<u>-</u>	<u>(33,867)</u>
Total Fund Balances	<u>17,191,063</u>	<u>234,791</u>	<u>28,772,297</u>	<u>46,198,151</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,349,440</u>	<u>\$ 639,896</u>	<u>\$ 31,744,762</u>	<u>\$ 53,734,098</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, 2016

	Total Special Revenue Funds	Total Debt Service Funds San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes and special assessments	\$ 6,653,000	\$ -	\$ -	\$ 6,653,000
Intergovernmental	2,768,478	-	5,024,592	7,793,070
Developer fees	95,787	-	4,515,628	4,611,415
Investment and rental income	243,829	519,335	499,362	1,262,526
Miscellaneous	323,722	-	63,453	387,175
Total Revenues	10,084,816	519,335	10,103,035	20,707,186
EXPENDITURES				
Current:				
General government	20,444	-	-	20,444
Community development	891,912	-	-	891,912
Highways, streets and parks	6,955,089	-	-	6,955,089
Culture and recreation	231,103	-	-	231,103
Capital outlay	2,863,610	-	7,777,529	10,641,139
Debt service:				
Principal	-	265,000	126,813	391,813
Interest and fiscal charges	-	206,524	22,096	228,620
Total Expenditures	10,962,158	471,524	7,926,438	19,360,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(877,342)	47,811	2,176,597	1,347,066
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,036,580	-	-	1,036,580
Transfers in (note 5)	653,850	-	410,000	1,063,850
Transfers out (note 5)	(902,714)	-	-	(902,714)
Total Other Financing Sources (Uses)	787,716	-	410,000	1,197,716
Net Change in Fund Balances	(89,626)	47,811	2,586,597	2,544,782
Fund Balances, Beginning, as Restated	17,280,689	186,980	26,185,700	43,653,369
Fund Balances, Ending	\$ 17,191,063	\$ 234,791	\$ 28,772,297	\$ 46,198,151

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2016

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments (note 2)	\$ 2,315,894	\$ 1,189,337	\$ 12,436,693	\$ 168,714	\$ 21,555	\$ -
Receivables:						
Taxes and special assessments	-	-	25,318	1,441	-	-
Accounts	-	33,520	38,203	-	575	-
Interest	2,979	1,706	18,032	-	-	-
Notes, net (note 3)	-	-	-	-	-	-
Due from other governments	-	23,304	-	-	11,182	150,988
Total Assets	<u>\$ 2,318,873</u>	<u>\$ 1,247,867</u>	<u>\$ 12,518,246</u>	<u>\$ 170,155</u>	<u>\$ 33,312</u>	<u>\$ 150,988</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 776,268	\$ 9,853	\$ 391,395	\$ 166,783	\$ 24,263	\$ 13,277
Accrued liabilities	41,873	-	53,360	3,372	4,648	4,334
Due to other funds (note 5)	-	-	-	-	-	41,900
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>818,141</u>	<u>20,242</u>	<u>444,755</u>	<u>170,155</u>	<u>28,911</u>	<u>59,511</u>
Deferred Inflows of Resources:						
Unavailable revenue (note 6)	-	-	9,413	-	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	1,500,732	1,227,625	-	-	-	-
Lighting and landscaping	-	-	12,064,078	-	-	-
Other purposes	-	-	-	-	4,401	91,477
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficit)	<u>1,500,732</u>	<u>1,227,625</u>	<u>12,064,078</u>	<u>-</u>	<u>4,401</u>	<u>91,477</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,318,873</u>	<u>\$ 1,247,867</u>	<u>\$ 12,518,246</u>	<u>\$ 170,155</u>	<u>\$ 33,312</u>	<u>\$ 150,988</u>

HOME Grant	Center Drive Maintenance District	Energy Efficiency & Conservation Block Grant	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	Total
\$ 9,252	\$ 102,781	\$ -	\$ 660,849	\$ 1,176,123	\$ 377,511	\$ -	\$ 18,458,709
-	-	-	-	-	-	-	26,759
-	-	-	-	54,598	9,982	-	136,878
-	148	-	893	1,579	491	-	25,828
1,747,773	-	-	-	-	-	671,500	2,419,273
96,519	-	-	-	-	-	-	281,993
<u>\$ 1,853,544</u>	<u>\$ 102,929</u>	<u>\$ -</u>	<u>\$ 661,742</u>	<u>\$ 1,232,300</u>	<u>\$ 387,984</u>	<u>\$ 671,500</u>	<u>\$ 21,349,440</u>
\$ 126,357	\$ 89	\$ -	\$ -	\$ 38,267	\$ -	\$ -	\$ 1,546,552
-	-	18	-	-	-	-	107,605
-	-	13,263	-	-	-	-	55,163
-	-	-	-	-	-	-	10,389
<u>126,357</u>	<u>89</u>	<u>13,281</u>	<u>-</u>	<u>38,267</u>	<u>-</u>	<u>-</u>	<u>1,719,709</u>
<u>1,747,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,982</u>	<u>671,500</u>	<u>2,438,668</u>
-	102,840	-	-	-	378,002	-	3,209,199
-	-	-	-	-	-	-	12,064,078
-	-	-	661,742	1,194,033	-	-	1,951,653
(20,586)	-	(13,281)	-	-	-	-	(33,867)
<u>(20,586)</u>	<u>102,840</u>	<u>(13,281)</u>	<u>661,742</u>	<u>1,194,033</u>	<u>378,002</u>	<u>-</u>	<u>17,191,063</u>
<u>\$ 1,853,544</u>	<u>\$ 102,929</u>	<u>\$ -</u>	<u>\$ 661,742</u>	<u>\$ 1,232,300</u>	<u>\$ 387,984</u>	<u>\$ 671,500</u>	<u>\$ 21,349,440</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, 2016

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 5,714,645	\$ 532,613	\$ -	\$ -
Intergovernmental	1,990,004	315,206	-	-	70,112	296,637
Developer fees	-	-	-	-	-	-
Investment and rental income	30,254	16,904	165,534	(6,013)	(1,031)	-
Miscellaneous	-	33,520	115,753	20,504	35,574	-
Total Revenues	2,020,258	365,630	5,995,932	547,104	104,655	296,637
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	166,173
Highways, streets and parks	1,354,474	213,625	4,349,321	1,033,063	-	-
Culture and recreation	-	-	-	-	227,603	-
Capital outlay	1,574,681	127,042	767,919	270,361	-	123,607
Total Expenditures	2,929,155	340,667	5,117,240	1,303,424	227,603	289,780
Excess (Deficiency) of Revenues Over (Under) Expenditures	(908,897)	24,963	878,692	(756,320)	(122,948)	6,857
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	767,069	269,511	-	-
Transfers in (note 5)	-	-	17,021	486,829	150,000	-
Transfers out (note 5)	-	-	(865,237)	-	(29,806)	-
Total Other Financing Sources (Uses)	-	-	(81,147)	756,340	120,194	-
Net Change in Fund Balances	(908,897)	24,963	797,545	20	(2,754)	6,857
Fund Balances (Deficit), Beginning	2,409,629	1,202,662	11,266,533	(20)	7,155	84,620
Fund Balances (Deficit), Ending	\$ 1,500,732	\$ 1,227,625	\$ 12,064,078	\$ -	\$ 4,401	\$ 91,477

HOME Grant	Center Drive Maintenance District	Energy Efficiency & Conservation Block Grant	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	Total
\$ -	\$ 28,517	\$ -	\$ -	\$ 225,137	\$ 152,088	\$ -	\$ 6,653,000
96,519	-	-	-	-	-	-	2,768,478
-	-	-	95,787	-	-	-	95,787
7,987	1,372	(205)	8,449	16,034	4,544	-	243,829
118,371	-	-	-	-	-	-	323,722
222,877	29,889	(205)	104,236	241,171	156,632	-	10,084,816
-	-	20,444	-	-	-	-	20,444
341,200	-	-	-	384,539	-	-	891,912
-	4,606	-	-	-	-	-	6,955,089
-	-	-	3,500	-	-	-	231,103
-	-	-	-	-	-	-	2,863,610
341,200	4,606	20,444	3,500	384,539	-	-	10,962,158
(118,323)	25,283	(20,649)	100,736	(143,368)	156,632	-	(877,342)
-	-	-	-	-	-	-	1,036,580
-	-	-	-	-	-	-	653,850
-	(7,671)	-	-	-	-	-	(902,714)
-	(7,671)	-	-	-	-	-	787,716
(118,323)	17,612	(20,649)	100,736	(143,368)	156,632	-	(89,626)
97,737	85,228	7,368	561,006	1,337,401	221,370	-	17,280,689
\$ (20,586)	\$ 102,840	\$ (13,281)	\$ 661,742	\$ 1,194,033	\$ 378,002	\$ -	\$ 17,191,063

