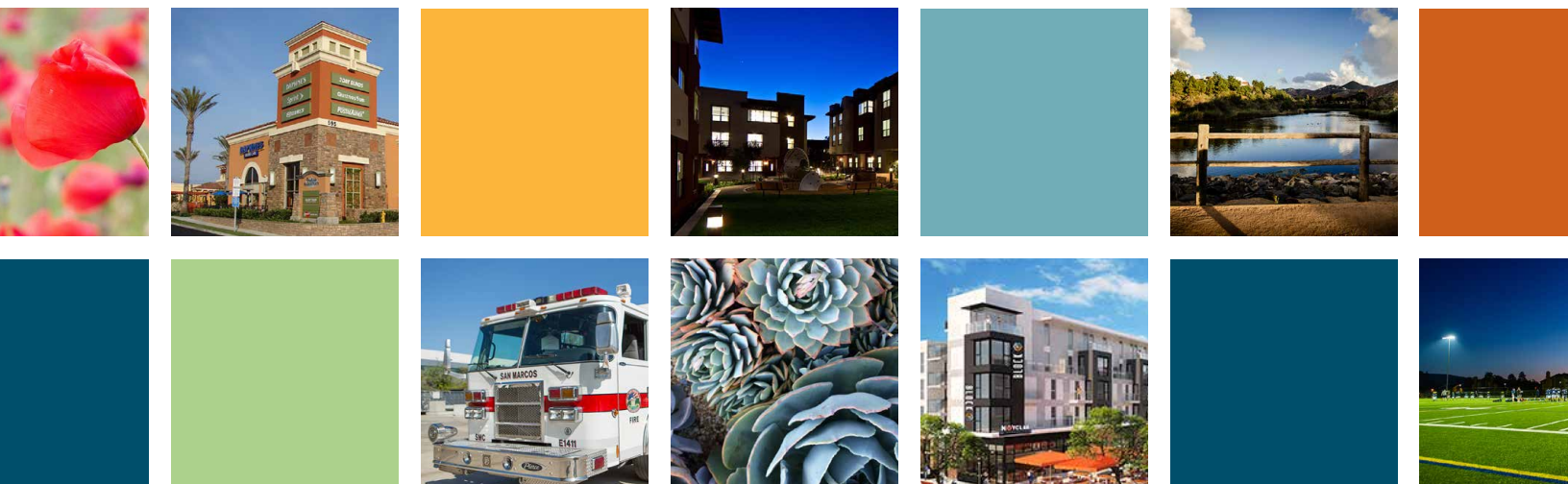
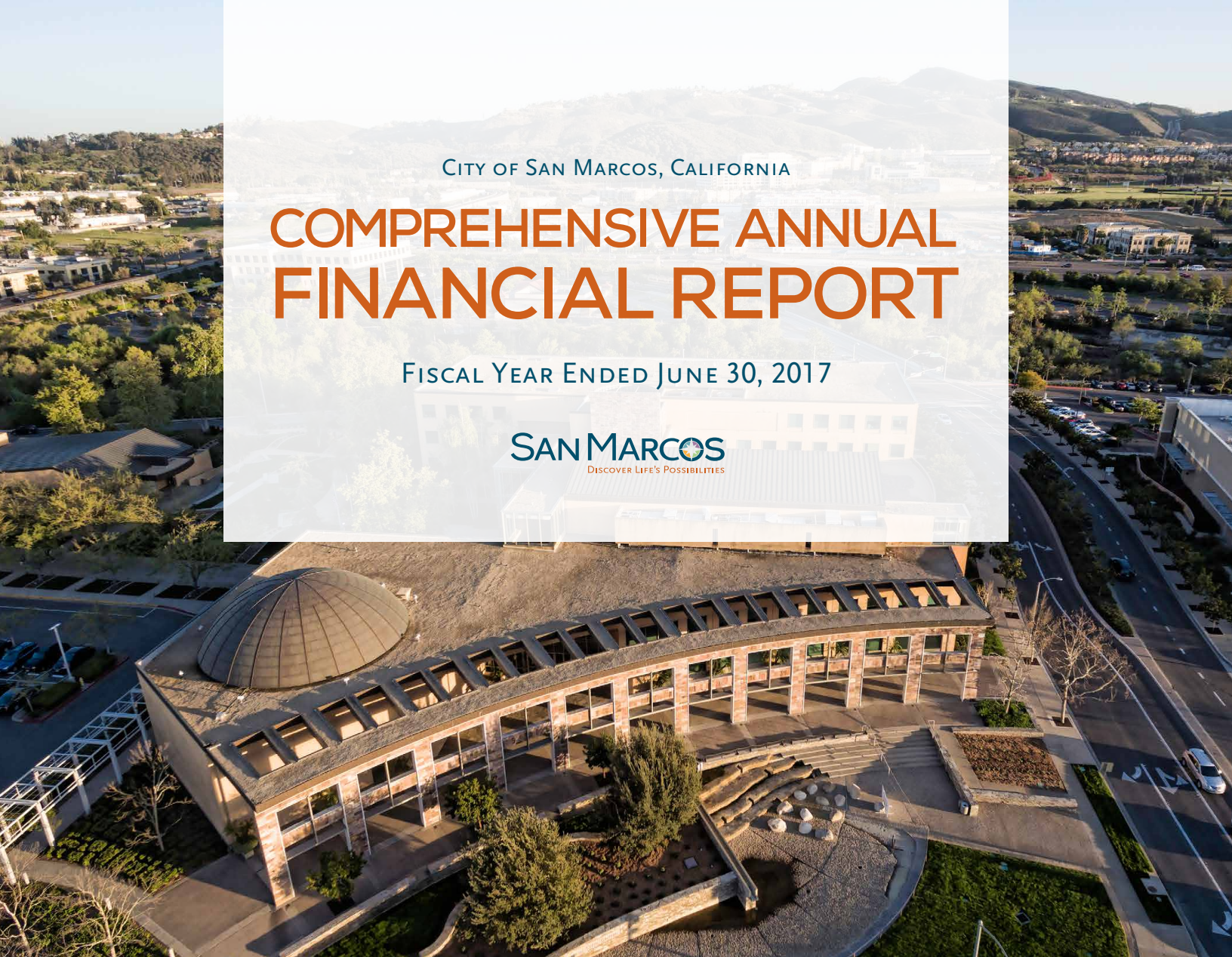


CITY OF SAN MARCOS, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

**SAN MARCOS**  
DISCOVER LIFE'S POSSIBILITIES



DISCOVER LIFE'S POSSIBILITIES





# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

**CITY MANAGER**  
**DIRECTOR OF FINANCE AND IT**

**JACK GRIFFIN**  
**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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## *Transmittal Letter.....*

December 14, 2017

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) fiscal year 2016-17 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 (clean) 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. Management asserts that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

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



## **CITY OF SAN MARCOS PROFILE**

San Marcos is a charter city, incorporated in 1963 and chartered on July 4, 1994. According to historical legends, the Spaniards, while pursuing the Native Americans in the late 18<sup>th</sup> century, came upon a fertile valley, which was named Los Vallecitos de San Marcos (Little Valleys of Saint Mark). Today, often nicknamed still as “Valley of Discovery”, San Marcos offers rugged beautiful rolling hills, bustling commercial districts, and leading educational institutions.

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 (County). The Cerros Las Posas, Merriam and San Marcos foothills and a series of valleys are the chief topographic features. The City is accessible to San Diego, Orange, Imperial, San Bernardino, Riverside and Los Angeles counties. It is situated along the State Highway 78 corridor (78 Corridor) and is bordered by Escondido to the east, Vista to the north and west, Carlsbad to the south and west, and unincorporated areas of the San Diego County to the north and south. San Marcos 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, with a population of 93,300, is the smallest yet fastest growing population along the 78 Corridor. San Marcos’ population has grown by more than 11 percent since 2010, outpacing the other four cities along the 78 Corridor by at least four percent and growing 1.8 times faster than the San Diego Region.

San Marcos delivers a full range of municipal services under the Council-Manager form of government, and offers an outstanding quality of life for its residents. Public facilities include over 72-miles of trails, 37 parks, 11 recreational facilities, two community pools, and a County library. San Marcos provides a diverse array of services for seniors and youth, extensive continuing educational programs, concerts, team sports, and special events. The independent San Marcos Unified School District (SMUSD) has achieved local and state recognition for the excellence of its programs.

### **City Council:**

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 Council, the City’s chief policy-making body, enacts laws known as ordinances, sets policies known as resolutions and adopts an annual budget. The City Council also oversees a variety of commissions that deal with specific city-related issues. These advisory commission members are appointed by the City Council.





## **FISCAL/ECONOMIC CONDITIONS AND OUTLOOK**

### **Employment Trends:**

San Marcos is home to a talented, diverse and well-educated workforce. Educational attainment in the City exceeded 33 percent in 2015 for bachelor's degree or higher, four percentage points shy of the San Diego Region and second among the five 78 Corridor cities. Due to the presence of six academic institutions, including California State University San Marcos and Palomar College, San Marcos produces the aptitude needed to create, support and sustain a professional workforce. The City is home to more than 4,000 business establishments, which is up 25 percent from just a decade ago, and nearly 40,000 jobs. While employment declined sharply during the Great Recession, the overall business count in San Marcos remained relatively stable. With an impressive average unemployment rate of 3.7 percent in 2016, San Marcos is a stabilizing presence in North County. Other stable employers such as Kaiser Permanente, North County Health Services, Hunter Industries, Lusardi Construction, Costco and Walmart allow for diverse employment and revenue bases.

### **Real Estate Market:**

In its most recent annual report, the San Diego County Assessor's Office noted that San Diego County's 2017 assessed value of all taxable property topped the \$500 billion mark, closing at \$512.3 billion. The County attributes this increase, the fifth annual increase in as many years, to the slow and steady growth in the real estate market. The real estate market and median home prices have been steadily increasing in the range from 5-6% annually for a number of years. The County foresees this consistent growth is sustainable and will likely continue into the near future. The assessment role was balanced throughout the County, with the highest growth rates in National City, Imperial Beach, and Santee. San Marcos's assessment role growth rate was 6.38 percent, compared to 5.43 percent in the prior year report. Property sales and new construction were primary factors contributing to this growth. With its highly regarded school district, well-educated and growing population, and the presence of California State University San Marcos, the City's real estate activity continues to experience strong demand and supply.

### **Local Trends:**

National, state, regional and local economic indicators point toward continuously improving economic growth. Stable revenue sources such as property taxes remain strong, however economic changes have effected revenues like sales tax. Sales tax has leveled off largely due to changes in consumer consumption patterns, from goods to services and increased online purchasing. Local economy and job growth are driving increases in other revenues, such as permit and license fees.

Looking forward, funding sources are sufficient to cover projected FY 2017-18 expenditures, as written in the City's Adopted Budget. The City Council adopted a General Fund operating budget with expenditures of \$73.5 million for FY 2017-18, an increase of \$4.2 million, or 5.9 percent, from



prior year adopted budget. The increase is driven by increased investment in infrastructure, significant cost increase to the law enforcement contract with the San Diego Sheriff's Department, higher insurance premiums for general liability, and increased salary and benefits costs.

Pension and healthcare costs continue to dominate the conversation about long-term future costs. The City has proactively taken steps over the past couple of years to mitigate increased costs by increasing employee contributions to the CalPERS retirement plan and capping the City's share of healthcare premiums. Implementation of a second tier retirement plan in 2012 and adoption of the state-mandated third tier pension plan (PEPRA) in 2013 also helps to mitigate future pension cost increases. It will be necessary in the coming years for the City and its collective bargaining groups, through negotiations, to work collaboratively toward solutions to help relieve the City's growing pension burden.

As economic growth continues to thrive here in North San Diego County, it also intensifies the challenges of increased traffic and congestion, affordable housing, and demand for services. The City Council continues to balance these competing priorities within the framework of their strategic themes of dynamic and responsive service delivery, economic development, good governance, quality of life, and planning for the future. The proposed FY 2017-18 Capital Improvement Program (CIP) appropriations are approximately \$10.5 million. The forecasted five-year appropriations are \$112 million. Streets and traffic related projects account for approximately 69% of the new FY 2017-18 appropriations. The CIP reflects the actions taken by the City Council and developed in accordance with the City Council adopted policies and priorities.

The largest single increase from a percentage standpoint to the General Fund budget follows the City Council's adoption of the Fiscal Management Policy in 2015 which directed the City to include a general fund contribution to the City's three rehabilitation and replacement funds (Infrastructure, City Facility and Vehicles and Equipment). In addition to the work and projects that this funding will support, the CIP contains funding to undertake a comprehensive Asset Management Program. The City Council's Fiscal Management Policy directs the City to strive to increase that annual set aside amount by a minimum of 0.5 percent per year with a goal of getting to 6 to 10 percent of the operating budget within ten years. For FY 2017-18, at 3.6 percent of the adopted FY 2016-17 budget, this amount increased by \$399,065 to \$2,422,232, a 19 percent increase. The long term impact of this policy change will result in the investment of numerous millions of dollars in the City's aging infrastructure over time and the Asset Management Program will be a critical tool in determining how to spend those funds as wisely as possible.

### **Long Range Financial Forecast:**

The City develops a General Fund five-year financial forecast as part of the budgeting process which serves as a guiding working management document for long-range fiscal planning and a framework for future budget development. The forecast looks at the City's 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.

Although economic indicators and rebounding tax revenues reveal that the City continues to improve financially since the Great Recession, this forecast reflects financial obligations with many competing priorities and rising pension and healthcare costs that diminish the positive outlook over the next 5 years. The City will continue to focus on the City Council strategic goals and priorities such as comprehensive planning and action on land use and transportation, infrastructure strategy and funding, economic development efforts, and developing fiscal and financial policies for moving toward financial resiliency.

The City commits to maintaining its General Fund Reserve Policy, which requires unassigned fund balance (liquid, spendable assets) to be divided into three categories designated as the Catastrophic/Emergency Reserve, One-time Recurring Savings/Opportunity Reserve and Economic Contingency/Budget Stabilization Reserve. Year-end unassigned fund balance is required to be at a minimum of 40 percent of General Fund annual operating expenditures allocated between the Catastrophic/Emergency Reserve (50%), One-time Recurring Savings/Opportunity Reserve (30%), and 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.

The City is experiencing, and to a large extent been addressing, general fund expenditure increases that are outpacing increases in revenues. In spite of efforts to reduce expenditures through employee contracted negotiation reductions, cost and service level reductions, and deferrals of aging infrastructure, the level of revenue required is becoming more and more challenging. Further reductions to the base budget and/or material increases in the revenue base of the general fund will need to be made to ensure the City remains in a positive operating position.

## ***SIGNIFICANT EVENTS AND ACCOMPLISHMENTS***

### **Community Awards and Recognitions:**

The City is dedicated to meeting the social, recreational, educational, cultural, commercial and retail needs of its citizens and businesses. As such, open space, education, recreational facilities, safe streets and neighborhoods are important aspects of the community and the City has been recognized for its accomplishments with a variety of awards and recognitions. Most recently some of these awards and recognitions are described below:

- An Associate Civil Engineer for the City of San Marcos, was selected from five finalists and chosen for the Capstone Award from the California Joint Powers Insurance Authority for his exemplary risk management efforts. Included in these efforts were the development of a risk project registry tool, preparation of a citywide risk manual that helps to identify crucial aspects of capital improvement projects and other engineering projects,



and setting other risk management processes in place in order to ensure proper insurance specifications for contracts.

- The City's Volunteer Park Ranger Program received an "Outstanding Achievement in Recreation Programming" award from the California Park and Recreation Society this past spring.
- The City, along with an engineering consulting firm, was recognized by Circulate San Diego for Armorlite Drive Smart Improvement Project. Circulate San Diego's Momentum Awards recognize projects in the San Diego Region that improve quality of life by advancing forward-thinking multimodal transportation choices and better connectivity.
- Listed as one of San Diego's "Next Hot Neighborhoods" according to San Diego Magazine is a mixed-use project called North City which is being built near California State University San Marcos. The developer calls it "an urban oasis." to include apartments, townhomes, restaurants, student housing, entertainment and office space.

### **Financial Reporting Awards:**

During the past year, the City received an award for the prior year Comprehensive Financial Annual Report (CAFR) from the Government Finance Officers Association (GFOA) for "excellence in financial reporting." The FY 2016-17 CAFR will be submitted to the GFOA award program to be considered for the distinguished financial reporting award again.

### **Acknowledgments:**

The CAFR reflects the hard work, talent and commitment of the staff members of the Finance Department. This document could not have been accomplished without their efforts. Management wishes to express their sincere appreciation to Stacey Tang, Accounting Manager, and the entire accounting staff for their high level of professionalism and dedication. Management would also like to acknowledge Rogers, Anderson, Malody & Scott, LLP, the City's independent external auditors, who assisted and contributed to the preparation of the Comprehensive Annual Financial Report.

Special acknowledgement must be given to the City Council for their dedication to directing the financial affairs of the City in a responsible, professional and progressive manner.