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City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Gas Tax Special Revenue Fund For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,906,001	\$ 1,906,001	\$ 1,990,004	\$ 84,003
Investment and rental income	9,500	9,500	30,254	20,754
Total Revenues	1,915,501	1,915,501	2,020,258	104,757
EXPENDITURES				
Current:				
Highways, streets and parks	1,482,702	1,482,702	1,354,474	128,228
Capital outlay	1,651,134	1,651,134	1,574,681	76,453
Total Expenditures	3,133,836	3,133,836	2,929,155	204,681
Net Change in Fund Balance	(1,218,335)	(1,218,335)	(908,897)	309,438
Fund Balance, Beginning	2,409,629	2,409,629	2,409,629	-
Fund Balance, Ending	\$ 1,191,294	\$ 1,191,294	\$ 1,500,732	\$ 309,438

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, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 330,775	\$ 330,775	\$ 315,206	\$ (15,569)
Investment and rental income	6,500	6,500	16,904	10,404
Miscellaneous	-	-	33,520	33,520
Total Revenues	337,275	337,275	365,630	28,355
EXPENDITURES				
Current:				
Highways, streets and parks	100,000	100,000	213,625	(113,625)
Capital outlay	735,743	785,743	127,042	658,701
Total Expenditures	835,743	885,743	340,667	545,076
Net Change in Fund Balance	(498,468)	(548,468)	24,963	573,431
Fund Balance, Beginning	1,202,662	1,202,662	1,202,662	-
Fund Balance, Ending	\$ 704,194	\$ 654,194	\$ 1,227,625	\$ 573,431

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, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 5,604,032	\$ 5,604,032	\$ 5,714,645	\$ 110,613
Investment and rental income	45,500	45,500	165,534	120,034
Miscellaneous	-	-	115,753	115,753
Total Revenues	5,649,532	5,649,532	5,995,932	346,400
EXPENDITURES				
Current:				
Highways, streets and parks	5,144,910	5,162,410	4,349,321	813,089
Capital outlay	449,857	470,607	767,919	(297,312)
Total Expenditures	5,594,767	5,633,017	5,117,240	515,777
Excess of Revenues Over Expenditures	54,765	16,515	878,692	862,177
OTHER FINANCING SOURCES (USES)				
Issuance of debt	767,069	767,069	767,069	-
Transfers in (note 5)	-	-	17,021	17,021
Transfers out (note 5)	(595,000)	(620,000)	(865,237)	(245,237)
Total Other Financing Sources (Uses)	172,069	147,069	(81,147)	(228,216)
Net Change in Fund Balance	226,834	163,584	797,545	633,961
Fund Balance, Beginning	11,266,533	11,266,533	11,266,533	-
Fund Balance, Ending	\$ 11,493,367	\$ 11,430,117	\$ 12,064,078	\$ 633,961

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, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 531,687	\$ 531,687	\$ 532,613	\$ 926
Investment and rental income	550	550	(6,013)	(6,563)
Miscellaneous	-	-	20,504	20,504
Total Revenues	532,237	532,237	547,104	14,867
EXPENDITURES				
Current:				
Highways, streets and parks	1,272,456	1,307,456	1,033,063	274,393
Capital outlay	133,143	133,143	270,361	(137,218)
Total Expenditures	1,405,599	1,440,599	1,303,424	137,175
Excess of Revenues Over (Under) Expenditures	(873,362)	(908,362)	(756,320)	152,042
OTHER FINANCING SOURCES				
Issuance of debt	269,511	269,511	269,511	-
Transfers in (note 5)	873,350	898,350	486,829	(411,521)
Total Other Financing Sources	1,142,861	1,167,861	756,340	(411,521)
Net Change in Fund Balance	269,499	259,499	20	(259,479)
Fund Balance (Deficit), Beginning	(20)	(20)	(20)	-
Fund Balance (Deficit), Ending	\$ 269,479	\$ 259,479	\$ -	\$ (259,479)

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, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 92,000	\$ 92,000	\$ 70,112	\$ (21,888)
Investment and rental income	550	550	(1,031)	(1,581)
Miscellaneous	45,000	45,000	35,574	(9,426)
Total Revenues	137,550	137,550	104,655	(32,895)
EXPENDITURES				
Current:				
Culture and recreation	230,378	234,078	227,603	6,475
Total Expenditures	230,378	234,078	227,603	6,475
Excess of Revenues Over (Under) Expenditures	(92,828)	(96,528)	(122,948)	(26,420)
OTHER FINANCING SOURCES (USES)				
Transfers in (note 5)	125,000	125,000	150,000	25,000
Transfers out (note 5)	(35,118)	(35,118)	(29,806)	5,312
Total Other Financing Sources (Uses)	89,882	89,882	120,194	30,312
Net Change in Fund Balance	(2,946)	(6,646)	(2,754)	3,892
Fund Balance, Beginning	7,155	7,155	7,155	-
Fund Balance, Ending	\$ 4,209	\$ 509	\$ 4,401	\$ 3,892

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 792,850	\$ 792,850	\$ 296,637	\$ (496,213)
Total Revenues	792,850	792,850	296,637	(496,213)
EXPENDITURES				
Current:				
Community development	169,733	169,733	166,173	3,560
Capital outlay	623,117	623,117	123,607	499,510
Total Expenditures	792,850	792,850	289,780	503,070
Net Change in Fund Balance	-	-	6,857	6,857
Fund Balance, Beginning	84,620	84,620	84,620	-
Fund Balance, Ending	<u>\$ 84,620</u>	<u>\$ 84,620</u>	<u>\$ 91,477</u>	<u>\$ 6,857</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, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 167,992	\$ 167,992	\$ 96,519	\$ (71,473)
Investment and rental income	-	-	7,987	7,987
Miscellaneous	10,002	10,002	118,371	108,369
Total Revenues	177,994	177,994	222,877	44,883
EXPENDITURES				
Current:				
Community development	141,400	141,400	341,200	(199,800)
Total Expenditures	141,400	141,400	341,200	(199,800)
Net Change in Fund Balance	36,594	36,594	(118,323)	(154,917)
Fund Balance, Beginning	97,737	97,737	97,737	-
Fund Balance, Ending	\$ 134,331	\$ 134,331	\$ (20,586)	\$ (154,917)

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, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 28,510	\$ 28,510	\$ 28,517	\$ 7
Investment and rental income	350	350	1,372	1,022
Total Revenues	28,860	28,860	29,889	1,029
EXPENDITURES				
Current:				
Highways, streets and parks	6,612	3,612	4,606	(994)
Total Expenditures	6,612	3,612	4,606	(994)
Excess of Revenues Over Expenditures	22,248	25,248	25,283	35
OTHER FINANCING SOURCES (USES)				
Transfers out (note 5)	(7,500)	(10,500)	(7,671)	2,829
Total Other Financing Sources (Uses)	(7,500)	(10,500)	(7,671)	2,829
Net Change in Fund Balance	14,748	14,748	17,612	2,864
Fund Balance, Beginning	85,228	85,228	85,228	-
Fund Balance, Ending	\$ 99,976	\$ 99,976	\$ 102,840	\$ 2,864

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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	\$ -	\$ -	\$ 95,787	\$ 95,787
Investment and rental income	3,500	3,500	8,449	4,949
	<u>3,500</u>	<u>3,500</u>	<u>104,236</u>	<u>100,736</u>
Total Revenues	3,500	3,500	104,236	100,736
EXPENDITURES				
Current:				
Culture and recreation	3,500	3,500	3,500	-
	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Expenditures	3,500	3,500	3,500	-
	<u>-</u>	<u>-</u>	<u>100,736</u>	<u>100,736</u>
Net Change in Fund Balance	-	-	100,736	100,736
Fund Balance, Beginning	561,006	561,006	561,006	-
Fund Balance, Ending	<u>\$ 561,006</u>	<u>\$ 561,006</u>	<u>\$ 661,742</u>	<u>\$ 100,736</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public, Education and Government Special Revenue Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 230,818	\$ 230,818	\$ 225,137	\$ (5,681)
Investment and rental income	4,500	4,500	16,034	11,534
Total Revenues	235,318	235,318	241,171	5,853
EXPENDITURES				
Current:				
Community development	250,000	500,000	384,539	115,461
Total Expenditures	250,000	500,000	384,539	115,461
Net Change in Fund Balance	(14,682)	(264,682)	(143,368)	121,314
Fund Balance, Beginning	1,337,401	1,337,401	1,337,401	-
Fund Balance, Ending	\$ 1,322,719	\$ 1,072,719	\$ 1,194,033	\$ 121,314

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 113,861	\$ 113,861	\$ 152,088	\$ 38,227
Investment and rental income	300	300	4,544	4,244
Total Revenues	114,161	114,161	156,632	42,471
Net Change in Fund Balance	114,161	114,161	156,632	42,471
Fund Balance, Beginning	221,370	221,370	221,370	-
Fund Balance, Ending	<u>\$ 335,531</u>	<u>\$ 335,531</u>	<u>\$ 378,002</u>	<u>\$ 42,471</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 375,000	\$ 375,000	\$ -	\$ (375,000)
Miscellaneous	387,001	387,001	-	(387,001)
Total Revenues	762,001	762,001	-	(762,001)
EXPENDITURES				
Current:				
Community development	750,000	750,000	-	750,000
Total Expenditures	750,000	750,000	-	750,000
Net Change in Fund Balance	12,001	12,001	-	(12,001)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 12,001	\$ 12,001	\$ -	\$ (12,001)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment and rental income	\$ 509,958	\$ 509,958	\$ 519,335	\$ 9,377
Total Revenues	509,958	509,958	519,335	9,377
EXPENDITURES				
Debt service:				
Principal	265,000	265,000	265,000	-
Interest and fiscal charges	206,524	206,524	206,524	-
Total Expenditures	471,524	471,524	471,524	-
Net Change in Fund Balance	38,434	38,434	47,811	9,377
Fund Balance, Beginning	186,980	186,980	186,980	-
Fund Balance, Ending	\$ 225,414	\$ 225,414	\$ 234,791	\$ 9,377

City of San Marcos

Combining Balance Sheet Non-Major Capital Projects Funds June 30, 2016

	Public Facility	Capital Improvements	Community Facilities District 99-01
ASSETS			
Cash and investments (note 2)	\$ 24,489,131	\$ 2,666,109	\$ 5,115
Cash and investments with fiscal agents (note 2)	-	-	679,030
Receivables:			
Interest	34,138	-	7
Other, net (note 4)	120,516	-	-
Due from other governments	-	1,230,471	-
Land held for resale	858,348	-	-
Total Assets	<u>\$ 25,502,133</u>	<u>\$ 3,896,580</u>	<u>\$ 684,152</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 486,490	\$ 297,372	\$ -
Unearned revenue (note 6)	-	1,285,083	-
Deposits payable	-	705,173	-
Total Liabilities	<u>486,490</u>	<u>2,287,628</u>	<u>-</u>
Deferred Inflows of Resources:			
Unavailable revenue (note 6)	<u>120,516</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Transportation	-	-	-
Capital improvements	-	1,608,952	684,152
Public facilities	<u>24,895,127</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>24,895,127</u>	<u>1,608,952</u>	<u>684,152</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,502,133</u>	<u>\$ 3,896,580</u>	<u>\$ 684,152</u>

Transportation Sales Tax	Community Facilities District 02-01	Total
\$ 470,172	\$ 272,004	\$ 27,902,531
-	-	679,030
351	368	34,864
-	-	120,516
919,002	-	2,149,473
-	-	858,348
<u>\$ 1,389,525</u>	<u>\$ 272,372</u>	<u>\$ 31,744,762</u>
\$ 77,831	\$ -	\$ 861,693
-	-	1,285,083
-	-	705,173
<u>77,831</u>	<u>-</u>	<u>2,851,949</u>
-	-	120,516
1,311,694	-	1,311,694
-	272,372	2,565,476
-	-	24,895,127
<u>1,311,694</u>	<u>272,372</u>	<u>28,772,297</u>
<u>\$ 1,389,525</u>	<u>\$ 272,372</u>	<u>\$ 31,744,762</u>

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Capital Projects Funds For the Year Ended June 30, 2016

	Public Facility	Capital Improvements	Community Facilities District 99-01
REVENUES			
Intergovernmental	\$ -	\$ 3,923,618	\$ -
Developer fees	4,115,628	400,000	-
Investment and rental income	488,264	-	165
Miscellaneous	63,453	-	-
Total Revenues	4,667,345	4,323,618	165
EXPENDITURES			
Capital outlay	1,999,613	4,684,376	-
Debt service:			
Principal	126,813	-	-
Interest and fiscal charges	22,096	-	-
Total Expenditures	2,148,522	4,684,376	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,518,823	(360,758)	165
OTHER FINANCING SOURCES			
Transfers in (note 5)	-	410,000	-
Total Other Financing Sources	-	410,000	-
Net Change in Fund Balances	2,518,823	49,242	165
Fund Balances, Beginning, as Restated	22,376,304	1,559,710	683,987
Fund Balances, Ending	\$ 24,895,127	\$ 1,608,952	\$ 684,152

Transportation Sales Tax	Community Facilities District 02-01	Total
\$ 1,100,974	\$ -	\$ 5,024,592
-	-	4,515,628
7,315	3,618	499,362
-	-	63,453
<u>1,108,289</u>	<u>3,618</u>	<u>10,103,035</u>
1,093,540	-	7,777,529
-	-	126,813
-	-	22,096
<u>1,093,540</u>	<u>-</u>	<u>7,926,438</u>
14,749	3,618	2,176,597
-	-	410,000
-	-	410,000
14,749	3,618	2,586,597
<u>1,296,945</u>	<u>268,754</u>	<u>26,185,700</u>
<u>\$ 1,311,694</u>	<u>\$ 272,372</u>	<u>\$ 28,772,297</u>

City of San Marcos

Combining Balance Sheet Agency Funds June 30, 2016

	1915 Act Assessment District	Deposits	Community Facilities District 88-1
ASSETS			
Cash and investments (note 2)	\$ 58,628	\$ 2,716,091	\$ 64
Restricted Assets:			
Cash and investments with fiscal agents (note 2)	-	-	4,261,169
Receivables:			
Special assessments	-	-	7,018
Interest	79	-	19
Total Assets	<u>\$ 58,707</u>	<u>\$ 2,716,091</u>	<u>\$ 4,268,270</u>
LIABILITIES			
Deposits payable	\$ -	\$ 2,716,091	\$ -
Due to bondholders	58,707	-	4,268,270
Total Liabilities	<u>\$ 58,707</u>	<u>\$ 2,716,091</u>	<u>\$ 4,268,270</u>