Respectfully submitted,

Laura Rocha, CPA  
Director of Finance and IT

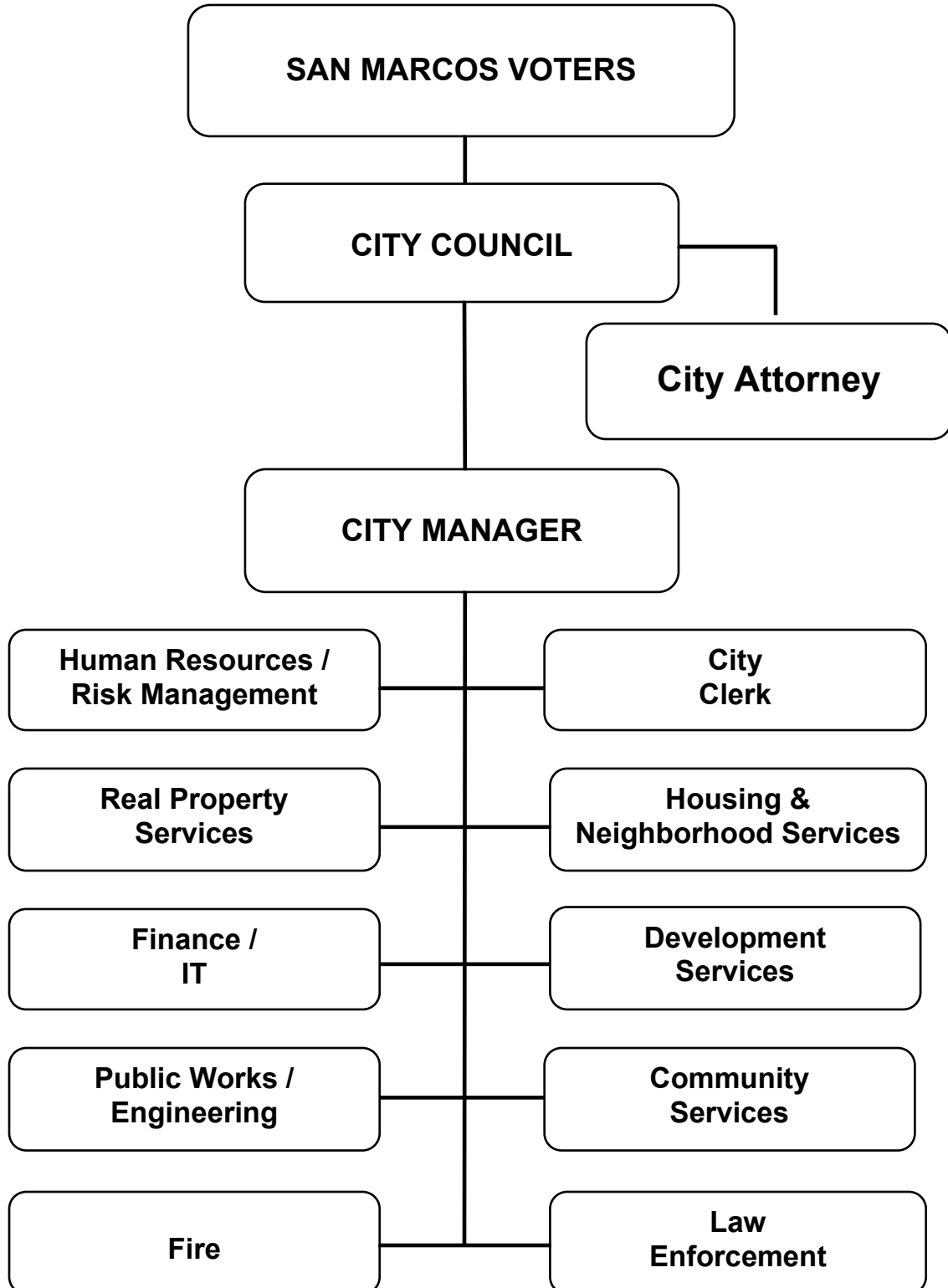
Jack Griffin  
City Manager



# City of San Marcos

## Organizational Chart

June 30, 2017



# City of San Marcos

## List of Principal Officials

June 30, 2017

### **City Council**

Mayor  
Vice Mayor  
Councilmember  
Councilmember  
Councilmember

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

### **Administration**

City Manager/Treasurer  
Deputy City Manager/Public Work Director  
City Attorney  
City Clerk

Jack Griffin  
Matt Little  
Helen Holmes Peak  
Phillip Scollick

### **Department/Division Heads**

Community Services Director  
Development Services Director  
Finance Director  
Fire Chief  
Human Resources/Risk Management Director  
Real Property Services Manager  
Sheriff Station Captain

Buck Martin  
Dahvia Lynch  
Laura Rocha  
Brett VanWey  
Michelle Miller  
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, 2016**

*Christopher P. Morill*

Executive Director/CEO

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

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

## INDEPENDENT AUDITOR'S REPORT

### PARTNERS

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

### MANAGERS / STAFF

Jenny Liu, CPA, MST  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Nathan Statham, CPA, MBA  
Gardenya Duran, CPA  
Brianna Schultz, CPA  
Lisa Dongxue Guo, CPA, MSA

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 (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants



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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, 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.

### ***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 December 14, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 14, 2017

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# *City of San Marcos*

## **Management's Discussion and Analysis For the Year Ended June 30, 2017**

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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, 2017. 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 \$1,007,328,806 (net position). Of this amount, \$155,292,986 represents unrestricted net position, which \$154,683,058 are investments in real estate and joint venture. The remaining \$609,928 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 \$4,677,823 from the prior fiscal year mostly attributable to the Creekside Marketplace rental income activity. Other higher than expected revenue came from property tax from residual former redevelopment tax increment, 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 building activity fees.
- At the close of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$192,209,225, a decrease of \$4,506,608 in comparison with the prior year. Approximately 14.1% of this amount or \$27,053,317 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 \$38,706,951, or approximately 47.9% of total general fund expenditures.

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

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

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

## *City of San Marcos*

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

---

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 17-19 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, 2017**

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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 20-23 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. However, during this current fiscal year, management has determined to close the Municipal Utility Enterprise Fund as it is no longer needed.

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 24-26 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, 2017**

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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 27-28 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 31-93 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 94-100 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 104-130 of this report.

### **GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of San Marcos, assets and deferred outflows of resources exceeded liabilities by \$1,007,328,806, at the close of the most recent fiscal year.

# City of San Marcos

## Management's Discussion and Analysis For the Year Ended June 30, 2017

### City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 366,792,722	\$ 356,181,167	\$ 95,999,234	\$ 95,274,321	\$ 462,791,956	\$ 451,455,488
Capital assets, net	615,576,650	621,713,877	-	-	615,576,650	621,713,877
Total assets	982,369,372	977,895,044	95,999,234	95,274,321	1,078,368,606	1,073,169,365
Deferred outflows of resources	21,030,827	8,539,403	-	-	21,030,827	8,539,403
Long-term debt	70,294,354	59,919,572	-	-	70,294,354	59,919,572
Other liabilities	16,890,200	12,086,739	773,715	350,216	17,663,915	12,436,955
Total Liabilities	87,184,554	72,006,311	773,715	350,216	87,958,269	72,356,527
Deferred inflows of resources	4,112,358	6,701,258	-	-	4,112,358	6,701,258
Net position						
Net investment in capital assets	607,795,162	614,982,754	-	-	607,795,162	614,982,754
Restricted	244,240,658	227,891,685	-	-	244,240,658	227,891,685
Unrestricted	60,067,467	64,852,439	95,225,519	94,924,105	155,292,986	159,776,544
Total net position	\$ 912,103,287	\$ 907,726,878	\$ 95,225,519	\$ 94,924,105	\$ 1,007,328,806	\$ 1,002,650,983

By far, the largest portion of the City of San Marcos' net position (60.3%) reflects its investment in capital assets (e.g., land, buildings, furniture and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of San Marcos *uses* these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of San Marcos' investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of San Marcos' net position (24.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$155,292,986 is unrestricted, however, a majority of that amount represents investments in real estate and joint venture.

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 \$4,677,823 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, 2017

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$4,376,409 from the prior fiscal year for an ending balance of \$912,103,287. The largest increase in the overall net position of governmental activities is the result of operating transfers from other funds including Creekside Marketplace in the amount of \$3.3 million and property tax from residual former redevelopment tax increment, 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 building activity fees.

### City of San Marcos' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 29,086,744	\$ 26,557,100	\$ 5,188,034	\$ 4,924,764	\$ 34,274,778	\$ 31,481,864
Operating contributions and grants	11,094,309	13,919,753	-	-	11,094,309	13,919,753
Capital contributions and grants	1,345,661	3,523,253	-	-	1,345,661	3,523,253
General revenues:						
Property taxes	19,825,953	18,604,256	-	-	19,825,953	18,604,256
Transient occupancy taxes	978,498	873,863	-	-	978,498	873,863
Business license tax	231,933	228,040	-	-	231,933	228,040
Franchise fees	3,897,771	4,031,275	-	-	3,897,771	4,031,275
Rental income	5,556,365	5,950,030	-	-	5,556,365	5,950,030
Sales taxes shared state revenue, unrestricted	16,404,555	15,912,878	-	-	16,404,555	15,912,878
In lieu sales tax, unrestricted	13,747	955,173	-	-	13,747	955,173
Investment income, restricted	-	-	-	-	-	-
Investment income, unrestricted	1,242,804	1,731,178	2,855	16,289	1,245,659	1,747,467
Gain (loss) on disposal of capital assets	227,020	187,956	-	-	227,020	187,956
Miscellaneous	96,331	529,653	-	-	96,331	529,653
<b>Total Revenues</b>	<b>90,001,691</b>	<b>93,004,408</b>	<b>5,190,889</b>	<b>4,941,053</b>	<b>95,192,580</b>	<b>97,945,461</b>
<b>Expenses</b>						
General government	15,819,492	18,256,401	-	-	15,819,492	18,256,401
Community development	1,679,942	12,890,498	-	-	1,679,942	12,890,498
Public safety	38,312,609	32,564,134	-	-	38,312,609	32,564,134
Highways, streets and parks	29,012,619	23,904,189	-	-	29,012,619	23,904,189
Culture and recreation	3,873,784	3,951,699	-	-	3,873,784	3,951,699
Interest on long-term debt	243,974	262,067	-	-	243,974	262,067
Creekside Marketplace	-	-	1,572,337	2,069,680	1,572,337	2,069,680
<b>Total Expenses</b>	<b>88,942,420</b>	<b>91,828,988</b>	<b>1,572,337</b>	<b>2,069,680</b>	<b>90,514,757</b>	<b>93,898,668</b>
<b>Increase in Net Position</b>						
Before Transfers	1,059,271	1,175,420	3,618,552	2,871,373	4,677,823	4,046,793
Transfers	3,317,138	4,500,000	(3,317,138)	(4,500,000)	-	-
<b>Change in Net Position</b>	<b>4,376,409</b>	<b>5,675,420</b>	<b>301,414</b>	<b>(1,628,627)</b>	<b>4,677,823</b>	<b>4,046,793</b>
Net Position, Beginning, as Restated	907,726,878	902,051,458	94,924,105	96,552,732	1,002,650,983	998,604,190
<b>Net Position, Ending</b>	<b>\$ 912,103,287</b>	<b>\$ 907,726,878</b>	<b>\$ 95,225,519</b>	<b>\$ 94,924,105</b>	<b>\$ 1,007,328,806</b>	<b>\$ 1,002,650,983</b>



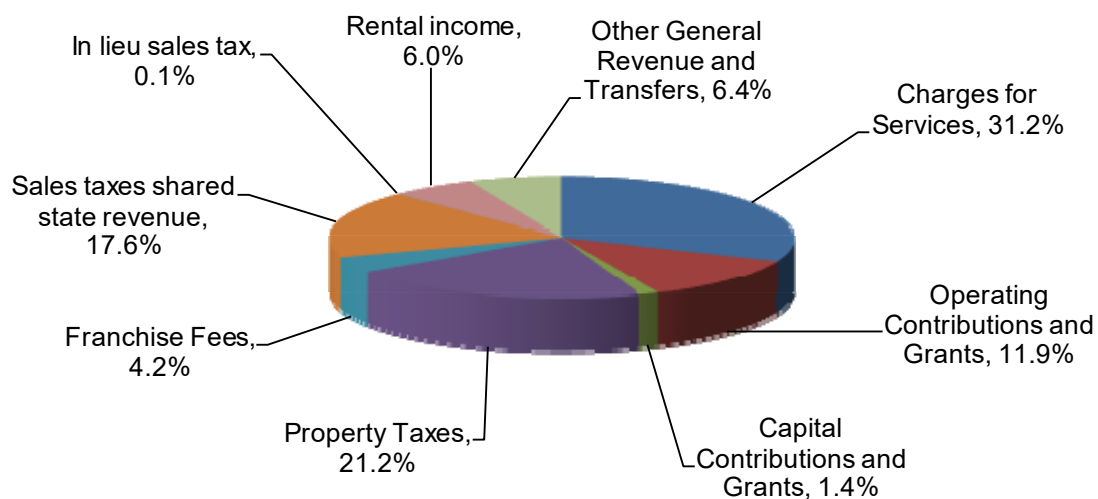
# City of San Marcos

## Management's Discussion and Analysis For the Year Ended June 30, 2017

### GOVERNMENTAL ACTIVITIES Revenue by Source

Revenue Source	2017	Percent of Total	Increase (Decrease) From 2016	Percent Increase (Decrease)
Charges for services	\$ 29,086,744	31.2%	\$ 2,529,644	8.7%
Operating contributions and grants	11,094,309	11.9%	(2,825,444)	-25.5%
Capital contributions and grants	1,345,661	1.4%	(2,177,592)	-161.8%
Property taxes	19,825,953	21.2%	1,221,697	6.2%
Franchise fees	3,897,771	4.2%	(133,504)	-3.4%
Sales taxes shared state revenue	16,404,555	17.6%	491,677	3.0%
In lieu sales tax	13,747	0.1%	(941,426)	-6848.2%
Rental income	5,556,365	6.0%	(393,665)	-7.1%
Other general revenue and transfers	6,093,724	6.4%	(1,956,966)	-32.1%
Total revenue	<u>\$ 93,318,829</u>	<u>100.0%</u>	<u>\$ (4,185,579)</u>	<u>-4.5%</u>

### GOVERNMENTAL ACTIVITIES Revenue by Source Fiscal Year 2016-17



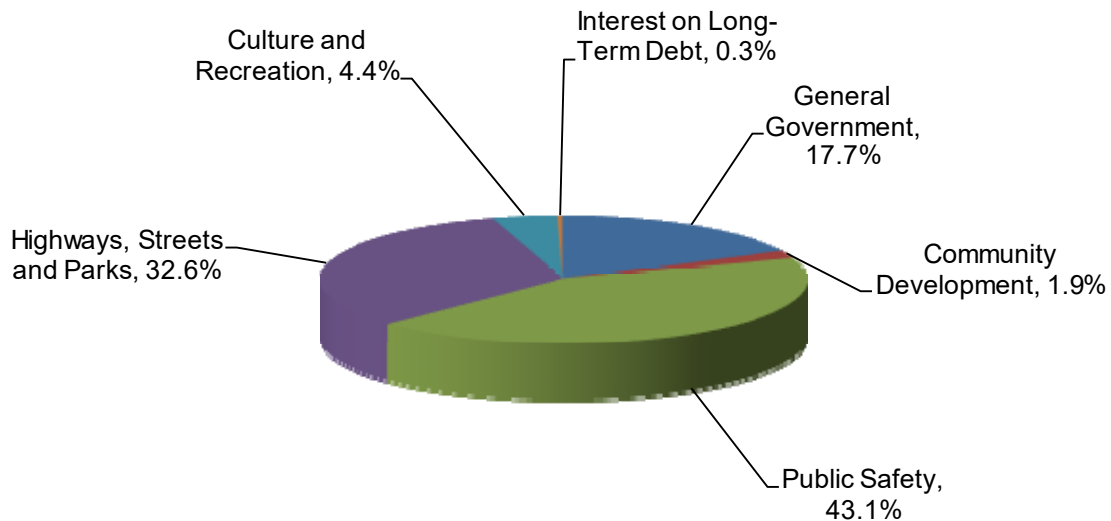
## City of San Marcos

### Management's Discussion and Analysis For the Year Ended June 30, 2017

#### GOVERNMENTAL ACTIVITIES Expense by Function

Function	2017	Percent of Total	Increase (Decrease) From 2016	Percent Increase (Decrease)
General government	\$ 15,819,492	17.7%	\$ (2,436,909)	-15.4%
Community development	1,679,942	1.9%	(11,210,556)	-667.3%
Public safety	38,312,609	43.1%	5,748,475	15.0%
Highways, streets and parks	29,012,619	32.6%	5,108,430	17.6%
Culture and recreation	3,873,784	4.4%	(77,915)	-2.0%
Interest on long-term debt	243,974	0.3%	(18,093)	-7.4%
Total expenses	<u>\$ 88,942,420</u>	<u>100.0%</u>	<u>\$ (2,886,568)</u>	<u>-3.2%</u>

#### GOVERNMENTAL ACTIVITIES Expenses by Function Fiscal Year 2016-17



## *City of San Marcos*

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

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**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 \$95,225,519. 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 \$301,414 or 0.31% from the prior fiscal year. This is mainly due to rental activity in the Creekside Marketplace shopping center.

### **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, 2017, the City of San Marcos' governmental funds reported combined fund balances of \$192,209,225, a decrease of \$4,506,608 in comparison with the prior year. Approximately 14.1% of this amount (\$27,053,317) 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 (\$66,369,312), 2) restricted for particular purposes (\$87,132,962), or 3) assigned for particular purposes (\$11,653,634).