Community Facilities District 99-1	Community Facilities District 02-01	Total
\$ 349	\$ 67	\$ 2,775,199
7,783,651	1,838,250	13,883,070
21,148	5,529	33,695
92	15	205
<u>\$ 7,805,240</u>	<u>\$ 1,843,861</u>	<u>\$ 16,692,169</u>
\$ -	\$ -	\$ 2,716,091
<u>7,805,240</u>	<u>1,843,861</u>	<u>13,976,078</u>
<u>\$ 7,805,240</u>	<u>\$ 1,843,861</u>	<u>\$ 16,692,169</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<u>1915 ACT Assessment District</u>				
ASSETS				
Cash and investments	\$ 57,796	\$ 840	\$ 8	\$ 58,628
Interest receivable	43	79	43	79
Total Assets	<u>\$ 57,839</u>	<u>\$ 919</u>	<u>\$ 51</u>	<u>\$ 58,707</u>
LIABILITIES				
Due to bondholders	<u>\$ 57,839</u>	<u>\$ 905</u>	<u>\$ 37</u>	<u>\$ 58,707</u>
 <u>Deposits</u>				
ASSETS				
Cash and investments	<u>\$ 2,321,560</u>	<u>\$ 1,539,859</u>	<u>\$ 1,145,328</u>	<u>\$ 2,716,091</u>
Total Assets	<u>\$ 2,321,560</u>	<u>\$ 1,539,859</u>	<u>\$ 1,145,328</u>	<u>\$ 2,716,091</u>
LIABILITIES				
Accounts payable	\$ 5,637	\$ 1,143,243	\$ 1,148,880	\$ -
Deposits payable	2,315,923	1,521,800	1,121,632	2,716,091
Total Liabilities	<u>\$ 2,321,560</u>	<u>\$ 2,665,043</u>	<u>\$ 2,270,512</u>	<u>\$ 2,716,091</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities Agency Funds (Continued) For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<u>Community Facilities District 88-1</u>				
ASSETS				
Cash and investments	\$ 1,148	\$ 2,515,409	\$ 2,516,493	\$ 64
Cash and investments with fiscal agents	4,314,375	2,525,190	2,578,396	4,261,169
Special assessments receivable	5,023	7,018	5,023	7,018
Interest receivable	3	19	3	19
Total Assets	<u>\$ 4,320,549</u>	<u>\$ 5,047,636</u>	<u>\$ 5,099,915</u>	<u>\$ 4,268,270</u>
LIABILITIES				
Due to bondholders	<u>\$ 4,320,549</u>	<u>\$ 2,536,044</u>	<u>\$ 2,588,323</u>	<u>\$ 4,268,270</u>
<u>Community Facilities District 99-1</u>				
ASSETS				
Cash and investments	\$ 2,983	\$ 5,668,707	\$ 5,671,341	\$ 349
Cash and investments with fiscal agents	8,511,238	5,675,663	6,403,250	7,783,651
Special assessments receivable	25,758	21,148	25,758	21,148
Interest receivable	20	92	20	92
Total Assets	<u>\$ 8,539,999</u>	<u>\$ 11,365,610</u>	<u>\$ 12,100,369</u>	<u>\$ 7,805,240</u>
LIABILITIES				
Due to bondholders	<u>\$ 8,539,999</u>	<u>\$ -</u>	<u>\$ 734,759</u>	<u>\$ 7,805,240</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities Agency Funds (Continued) For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<u>Community Facilities District 02-01</u>				
ASSETS				
Cash and investments	\$ 13	\$ 1,087,036	\$ 1,086,982	\$ 67
Cash and investments with fiscal agents	1,990,799	1,087,095	1,239,644	1,838,250
Special assessments receivable	3,253	5,529	3,253	5,529
Interest receivable	2	15	2	15
Total Assets	<u>\$ 1,994,067</u>	<u>\$ 2,179,675</u>	<u>\$ 2,329,881</u>	<u>\$ 1,843,861</u>
LIABILITIES				
Due to bondholders	<u>\$ 1,994,067</u>	<u>\$ 1,092,724</u>	<u>\$ 1,242,930</u>	<u>\$ 1,843,861</u>
<u>Total - Agency Funds</u>				
ASSETS				
Cash and investments	\$ 2,383,500	\$ 10,811,851	\$ 10,420,152	\$ 2,775,199
Cash and investments with fiscal agents	14,816,412	9,287,948	10,221,290	13,883,070
Special assessments receivable	34,034	33,695	34,034	33,695
Interest receivable	68	205	68	205
Total Assets	<u>\$ 17,234,014</u>	<u>\$ 20,133,699</u>	<u>\$ 20,675,544</u>	<u>\$ 16,692,169</u>
LIABILITIES				
Accounts payable	\$ 5,637	\$ 1,143,243	\$ 1,148,880	\$ -
Deposits payable	2,315,923	1,521,800	1,121,632	2,716,091
Due to bondholders	14,912,454	3,629,673	4,566,049	13,976,078
Total Liabilities	<u>\$ 17,234,014</u>	<u>\$ 6,294,716</u>	<u>\$ 6,836,561</u>	<u>\$ 16,692,169</u>

City of San Marcos

Combining Statement of Fiduciary Net Position Private-Purpose Trust Funds June 30, 2016

	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	New Private Purpose Trust Fund All Areas	Eliminations	Total Private- Purpose Trust Funds
ASSETS							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 7,344,249	\$ -	\$ 7,344,249
Receivables:							
Notes	-	-	-	-	-	-	-
Interest	-	-	-	-	17,315	-	17,315
Direct financing lease	-	-	-	-	2,809,932	-	2,809,932
Due from other governments	-	-	-	-	631	-	631
Prepaid expenses	-	-	-	-	256,793	-	256,793
Restricted Assets:							
Cash and investment with fiscal agents	-	-	-	-	56,737,342	-	56,737,342
Capital Assets:							
Land	-	-	-	-	3,907,369	-	3,907,369
Total Assets	-	-	-	-	71,073,631	-	71,073,631
DEFERRED OUTFLOWS OF RESOURCES							
Loss on defeasance of debt	-	-	-	-	5,615,514	-	5,615,514
LIABILITIES							
Accounts payable	-	-	-	-	93,766	-	93,766
Accrued liabilities	-	-	-	-	23,878	-	23,878
Accrued interest payable	-	-	-	-	5,418,813	-	5,418,813
Due to other governments	-	-	-	-	5,755	-	5,755
Noncurrent Liabilities:							
Due within one year	-	-	-	-	10,680,032	-	10,680,032
Due in more than one year	-	-	-	-	315,363,741	-	315,363,741
Total Liabilities	-	-	-	-	331,585,985	-	331,585,985
NET POSITION (DEFICIT)							
Held in trust for other taxing entities	\$ -	\$ -	\$ -	\$ -	\$ (254,896,840)	\$ -	\$ (254,896,840)

City of San Marcos

Combining Statement of Changes in Fiduciary Net Position Private-Purpose Trust Funds For the Year Ended June 30, 2016

	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	New Private Purpose Trust Fund All Areas	Eliminations	Total Private- Purpose Trust Funds
ADDITIONS							
Tax	\$ -	\$ -	\$ -	\$ -	\$ 26,360,263	\$ -	\$ 26,360,263
Income from property and investments	-	-	-	-	410,229	-	410,229
Other revenue	-	-	-	-	126,943	-	126,943
Transfers in	38,629,734	120,161,691	22,528,680	80,410,332	-	(261,730,437)	-
Total Additions	38,629,734	120,161,691	22,528,680	80,410,332	26,897,435	(261,730,437)	26,897,435
DEDUCTIONS							
General and administrative	-	-	-	-	827,284	-	827,284
Community Development	-	-	-	-	1,336,997	-	1,336,997
Interest expense and fees	-	-	-	-	16,276,310	-	16,276,310
Cost of debt issuance	-	-	-	-	1,623,247	-	1,623,247
Transfers out	-	-	-	-	261,730,437	(261,730,437)	-
Total Deductions	-	-	-	-	281,794,275	(261,730,437)	20,063,838
Change in Net Position	38,629,734	120,161,691	22,528,680	80,410,332	(254,896,840)	-	6,833,597
Net Position (Deficit), Beginning	(38,629,734)	(120,161,691)	(22,528,680)	(80,410,332)	-	-	(261,730,437)
Net Position (Deficit), Ending	\$ -	\$ -	\$ -	\$ -	\$ (254,896,840)	\$ -	\$ (254,896,840)

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.