### **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 \$27,053,317, while total fund balance decreased to \$105,076,263. 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 33.5% of total general fund expenditures, while total fund balance represents approximately 130.1% of that same amount.

## *City of San Marcos*

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

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The fund balance of the City of San Marcos' General Fund decreased by \$9,877,588 during the current fiscal year mainly due to a one-time \$5 million payment to CalPERS, authorized by the City Council, to pay down a portion of the unfunded accrued liability, the \$2.58 million purchase of a proportional share of the Next Generation Regional Communication System (NextGen RCS), and capital improvement project spending in the City's Infrastructure and Facilities fund.

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 \$36,094,890. Approximately \$4,347,225 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**

The General Fund as presented in the CAFR and for purposes of financial reporting in conformity with generally accepted accounting principles (GAAP) is comprised of four funds including the General Operating Fund, and the Infrastructure, Facilities, and Vehicle and Equipment Replacement and Rehabilitation Funds. However, in the City's approved budget document, these funds are separately presented.

During the year amendments to increase original budgeted appropriations were authorized by City Council. The operating expenditure budget was increased by \$1,314,247 due to carryover appropriations from FY 2015-16. Additionally, mid-year and capital improvement project budget amendments were approved in the amount of \$10,399,661 for a total amended expenditure budget of \$84,324,669 for FY 2016-17 inclusive of the General Fund and the Rehabilitation and Replacement Funds. 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 \$1 million excluding other financing sources. This excess revenue not anticipated at the time of budget is due to property tax attributable from residual former redevelopment tax increment, 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 building activity fees.

General Fund expenditures wrapped up under budget by approximately \$1 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. The Infrastructure and Facilities Fund included large budgets for capital improvement projects, however, some projects were incomplete at year end.

Ending fund balance in the General Fund was slightly more than projected due mainly to the additional revenues as noted above and less spending than anticipated.



## City of San Marcos

### Management's Discussion and Analysis For the Year Ended June 30, 2017

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#### 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, 2017, amounts to \$615,576,650 (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 1.0%.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$ 324,484,838	\$ 324,175,869	\$ -	\$ -	\$ 324,484,838	\$ 324,175,869
Buildings	44,548,872	46,892,388	-	-	44,548,872	46,892,388
Furniture and Equipment	7,121,547	4,739,285	-	-	7,121,547	4,739,285
Infrastructure	217,210,851	223,672,017	-	-	217,210,851	223,672,017
Construction in progress	22,210,542	22,234,318	-	-	22,210,542	22,234,318
<b>Total</b>	<b>\$ 615,576,650</b>	<b>\$ 621,713,877</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 615,576,650</b>	<b>\$ 621,713,877</b>

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

- The City, as one of the members of the Regional Communications System (RCS), purchased a proportional share of the Next Generation (NextGen) RCS, which is an upgrade to the existing RCS backbone infrastructure and communication equipment, at a cost of \$2,580,926.
- A land parcel was transferred to a developer in the amount of \$2,912,000 for affordable housing projects.
- Completion of various parks, streets, and storm drainage improvement projects, one fire engine and one fire command vehicle at a total cost of \$8,937,424.
- A couple construction-in-progress projects related to traffic at a cost of \$42,148 were reclassified as expenditures. These projects were deemed not viable during the planning and design phase of the projects.

Additional information on the City of San Marcos' capital assets can be found in Note 7 on pages 54-55 of this report.

## *City of San Marcos*

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

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**Long-term Debt.** At the end of the current fiscal year, the City of San Marcos had total debt outstanding of \$71,068,069. Of this amount, \$4,118,332 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**

	<b>Governmental Activities</b>		<b>Net Change</b>
	<b>2017</b>	<b>2016</b>	
Bonds payable, net	\$ 4,118,332	\$ 4,390,999	\$ (272,667)
Note payable	141,146	274,934	(133,788)
Compensated absences	4,487,804	4,224,199	263,605
Claims payable	1,381,511	934,619	446,892
Capital leases payable	2,250,027	633,034	1,616,993
Loans payable - CEC	1,271,983	1,432,156	(160,173)
Net pension liability	57,417,266	48,029,631	9,387,635
<b>Total</b>	<b>\$ 71,068,069</b>	<b>\$ 59,919,572</b>	<b>\$ 11,148,497</b>

The City of San Marcos' total debt increased by \$11,148,497, or 18.6% during the current fiscal year. The majority of the increase was the addition of the net pension liability. Also, the City entered into a new capital lease for a couple major fire equipment - a new fire engine and 100' tractor truck.

Additional information on the City of San Marcos' long-term debt can be found in Note 8, on pages 56-60 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The economy of the City is discussed in the accompanying Transmittal Letter.

The City continued its slow and steady projection of growth approach to the FY 17-18 General Fund operating budget. The recommended budget for FY 17-18 projects a 3.7% growth in spending. Included in this spending is a direct transfer of \$2.4 million, the single largest line item increase, to the City's infrastructure, facilities, and vehicle and equipment replacement and rehabilitation funds per City Council's Fiscal Management Policy.

Other significant line item expenditure increases included a 6% increase to the Sheriff's contract costs and a 2% cost of labor index increase as part of the City's memorandums of understanding with its employee groups. The budget also reflects projected increases in health care and pension costs. With respect to pension costs, changes made by CalPERS to their investment assumption rate will start impacting budgets in FY 18-19. The City Council utilized

## *City of San Marcos*

### **Management's Discussion and Analysis For the Year Ended June 30, 2017**

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\$5 million of operating surplus from FY 15-16 to make an additional payment to CalPERs during FY 16-17. Pensions continue to present a significant challenge to the budget and managing those challenges in the long term is of significant importance to City Council.

The recommended FY 17-18 operating budget is balanced and in compliance with the City Council's General Fund Reserve policy. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the budget preparation, can be obtained from the City's FY 17-18 citywide budget, available on the City's website or through the Finance Department.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City 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.

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# City of San Marcos

## Statement of Net Position June 30, 2017

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
<b>ASSETS</b>				
Cash and investments (note 2)	\$ 114,472,414	\$ 1,109,457	\$ 115,581,871	\$ 11,401
Cash and investments with fiscal agents (note 2)	1,187,619	-	1,187,619	-
Investments in real estate (note 2)	53,181,000	94,000,000	147,181,000	-
Investment in joint venture (note 2)	7,502,058	-	7,502,058	-
Receivables:				
Taxes and special assessments	3,296,161	-	3,296,161	-
Accounts	2,188,180	6,954	2,195,134	-
Interest	241,349	2,994	244,343	26
Notes (note 3)	156,889,822	-	156,889,822	-
Other (note 4)	1,289,206	739,111	2,028,317	-
Due from other governments	2,309,317	-	2,309,317	-
Advances to Successor Agency (note 16)	17,254,663	-	17,254,663	-
Deposits	885,789	140,718	1,026,507	1,226,434
Prepays	35,330	-	35,330	-
Land held for resale	6,059,814	-	6,059,814	-
Capital assets, not depreciated (note 7)	346,695,380	-	346,695,380	-
Capital assets, net of depreciation (note 7)	268,881,270	-	268,881,270	-
Total Assets	982,369,372	95,999,234	1,078,368,606	1,237,861
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	20,960,644	-	20,960,644	-
Loss on defeasance of debt	70,183	-	70,183	-
Total Deferred Outflows of Resources	21,030,827	-	21,030,827	-
<b>LIABILITIES</b>				
Accounts payable	9,183,897	395,054	9,578,951	6,976
Accrued liabilities	1,902,597	-	1,902,597	-
Unearned revenue (note 6)	2,885,227	298,551	3,183,778	-
Deposits payable	2,144,764	80,110	2,224,874	-
Noncurrent liabilities (note 8):				
Due within one year	4,257,157	-	4,257,157	-
Due in more than one year	66,810,912	-	66,810,912	-
Total Liabilities	87,184,554	773,715	87,958,269	6,976
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	4,112,358	-	4,112,358	-
<b>NET POSITION</b>				
Net investment in capital assets (note 9)	607,795,162	-	607,795,162	-
Restricted for:				
Permanent Fund	-	-	-	1,000,000
Affordable housing	192,984,712	-	192,984,712	-
Debt service	284,770	-	284,770	-
Transportation	4,075,423	-	4,075,423	-
Lighting and landscape	12,410,105	-	12,410,105	-
Capital improvements	3,023,975	-	3,023,975	-
Public facilities	29,285,268	-	29,285,268	-
Other purposes	2,176,405	-	2,176,405	-
Unrestricted	60,067,467	95,225,519	155,292,986	230,885
Total Net Position	\$ 912,103,287	\$ 95,225,519	\$ 1,007,328,806	\$ 1,230,885

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



# City of San Marcos

## Statement of Activities For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 15,819,492	\$ 1,038,094	\$ 200,167	\$ -
Community development	1,679,942	6,363,423	1,022,314	501,832
Public safety	38,312,609	10,979,615	419,886	-
Highways, streets, and parks	29,012,619	8,605,163	9,073,172	843,829
Culture and recreation	3,873,784	2,100,449	378,770	-
Interest on long-term debt	243,974	-	-	-
Total governmental activities	88,942,420	29,086,744	11,094,309	1,345,661
Business-type activities:				
Creekside Marketplace	1,572,337	5,188,034	-	-
Total Primary Government	<u>\$ 90,514,757</u>	<u>\$ 34,274,778</u>	<u>\$ 11,094,309</u>	<u>\$ 1,345,661</u>
Component Unit:				
Permanent Fund Community Foundation	65,283	-	-	-
Total Component Unit	<u>\$ 65,283</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	\$ (14,581,231)	\$ -	\$ (14,581,231)	\$ -
Community development	6,207,627	-	6,207,627	-
Public safety	(26,913,108)	-	(26,913,108)	-
Highways, streets, and parks	(10,490,455)	-	(10,490,455)	-
Culture and recreation	(1,394,565)	-	(1,394,565)	-
Interest on long-term debt	(243,974)	-	(243,974)	-
Total governmental activities	(47,415,706)	-	(47,415,706)	-
Business-type activities:				
Creekside Marketplace	-	3,615,697	3,615,697	-
Total Primary Government	(47,415,706)	3,615,697	(43,800,009)	-
<b>Component Unit:</b>				
Permanent Fund Community Foundation	-	-	-	(65,283)
Total Component Unit	-	-	-	(65,283)
General revenues:				
Taxes:				
Property taxes	19,825,953	-	19,825,953	-
Transient occupancy taxes	978,498	-	978,498	-
Business license tax	231,933	-	231,933	-
Franchise fees	3,897,771	-	3,897,771	-
Rental income	5,556,365	-	5,556,365	-
Sales taxes shared state revenue, unrestricted	16,404,555	-	16,404,555	-
Sales tax in lieu, unrestricted	13,747	-	13,747	-
Investment income, restricted	-	-	-	138,220
Investment income, unrestricted	1,242,804	2,855	1,245,659	-
Gain on disposal and sale of capital assets	227,020	-	227,020	-
Miscellaneous income	96,331	-	96,331	25
Transfers (note 5)	3,317,138	(3,317,138)	-	-
Total general revenues and transfers	51,792,115	(3,314,283)	48,477,832	138,245
Change in Net Position	4,376,409	301,414	4,677,823	72,962
Net Position, Beginning, as Restated	907,726,878	94,924,105	1,002,650,983	1,157,923
Net Position, Ending	\$ 912,103,287	\$ 95,225,519	\$ 1,007,328,806	\$ 1,230,885

# City of San Marcos

## Balance Sheet - Governmental Funds June 30, 2017

	General	Special Revenue San Marcos Affordable Housing	Total Non-Major Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments (note 2)	\$ 45,915,242	\$ 15,997,422	\$ 52,559,750	\$ 114,472,414
Cash and investments with fiscal agents (note 2)	-	-	1,187,619	1,187,619
Investments in real estate (note 2)	53,181,000	-	-	53,181,000
Investment in joint venture (note 2)	7,502,058	-	-	7,502,058
Receivables:				
Taxes and special assessments	3,277,852	-	18,309	3,296,161
Accounts	2,131,884	4,999	51,297	2,188,180
Interest	108,880	32,404	100,065	241,349
Notes, net (note 3)	-	154,521,047	2,368,775	156,889,822
Other, net (note 4)	1,168,690	-	120,516	1,289,206
Due from other governments	237,527	4,000	2,067,790	2,309,317
Advances to other funds (note 5)	-	2,580,926	-	2,580,926
Due from other funds (note 5)	892,534	-	-	892,534
Advances to Successor Agency (note 16)	-	17,254,663	-	17,254,663
Deposits	785,875	-	99,914	885,789
Land held for resale	4,900,379	301,087	858,348	6,059,814
Total Assets	<u>\$ 120,101,921</u>	<u>\$ 190,696,548</u>	<u>\$ 59,432,383</u>	<u>\$ 370,230,852</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 7,478,243	\$ 33,463	\$ 1,672,191	\$ 9,183,897
Accrued liabilities	1,763,811	10,462	128,324	1,902,597
Advances from other funds (note 5)	2,580,926	-	-	2,580,926
Due to other funds (note 5)	-	-	892,534	892,534
Unearned revenue (note 6)	595,194	-	2,290,033	2,885,227
Deposits payable	1,248,791	34,498	861,475	2,144,764
Total Liabilities	<u>13,666,965</u>	<u>78,423</u>	<u>5,844,557</u>	<u>19,589,945</u>
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	<u>1,358,693</u>	<u>154,523,235</u>	<u>2,549,754</u>	<u>158,431,682</u>
Fund Balances:				
Nonspendable:				
Land held for resale	4,900,379	-	-	4,900,379
Deposits	785,875	-	-	785,875
Investments in real estate (note 2)	53,181,000	-	-	53,181,000
Investment in joint venture (note 2)	7,502,058	-	-	7,502,058
Restricted:				
Affordable housing	-	36,094,890	-	36,094,890
Debt service	-	-	284,770	284,770
Transportation	-	-	4,075,423	4,075,423
Lighting and landscape	-	-	12,407,903	12,407,903
Capital improvements	-	-	2,965,714	2,965,714
Public facilities	-	-	29,164,752	29,164,752
Other purposes	-	-	2,139,510	2,139,510
Assigned	11,653,634	-	-	11,653,634
Unassigned	27,053,317	-	-	27,053,317
Total Fund Balances	<u>105,076,263</u>	<u>36,094,890</u>	<u>51,038,072</u>	<u>192,209,225</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 120,101,921</u>	<u>\$ 190,696,548</u>	<u>\$ 59,432,383</u>	<u>\$ 370,230,852</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, 2017

---

Fund balances of governmental funds \$ 192,209,225

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. 35,330

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

Capital assets, not depreciated	\$ 346,695,380	
Capital assets, being depreciated	473,415,311	
Less: accumulated depreciation	<u>(204,534,041)</u>	615,576,650

Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position. 70,183

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.