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Financial Trends	136
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	146
These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity	150
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	156
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	158
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			
	2007	2008	2009	2010
Governmental Activities:				
Net investment in capital assets	\$ 376,880,228	\$ 430,516,043	\$ 460,101,619	\$ 484,423,039
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	81,735,288	99,574,127	115,805,089	120,917,457
Landscape Maintenance	8,722,189	8,662,907	8,999,420	8,514,304
Other purposes	3,937,485	4,012,114	3,904,177	4,378,971
Endowment	1,000,000	1,000,000	905,850	1,023,850
Unrestricted	13,628,356	8,782,155	2,504,296	(11,409,150)
Total governmental activities net position	<u>485,903,546</u>	<u>552,547,346</u>	<u>592,220,451</u>	<u>607,848,471</u>
Business-type activities:				
Net investment in capital assets	29,836,841	29,454,485	29,072,130	28,689,775
Unrestricted	2,586,159	3,464,423	6,698,002	8,442,809
Total business-type activities net position	<u>32,423,000</u>	<u>32,918,908</u>	<u>35,770,132</u>	<u>37,132,584</u>
Component unit:				
Restricted	-	-	-	-
Unrestricted	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government:				
Net investment in capital assets	406,717,069	459,970,528	489,173,749	513,112,814
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	81,735,288	99,574,127	115,805,089	120,917,457
Landscape Maintenance	8,722,189	8,662,907	8,999,420	8,514,304
Other purposes	3,937,485	4,012,114	3,904,177	4,378,971
Endowment	1,000,000	1,000,000	905,850	1,023,850
Unrestricted	16,214,515	12,246,578	9,202,298	(2,966,341)
Total primary government net position	<u>\$ 518,326,546</u>	<u>\$ 585,466,254</u>	<u>\$ 627,990,583</u>	<u>\$ 644,981,055</u>
Component unit:				
Restricted	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 499,416,669	\$ 658,296,750	\$ 646,769,141	\$ 671,633,533	\$ 647,192,005	\$ 623,187,760
-	-	20,320,721	21,071,049	24,998,414	32,111,994
119,927,089	163,429,723	160,939,069	162,388,168	174,239,971	182,174,655
9,032,742	9,389,874	9,706,762	10,141,062	11,266,533	12,073,491
6,026,400	6,506,958	10,295,075	8,955,235	7,645,829	2,187,164
1,244,590	1,147,835	1,195,768	1,000,000	1,000,000	-
(6,504,167)	64,955,219	57,252,131	60,074,433	3,482,542	48,523,274
<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>	<u>900,258,338</u>
28,307,420	27,925,065	26,725,626	27,160,354	34,101,091	-
8,052,471	6,319,042	5,761,171	4,352,951	2,552,732	94,924,105
<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>	<u>94,924,105</u>
-	-	-	-	-	1,000,000
-	-	-	-	-	157,923
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>
527,724,089	686,221,815	673,494,767	698,793,887	681,293,096	623,187,760
-	-	20,320,721	21,071,049	24,998,414	32,111,994
119,927,089	163,429,723	160,939,069	162,388,168	174,239,971	182,174,655
9,032,742	9,389,874	9,706,762	10,141,062	11,266,533	12,073,491
6,026,400	6,506,958	10,295,075	8,955,235	7,645,829	2,187,164
1,244,590	1,147,835	1,195,768	1,000,000	1,000,000	-
1,548,304	71,274,261	63,013,302	64,427,384	6,035,274	143,447,379
<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>	<u>\$ 995,182,443</u>
-	-	-	-	-	1,157,923
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>

City of San Marcos

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

	Fiscal Year			
	2007	2008	2009	2010
Expenses:				
Governmental Activities:				
General government	\$ 12,936,083	\$ 14,175,161	\$ 14,639,790	\$ 15,990,955
Community development	6,445,848	4,912,297	4,815,602	6,366,892
Public safety	25,457,293	27,983,233	28,733,922	28,603,083
Highways, streets and parks	39,763,214	30,364,607	26,532,368	25,046,164
Culture and recreation	2,940,238	3,008,578	3,124,741	3,014,690
Interest on long-term debt	17,108,204	17,742,768	15,984,417	15,307,372
Total governmental activities expenses	104,650,880	98,186,644	93,830,840	94,329,156
Business-type activities:				
Creekside Marketplace	1,136,959	1,002,389	1,072,662	1,207,245
Total business-type activities expenses	1,136,959	1,002,389	1,072,662	1,207,245
Total primary government expenses	105,787,839	99,189,033	94,903,502	95,536,401
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government expenses	-	-	-	-
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	5,900,720	7,146,755	6,928,221	7,829,689
Community development (2)	2,996,263	2,037,057	1,501,973	1,568,683
Public safety	7,191,131	7,582,159	8,293,907	7,623,734
Highways, streets and parks (1) (2)	6,768,511	6,664,978	6,744,066	6,793,677
Culture and recreation (2)	1,502,296	1,544,763	1,590,115	1,825,778
Operating grants and contributions	2,802,258	2,505,258	2,135,832	2,392,703
Capital contributions and grants	38,214,638	44,448,900	18,916,094	25,090,511
Total governmental activities program revenues	65,375,817	71,929,870	46,110,208	53,124,775
Business-type activities:				
Charges for services:				
Creekside Marketplace	4,192,527	4,069,128	3,789,846	3,639,134
Total business-type activities program revenues	4,192,527	4,069,128	3,789,846	3,639,134
Total primary government program revenues	69,568,344	75,998,998	49,900,054	56,763,909
Net (expenses) revenues:				
Governmental activities	(26,056,254)	(47,527,759)	(41,016,081)	(41,016,081)
Business-type activities	3,066,739	2,717,184	2,431,889	2,431,889
Total primary government net (expenses)/revenues	\$ (22,989,515)	\$ (44,810,575)	\$ (38,584,192)	\$ (38,584,192)
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government net (expenses)/revenues	-	-	-	-

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 18,106,693	\$ 16,992,317	\$ 15,885,771	\$ 16,447,263	\$ 16,944,647	\$ 18,256,401
5,739,531	28,586,547	6,379,029	3,431,958	7,094,841	12,890,498
28,216,005	32,163,467	27,531,474	31,398,530	36,059,952	32,564,134
26,408,488	22,057,522	31,047,726	32,779,655	33,832,005	23,904,189
3,079,743	3,163,230	4,992,567	3,022,930	5,040,297	3,951,699
16,325,714	9,399,083	286,343	272,403	267,688	262,067
97,876,174	112,362,166	86,122,910	87,352,739	99,239,430	91,828,988
1,296,182	1,060,528	866,501	1,061,134	2,053,600	2,069,680
1,296,182	1,060,528	866,501	1,061,134	2,053,600	2,069,680
99,172,356	113,422,694	86,989,411	88,413,873	101,293,030	93,898,668
-	-	-	-	-	56,622
-	-	-	-	-	56,622
7,374,191	8,615,903	7,516,338	1,274,948	1,839,462	1,137,053
2,131,886	5,179,421	6,998,956	2,997,665	2,252,007	4,554,470
7,266,747	8,012,187	8,636,601	8,888,703	9,103,730	10,358,412
7,150,548	6,943,057	8,462,005	7,455,240	8,196,772	7,931,273
1,837,906	1,878,137	2,105,349	2,081,035	2,364,561	2,575,892
3,547,679	3,333,506	24,338,152	16,811,188	11,893,755	13,919,753
15,027,697	20,273,816	2,125,409	9,843,740	4,294,066	3,523,253
44,336,654	54,236,027	60,182,810	49,352,519	39,944,353	44,000,106
3,523,109	3,907,546	4,103,722	3,470,369	3,335,509	4,924,764
3,523,109	3,907,546	4,103,722	3,470,369	3,335,509	4,924,764
47,859,763	58,143,573	64,286,532	52,822,888	43,279,862	48,924,870
(53,344,386)	(57,930,708)	(25,745,236)	(37,791,309)	(59,081,904)	(47,828,882)
2,226,927	2,847,018	3,237,221	2,409,235	1,281,909	2,855,084
\$ (51,117,459)	\$ (55,083,690)	\$ (22,508,015)	\$ (35,382,074)	\$ (57,799,995)	\$ (44,973,798)
-	-	-	-	-	(56,622)
-	-	-	-	-	(56,622)