Deferred inflows and outflows of resources related to pensions have not been reported in the governmental funds:

Pension related deferred outflows of resources	\$ 20,960,644	
Pension related deferred inflows of resources	<u>(4,112,358)</u>	16,848,286

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

Bonds payable	\$ (4,118,332)	
Note payable	(141,146)	
Compensated absences	(4,487,804)	
Claims payable	(1,381,511)	
Capital lease financing	(2,250,027)	
Loans payable	(1,271,983)	
Net pension liability	<u>(57,417,266)</u>	(71,068,069)

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

158,431,682

Net position of governmental activities

\$ 912,103,287

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, 2017

	General	Special Revenue San Marcos Affordable Housing	Total Non-Major Governmental Funds	Total
<b>REVENUES</b>				
Taxes and special assessments	\$ 21,202,488	\$ -	\$ 7,184,004	\$ 28,386,492
Licenses and permits	5,184,798	-	-	5,184,798
Intergovernmental	16,843,761	-	5,603,190	22,446,951
Charges for services	15,756,224	-	-	15,756,224
Developer fees	63,151	1,181,100	5,526,625	6,770,876
Fines and forfeitures	632,114	-	-	632,114
Investment and rental income	6,383,913	2,751,155	679,908	9,814,976
Miscellaneous	458,948	871,089	326,307	1,656,344
Total Revenues	66,525,397	4,803,344	19,320,034	90,648,775
<b>EXPENDITURES</b>				
Current:				
General government	19,672,199	560,093	-	20,232,292
Community development	4,454,261	4,347,225	423,198	9,224,684
Public safety	36,449,543	-	-	36,449,543
Highways, streets and parks	9,470,410	-	7,921,483	17,391,893
Culture and recreation	3,553,710	-	260,480	3,814,190
Capital outlay	6,596,701	-	5,524,545	12,121,246
Debt service:				
Principal	476,445	-	493,915	970,360
Interest and fiscal charges	64,391	-	222,314	286,705
Total Expenditures	80,737,660	4,907,318	14,845,935	100,490,913
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,212,263)	(103,974)	4,474,099	(9,842,138)
<b>OTHER FINANCING SOURCES (USES)</b>				
Acquisition under capital leases	2,018,392	-	-	2,018,392
Transfers in (note 5)	3,883,129	-	1,587,432	5,470,561
Transfers out (note 5)	(1,566,846)	(20,586)	(565,991)	(2,153,423)
Total Other Financing Sources (Uses)	4,334,675	(20,586)	1,021,441	5,335,530
Net Change in Fund Balances	(9,877,588)	(124,560)	5,495,540	(4,506,608)
Fund Balances, Beginning, as Restated	114,953,851	36,219,450	45,542,532	196,715,833
Fund Balances, Ending	\$ 105,076,263	\$ 36,094,890	\$ 51,038,072	\$ 192,209,225

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, 2017

---

Net change in fund balances - total governmental funds \$ (4,506,608)

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	\$ 12,100,889	
Depreciation expense, net of deletions to capital assets	(18,195,968)	
Construction in progress projects deemed not viable	<u>(42,148)</u>	(6,137,227)

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

Long-term loans receivable	<u>\$ 11,039,844</u>	11,039,844
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The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Acquisition under capital leases	\$ (2,018,392)	
Principal payments on long-term debt	970,360	
Changes in pension related items	<u>5,696,198</u>	4,648,166

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	\$ (263,605)	
Change in claims payable	(446,892)	
Amortization of prepaid insurance	(7,609)	
Amortization of bond discount	<u>50,340</u>	<u>(667,766)</u>

Change in net position of governmental activities		<u>\$ 4,376,409</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, 2017

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments (note 2)	\$ 1,109,457	\$ -	\$ 1,109,457
Investments in real estate (note 2)	94,000,000	-	94,000,000
Receivables:			
Accounts	6,954	-	6,954
Interest	2,994	-	2,994
Deposits	140,718	-	140,718
Total Current Assets	95,260,123	-	95,260,123
Noncurrent Assets:			
Other receivable (note 4)	739,111	-	739,111
Total Noncurrent Assets	739,111	-	739,111
Total Assets	95,999,234	-	95,999,234
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	395,054	-	395,054
Deposits payable	80,110	-	80,110
Unearned revenue	298,551	-	298,551
Total Liabilities	773,715	-	773,715
<b>NET POSITION</b>			
Unrestricted	95,225,519	-	95,225,519
Total Net Position	\$ 95,225,519	\$ -	\$ 95,225,519

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, 2017**

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
<b>OPERATING REVENUES</b>			
Rental income	\$ 4,655,488	\$ -	\$ 4,655,488
Common area maintenance charges	532,546	-	532,546
Total Operating Revenues	5,188,034	-	5,188,034
<b>OPERATING EXPENSES</b>			
Property management	368,331	-	368,331
Janitorial	201,461	-	201,461
Repair and maintenance	1,002,545	-	1,002,545
Total Operating Expenses	1,572,337	-	1,572,337
Operating Income	3,615,697	-	3,615,697
<b>NON-OPERATING REVENUE</b>			
Investment income	2,690	165	2,855
Income Before Transfers	3,618,387	165	3,618,552
<b>TRANSFERS</b>			
Transfers out (note 5)	(3,250,000)	(67,138)	(3,317,138)
Total Transfers	(3,250,000)	(67,138)	(3,317,138)
Change in Net Position	368,387	(66,973)	301,414
Net Position, Beginning	94,857,132	66,973	94,924,105
Net Position, Ending	\$ 95,225,519	\$ -	\$ 95,225,519

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, 2017

	Enterprise Funds		
	Creekside Marketplace	Municipal Utility	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,789,361	\$ -	\$ 5,789,361
Payments to suppliers for goods and services	(1,572,337)	-	(1,572,337)
Net cash provided by operating activities	4,217,024	-	4,217,024
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from settlement agreement	19,493	-	19,493
Transfer to general fund	(3,250,000)	(67,138)	(3,317,138)
Net cash (used for) noncapital financing activities	(3,230,507)	(67,138)	(3,297,645)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	774	255	1,029
Net increase (decrease) in cash and cash equivalents	987,291	(66,883)	920,408
Cash and cash equivalents, beginning	122,166	66,883	189,049
Cash and cash equivalents, ending	<u>\$ 1,109,457</u>	<u>\$ -</u>	<u>\$ 1,109,457</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 3,615,697	\$ -	\$ 3,615,697
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in operating receivables:			
Accounts receivable	308,546	-	308,546
Deposit receivable	(130,718)		(130,718)
Increase (decrease) in operating liabilities:			
Accounts payable	113,836	-	113,836
Deposits payable	11,112	-	11,112
Unearned revenue	298,551	-	298,551
Net cash provided by for operating activities	<u>\$ 4,217,024</u>	<u>\$ -</u>	<u>\$ 4,217,024</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, 2017

	Agency Funds	Private-Purpose Trust Funds
<b>ASSETS</b>		
Cash and investments (note 2)	\$ 2,895,345	\$ 7,906,243
Receivables:		
Special assessments	29,279	-
Interest	179	27,109
Direct financing lease	-	2,602,738
Prepaid expenses	-	245,121
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	13,812,901	56,877,293
Capital Assets:		
Land	-	3,907,369
Total Assets	<u>\$ 16,737,704</u>	<u>71,565,873</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on defeasance of debt		<u>5,360,263</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 16,136	69,316
Accrued liabilities	-	18,385
Accrued interest payable	-	3,266,117
Due to other governments	-	5,755
Deposits payable	2,819,606	-
Due to bondholders	13,901,962	-
Noncurrent Liabilities:		
Due within one year	-	10,812,444
Due in more than one year	-	301,631,467
Total Liabilities	<u>\$ 16,737,704</u>	<u>315,803,484</u>
<b>NET POSITION (DEFICIT)</b>		
Held in trust for other taxing entities		<u>\$ (238,877,348)</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, 2017**

---

	Private-Purpose Trust Funds
<b>ADDITIONS</b>	
Tax	\$ 27,070,177
Income from property and investments	305,800
Other revenue	<u>129,480</u>
Total Additions	<u>27,505,457</u>
<b>DEDUCTIONS</b>	
General and administrative	658,405
Community development	226,022
Interest expense and fees	<u>11,257,157</u>
Total Deductions	<u>12,141,584</u>
Change in Net Position	15,363,873
Net Position (Deficit), Beginning, as Restated	<u>(254,241,221)</u>
Net Position (Deficit), Ending	<u><u>\$ (238,877,348)</u></u>

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

# *City of San Marcos*

## **Index to Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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## *City of San Marcos*

### **Index to Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

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

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

Component Units

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

Discretely Presented Component Unit

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

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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, 2017**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B) Basis of Presentation

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

Government-Wide Financial Statements

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

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

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions has not been eliminated in the statement of activities.

Fund Financial Statements

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

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

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



**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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, 2017**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

Agency Funds

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

Private-Purpose Trust Fund

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

E) Financial Statement Elements

(1) Cash and Investments

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

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

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

(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, 2017**

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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, 2017**

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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, 2017**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(10) Capital Assets

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

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

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

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

(11) Compensated Absences

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

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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, 2017**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(16) Fund Balances

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

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

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

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

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

**Unassigned Fund Balance** – this includes negative fund balance in governmental funds and the remaining spendable amounts which are not included in one of the other classifications in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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, 2017**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(17) 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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 115,581,871
Cash and investments with fiscal agents	1,187,619
Investments in real estate	147,181,000
Investment in joint venture	7,502,058
Statement of fiduciary net position:	
Cash and investments	10,801,588
Cash and investments with fiscal agents	<u>70,690,194</u>
 Total Cash and Investments	 <u><u>\$ 352,944,330</u></u>

Cash and investments at June 30, 2017 consisted of the following:

Demand deposits	\$ 1,237,596
Local Agency Investment Pool (LAIF)	44,666,500
California Asset Management Pool (CAMP)	16,644,594
Federal Agency Securities	24,733,382
U.S. Treasury Obligations	17,293,524
U.S. Corporate	16,025,832
Asset-Backed Securities	4,983,241
Commercial Paper	2,285,183
Money Market Mutual Funds	70,391,420
Real Estate	147,181,000
Joint Venture	<u>7,502,058</u>
 Total Cash and Investments	 <u><u>\$ 352,944,330</u></u>

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 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, 2017**

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

##### Investments Authorized by Debt Agreements

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

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

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 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	\$ 23,787,172	\$ 1,944,188	\$ 9,611,867	\$ 12,231,117	\$ -
U.S. Treasury Obligations	15,396,849	949,900	7,632,321	6,814,628	-
U.S. Corporate	16,025,832	6,117,617	5,415,090	4,493,125	-
Asset-Backed Securities	4,983,241	51,638	4,931,603	-	-
Commercial Paper	2,285,183	2,285,183	-	-	-
Money Market Mutual Funds	1,368,934	1,368,934	-	-	-
LAIF	44,666,500	44,666,500	-	-	-
CAMP	16,644,594	16,644,594	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	69,022,486	69,022,486	-	-	-
U.S. Treasury Obligations	1,896,675	949,905	946,770	-	-
Federal Agency Securities	946,210	-	946,210	-	-
Real Estate	147,181,000	-	-	-	147,181,000
Joint Venture	7,502,058	-	-	-	7,502,058
Total	<u>\$ 351,706,734</u>	<u>\$ 144,000,945</u>	<u>\$ 29,483,861</u>	<u>\$ 23,538,870</u>	<u>\$ 154,683,058</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, 2017

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#### 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	\$ 23,787,172	N/A	AA+
U.S. Treasury Obligations	15,396,849	N/A	AA+
U.S. Corporate	16,025,832	N/A	A+
Asset-Backed Securities	4,983,241	N/A	AAA
Commercial Paper	2,285,183	N/A	A-1+
Money Market Mutual Funds	1,368,934	N/A	AAA
LAIF	44,666,500	N/A	Not Rated
CAMP	16,644,594	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	69,022,486	A	AAA
U.S Treasury Obligations	1,896,675	N/A	AA+
Federal Agency Securities	946,210	N/A	AA+
Real Estate	147,181,000	N/A	Not Rated
Joint Venture	7,502,058	N/A	Not Rated
Total	<u>\$ 351,706,734</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, 2017 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, 2017**

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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, 2017, 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, 2017

### 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, 2017.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 23,787,172	\$ -	\$ 23,787,172	\$ -
U.S. Treasury Obligations	15,396,849	-	15,396,849	-
U.S. Corporate	16,025,832	-	16,025,832	-
Asset-Backed Securities	4,983,241	-	4,983,241	-
Commercial Paper	2,285,183	-	2,285,183	-
Held by bond trustees:				
U.S. Treasury Obligations	1,896,675	-	1,896,675	-
Federal Agency Securities	946,210	-	946,210	-
Real Estate	147,181,000	-	-	147,181,000
Joint Venture	7,502,058	-	-	7,502,058
Total Investments by Fair Value Level	220,004,220	\$ -	\$ 65,321,162	\$ 154,683,058
Investments Measured at Net Asset Value (NAV) (which approximates fair value)				
LAIF	44,666,500			
CAMP	16,644,594			
Money Market Mutual Funds	1,368,934			
Held by bond trustees:				
Money Market Mutual Funds	69,022,486			
Total	\$ 351,706,734			

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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

At June 30, 2017, 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.

\$ 1,616,427

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.

147,288,494

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, 2017 includes accrued interest of \$353,867.

1,673,867

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, 2017 includes accrued interest of \$79,722.

779,722

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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

The City made two loans for a total amount of \$1,845,625 to ALFA to assist with the development of a 100-unit affordable rental housing project. The loan is payable in full on June 1, 2040 and bears an interest rate of 3%. Due to the long-term nature of the loan, deferred revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June, 30, 2017 includes accrued interest of \$430,016.

2,275,641

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.

2,368,776

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.

886,895

Total notes receivable

\$ 156,889,822

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 4) OTHER RECEIVABLES

At June 30, 2017, 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 568,690

Total other receivables – governmental funds \$ 1,289,206

##### 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. \$ 739,111

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	<u>\$ 892,534</u>

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

Long term loans between funds (Advances to/Advances from) were as follows at June 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
San Marcos Affordable Housing	General Fund	<u>\$ 2,580,926</u>

The loan from the San Marcos Affordable Housing Fund to the General Fund was made for the purchase of a proportional share of the Next Generation Regional Communications System (NextGen RCS), which provides public safety and public service radio communications to San Diego and Imperial Counties.

Interfund transfers were as follows:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Non-major Fiduciary Funds</u>	<u>Total Transfers Out</u>
Transfers Out:				
General Fund	\$ -	\$ 1,566,846	\$ -	\$ 1,566,846
San Marcos				
Affordable Housing	-	20,586	-	20,586
Creekside Marketplace				
Enterprise Fund	3,250,000	-	-	3,250,000
Municipal Utility				
Enterprise Fund	67,138	-	-	67,138
Non-major Governmental Funds	565,991	-	-	565,991
Total Transfers In:	<u>\$ 3,883,129</u>	<u>\$ 1,587,432</u>	<u>\$ -</u>	<u>\$ 5,470,561</u>

The transfer of \$3,250,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations (as budgeted). The transfer of \$67,138 was transferred from the Municipal Utility Enterprise Fund to the General Fund due to the closing of the Municipal Utility Fund. 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, 2017**

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

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

	Unavailable Revenue	Unearned Revenue	Total
Revenue received prior to recognition period	\$ -	\$ 663,834	\$ 663,834
Revenue received from developers prior to earning	-	2,221,393	2,221,393
Revenues earned but not available within 60 days after the close of the fiscal year	189,923	-	189,923
Fees receivable from property owners under various agreements	801,291	-	801,291
Long-term loans to mobile home owners	1,616,427	-	1,616,427
Long-term loans to individuals under a mortgage assistance program	3,255,671	-	3,255,671
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	150,857,608	-	150,857,608
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,673,867	-	1,673,867
Grant funds earned but not received within 180 days after the close of the fiscal year	36,895	-	36,895
Total unavailable/unearned revenue for governmental funds	<u>\$ 158,431,682</u>	<u>\$ 2,885,227</u>	<u>\$ 161,316,909</u>

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2017:

<b>Governmental Activities:</b>	Balance June 30, 2016	Restatement	Additions	Deletions	Balance June 30, 2017
Capital assets, not depreciated:					
Land	\$ 270,071,366	\$ (9,342,875)	\$ 478,695	\$ (3,089,329)	\$ 258,117,857
Land improvements	62,309,509	1,137,869	2,959,640	(40,037)	66,366,981
Construction in progress	22,234,318	-	8,955,796	(8,979,572)	22,210,542
Total capital assets, not depreciated	354,615,193	(8,205,006)	12,394,131	(12,108,938)	346,695,380
Capital assets, being depreciated:					
Buildings	74,485,864	-	-	(1,422,999)	73,062,865
Furniture and equipment	16,290,303	-	3,534,587	(1,218,331)	18,606,559
Infrastructure	376,636,292	-	5,109,595	-	381,745,887
Total capital assets, being depreciated	467,412,459	-	8,644,182	(2,641,330)	473,415,311
Less accumulated depreciation for:					
Buildings	(27,593,476)	-	(1,461,257)	540,740	(28,513,993)
Furniture and equipment	(11,551,018)	-	(1,122,510)	1,188,516	(11,485,012)
Infrastructure	(152,964,275)	-	(11,570,761)	-	(164,535,036)
Total accumulated depreciation	(192,108,769)	-	(14,154,528)	1,729,256	(204,534,041)
Total capital assets, being depreciated, net	275,303,690	-	(5,510,346)	(912,074)	268,881,270
Total governmental activities	\$ 629,918,883	\$ (8,205,006)	\$ 6,883,785	\$ (13,021,012)	\$ 615,576,650

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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

Current year deletions to construction in progress include project costs related to traffic of \$42,148 that were deemed not viable during the planning and design phase of the projects. 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	\$ 963,609
Community development	9,072
Public safety	1,082,542
Highways, streets and parks	11,976,256
Culture and recreation	<u>123,049</u>
Total depreciation expense – governmental activities	<u><u>\$ 14,154,528</u></u>

Assets acquired through capital leases are as follows:

Equipment	\$ 2,660,199
Less: Accumulated depreciation	<u>(254,512)</u>
Total	<u><u>\$ 2,405,687</u></u>



# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable	\$ 4,440,000	\$ -	\$ (275,000)	\$ 4,165,000	\$ 285,000
Plus (less) deferred amounts:					
Issuance discount	(49,001)	-	2,333	(46,668)	-
Total bonds payable	4,390,999	-	(272,667)	4,118,332	285,000
 Note payable	274,934	-	(133,788)	141,146	141,146
Compensated absences	4,224,199	2,639,707	(2,376,102)	4,487,804	2,793,493
Claims payable	934,619	930,473	(483,581)	1,381,511	300,000
Capital leases payable	633,034	2,018,392	(401,399)	2,250,027	574,177
Loans payable	1,432,156	-	(160,173)	1,271,983	163,341
Net pension liability	48,029,631	9,387,635	-	57,417,266	-
 Total	<u>\$ 59,919,572</u>	<u>\$ 14,976,207</u>	<u>\$ (3,827,710)</u>	<u>\$ 71,068,069</u>	<u>\$ 4,257,157</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. Net pension liabilities are generally liquidated by the City's General Fund. See note 10 for more information.

#### 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 2029, 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.

\$ 4,165,000

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 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>
2018	\$ 285,000	\$ 183,590	\$ 468,590
2019	300,000	170,971	470,971
2020	310,000	157,588	467,588
2021	325,000	143,456	468,456
2022	345,000	128,381	473,381
2023-2027	1,965,000	383,777	2,348,777
2028-2029	635,000	23,366	658,366
Total	<u>\$ 4,165,000</u>	<u>\$ 1,191,129</u>	<u>\$ 5,356,129</u>

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 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.

\$ 141,146

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

Year Ending June 30,	Principal	Interest	Total
2018	<u>\$ 141,146</u>	<u>\$ 7,763</u>	<u>\$ 148,909</u>
Total	<u>\$ 141,146</u>	<u>\$ 7,763</u>	<u>\$ 148,909</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 \$4,487,804 as of June 30, 2017.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 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, 2017 was \$1,381,511.

##### Capital Leases Payable

Future lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2018	\$ 574,177
2019	439,700
2020	324,338
2021	324,338
2022	323,338
2023-2024	447,927
Total minimum lease payments	2,433,818
Less amount representing interest	(183,791)
Net present value of minimum lease payments	<u><u>\$ 2,250,027</u></u>

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2017

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#### 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.

\$ 307,778

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 2028.

964,205

Total loans payable

\$ 1,271,983

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

Year Ending June 30,	Principal	Interest	Total
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	91,106	5,861	96,967
2023-2027	469,405	15,431	484,836
2028	48,242	242	48,484
	<u>\$ 1,271,983</u>	<u>\$ 60,922</u>	<u>\$ 1,332,905</u>

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 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, 2017 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
Net Investment in Capital Assets:				
Capital assets, net of accumulated depreciation	\$ 615,576,650	\$ -	\$ 615,576,650	\$ -
Less capital related debt balances:				
Bonds payable	(4,118,332)	-	(4,118,332)	-
Note payable	(141,146)	-	(141,146)	-
Capital leases payable	(2,250,027)	-	(2,250,027)	-
Loans payable	(1,271,983)	-	(1,271,983)	-
Total Net Investment in Capital Assets	607,795,162	-	607,795,162	-
Restricted for:				
Permanent Fund	-	-	-	1,000,000
Affordable housing	192,984,712	-	192,984,712	-
Debt service	284,770	-	284,770	-
Transportation	4,075,423	-	4,075,423	-
Lighting and landscape	12,410,105	-	12,410,105	-
Capital improvements	3,023,975	-	3,023,975	-
Public facilities	29,285,268	-	29,285,268	-
Other purposes	2,176,405	-	2,176,405	-
Total Restricted	244,240,658	-	244,240,658	1,000,000
Unrestricted	60,067,467	95,225,519	155,292,986	230,885
Total	\$ 912,103,287	\$ 95,225,519	\$ 1,007,328,806	\$ 1,230,885

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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).

*Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan*

A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the plan's June 30, 2015 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). 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 one safety plan in safety risk pools. 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, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided

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

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 10) RETIREMENT PLAN, (continued)

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

##### Benefits Provided, (continued)

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	On or After May 15, 2012 Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 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	29.830%	29.830%	29.830%

	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	21.230%	18.301%	12.821%

##### Employees Covered

At June 30, 2015 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	150
Inactive employees entitled to but not yet receiving benefits	149
Active employees	194
Total	493



**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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.

*Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan*

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017 were \$9,499,034.

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

For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017 were \$1,550,376. The actual employer payments of \$2,510,800 made to CalPERS by the City during the measurement period ended June 30, 2016 differed from the City's proportionate share of the employer's contributions of \$1,608,017 by \$902,783, 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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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

##### B) Net Pension Liability, (continued)

##### Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%
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, 2015 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

There were no changes of assumptions.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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, 2017**

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## 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, 2015.

<b>Asset Class</b>	<b>Current Target Allocation</b>	<b>Real Return Years 1 - 10<sup>1</sup></b>	<b>Real Return Year 11+<sup>2</sup></b>
Global Equity	51.0%	5.25%	5.71%
Global Fixed income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)
Total	100.0%		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> 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](http://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.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

10) RETIREMENT PLAN, (continued)

C) Proportionate Share of Net Pension Liability

**Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2015 (VD)</b>	<b>\$ 112,732,610</b>	<b>\$ 76,105,708</b>	<b>\$ 36,626,902</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service Cost	2,553,229	-	2,553,229
• Interest on the Total Pension Liability	8,584,986	-	8,584,986
• Changes of Benefit Terms	-	-	-
• Changes of Assumptions	-	-	-
• Differences between Expected and Actual Experience	898,809	-	898,809
• Plan to Plan Resource Movement	-	-	-
• Employer Paid Member Contributions	-	4,385,959	(4,385,959)
• Contributions from Employees	-	1,348,496	(1,348,496)
• Net Investment Income <sup>2</sup>	-	438,181	(438,181)
• Benefit Payments, including Refunds of Employee Contributions	(5,372,003)	(5,372,003)	-
• Administrative Expense	-	(46,382)	46,382
<b>Net Changes during 2015-16</b>	<b>6,665,021</b>	<b>754,251</b>	<b>5,910,770</b>
<b>Balance at: 6/30/2016 (MD)</b>	<b>\$ 119,397,631</b>	<b>\$ 76,859,959</b>	<b>\$ 42,537,672</b>

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

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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10) RETIREMENT PLAN, (continued)

C) Proportionate Share of Net Pension Liability, (continued)

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

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

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 57,687,137	\$ 46,284,408	\$ 11,402,729
Balance at: 6/30/2016 (MD)	61,417,462	46,537,868	14,879,594
Net changes during 2015-16	3,730,325	253,460	3,476,865

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, 2016, 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, 2015 rolled forward to June 30, 2016 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](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	<u>Safety Plan</u>
Proportion - June 30, 2015	0.27674%
Proportion - June 30, 2016	0.28729%
Change - Increase (Decrease)	0.01055%

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2017

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#### 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:

	<b>Discount Rate - 1% (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>Discount Rate + 1% (8.65%)</b>
Miscellaneous Plans' Net Pension Liability	\$ 58,598,992	\$ 42,537,672	\$ 29,273,001
Safety Plans' Net Pension Liability	\$ 23,216,625	\$ 14,879,594	\$ 8,035,747

###### 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, 2017**

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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

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

The EARSL for the miscellaneous agent plan for the June 30, 2016, measurement date is 3.8 years, which was obtained by dividing the total service years of 1,869 (the sum of remaining service lifetimes of the active employees) by 493 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. 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 PERF C for the measurement period ending June 30, 2016, is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. 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, 2017**

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#### 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, 2015), the net pension liability is \$36,626,902. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense of \$3,666,143 for the Plan. A complete breakdown of the pension expense is as follows:

<b>Description</b>	<b>Amount</b>
Service Cost	\$ 2,553,229
Interest on the Total Pension Liability	8,584,986
Changes of Benefit Terms	-
Recognized Changes of Assumptions	(512,856)
Recognized Differences between Projected and Actual	(460,249)
Net Plan to Plan Resource Movement	-
Employee Contributions	(1,348,496)
Recognized Differences between Projected and Actual	(5,818,061)
Earnings on Plan Investments	621,208
Administrative Expense	46,382
<b>Total Pension Expense</b>	<b>\$ 3,666,143</b>

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

As of the start of the measurement period (July 1, 2015), the net pension liability for the safety plans is \$11,402,729. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense of \$1,984,975 for the safety plan.

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

### 10) RETIREMENT PLAN, (continued)

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

As of June 30, 2017, 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	\$ 662,280	\$ (1,323,879)	\$ -	\$ (142,278)
Changes of Assumptions	-	(974,428)	-	(620,343)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,177,750	-	3,047,715	-
Change in Employer's Proportion	-	-	1,026,867	(388,094)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(663,336)	996,622	-
Pension Contributions Subsequent to Measurement Date	9,499,034	-	1,550,376	-
	<u>\$ 14,339,064</u>	<u>\$ (2,961,643)</u>	<u>\$ 6,621,580</u>	<u>\$ (1,150,715)</u>

These amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. The \$4,499,034 and \$1,550,376 reported as deferred outflows of resources related to the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended	Deferred Outflows/(Inflows) of Resources, Net	
June 30,	Miscellaneous	Safety
2017	\$ (649,803)	\$ 863,251
2018	(509,867)	773,529
2019	1,962,081	1,490,301
2020	1,075,976	793,408

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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, 2017.

F) Defined Contribution Pension Plan

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

For the year ended June 30, 2017, the City's total payroll and covered payroll for part-time employees was \$1,107,747. The City made employer contributions of \$21,048 (1.9% of current covered payroll), and employees contributed \$62,034 (5.6% of current covered payroll).

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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 (the Authority). The Authority is composed of 117 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$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.

For 2016-17, 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 in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$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.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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11) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

(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 an aggregate 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 policy term.

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. The 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. The City of San Marcos property currently has all-risk property insurance protection in the amount of \$189,166,725. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of San Marcos purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City of San Marcos property currently has earthquake protection in the amount of \$185,826,933. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 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.

###### Special Event Tenant User Liability Insurance

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

#### (4) Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2016-17.

##### B) Public Agency Self-Insurance System (PASIS)

###### Workers Compensation

The City is a member of the Public Agency Self-Insurance System (PASIS) which is a joint powers authority of nine fire districts in San Diego County and the City of San Marcos. PASIS' purpose is to provide for payment of workers' compensation claims, purchase claims examiner services, general counsel services and excess insurance coverage. Members are responsible for paying their own claims and related expenses.

For claims arising prior to July 1, 2001, the City was responsible for the first \$250,000 of each loss. For claims arising during the year ended June 30, 2002, the deductible amount was \$400,000. For claims arising between July 1, 2002 and June 30, 2009, the deductible amount was \$500,000. The deductible for claims arising after June 30, 2009 is \$300,000. PASIS carries excess insurance through a commercial insurance company to cover amounts over the self-insured retention. PASIS requires the City to maintain a minimum of \$300,000 cash deposit with PASIS. At June 30, 2017, the City had \$689,754 on deposit with PASIS and claims payable of \$1,381,511.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 12) JOINT VENTURES

##### North County Dispatch Joint Powers Authority

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

The activities of the JPA are supervised by a board consisting of eight directors who are appointed by each member's governing body. Summarized audited information of the JPA for the fiscal year ended June 30, 2016, the most current available information, is as follows:

Assets	\$ 4,360,219
Deferred outflows	635,931
Liabilities	(2,187,384)
Deferred inflows	<u>(286,481)</u>
Net position	<u>\$ 2,522,285</u>
Revenues	\$ 4,221,106
Expenses	<u>(3,705,084)</u>
Change in net position	<u>\$ 516,022</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, 2017**

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12) JOINT VENTURES, (continued)

Rancheros Commercial Park

The former City of San Marcos Redevelopment Agency (the Agency) entered into a Disposition and Development Agreement with LBP Partnership on March 6, 1989. In accordance with that Agreement, the Agency and LBP Partnership formed a Limited Partnership known as Rancheros Commercial Park, a Limited Partnership. The purpose of this Limited Partnership was to engage in the business of leasing, developing, constructing, maintaining and operating certain commercial/ industrial property. Each of the Partners leased to the Partnership certain real property owned by the General and Limited Partners. The capital contributions to be made by Partners were to be adjusted to match, on a percentage basis, the proportionate land areas leased by the Partners to the Partnership. The net profits of the Partnership are allocated to, and net losses suffered by the Partnership are borne by, the Partners in proportion to their respective contributions of capital and real estate. On March 26, 2010, the Agency's interest in this partnership was transferred to the City. The City's equity interest in this Limited Partnership is \$7,663,439 as of June 30, 2017. 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, 2017**

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

Type of Debt	Amount of Issue	Outstanding June 30, 2017
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	\$ 14,194,080
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	11,050,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A	13,820,000	12,235,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B	4,240,000	125,000
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	21,305,000
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	29,405,000
Total	<u>\$111,870,000</u>	<u>\$ 88,314,080</u>

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### **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 Mobile Home Financing Authority have issued bonds to provide financing for the acquisition, construction and/or development of various residential dwelling units, industrial facilities, school facilities, facilities for the elderly and rental housing for low and moderate income persons. However, neither the faith and credit nor the general taxing power of the City, Successor Agency or Authorities have been pledged to the payments of the bonds. Furthermore, the City, Agency or Authorities do not have any obligations for the payments of the bonds in the case of default. Therefore, none of the following obligations are included in the accompanying financial statements.

<u>Type of Debt</u>	<u>Outstanding June 30, 2017</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	46,720,000
\$44,640,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Refunding Bonds, Series 2006 A, B, C (Union City Tropics)	<u>37,385,000</u>
Total	<u><u>\$ 113,990,890</u></u>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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14) COMMITMENTS AND CONTINGENT LIABILITIES

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

15) DEFEASED BONDS

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

16) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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

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

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

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

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

Note Receivable

In July 1989, the former San Marcos Redevelopment Agency entered into an Agreement of Cooperation with the San Diego County Office of Education for the option of borrowing \$800,000 from the former Agency for the acquisition of land for a joint use facility with the San Marcos Unified School District (the 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, 2017

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

##### Net Investment in Direct Financing Lease

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

The terms of the amended lease call for semi-annual payments of \$98,906 including interest at 5.87% each July and January 15 commencing July 15, 2002 to July 15, 2033 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, 2017.

The following lists the components of the net investment in the direct financing lease as of June 30, 2017:

Total minimum lease payments to be received	\$ 3,880,698
Less unearned income	<u>(1,277,960)</u>
Net investment in direct financing lease	<u>\$ 2,602,738</u>

At June 30, 2017, the future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 323,138
2019	323,138
2020	323,138
2021	323,138
2022	323,138
2023-2027	906,750
2028-2032	989,057
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, 2017

### 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, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not depreciated				
Land	\$ 3,907,369	\$ -	\$ -	\$ 3,907,369
Total capital assets	\$ 3,907,369	\$ -	\$ -	\$ 3,907,369

#### Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonds payable	\$271,655,000	\$ -	\$ (10,190,000)	\$ 261,465,000	\$ 10,410,000
Plus (less) deferred amounts:					
Issuance premium	11,128,055	-	(505,821)	10,622,234	-
Issuance discount	(1,289,869)	-	85,991	(1,203,878)	-
Total bonds payable	281,493,186	-	(10,609,830)	270,883,356	10,410,000
Note payable	33,432	-	(33,432)	-	-
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	19,754,663	-	(2,500,000)	17,254,663	-
Due to other governments	1,487,196	-	(456,600)	1,030,596	402,444
Total	\$326,043,773	\$ -	\$ (13,599,862)	\$ 312,443,911	\$ 10,812,444

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2017**

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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.

\$ 45,770,000

In July 2015, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued \$84,710,000 Tax Allocation Refunding Bonds, Series 2015A, to refund certain outstanding obligations of the Agency. The bonds consists of serial bonds of \$84,710,000 maturing from 2016 to 2034 on October 1 in annual installments of \$2,705,000 to \$6,985,000. Interest is payable semi-annually on October 1 and April 1 commencing October 1, 2015 at rates ranging from 2.00% to 5.00%. Bonds maturing on and after October 1, 2026 are subject to redemption in whole or in part at the option of the Agency on any date on or after October 1, 2025. An original issue premium of \$12,381,067 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.

81,535,000

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

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

#### Bonds Payable, (continued)

In July 2015, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued \$139,285,000 Taxable Tax Allocation Refunding Bonds, Series 2015B, to refund certain outstanding obligations of the Agency. The bonds consist of serial bonds of \$44,160,000 maturing from 2016 to 2025 in annual installments of \$5,125,000 to \$6,410,000 and term bonds of \$95,125,000 maturing from 2024 to 2038. Interest is payable semi-annually on October 1 and April 1 commencing October 1, 2015 at rates ranging from 1.09% to 5.002%. Bonds maturing on or after October 1, 2026, other than the Term Bonds maturing on October 1, 2029, are subject to optional redemption, in whole or in part, on any date on or after October 1, 2025. Bonds maturing on October 1, 2024, October 1, 2027, October 1, 2029, October 1, 2034, and October 1, 2038 are subject to redemption in whole, or in part by lot, on October 1, of each year commencing October 1, 2023. A net original discount of \$747,191 is being amortized over the life of the debt. The reserve requirement was fully funded at the end of the fiscal year.

Total bonds payable

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134,160,000

\$ 261,465,000

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## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 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
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	12,090,000	11,303,516	23,393,516
2023-2027	68,715,000	46,962,836	115,677,836
2028-2032	80,455,000	26,387,019	106,842,019
2033-2037	47,375,000	8,878,692	56,253,692
2038-2039	9,000,000	450,180	9,450,180
Total	<u>\$ 261,465,000</u>	<u>\$ 143,759,025</u>	<u>\$ 405,224,025</u>

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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

##### Cooperation Agreement

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

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

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

The San Marcos Affordable Housing Fund loaned \$24,383,743 to the Fiduciary Funds to fund the fiscal years 2009-10 and 2010-11 Supplemental Educational Revenue Augmentation Fund (SERAF) payments. The loans bear an interest rate equal to the City's average portfolio rate and are to be repaid subject to Health & Safety Code Section 34176(d), under the provisions of Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California.

\$ 17,254,663

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

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

#### 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.

\$ 1,030,596

### 17) RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION

#### Fund Statements – Governmental Funds

Beginning fund balance on the governmental funds balance sheet for the year ended June 30, 2017 has been restated as follows:

#### **General Fund**

##### General Fund

Fund balance - beginning, as previously reported	\$ 98,624,686
GASB 72 - Land to Investment	16,420,000
Adjustment to Land Held for Resale	<u>(90,835)</u>
Fund balance - beginning, as restated	<u>\$ 114,953,851</u>

The restatement to the General fund was mainly due to land related to a ground lease that was inadvertently excluded when the GASB Statement No. 72 was implemented in FY2016.