City of San Marcos

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

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 12,716,298	\$ 13,146,445	\$ 12,718,633	\$ 12,490,217
Tax increment, net	41,975,892	45,397,153	45,214,569	21,315,468
Sales taxes	16,153,930	15,615,135	13,432,391	12,269,791
Transient occupancy taxes	363,885	383,001	330,412	298,459
Business license tax	215,456	200,520	192,873	188,300
Franchise fees	2,210,341	2,148,183	2,442,412	2,482,704
Gain/(Loss) on sale of capital assets	-	-	3,180,648	-
Motor vehicle license fees	448,352	356,472	283,349	246,496
Rental income	-	-	-	-
Investment income	15,899,432	11,275,635	6,226,240	4,397,830
Other	2,022,793	1,628,030	3,372,210	1,943,136
Transfers	5,000,000	2,750,000	-	1,200,000
Transfer to Successor Agency	-	-	-	-
Extraordinary gain	-	-	-	-
Total governmental activities	<u>97,006,379</u>	<u>92,900,574</u>	<u>87,393,737</u>	<u>56,832,401</u>
Business-type activities:				
Investment income	288,446	179,169	134,040	130,563
Transfers	(5,000,000)	(2,750,000)	-	(1,200,000)
Total business-type activities	<u>(4,711,554)</u>	<u>(2,570,831)</u>	<u>134,040</u>	<u>(1,069,437)</u>
Total primary government	<u>92,294,825</u>	<u>90,329,743</u>	<u>87,527,777</u>	<u>55,762,964</u>
Component Unit:				
Investment income, restricted	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position:				
Governmental activities	70,950,125	45,372,815	46,377,656	15,816,320
Business-type activities	(1,644,815)	146,353	2,565,929	1,362,452
Total primary government	<u>\$ 69,305,310</u>	<u>\$ 45,519,168</u>	<u>\$ 48,943,585</u>	<u>\$ 17,178,772</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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					
2011	2012	2013	2014	2015	2016
\$ 12,373,080	\$ 12,734,479	\$ 19,036,135	\$ 14,730,525	\$ 16,627,912	\$ 18,604,256
36,294,755	11,896,531	-	-	-	-
13,091,860	13,836,852	14,596,011	15,840,511	16,209,302	16,868,051
610,460	713,538	736,035	794,846	829,724	873,863
195,134	195,431	194,864	208,911	213,173	228,040
2,677,551	2,713,099	2,582,279	3,520,613	3,907,803	4,031,275
67,970	-	-	(659,841)	1,810,932	187,956
382,275	42,071	80,791	-	-	-
-	-	-	6,260,337	5,790,384	5,950,030
4,583,907	3,692,241	3,508,350	1,108,705	937,647	1,731,178
1,390,381	1,160,059	1,991,861	489,778	982,947	529,653
3,167,000	5,100,000	5,000,000	4,250,000	(3,850,425)	4,500,000
-	-	(10,674,712)	-	-	-
-	280,624,874	-	-	-	-
<u>74,834,373</u>	<u>332,709,175</u>	<u>37,051,614</u>	<u>46,544,385</u>	<u>43,459,399</u>	<u>53,504,302</u>
167,380	137,198	5,469	50,190	8,184	16,289
<u>(3,167,000)</u>	<u>(5,100,000)</u>	<u>(5,000,000)</u>	<u>(4,250,000)</u>	<u>3,850,425</u>	<u>(4,500,000)</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>	<u>(4,483,711)</u>
<u>71,834,753</u>	<u>327,746,373</u>	<u>32,057,083</u>	<u>42,344,575</u>	<u>47,318,008</u>	<u>49,020,591</u>
-	-	-	-	-	(11,645)
-	-	-	-	-	(11,645)
21,489,987	274,778,467	11,306,378	8,753,076	(15,622,505)	5,675,420
<u>(772,693)</u>	<u>(2,115,784)</u>	<u>(1,757,310)</u>	<u>(1,790,575)</u>	<u>5,140,518</u>	<u>(1,628,627)</u>
<u>\$ 20,717,294</u>	<u>\$ 272,662,683</u>	<u>\$ 9,549,068</u>	<u>\$ 6,962,501</u>	<u>\$ (10,481,987)</u>	<u>\$ 4,046,793</u>
-	-	-	-	-	(68,267)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,267)</u>

City of San Marcos

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	\$ 13,397,269	\$ 13,397,269	\$ 13,397,269	\$ 13,447,269
Prepaid items	1,247,217	492,546	558,711	1,000,066
Deposits	637,832	723,685	771,931	1,001,672
Unreserved, designated	37,344,377	36,814,029	37,521,231	36,200,000
Unreserved, undesignated	6,208,292	6,045,355	6,058,840	5,995,245
GASB 54:				
Nonspendable				
Assigned				
Unassigned				
Total General Fund	<u>58,834,987</u>	<u>57,472,884</u>	<u>58,307,982</u>	<u>57,644,252</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	13,090,353	2,702,903	8,112,147	28,282,658
Prepaid items	-	-	-	-
Deposits	-	542,923	640,408	102,982
Low and moderate income housing	46,474,660	59,766,836	35,347,108	10,056,506
Landscape maintenance	2,324,008	5,368,912	5,845,298	5,845,298
Debt service	4,682,091	4,625,869	10,850,533	12,941,982
Capital projects	120,276,053	90,471,205	68,302,091	45,462,977
Other purposes	1,000,000	1,000,000	905,850	1,023,850
Unreserved, reported in:				
Special revenue funds	12,544,241	9,489,562	10,127,713	6,468,443
Debt service funds	40,577,486	34,366,082	32,924,058	16,466,613
Capital projects funds	(19,311,650)	212,545	(5,658,656)	(6,026,005)
Permanent fund	249,217	98,318	-	-
GASB 54:				
Nonspendable				
Restricted				
Unassigned				
Total all other governmental funds	<u>221,906,459</u>	<u>208,645,155</u>	<u>167,396,550</u>	<u>120,625,304</u>
Total governmental funds	<u>\$ 280,741,446</u>	<u>\$ 266,118,039</u>	<u>\$ 225,704,532</u>	<u>\$ 178,269,556</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 19,463,456	\$ 16,924,452	\$ 16,184,816	\$ 11,938,509	\$ 10,451,246	\$ 54,456,295
-	-	-	-	5,984,790	10,110,773
35,162,531	34,951,893	44,147,436	51,115,898	31,887,837	34,057,618
<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>	<u>98,624,686</u>

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	82,451,468
-	-	-	(225)	(20)	(33,867)
<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>82,417,601</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>	<u>\$ 181,042,287</u>

City of San Marcos

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues:				
Taxes and special assessments	\$ 94,466,701	\$ 97,363,686	\$ 94,097,283	\$ 87,852,421
Licenses and permits	4,753,491	3,907,123	4,229,537	4,274,969
Intergovernmental	9,093,528	6,587,388	10,406,686	6,816,194
Charges for services	11,486,338	11,429,757	11,783,938	11,341,050
Developer fees	5,774,108	1,776,517	3,773,174	2,860,402
Fines and forfeitures	181,280	269,365	292,642	279,735
Investment and rental income	19,776,960	19,925,978	11,422,319	9,248,874
Contributions from property owners	11,424,122	-	-	-
Miscellaneous	3,500,561	1,452,870	4,444,346	3,358,490
Total Revenues	<u>160,457,089</u>	<u>142,712,684</u>	<u>140,449,925</u>	<u>126,032,135</u>
Expenditures:				
Current:				
General government (2)	11,867,052	12,733,906	13,333,406	14,825,068
Community development (2)	6,888,307	8,761,007	43,870,002	17,085,690
Public safety	24,441,222	26,225,302	27,392,057	27,461,612
Highways, streets and parks (1) (2)	12,371,008	15,223,370	15,455,033	14,040,659
Culture and recreation (1)	2,708,416	2,556,853	2,822,593	2,763,210
Tax increment distrib. to other gov. agencies	19,001,916	18,747,685	18,086,645	37,060,348
SERAF payment	-	-	-	-
Capital outlay	55,027,905	46,197,846	39,281,839	38,456,751
Debt service:				
Principal retirement	6,571,846	11,079,781	9,481,695	9,325,010
Interest and fiscal charges	16,988,635	19,984,462	15,911,227	15,221,332
Cost of issuance	214,172	-	-	-
Total expenditures	<u>156,080,479</u>	<u>161,510,212</u>	<u>185,634,497</u>	<u>176,239,680</u>
Excess/(deficiency) of Revenues Over Expenditures	<u>4,376,610</u>	<u>(18,797,528)</u>	<u>(45,184,572)</u>	<u>(50,207,545)</u>
Other financing sources (uses):				
Issuance of debt	8,752,626	1,441,826	730,998	330,709
Discount on bonds issued	(69,998)	-	-	-
Payment to bond escrow agent	(6,440,273)	-	-	-
Sale of capital assets	38,216	30,541	3,991,821	1,241,860
Acquisition under capital lease	-	-	-	-
Partnership contributions	-	-	-	-
Transfers in	17,690,782	32,041,467	6,772,976	8,056,903
Transfers out	(12,690,782)	(29,291,467)	(6,772,976)	(6,856,903)
Total other financing sources (uses)	<u>7,280,571</u>	<u>4,222,367</u>	<u>4,722,819</u>	<u>2,772,569</u>
Net Change in Fund Balances	<u>\$ 11,657,181</u>	<u>\$ (14,575,161)</u>	<u>\$ (40,461,753)</u>	<u>\$ (47,434,976)</u>
Debt service as a percentage of noncapital expenditures	18.21%	23.41%	15.80%	16.08%