## City of San Marcos

### Notes to Basic Financial Statements For the Year Ended June 30, 2017

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#### 17) RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION, (continued)

##### Fund Statements – Governmental Funds, (continued)

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

##### Public Facilities

Fund balance - beginning, as previously reported	\$ 24,895,127
Misclassification of expenses	<u>(22,925)</u>
Fund balance - beginning, as restated	<u><u>\$ 24,872,202</u></u>

##### Capital Improvements

Fund balance - beginning, as previously reported	\$ 1,608,952
Misclassification of expenses	<u>164,616</u>
Fund balance - beginning, as restated	<u><u>\$ 1,773,568</u></u>

##### Transportation Sales Tax

Fund balance - beginning, as previously reported	\$ 1,311,694
Misclassification of expenses	<u>(797,310)</u>
Fund balance - beginning, as restated	<u><u>\$ 514,384</u></u>

The restatements to the Capital Project funds was due to corrections to some Capital Improvement Program (CIP) projects' expenditures not recorded in the proper funds in previous years.

# City of San Marcos

## Notes to Basic Financial Statements For the Year Ended June 30, 2017

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### 17) RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION, (continued)

#### Fund Statements – Fiduciary Funds

##### ***Private-Purpose Trust Funds:***

###### Successor Agency

Fund balance - beginning, as previously reported	\$ (254,896,840)
Misclassification of expenses	<u>655,619</u>
Fund balance - beginning, as restated	<u><u>\$ (254,241,221)</u></u>

The restatement to the Successor Agency Private Purpose Trust fund was due to corrections to some Capital Improvement Program (CIP) projects' expenses not recorded in the proper funds in previous years.

#### Government-Wide Statements

Beginning net position of governmental activities for the year ended June 30, 2017 has been restated as follows:

##### ***Governmental Activities:***

Net position - beginning, as previously reported	\$ 900,258,338
Misclassification of expenses	(655,619)
GASB 72 - Land to Investment	<u>8,124,159</u>
Net position - beginning, as restated	<u><u>\$ 907,726,878</u></u>

The restatement to the Governmental Activities net position was due to the corrections to some Capital Improvement Program (CIP) projects' expenses not recorded in the proper funds in previous years, and land related to a ground lease that was inadvertently excluded when the GASB Statement No. 72 was implemented in FY2016.

## *City of San Marcos*

### **Notes to Basic Financial Statements For the Year Ended June 30, 2017**

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#### 18) OTHER REQUIRED NOTE DISCLOSURES

##### Deficit Fund Balances

There were no funds that reported a deficit fund balances at June 30, 2017.

#### 19) SUBSEQUENT EVENT

On November 29, 2017, the City the San Marcos Public Financing Authority issued 2017 Lease Revenue Refunding Bonds in the amount of \$3,535,000. The 2017 Bonds were privately placed with Opus Bank. The City anticipates the 2006 Bonds being called on December 15, 2017.

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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	Measurement Period 6/30/2016
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 2,750,478	\$ 2,559,947	\$ 2,553,229
Interest	7,817,338	8,083,219	8,584,986
Difference Between Expected and Actual Experience	-	(2,717,435)	898,809
Changes of Assumptions	-	(2,000,140)	-
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)
<b>Net Change in Total Pension Liability</b>	<b>6,508,670</b>	<b>1,338,428</b>	<b>6,665,021</b>
<b>Total Pension Liability - Beginning</b>	<b>104,885,512</b>	<b>111,394,182</b>	<b>112,732,610</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 111,394,182</b>	<b>\$ 112,732,610</b>	<b>\$ 119,397,631</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	\$ 3,469,533	\$ 4,558,184	\$ 4,385,959
Contributions - Employee	1,094,087	1,302,378	1,348,496
Net Investment Income <sup>1</sup>	10,830,423	1,709,531	438,181
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)
Administrative Expense	-	(85,688)	(46,382)
<b>Net Change in Fiduciary Net Position</b>	<b>11,334,897</b>	<b>2,897,242</b>	<b>754,251</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>61,873,569</b>	<b>73,208,466</b>	<b>76,105,708</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 73,208,466</b>	<b>\$ 76,105,708</b>	<b>\$ 76,859,959</b>
<b>Plan Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 38,185,716</b>	<b>\$ 36,626,902</b>	<b>\$ 42,537,672</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>65.72%</b>	<b>67.51%</b>	<b>64.37%</b>
<b>Covered Payroll</b>	<b>\$ 14,085,514</b>	<b>\$ 14,012,521</b>	<b>\$ 14,219,367</b>
<b>Plan Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	<b>271.10%</b>	<b>261.39%</b>	<b>299.15%</b>

\* Measurement period June 30, 2014 was the first year of implementation, therefore, only three 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, 2015. 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: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# City of San Marcos

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

### Miscellaneous Plan

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Actuarially Determined Contribution	\$ 3,469,533	\$ 4,558,184	\$ 4,385,959
Contributions in Relation to the Actuarially Determined Contribution	(3,469,533)	(4,558,184)	(4,385,959)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,085,514	\$ 14,012,521	\$ 14,219,367
Contributions as a Percentage of Covered Payroll	24.63%	32.53%	30.84%

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

#### Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014, Funding Valuation Report.

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, 2014, Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

# City of San Marcos

## Required Supplementary Information Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date Last Ten Years\*

### Safety Plan

	Measurement Period 6/30/2014	Measurement Period 6/30/2015	Measurement Period 6/30/2016
Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	0.26294%	0.27674%	0.28729%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 9,862,978	\$ 11,402,729	\$ 14,879,594
Employer's Covered Payroll	\$ 6,725,963	\$ 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%	126.75%	218.28%
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	81.42%	80.23%	75.77%

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

\* Measurement period June 30, 2014 was the first year of implementation, therefore, only three years are presented.

## *City of San Marcos*

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

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#### **Safety Plan**

	<b>Fiscal Year 2014-15</b>	<b>Fiscal Year 2015-16</b>	<b>Fiscal Year 2016-17</b>
Actuarially Determined Contribution	\$ 1,938,477	\$ 1,976,541	\$ 1,550,376
Contributions in Relation to the Actuarially Determined Contributions	(1,938,477)	(1,976,541)	(1,550,376)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 6,725,963	\$ 8,996,362	\$ 6,816,670
Contributions as a Percentage of Covered Payroll	28.82%	21.97%	22.74%

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

#### **Notes to Schedule:**

Change in Benefit Terms: None

Change in Assumptions: None

# City of San Marcos

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 20,469,883	\$ 20,469,883	\$ 21,202,488	\$ 732,605
Licenses and permits	5,125,973	5,125,973	5,184,798	58,825
Intergovernmental	17,341,334	17,341,334	16,843,761	(497,573)
Charges for services	15,268,251	15,328,251	15,756,224	427,973
Developer fees	5,000	5,000	63,151	58,151
Fines and forfeitures	480,800	480,800	632,114	151,314
Investment and rental income	6,485,355	6,485,355	6,383,913	(101,442)
Miscellaneous	422,300	422,300	458,948	36,648
Total Revenues	65,598,896	65,658,896	66,525,397	866,501
<b>EXPENDITURES</b>				
Current:				
General government	17,797,288	23,576,483	19,672,199	3,904,284
Community development	4,877,420	5,154,793	4,454,261	700,532
Public safety	35,559,896	35,613,410	36,449,543	(836,133)
Highways, streets and parks	10,061,827	10,088,293	9,470,410	617,883
Culture and recreation	3,541,702	3,739,936	3,553,710	186,226
Capital outlay	335,250	8,415,823	6,596,701	1,819,122
Debt service:				
Principal	349,825	475,244	476,445	(1,201)
Interest and fiscal charges	31,109	54,243	64,391	(10,148)
Total Expenditures	72,554,317	87,118,225	80,737,660	6,380,565
Excess (Deficiency) of Revenues over Expenditures	(6,955,421)	(21,459,329)	(14,212,263)	7,247,066
<b>OTHER FINANCING SOURCES (USES)</b>				
Acquisition under capital lease	-	2,018,392	2,018,392	-
Transfers in	4,526,511	4,526,511	3,883,129	(643,382)
Transfers out	(1,125,000)	(1,275,000)	(1,566,846)	(291,846)
Total Other Financing Sources (Uses)	3,401,511	5,269,903	4,334,675	(935,228)
Net Change in Fund Balance	(3,553,910)	(16,189,426)	(9,877,588)	6,311,838
Fund Balance, Beginning, as Restated	114,953,851	114,953,851	114,953,851	-
Fund Balance, Ending	\$ 111,399,941	\$ 98,764,425	\$ 105,076,263	\$ 6,311,838

# 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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Developer fees	\$ 500,000	\$ 500,000	\$ 1,181,100	\$ 681,100
Investment and rental income	321,906	321,906	2,751,155	2,429,249
Miscellaneous	457,650	457,650	871,089	413,439
Total Revenues	1,279,556	1,279,556	4,803,344	3,523,788
<b>EXPENDITURES</b>				
Current:				
General government	902,789	902,789	560,093	342,696
Community development	9,330,864	10,488,063	4,347,225	6,140,838
Total Expenditures	10,233,653	11,390,852	4,907,318	6,483,534
Excess (Deficiency) of Revenues Over Expenditures	(8,954,097)	(10,111,296)	(103,974)	10,007,322
<b>OTHER FINANCING SOURCES</b>				
Transfers out	-	-	(20,586)	(20,586)
Total Other Financing Sources	-	-	(20,586)	(20,586)
Net Change in Fund Balance	(8,954,097)	(10,111,296)	(124,560)	9,986,736
Fund Balances, Beginning	36,219,450	36,219,450	36,219,450	-
Fund Balances, Ending	\$ 27,265,353	\$ 26,108,154	\$ 36,094,890	\$ 9,986,736

# City of San Marcos

## Notes to Required Supplementary Information June 30, 2017

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### 1) BUDGETARY INFORMATION

The City follows these procedures in establishing its budgetary data:

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

The level of budgetary control (the level on which expenditures may not exceed budgeted appropriations) is the individual fund level. The City Manager is authorized to transfer budgeted amounts between departments/functions as long as the total City budget is not exceeded. Any transfer exceeding the adopted City budget must have City Council approval. Appropriations were increased by a net of \$14,563,908 in the General Fund as a result of approved mid-year budget amendment, and other approved budget amendments 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 HOME Grant Special Revenue Fund and the Energy Efficiency Special Revenue Fund. Annual budgets are not adopted for the Capital Projects Funds. Therefore, budget and actual financial statements have not been prepared for Capital Projects Funds 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:			
Street Lighting District	\$ 1,418,330	\$ 1,492,736	\$ (74,406)
Congestion Management CFD	-	16,175	(16,175)

**Non-Major Governmental Funds**

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**Special Revenue Funds**

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

**The Gas Tax Fund** is used to account for 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.



**Non-Major Governmental Funds**

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**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**

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#### **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, 2017

	Total Special Revenue Funds	Total Debt Service Funds San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and investments (note 2)	\$ 19,369,288	\$ -	\$ 33,190,462	\$ 52,559,750
Cash and investments with fiscal agents (note 2)	-	507,757	679,862	1,187,619
Receivables:				
Taxes and special assessments	18,309	-	-	18,309
Accounts	48,853	2,444	-	51,297
Interest	40,760	-	59,305	100,065
Notes, net (note 3)	2,368,775	-	-	2,368,775
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	167,244	-	1,900,546	2,067,790
Escrow deposits	2,380	-	97,534	99,914
Land held for resale	-	-	858,348	858,348
Total Assets	<u>\$ 22,015,609</u>	<u>\$ 510,201</u>	<u>\$ 36,906,573</u>	<u>\$ 59,432,383</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 886,667	\$ -	\$ 785,524	\$ 1,672,191
Accrued liabilities	128,324	-	-	128,324
Due to other funds (note 5)	93,000	225,431	574,103	892,534
Unearned revenue (note 6)	-	-	2,290,033	2,290,033
Deposits payable	10,389	-	851,086	861,475
Total Liabilities	<u>1,118,380</u>	<u>225,431</u>	<u>4,500,746</u>	<u>5,844,557</u>
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	<u>2,370,977</u>	<u>-</u>	<u>178,777</u>	<u>2,549,754</u>
Fund Balances:				
Restricted:				
Debt service	-	284,770	-	284,770
Transportation	3,880,178	-	195,245	4,075,423
Lighting and landscaping	12,407,903	-	-	12,407,903
Capital improvements	98,661	-	2,867,053	2,965,714
Public facilities	-	-	29,164,752	29,164,752
Other purposes	2,139,510	-	-	2,139,510
Unassigned	-	-	-	-
Total Fund Balances	<u>18,526,252</u>	<u>284,770</u>	<u>32,227,050</u>	<u>51,038,072</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,015,609</u>	<u>\$ 510,201</u>	<u>\$ 36,906,573</u>	<u>\$ 59,432,383</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, 2017

	Total Special Revenue Funds	Total Debt Service Funds San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
<b>REVENUES</b>				
Taxes and special assessments	\$ 7,184,004	\$ -	\$ -	\$ 7,184,004
Intergovernmental	2,781,811	-	2,821,379	5,603,190
Developer fees	87,299	-	5,439,326	5,526,625
Investment and rental income	69,226	520,332	90,350	679,908
Miscellaneous	326,307	-	-	326,307
Total Revenues	10,448,647	520,332	8,351,055	19,320,034
<b>EXPENDITURES</b>				
Current:				
Community development	423,198	-	-	423,198
Highways, streets and parks	7,921,483	-	-	7,921,483
Culture and recreation	260,480	-	-	260,480
Capital outlay	1,082,771	-	4,441,774	5,524,545
Debt service:				
Principal	85,127	275,000	133,788	493,915
Interest and fiscal charges	11,840	195,353	15,121	222,314
Total Expenditures	9,784,899	470,353	4,590,683	14,845,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	663,748	49,979	3,760,372	4,474,099
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (note 5)	1,137,432	-	450,000	1,587,432
Transfers out (note 5)	(465,991)	-	(100,000)	(565,991)
Total Other Financing Sources (Uses)	671,441	-	350,000	1,021,441
Net Change in Fund Balances	1,335,189	49,979	4,110,372	5,495,540
Fund Balances, Beginning, as Restated	17,191,063	234,791	28,116,678	45,542,532
Fund Balances, Ending	\$ 18,526,252	\$ 284,770	\$ 32,227,050	\$ 51,038,072

# City of San Marcos

## Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2017

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
<b>ASSETS</b>						
Cash and investments (note 2)	\$ 1,693,799	\$ 1,460,440	\$ 12,962,217	\$ 209,592	\$ 28,761	\$ 68,930
Receivables:						
Taxes and special assessments	-	-	15,173	1,010	-	-
Accounts	-	-	2,357	-	-	-
Interest	3,365	3,038	28,333	-	-	-
Notes, net (note 3)	-	-	-	-	-	-
Due from other governments	-	19,498	-	-	12,902	41,844
Escrow deposits	-	-	-	-	-	2,380
Total Assets	<u>\$ 1,697,164</u>	<u>\$ 1,482,976</u>	<u>\$ 13,008,080</u>	<u>\$ 210,602</u>	<u>\$ 41,663</u>	<u>\$ 113,154</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 28,855	\$ 31,485	\$ 532,208	\$ 202,564	\$ 37,174	\$ 11,454
Accrued liabilities	47,092	-	65,767	8,038	4,388	3,039
Due to other funds (note 5)	-	-	-	-	-	-
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>75,947</u>	<u>41,874</u>	<u>597,975</u>	<u>210,602</u>	<u>41,562</u>	<u>14,493</u>
Deferred Inflows of Resources:						
Unavailable revenue (note 6)	-	-	2,202	-	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	1,621,217	1,441,102	-	-	-	-
Lighting and landscaping	-	-	12,407,903	-	-	-
Capital improvements	-	-	-	-	-	98,661
Other purposes	-	-	-	-	101	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>1,621,217</u>	<u>1,441,102</u>	<u>12,407,903</u>	<u>-</u>	<u>101</u>	<u>98,661</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,697,164</u>	<u>\$ 1,482,976</u>	<u>\$ 13,008,080</u>	<u>\$ 210,602</u>	<u>\$ 41,663</u>	<u>\$ 113,154</u>

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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
\$ 40,838	\$ 109,730	\$ -	\$ 738,950	\$ 1,351,643	\$ 704,388	\$ -	\$ 19,369,288
-	-	-	-	-	2,126	-	18,309
-	-	-	-	46,496	-	-	48,853
-	250	-	1,554	2,766	1,454	-	40,760
1,588,672	-	-	-	-	-	780,103	2,368,775
-	-	-	-	-	-	93,000	167,244
-	-	-	-	-	-	-	2,380
<u>\$ 1,629,510</u>	<u>\$ 109,980</u>	<u>\$ -</u>	<u>\$ 740,504</u>	<u>\$ 1,400,905</u>	<u>\$ 707,968</u>	<u>\$ 873,103</u>	<u>\$ 22,015,609</u>
\$ 40,838	\$ 89	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 886,667
-	-	-	-	-	-	-	128,324
-	-	-	-	-	-	93,000	93,000
-	-	-	-	-	-	-	10,389
<u>40,838</u>	<u>89</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>93,000</u>	<u>1,118,380</u>
<u>1,588,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,103</u>	<u>2,370,977</u>
-	109,891	-	-	-	707,968	-	3,880,178
-	-	-	-	-	-	-	12,407,903
-	-	-	-	-	-	-	98,661
-	-	-	738,504	1,400,905	-	-	2,139,510
-	-	-	-	-	-	-	-
<u>-</u>	<u>109,891</u>	<u>-</u>	<u>738,504</u>	<u>1,400,905</u>	<u>707,968</u>	<u>-</u>	<u>18,526,252</u>
<u>\$ 1,629,510</u>	<u>\$ 109,980</u>	<u>\$ -</u>	<u>\$ 740,504</u>	<u>\$ 1,400,905</u>	<u>\$ 707,968</u>	<u>\$ 873,103</u>	<u>\$ 22,015,609</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, 2017

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
<b>REVENUES</b>						
Taxes and special assessments	\$ -	\$ -	\$ 6,080,113	\$ 532,220	\$ -	\$ -
Intergovernmental	1,792,783	252,245	-	-	74,507	569,276
Developer fees	-	9,415	-	-	-	-
Investment and rental income	861	4,818	27,088	770	47	-
Miscellaneous	-	-	115,192	31,174	29,607	-
<b>Total Revenues</b>	<b>1,793,644</b>	<b>266,478</b>	<b>6,222,393</b>	<b>564,164</b>	<b>104,161</b>	<b>569,276</b>
<b>EXPENDITURES</b>						
Current:						
Community development	-	-	-	-	-	151,737
Highways, streets and parks	1,562,735	8,964	5,135,708	1,191,813	-	-
Culture and recreation	-	-	-	-	254,858	2,122
Capital outlay	110,424	44,037	244,656	275,421	-	408,233
Debt Service:						
Principal	-	-	62,739	22,388	-	-
Interest and fiscal charges	-	-	8,726	3,114	-	-
<b>Total Expenditures</b>	<b>1,673,159</b>	<b>53,001</b>	<b>5,451,829</b>	<b>1,492,736</b>	<b>254,858</b>	<b>562,092</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	120,485	213,477	770,564	(928,572)	(150,697)	7,184
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (note 5)	-	-	-	928,572	175,000	-
Transfers out (note 5)	-	-	(426,739)	-	(28,603)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(426,739)</b>	<b>928,572</b>	<b>146,397</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>120,485</b>	<b>213,477</b>	<b>343,825</b>	<b>-</b>	<b>(4,300)</b>	<b>7,184</b>
Fund Balances (Deficit), Beginning	1,500,732	1,227,625	12,064,078	-	4,401	91,477
<b>Fund Balances, Ending</b>	<b>\$ 1,621,217</b>	<b>\$ 1,441,102</b>	<b>\$ 12,407,903</b>	<b>\$ -</b>	<b>\$ 101</b>	<b>\$ 98,661</b>

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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
\$ -	\$ 21,284	\$ -	\$ -	\$ 206,919	\$ 343,468	\$ -	\$ 7,184,004
-	-	-	-	-	-	93,000	2,781,811
-	-	-	77,884	-	-	-	87,299
25,830	322	7	2,378	4,432	2,673	-	69,226
150,334	-	-	-	-	-	-	326,307
176,164	21,606	7	80,262	211,351	346,141	93,000	10,448,647
176,164	-	-	-	2,297	-	93,000	423,198
-	3,906	-	-	2,182	16,175	-	7,921,483
-	-	-	3,500	-	-	-	260,480
-	-	-	-	-	-	-	1,082,771
-	-	-	-	-	-	-	85,127
-	-	-	-	-	-	-	11,840
176,164	3,906	-	3,500	4,479	16,175	93,000	9,784,899
-	17,700	7	76,762	206,872	329,966	-	663,748
20,586	-	13,274	-	-	-	-	1,137,432
-	(10,649)	-	-	-	-	-	(465,991)
20,586	(10,649)	13,274	-	-	-	-	671,441
20,586	7,051	13,281	76,762	206,872	329,966	-	1,335,189
(20,586)	102,840	(13,281)	661,742	1,194,033	378,002	-	17,191,063
\$ -	\$ 109,891	\$ -	\$ 738,504	\$ 1,400,905	\$ 707,968	\$ -	\$ 18,526,252



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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, 2017**

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,864,492	\$ 1,864,492	\$ 1,792,783	\$ (71,709)
Investment and rental income	13,775	13,775	861	(12,914)
Total Revenues	1,878,267	1,878,267	1,793,644	(84,623)
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	1,621,036	1,656,036	1,562,735	93,301
Capital outlay	1,281,710	1,358,163	110,424	1,247,739
Total Expenditures	2,902,746	3,014,199	1,673,159	1,341,040
Net Change in Fund Balance	(1,024,479)	(1,135,932)	120,485	1,256,417
Fund Balance, Beginning	1,500,732	1,500,732	1,500,732	-
Fund Balance, Ending	\$ 476,253	\$ 364,800	\$ 1,621,217	\$ 1,256,417

*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, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 330,775	\$ 330,775	\$ 252,245	\$ (78,530)
Developer fees	9,415	9,415	9,415	-
Investment and rental income	6,499	6,499	4,818	(1,681)
Total Revenues	346,689	346,689	266,478	(80,211)
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	58,500	58,500	8,964	49,536
Capital outlay	363,757	599,093	44,037	555,056
Total Expenditures	422,257	657,593	53,001	604,592
Excess (deficiency) of revenues over expenditures	(75,568)	(310,904)	213,477	524,381
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(931,343)	(931,343)	-	931,343
Total other financing sources (uses)	(931,343)	(931,343)	-	931,343
Net Change in Fund Balance	(75,568)	(310,904)	213,477	524,381
Fund Balance, Beginning	1,227,625	1,227,625	1,227,625	-
Fund Balance, Ending	\$ 1,152,057	\$ 916,721	\$ 1,441,102	\$ 524,381

# 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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 5,920,225	\$ 5,920,225	\$ 6,080,113	\$ 159,888
Investment and rental income	68,500	68,500	27,088	(41,412)
Miscellaneous	25,000	25,000	115,192	90,192
Total Revenues	6,013,725	6,013,725	6,222,393	208,668
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	5,267,532	5,353,657	5,135,708	217,949
Capital outlay	291,750	594,650	244,656	349,994
Debt Service:				
Principal	49,030	49,030	62,739	(13,709)
Interest and fiscal charges	20,885	20,885	8,726	12,159
Total Expenditures	5,629,197	6,018,222	5,451,829	567,943
Excess of Revenues Over Expenditures	384,528	(4,497)	770,564	775,061
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	200,450	200,450	-	(200,450)
Transfers out	(500,000)	(500,000)	(426,739)	73,261
Total Other Financing Sources (Uses)	(299,550)	(299,550)	(426,739)	(127,189)
Net Change in Fund Balance	84,978	(304,047)	343,825	647,872
Fund Balance, Beginning	12,064,078	12,064,078	12,064,078	-
Fund Balance, Ending	\$ 12,149,056	\$ 11,760,031	\$ 12,407,903	\$ 647,872

*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, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 530,940	\$ 530,940	\$ 532,220	\$ 1,280
Investment and rental income	-	-	770	770
Miscellaneous	5,500	5,500	31,174	25,674
Total Revenues	536,440	536,440	564,164	27,724
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	1,219,616	1,219,616	1,191,813	27,803
Capital outlay	125,000	174,149	275,421	(101,272)
Debt Service:				
Principal	17,227	17,227	22,388	(5,161)
Interest and fiscal charges	7,338	7,338	3,114	4,224
Total Expenditures	1,369,181	1,418,330	1,492,736	(74,406)
Excess of Revenues Over (Under) Expenditures	(832,741)	(881,890)	(928,572)	(46,682)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	650,000	650,000	928,572	278,572
Total Other Financing Sources	650,000	650,000	928,572	278,572
Net Change in Fund Balance	(182,741)	(231,890)	-	231,890
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ (182,741)	\$ (231,890)	\$ -	\$ 231,890

*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, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 74,507	\$ 4,507
Investment and rental income	549	549	47	(502)
Miscellaneous	48,383	48,383	29,607	(18,776)
Total Revenues	118,932	118,932	104,161	(14,771)
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	267,593	267,593	254,858	12,735
Total Expenditures	267,593	267,593	254,858	12,735
Excess of Revenues (Deficiency) Over (Under) Expenditures	(148,661)	(148,661)	(150,697)	(2,036)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	175,000	175,000	175,000	-
Transfers out	(35,118)	(35,118)	(28,603)	6,515
Total Other Financing Sources (Uses)	139,882	139,882	146,397	6,515
Net Change in Fund Balance	(8,779)	(8,779)	(4,300)	4,479
Fund Balance, Beginning	4,401	4,401	4,401	-
Fund Balance, Ending	\$ (4,378)	\$ (4,378)	\$ 101	\$ 4,479

## *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, 2017**

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	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 563,756	\$ 563,756	\$ 569,276	\$ 5,520
Total Revenues	563,756	563,756	569,276	5,520
<b>EXPENDITURES</b>				
Current:				
Community development	160,706	160,706	151,737	8,969
Culture and recreation	3,678	3,678	2,122	1,556
Capital outlay	-	519,049	408,233	110,816
Total Expenditures	164,384	683,433	562,092	121,341
Net Change in Fund Balance	399,372	(119,677)	7,184	126,861
Fund Balance, Beginning	91,477	91,477	91,477	-
Fund Balance, Ending	<u>\$ 490,849</u>	<u>\$ (28,200)</u>	<u>\$ 98,661</u>	<u>\$ 126,861</u>

*City of San Marcos*

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Center Drive Maintenance District Special Revenue Fund  
For the Year Ended June 30, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 30,465	\$ 30,465	\$ 21,284	\$ (9,181)
Investment and rental income	550	550	322	(228)
Total Revenues	31,015	31,015	21,606	(9,409)
<b>EXPENDITURES</b>				
Current:				
Highways, streets and parks	10,118	10,118	3,906	6,212
Total Expenditures	10,118	10,118	3,906	6,212
Excess of Revenues Over Expenditures	20,897	20,897	17,700	(3,197)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(10,500)	(10,500)	(10,649)	(149)
Total Other Financing Sources (Uses)	(10,500)	(10,500)	(10,649)	(149)
Net Change in Fund Balance	10,397	10,397	7,051	(3,346)
Fund Balance, Beginning	102,840	102,840	102,840	-
Fund Balance, Ending	\$ 113,237	\$ 113,237	\$ 109,891	\$ (3,346)



## *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, 2017**

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	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Developer fees	\$ -	\$ -	\$ 77,884	\$ 77,884
Investment and rental income	3,500	3,500	2,378	(1,122)
Total Revenues	3,500	3,500	80,262	76,762
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	3,500	3,500	3,500	-
Total Expenditures	3,500	3,500	3,500	-
Net Change in Fund Balance	-	-	76,762	76,762
Fund Balance, Beginning	661,742	661,742	661,742	-
Fund Balance, Ending	<u>\$ 661,742</u>	<u>\$ 661,742</u>	<u>\$ 738,504</u>	<u>\$ 76,762</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, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 233,126	\$ 233,126	\$ 206,919	\$ (26,207)
Investment and rental income	4,850	4,850	4,432	(418)
Total Revenues	237,976	237,976	211,351	(26,625)
<b>EXPENDITURES</b>				
Current:				
Community development	50,000	52,180	2,297	49,883
Highways, streets and parks	15,000	15,000	2,182	12,818
Total Expenditures	65,000	67,180	4,479	62,701
Net Change in Fund Balance	172,976	170,796	206,872	36,076
Fund Balance, Beginning	1,194,033	1,194,033	1,194,033	-
Fund Balance, Ending	<u>\$ 1,367,009</u>	<u>\$ 1,364,829</u>	<u>\$ 1,400,905</u>	<u>\$ 36,076</u>

*City of San Marcos*

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Congestion Management CFD Special Revenue Fund  
For the Year Ended June 30, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes and special assessments	\$ 334,941	\$ 334,941	\$ 343,468	\$ 8,527
Investment and rental income	1,300	1,300	2,673	1,373
Total Revenues	336,241	336,241	346,141	9,900
<b>EXPENDITURES</b>				
Current:				
Highway, streets and parks	-	-	16,175	(16,175)
Total expenditures	-	-	16,175	(16,175)
Net Change in Fund Balance	336,241	336,241	329,966	(6,275)
Fund Balance, Beginning	378,002	378,002	378,002	-
Fund Balance, Ending	<u>\$ 714,243</u>	<u>\$ 714,243</u>	<u>\$ 707,968</u>	<u>\$ (6,275)</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, 2017**

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	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 726,000	\$ 726,000	\$ 93,000	\$ (633,000)
Total Revenues	726,000	726,000	93,000	(633,000)
<b>EXPENDITURES</b>				
Current:				
Community development	726,000	726,000	93,000	633,000
Total Expenditures	726,000	726,000	93,000	633,000
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

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# *City of San Marcos*

## **Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual San Marcos Public Facilities Authority Debt Service Fund For the Year Ended June 30, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Investment and rental income	\$ 470,353	\$ 470,353	\$ 520,332	\$ 49,979
Total Revenues	470,353	470,353	520,332	49,979
<b>EXPENDITURES</b>				
Debt service:				
Principal	275,000	275,000	275,000	-
Interest and fiscal charges	195,353	195,353	195,353	-
Total Expenditures	470,353	470,353	470,353	-
Net Change in Fund Balance	-	-	49,979	49,979
Fund Balance, Beginning	234,791	234,791	234,791	-
Fund Balance, Ending	\$ 234,791	\$ 234,791	\$ 284,770	\$ 49,979

# City of San Marcos

## Combining Balance Sheet Non-Major Capital Projects Funds June 30, 2017

	Public Facility	Capital Improvements	Community Facilities District 99-01
<b>ASSETS</b>			
Cash and investments (note 2)	\$ 28,329,822	\$ 4,582,855	\$ 5,127
Cash and investments with fiscal agents (note 2)	-	-	679,862
Receivables:			
Interest	58,272	-	12
Other, net (note 4)	120,516	-	-
Due from other governments	-	1,032,896	-
Escrow deposits	-	77,568	-
Land held for resale	858,348	-	-
	<u>\$ 29,366,958</u>	<u>\$ 5,693,319</u>	<u>\$ 685,001</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 81,690	\$ 585,117	\$ -
Due to other funds (note 5)	-	-	-
Unearned revenue (note 6)	-	2,290,033	-
Deposits payable	-	851,086	-
	<u>81,690</u>	<u>3,726,236</u>	<u>-</u>
Deferred Inflows of Resources:			
Unavailable revenue (note 6)	120,516	58,261	-
Fund Balances:			
Restricted:			
Transportation	-	-	-
Capital improvements	-	1,908,822	685,001
Public facilities	29,164,752	-	-
	<u>29,164,752</u>	<u>1,908,822</u>	<u>685,001</u>
Total Fund Balances	<u>29,164,752</u>	<u>1,908,822</u>	<u>685,001</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,366,958</u>	<u>\$ 5,693,319</u>	<u>\$ 685,001</u>

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Transportation Sales Tax	Community Facilities District 02-01	Total
\$ -	\$ 272,658	\$ 33,190,462
-	-	679,862
449	572	59,305
-	-	120,516
867,650	-	1,900,546
19,966	-	97,534
-	-	858,348
<u>\$ 888,065</u>	<u>\$ 273,230</u>	<u>\$ 36,906,573</u>
\$ 118,717	\$ -	\$ 785,524
574,103	-	574,103
-	-	2,290,033
-	-	851,086
<u>692,820</u>	<u>-</u>	<u>4,500,746</u>
-	-	178,777
195,245	-	195,245
-	273,230	2,867,053
-	-	29,164,752
<u>195,245</u>	<u>273,230</u>	<u>32,227,050</u>
<u>\$ 888,065</u>	<u>\$ 273,230</u>	<u>\$ 36,906,573</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, 2017**

	Public Facility	Capital Improvements	Community Facilities District 99-01
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 1,785,022	\$ -
Developer fees	5,439,326	-	-
Investment and rental income	88,643	-	849
Total Revenues	5,527,969	1,785,022	849
<b>EXPENDITURES</b>			
Capital outlay	1,086,510	1,999,768	-
Debt service:			
Principal	133,788	-	-
Interest and fiscal charges	15,121	-	-
Total Expenditures	1,235,419	1,999,768	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,292,550	(214,746)	849
<b>OTHER FINANCING SOURCES</b>			
Transfers in (note 5)	-	450,000	-
Transfers out (note 5)	-	(100,000)	-
Total Other Financing Sources	-	350,000	-
Net Change in Fund Balances	4,292,550	135,254	849
Fund Balances, Beginning, as Restated	24,872,202	1,773,568	684,152
Fund Balances, Ending	\$ 29,164,752	\$ 1,908,822	\$ 685,001

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Transportation Sales Tax	Community Facilities District 02-01	Total
\$ 1,036,357	\$ -	\$ 2,821,379
-	-	5,439,326
-	858	90,350
1,036,357	858	8,351,055
1,355,496	-	4,441,774
-	-	133,788
-	-	15,121
1,355,496	-	4,590,683
(319,139)	858	3,760,372
-	-	450,000
-	-	(100,000)
-	-	350,000
(319,139)	858	4,110,372
514,384	272,372	28,116,678
\$ 195,245	\$ 273,230	\$ 32,227,050