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					
2011	2012	2013	2014	2015	2016
\$ 87,336,566	\$ 44,811,128	\$ 40,050,764	\$ 37,499,452	\$ 40,746,406	\$ 43,388,689
4,722,075	5,210,749	5,031,124	4,834,181	4,896,092	5,190,125
10,725,506	14,657,647	16,273,969	14,879,876	11,705,953	8,388,620
11,273,011	13,430,631	14,423,983	14,014,737	14,767,944	15,644,089
3,734,747	8,822,043	12,333,859	604,325	3,085,839	5,680,240
284,452	203,253	171,675	379,517	378,143	492,091
9,724,275	8,710,563	8,108,512	8,390,525	9,159,541	9,887,780
-	-	-	-	-	-
1,984,750	2,020,386	1,656,624	2,784,337	1,307,048	3,003,475
129,785,382	97,866,400	98,050,510	83,386,950	86,046,966	91,675,109
17,457,897	15,640,014	15,237,915	15,683,539	16,082,210	15,769,553
10,223,010	17,717,361	9,148,706	4,209,639	7,282,130	9,218,570
27,317,174	30,262,221	27,156,685	30,863,346	35,743,282	33,512,449
13,379,798	14,053,498	13,407,088	21,875,374	20,669,923	16,771,664
2,814,054	2,984,215	4,819,380	2,948,559	4,904,494	3,611,161
16,266,743	410,877	-	-	-	-
4,163,078	-	-	-	-	-
26,289,568	20,163,235	16,677,835	8,462,086	3,672,221	11,083,456
9,566,685	9,903,628	342,996	430,447	570,876	677,198
15,782,349	9,509,119	277,403	269,039	260,465	259,734
674,238	-	-	-	-	-
143,934,594	120,644,168	87,068,008	84,742,029	89,185,601	90,903,785
(14,149,212)	(22,777,768)	10,982,502	(1,355,079)	(3,138,635)	771,324
54,779,110	-	-	-	12,752	1,036,580
(1,719,824)	-	-	-	-	-
-	-	-	-	-	-
38,876	23,611	6,489	(659,841)	-	-
-	-	-	427,300	125,074	432,248
-	-	-	-	(6,537,501)	-
14,843,444	65,681,454	11,511,222	5,227,487	5,911,842	6,441,564
(11,676,444)	(60,581,454)	(17,185,934)	(977,487)	(9,762,267)	(1,941,564)
56,265,162	5,123,611	(5,668,223)	4,017,459	(10,250,100)	5,968,828
\$ 42,115,950	\$ (17,654,157)	\$ 5,314,279	\$ 2,662,380	\$ (13,388,735)	\$ 6,740,152
22.07%	18.82%	0.81%	0.93%	0.95%	0.99%

City of San Marcos

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

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value</u>	<u>Direct Tax Rate (2)</u>
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
2016	10,811,344,739	329,112,145	(559,042,771)	10,581,414,113	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	Direct Rate		Overlapping Rates							Total Tax Rate (2)
	City of San Marcos		San Marcos Unified School District		San Marcos Fire Protection District		San Diego County		Others	Voter Approved Debt
2007	0.0883	%	0.3805	%	0.0632	%	0.2481	%	0.2200	0.0349
2008	0.0883		0.3805		0.0632		0.2481		0.2200	0.0432
2009	0.0883		0.3805		0.0632		0.2481		0.2200	0.0470
2010	0.0883		0.3805		0.0632		0.2481		0.2200	0.0439
2011	0.0883		0.3805		0.0632		0.2481		0.2200	0.0559
2012	0.0883		0.3805		0.0632		0.2481		0.2200	0.0994
2013	0.0883		0.3805		0.0632		0.2481		0.2200	0.0994
2014	0.0883		0.3805		0.0632		0.2481		0.2200	0.0978
2015	0.0883		0.3805		0.0632		0.2481		0.2200	0.1138
2016	0.0883		0.3805		0.0632		0.2481		0.2200	0.1180

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	2016			2007		
	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	\$ 144,864,721	1	1.36 %			
Urban Villages San Marcos LLC	110,339,490	2	1.03			
Willmark Communities	92,203,387	3	0.86	\$ 61,421,213	2	0.81 %
Hunter Industries Inc.	80,500,632	4	0.75	66,793,930	1	1.09
Camden USA Inc.	68,635,891	5	0.64			
Ralphs Grocery Company	57,640,051	6	0.54	33,701,598	8	0.44
Integral Communities	52,158,349	7	0.49			
Woodland Parkway Development	34,833,146	8	0.33			
Costco Wholesale Corporation	33,792,838	9	0.32			
Richmond American Homes of Maryland	32,618,110	10	0.31			
Richmond American Homes of CA				54,689,000	3	0.72
Lo Land Assets Limited Partnership				53,040,000	4	0.70
Kaiser Foundation Hospitals				48,513,958	5	0.64
Fieldstone Rancho Santalina LLC				44,407,680	6	0.58
Continental Residential Inc.				36,000,000	7	0.47
San Elijo Hills Community Association				27,719,450	9	0.36
BLC of California San Marcos LP				26,840,000	10	0.35
Total	<u>\$ 707,586,615</u>		<u>6.63 %</u>	<u>\$ 453,126,829</u>		<u>6.16 %</u>

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	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
2007	\$	6,837,608	\$ 6,368,465	93.14 %	\$ 287,269	\$ 6,655,734	97.34 %
2008		6,773,119	6,341,932	93.63	370,646	6,712,578	99.11
2009		6,183,776	5,932,421	95.94	244,259	6,176,680	99.89
2010		5,575,114	5,363,998	96.21	201,087	5,565,085	99.82
2011		5,604,503	5,413,368	96.59	120,431	5,533,799	98.74
2012		5,646,455	5,479,552	97.04	100,816	5,580,368	98.83
2013		5,900,446	5,735,557	97.21	70,054	5,805,611	98.39
2014		6,281,371	6,071,920	96.67	60,044	6,131,964	97.62
2015		6,502,541	6,342,713	97.54	56,622	6,342,713	97.54
2016		6,875,051	6,704,823	97.52	N/A	6,704,823	97.52

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)						Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable	Total Primary Government		
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	0.12	64
2016	-	4,390,999	274,934	633,034	1,432,155	6,731,122	0.14	72

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds (1)</u>	<u>Total</u>	<u>Percent of Assessed Value (2)</u>	<u>Per Capita</u>
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
2016	-	4,390,999	4,390,999	0.041	47

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			
	2007	2008	2009	2010
Total assessed valuation	\$ 9,250,035,247	\$ 10,023,511,536	\$ 9,949,048,058	\$ 9,292,290,923
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,312,508,812	2,505,877,884	2,487,262,015	2,323,072,731
Debt limit percentage	15%	15%	15%	15%
Debt limit	346,876,322	375,881,683	373,089,302	348,460,910
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 346,876,322</u>	<u>\$ 375,881,683</u>	<u>\$ 373,089,302</u>	<u>\$ 348,460,910</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					
2011	2012	2013	2014	2015	2016
\$ 9,173,749,055	\$ 9,250,699,841	\$ 9,300,557,724	\$ 9,676,874,262	\$ 10,520,993,240	\$ 11,140,456,884
25%	25%	25%	25%	25%	25%
2,293,437,264	2,312,674,960	2,325,139,431	2,419,218,566	2,630,248,310	2,785,114,221
15%	15%	15%	15%	15%	15%
344,015,590	346,901,244	348,770,915	362,882,785	394,537,247	417,767,133
-	-	-	-	-	-
<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>	<u>\$ 417,767,133</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

Pledged-Revenue Coverage Last Ten Fiscal Years

Revenue Bonds (1)					
Fiscal Year	Revenue	Debt Service (2)		Interest	Coverage
		Principal			
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
2016	471,524	265,000		206,524	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, 2016

2015-16 Assessed Valuation (1): \$ 10,676,956,547

	Percentage Applicable (2)	Outstanding Debt June 30, 2016 (3)	Estimated Share of Overlapping Debt
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.43%	\$ 92,865,000	\$ 402,105
Palomar Community College District	10.196%	511,508,251	52,153,381
San Marcos Unified School District	61.373%	277,306,103	170,191,075
San Marcos Unified School District Facilities Improvement District No. 1	59.651%	3,568,552	2,128,677
San Marcos Unified School District Community Facilities District No. 2	100%	320,000	320,000
San Marcos Unified School District Community Facilities District No. 3	100%	1,230,000	1,230,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	19,050,000	12,307,634
Other School Districts	Various	589,998,276	322,501
Palomar Pomerado Hospital	11.276%	467,510,127	52,716,442
City of San Marcos	100%	-	-
City of San Marcos Community Facilities District No. 88-1	100%	15,922,150	15,922,150
City of San Marcos Community Facilities District No. 91-01	100%	1,188,756	1,188,756
City of San Marcos Community Facilities District No. 99-01	100%	63,203,341	63,203,341
City of San Marcos Community Facilities District No. 2002-1	100%	12,825,000	12,825,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			384,911,062
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	2.413%	307,830,000	7,427,938
San Diego County Pension Obligations	2.413%	649,860,000	15,681,122
San Diego County Superintendent of Schools Obligations	2.413%	13,295,000	320,808
Palomar Community College District General Fund Obligations	10.196%	3,825,000	389,997
San Marcos Unified School District General Fund Obligations	61.373%	54,313,327	33,333,718
Other School District Certificates of Participation	Various	102,055,000	134,617
City of San Marcos General Fund Obligations	100%	6,731,122 (4)	6,731,122
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			64,019,322
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100%	319,520,000	319,520,000
TOTAL DIRECT DEBT			6,731,122
TOTAL OVERLAPPING DEBT			761,719,262
COMBINED TOTAL DEBT (3) (4)			\$ 768,450,384

Notes:

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	3.61%
Combined Direct Debt (\$6,731,122)	0.06%
Combined Total Debt	7.20%

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

City of San Marcos

Demographic and Economic Statistics Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Square Miles</u>	<u>Population</u>	<u>Population Percentage Change</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate</u>
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	4,265,680,770	48,938	7.50
2014	33.07	89,946	3.19	4,602,896,604	51,174	5.00
2015	33.07	92,076 (2)	2.37	4,907,466,648	53,298	4.06
2016	33.07	93,295	1.32	(3)	(3)	3.66

Notes:

- (1) Data presented is for San Diego/Carlsbad/San Marcos economic area. Prior year data has been updated.
- (2) Fiscal Year 2015 Population was revised by the State Department of Finance.
- (3) Personal income and per capita personal income data for 2016 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	2016			2007		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
San Marcos Unified School District (3)	2,240	1	5.59%			
Palomar Community College (3)	1,627	2	4.06%			
California State University San Marcos (3)	1,515	3	3.78%			
Hunter Industries Inc	742	4	1.85%	759	1	2.62%
North County Health Services	700	5	1.75%			
United Parcel Service Inc	501	6	1.25%	493	2	1.70%
City of San Marcos (3)	452	7	1.13%			
Southern Ca Permante Med Group	403	8	1.00%			
Wal-Mart Stores, Inc	350	9	0.87%	329	4	1.13%
Costco Wholesale	350	10	0.87%	228	6	0.79%
RB III Associates Inc				220	9	0.76%
Par Electrical Contractors, Inc.				200	10	0.69%
Vanpike, Inc.				308	5	1.06%
Fry's Electronics				400	3	1.38%
Veritek Manufacturing Services				270	7	0.93%
University Auxiliary & Research Services (2)				230	8	0.79%
Total	8,880		22.15%	3,437		11.85%

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."
- (3) This is the first year that Schools and the City have been included.

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

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City of San Marcos

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	45	51	50	60	59	55	58	57	61	56
Community development	43	40	37	44	39	38	39	42	34	26
Public safety (1)	84	91	94	101	97	92	95	97	90	105
Highways, streets and parks	87	77	66	71	76	77	76	76	77	84
Culture and recreation	<u>126</u>	<u>141</u>	<u>126</u>	<u>120</u>	<u>128</u>	<u>126</u>	<u>128</u>	<u>120</u>	<u>149</u>	<u>181</u>
Total	<u>385</u>	<u>400</u>	<u>373</u>	<u>396</u>	<u>399</u>	<u>388</u>	<u>396</u>	<u>392</u>	<u>411</u>	<u>452</u>

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 Last Ten Years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
General Government:				
Number of business licenses issued	5,450	5,161	5,436	5,320
Number of requests for public information	112	160	176	211
Number of new hires including part-time	128	98	71	98
Number of invoices processed	14,616	11,208	11,256	19,296
Public Safety:				
Police:				
Contracts with the San Diego County Sheriff's Department for full service law enforcement				
Fire:				
Number of emergency calls	6,880	6,911	6,955	7,184
Number of fire inspections	1,495	1,459	1,852	2,211
Highways and Streets:				
Number of street lights added in current year	172	25	17	14
Number of traffic signals added in current year	7	3	4	3
Miles of streets swept	14,770	14,770	14,770	14,976
Miles of centerline streets added	24	5	-	-
Storm drain structures cleaned and repaired	113	114	116	389
Culture and Recreation:				
Number of facility rentals	486	670	669	857
Number of swim program participants	13,221	17,688	19,714	30,110
Number of adult sports participants	20,503	21,204	25,961	31,772
Number of youth sports participants	10,366	11,126	12,108	17,610
Number of senior nutrition program meals served	22,500	16,426	15,708	13,126
Community Development:				
Number of building permits issued	836	502	458	454
Approximate number of building inspections conducted	41,076	21,554	14,501	24,819
Number of new business licenses issued	1,505	1,307	1,225	1,261

Notes:

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

Source: Various City Departments

Fiscal Year					
2011	2012	2013	2014	2015	2016
5,330	5,455	5,519	5,623	5,593	5,762
202	270	253	238	276	355
93	86	85	90	123	182
13,020	11,810	12,354	13,464	13,342	12,813
6,928	7,382	7,287	7,675	8,889	10,719
2,101	2,367	3,214	2,953	2,894	2,419
36	24	6	19	-	5
3	1	-	1	1	3
14,976	14,976	15,165	15,175	12,090	12,090
-	-	5	-	-	-
474	580	568	597	596	602
757	761	768	799	802	862
34,494	40,820	46,211	52,577	57,009	40,711
35,105	38,897	41,660	46,313	47,094	50,814
18,105	13,714	20,946	22,946	23,014	26,415
13,295	14,031	13,455	12,775	13,039	10,813
618	866	1,248	1,700	1,877	2,390
24,888	28,466	15,247	15,713	10,922	12,150
1,328	1,273	1,316	1,342	1,462	1,519

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety:					
Police (1)					
Fire					
Number of fire stations	4	4	4	4	4
Number of emergency vehicles	33	35	33	40	31
Highways and Streets:					
Miles of streets (2)	236	236	236	236	241
Number of street lights	2,600	2,625	2,645	2,659	2,695
Culture and Recreation:					
Parks	28	28	30	32	33
Acres of park land	366	373	373	377	379
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 street have now been removed from the total.

Sources: Various City departments.

Fiscal Year				
2012	2013	2014	2015	2016
4	4	4	4	4
32	36	38	41	44
194	199	197	197	197
2,691	2,702	2,708	2,708	2,713
34	34	35	35	35
380	380	384	384	384
2	2	2	2	2

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