## *City of San Marcos*

### **Combining Balance Sheet Agency Funds June 30, 2017**

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	1915 Act Assessment District	Deposits	Community Facilities District 88-1
<b>ASSETS</b>			
Cash and investments (note 2)	\$ 58,769	\$ 2,835,742	\$ 22
Restricted Assets:			
Cash and investments with fiscal agents (note 2)	-	-	4,196,033
Receivables:			
Special assessments	-	-	5,135
Interest	123	-	9
Total Assets	<u>\$ 58,892</u>	<u>\$ 2,835,742</u>	<u>\$ 4,201,199</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 16,136	\$ -
Deposits payable	-	2,819,606	-
Due to bondholders	58,892	-	4,201,199
Total Liabilities	<u>\$ 58,892</u>	<u>\$ 2,835,742</u>	<u>\$ 4,201,199</u>

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Community Facilities District 99-1	Community Facilities District 02-01	Total
\$ 789	\$ 23	\$ 2,895,345
7,760,144	1,856,724	13,812,901
22,081	2,063	29,279
40	7	179
<u>\$ 7,783,054</u>	<u>\$ 1,858,817</u>	<u>\$ 16,737,704</u>
\$ -	\$ -	16,136
-	-	2,819,606
7,783,054	1,858,817	13,901,962
<u>\$ 7,783,054</u>	<u>\$ 1,858,817</u>	<u>\$ 16,737,704</u>

# City of San Marcos

## Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b><u>1915 ACT Assessment District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 58,628	\$ 561	\$ 420	\$ 58,769
Interest receivable	79	123	79	123
Total Assets	<u>\$ 58,707</u>	<u>\$ 684</u>	<u>\$ 499</u>	<u>\$ 58,892</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 58,707</u>	<u>\$ 657</u>	<u>\$ 472</u>	<u>\$ 58,892</u>
<b><u>Deposits</u></b>				
<b>ASSETS</b>				
Cash and investments	<u>\$ 2,716,091</u>	<u>\$ 1,555,226</u>	<u>\$ 1,435,575</u>	<u>\$ 2,835,742</u>
Total Assets	<u>\$ 2,716,091</u>	<u>\$ 1,555,226</u>	<u>\$ 1,435,575</u>	<u>\$ 2,835,742</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,445,101	\$ 1,428,965	\$ 16,136
Deposits payable	<u>2,716,091</u>	<u>1,542,008</u>	<u>1,438,493</u>	<u>2,819,606</u>
Total Liabilities	<u>\$ 2,716,091</u>	<u>\$ 2,987,109</u>	<u>\$ 2,867,458</u>	<u>\$ 2,835,742</u>

# City of San Marcos

## Combining Statement of Changes in Assets and Liabilities Agency Funds (Continued) For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b><u>Community Facilities District 88-1</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 64	\$ 2,517,300	\$ 2,517,342	\$ 22
Cash and investments with fiscal agents	4,261,169	2,520,285	2,585,421	4,196,033
Special assessments receivable	7,018	5,135	7,018	5,135
Interest receivable	19	9	19	9
Total Assets	<u>\$ 4,268,270</u>	<u>\$ 5,042,729</u>	<u>\$ 5,109,800</u>	<u>\$ 4,201,199</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 4,268,270</u>	<u>\$ 2,532,039</u>	<u>\$ 2,599,110</u>	<u>\$ 4,201,199</u>
<b><u>Community Facilities District 99-1</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 349	\$ 5,816,586	\$ 5,816,146	\$ 789
Cash and investments with fiscal agents	7,783,651	5,796,604	5,820,111	7,760,144
Special assessments receivable	21,148	22,081	21,148	22,081
Interest receivable	92	40	92	40
Total Assets	<u>\$ 7,805,240</u>	<u>\$ 11,635,311</u>	<u>\$ 11,657,497</u>	<u>\$ 7,783,054</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 7,805,240</u>	<u>\$ 8,520,653</u>	<u>\$ 8,542,839</u>	<u>\$ 7,783,054</u>

# City of San Marcos

## Combining Statement of Changes in Assets and Liabilities Agency Funds (Continued) For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b><u>Community Facilities District 02-01</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 67	\$ 1,094,126	\$ 1,094,170	\$ 23
Cash and investments with fiscal agents	1,838,250	1,099,523	1,081,049	1,856,724
Special assessments receivable	5,529	2,063	5,529	2,063
Interest receivable	15	7	15	7
Total Assets	<u>\$ 1,843,861</u>	<u>\$ 2,195,719</u>	<u>\$ 2,180,763</u>	<u>\$ 1,858,817</u>
<b>LIABILITIES</b>				
Due to bondholders	<u>\$ 1,843,861</u>	<u>\$ 1,106,322</u>	<u>\$ 1,091,366</u>	<u>\$ 1,858,817</u>
<b><u>Total - Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 2,775,199	\$ 10,983,799	\$ 10,863,653	\$ 2,895,345
Cash and investments with fiscal agents	13,883,070	9,416,412	9,486,581	13,812,901
Special assessments receivable	33,695	29,279	33,695	29,279
Interest receivable	205	179	205	179
Total Assets	<u>\$ 16,692,169</u>	<u>\$ 20,429,669</u>	<u>\$ 20,384,134</u>	<u>\$ 16,737,704</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,445,101	\$ 1,428,965	\$ 16,136
Deposits payable	2,716,091	1,542,008	1,438,493	2,819,606
Due to bondholders	13,976,078	12,159,671	12,233,787	13,901,962
Total Liabilities	<u>\$ 16,692,169</u>	<u>\$ 15,146,780</u>	<u>\$ 15,101,245</u>	<u>\$ 16,737,704</u>

**Statistical Section**

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

<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends</b>	132
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
<b>Revenue Capacity</b>	142
These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	146
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	152
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	155
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			
	2008	2009	2010	2011
Governmental Activities:				
Net investment in capital assets	\$ 430,516,043	\$ 460,101,619	\$ 484,423,039	\$ 499,416,669
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	99,574,127	115,805,089	120,917,457	119,927,089
Landscape Maintenance	8,662,907	8,999,420	8,514,304	9,032,742
Other purposes	4,012,114	3,904,177	4,378,971	6,026,400
Endowment	1,000,000	905,850	1,023,850	1,244,590
Unrestricted	8,782,155	2,504,296	(11,409,150)	(6,504,167)
Total governmental activities net position	<u>552,547,346</u>	<u>592,220,451</u>	<u>607,848,471</u>	<u>629,143,323</u>
Business-type activities:				
Net investment in capital assets	29,454,485	29,072,130	28,689,775	28,307,420
Unrestricted	3,464,423	6,698,002	8,442,809	8,052,471
Total business-type activities net position	<u>32,918,908</u>	<u>35,770,132</u>	<u>37,132,584</u>	<u>36,359,891</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	459,970,528	489,173,749	513,112,814	527,724,089
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	99,574,127	115,805,089	120,917,457	119,927,089
Landscape Maintenance	8,662,907	8,999,420	8,514,304	9,032,742
Other purposes	4,012,114	3,904,177	4,378,971	6,026,400
Endowment	1,000,000	905,850	1,023,850	1,244,590
Unrestricted	12,246,578	9,202,298	(2,966,341)	1,548,304
Total primary government net position	<u>\$ 585,466,254</u>	<u>\$ 627,990,583</u>	<u>\$ 644,981,055</u>	<u>\$ 665,503,214</u>
Component unit:				
Restricted	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 658,296,750	\$ 646,769,141	\$ 671,633,533	\$ 647,192,005	\$ 623,187,760	\$ 607,795,162
-	20,320,721	21,071,049	24,998,414	32,111,994	36,384,666
163,429,723	160,939,069	162,388,168	174,239,971	182,174,655	192,984,712
9,389,874	9,706,762	10,141,062	11,266,533	12,073,491	12,410,105
6,506,958	10,295,075	8,955,235	7,645,829	2,187,164	2,461,175
1,147,835	1,195,768	1,000,000	1,000,000	-	-
64,955,219	57,252,131	60,074,433	3,482,542	48,523,274	60,067,467
<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>	<u>912,103,287</u>
27,925,065	26,725,626	27,160,354	\$ 34,101,091	\$ -	\$ -
6,319,042	5,761,171	4,352,951	2,552,732	94,924,105	95,225,519
<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>	<u>95,225,519</u>
-	-	-	-	1,000,000	1,000,000
-	-	-	-	157,923	230,885
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>
686,221,815	673,494,767	698,793,887	681,293,096	623,187,760	607,795,162
-	20,320,721	21,071,049	24,998,414	32,111,994	36,384,666
163,429,723	160,939,069	162,388,168	174,239,971	182,174,655	192,984,712
9,389,874	9,706,762	10,141,062	11,266,533	12,073,491	12,410,105
6,506,958	10,295,075	8,955,235	7,645,829	2,187,164	2,461,175
1,147,835	1,195,768	1,000,000	1,000,000	-	-
71,274,261	63,013,302	64,427,384	6,035,274	143,447,379	155,292,986
<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>	<u>\$ 1,007,328,806</u>
-	-	-	-	1,157,923	1,230,885
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>

# City of San Marcos

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
Governmental Activities:				
General government	\$ 14,175,161	\$ 14,639,790	\$ 15,990,955	\$ 18,106,693
Community development	4,912,297	4,815,602	6,366,892	5,739,531
Public safety	27,983,233	28,733,922	28,603,083	28,216,005
Highways, streets and parks	30,364,607	26,532,368	25,046,164	26,408,488
Culture and recreation	3,008,578	3,124,741	3,014,690	3,079,743
Interest on long-term debt	17,742,768	15,984,417	15,307,372	16,325,714
Total governmental activities expenses	98,186,644	93,830,840	94,329,156	97,876,174
Business-type activities:				
Creekside Marketplace	1,002,389	1,072,662	1,207,245	1,296,182
Total business-type activities expenses	1,002,389	1,072,662	1,207,245	1,296,182
Total primary government expenses	99,189,033	94,903,502	95,536,401	99,172,356
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government expenses	-	-	-	-
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	7,146,755	6,928,221	7,829,689	7,374,191
Community development (2)	2,037,057	1,501,973	1,568,683	2,131,886
Public safety	7,582,159	8,293,907	7,623,734	7,266,747
Highways, streets and parks (1) (2)	6,664,978	6,744,066	6,793,677	7,150,548
Culture and recreation (2)	1,544,763	1,590,115	1,825,778	1,837,906
Operating grants and contributions	2,505,258	2,135,832	2,392,703	3,547,679
Capital contributions and grants	44,448,900	18,916,094	25,090,511	15,027,697
Total governmental activities program revenues	71,929,870	46,110,208	53,124,775	44,336,654
Business-type activities:				
Charges for services:				
Creekside Marketplace	4,069,128	3,789,846	3,639,134	3,523,109
Total business-type activities program revenues	4,069,128	3,789,846	3,639,134	3,523,109
Total primary government program revenues	75,998,998	49,900,054	56,763,909	47,859,763
Net (expenses) revenues:				
Governmental activities	(47,527,759)	(41,016,081)	(41,016,081)	(53,344,386)
Business-type activities	2,717,184	2,431,889	2,431,889	2,226,927
Total primary government net (expenses)/revenues	\$ (44,810,575)	\$ (38,584,192)	\$ (38,584,192)	\$ (51,117,459)
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government net (expenses)/revenues	-	-	-	-

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 16,992,317	\$ 15,885,771	\$ 16,447,263	\$ 16,944,647	\$ 18,256,401	\$ 15,819,492
28,586,547	6,379,029	3,431,958	7,094,841	12,890,498	1,679,942
32,163,467	27,531,474	31,398,530	36,059,952	32,564,134	38,312,609
22,057,522	31,047,726	32,779,655	33,832,005	23,904,189	29,012,619
3,163,230	4,992,567	3,022,930	5,040,297	3,951,699	3,873,784
9,399,083	286,343	272,403	267,688	262,067	243,974
112,362,166	86,122,910	87,352,739	99,239,430	91,828,988	88,942,420
1,060,528	866,501	1,061,134	2,053,600	2,069,680	1,572,337
1,060,528	866,501	1,061,134	2,053,600	2,069,680	1,572,337
113,422,694	86,989,411	88,413,873	101,293,030	93,898,668	90,514,757
-	-	-	-	56,622	65,283
-	-	-	-	56,622	65,283
8,615,903	7,516,338	1,274,948	1,839,462	1,137,053	1,038,094
5,179,421	6,998,956	2,997,665	2,252,007	4,554,470	6,363,423
8,012,187	8,636,601	8,888,703	9,103,730	10,358,412	10,979,615
6,943,057	8,462,005	7,455,240	8,196,772	7,931,273	8,605,163
1,878,137	2,105,349	2,081,035	2,364,561	2,575,892	2,100,449
3,333,506	24,338,152	16,811,188	11,893,755	13,919,753	11,094,309
20,273,816	2,125,409	9,843,740	4,294,066	3,523,253	1,345,661
54,236,027	60,182,810	49,352,519	39,944,353	44,000,106	41,526,714
3,907,546	4,103,722	3,470,369	3,335,509	4,924,764	5,188,034
3,907,546	4,103,722	3,470,369	3,335,509	4,924,764	5,188,034
58,143,573	64,286,532	52,822,888	43,279,862	48,924,870	46,714,748
(57,930,708)	(25,745,236)	(37,791,309)	(59,081,904)	(47,828,882)	(47,415,706)
2,847,018	3,237,221	2,409,235	1,281,909	2,855,084	3,615,697
\$ (55,083,690)	\$ (22,508,015)	\$ (35,382,074)	\$ (57,799,995)	\$ (44,973,798)	\$ (43,800,009)
-	-	-	-	(56,622)	(65,283)
-	-	-	-	(56,622)	(65,283)

# City of San Marcos

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

	Fiscal Year			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 13,146,445	\$ 12,718,633	\$ 12,490,217	\$ 12,373,080
Tax increment, net	45,397,153	45,214,569	21,315,468	36,294,755
Transient occupancy taxes	383,001	330,412	298,459	610,460
Business license	200,520	192,873	188,300	195,134
Franchise fees	2,148,183	2,442,412	2,482,704	2,677,551
Gain/(Loss) on sale of capital assets	-	3,180,648	-	67,970
Motor vehicle license fees	356,472	283,349	246,496	382,275
Rental income	-	-	-	-
Sales tax shared state revenue and in lieu, unrestricted	15,615,135	13,432,391	12,269,791	13,091,860
Investment income	11,275,635	6,226,240	4,397,830	4,583,907
Other	1,628,030	3,372,210	1,943,136	1,390,381
Transfers	2,750,000	-	1,200,000	3,167,000
Transfer to Successor Agency	-	-	-	-
Extraordinary gain	-	-	-	-
Total governmental activities	<u>92,900,574</u>	<u>87,393,737</u>	<u>56,832,401</u>	<u>74,834,373</u>
Business-type activities:				
Investment income	179,169	134,040	130,563	167,380
Transfers	(2,750,000)	-	(1,200,000)	(3,167,000)
Total business-type activities	<u>(2,570,831)</u>	<u>134,040</u>	<u>(1,069,437)</u>	<u>(2,999,620)</u>
Total primary government	<u>90,329,743</u>	<u>87,527,777</u>	<u>55,762,964</u>	<u>71,834,753</u>
Component Unit:				
Investment income, restricted	-	-	-	-
Other	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position:				
Governmental activities	45,372,815	46,377,656	15,816,320	21,489,987
Business-type activities	146,353	2,565,929	1,362,452	(772,693)
Total primary government	<u>\$ 45,519,168</u>	<u>\$ 48,943,585</u>	<u>\$ 17,178,772</u>	<u>\$ 20,717,294</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					
2012	2013	2014	2015	2016	2017
\$ 12,734,479	\$ 19,036,135	\$ 14,730,525	\$ 16,627,912	\$ 18,604,256	\$ 19,825,953
11,896,531	-	-	-	-	-
713,538	736,035	794,846	829,724	873,863	978,498
195,431	194,864	208,911	213,173	228,040	231,933
2,713,099	2,582,279	3,520,613	3,907,803	4,031,275	3,897,771
-	-	(659,841)	1,810,932	187,956	227,020
42,071	80,791	-	-	-	-
-	-	6,260,337	5,790,384	5,950,030	5,556,365
13,836,852	14,596,011	15,840,511	16,209,302	16,868,051	16,418,302
3,692,241	3,508,350	1,108,705	937,647	1,731,178	1,242,804
1,160,059	1,991,861	489,778	982,947	529,653	96,331
5,100,000	5,000,000	4,250,000	(3,850,425)	4,500,000	3,317,138
-	(10,674,712)	-	-	-	-
280,624,874	-	-	-	-	-
<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>	<u>51,792,115</u>
137,198	5,469	50,190	8,184	16,289	2,855
(5,100,000)	(5,000,000)	(4,250,000)	3,850,425	(4,500,000)	(3,317,138)
<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>(3,314,283)</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>	<u>48,477,832</u>
-	-	-	-	(11,645)	138,220
-	-	-	-	-	25
-	-	-	-	(11,645)	138,245
274,778,467	11,306,378	8,753,076	(15,622,505)	5,675,420	4,376,409
(2,115,784)	(1,757,310)	(1,790,575)	5,140,518	(1,628,627)	301,414
<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>	<u>\$ 4,677,823</u>
-	-	-	-	(68,267)	72,962
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,267)</u>	<u>\$ 72,962</u>

# City of San Marcos

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	\$ 13,397,269	\$ 13,397,269	\$ 13,447,269	
Prepaid items	492,546	558,711	1,000,066	
Deposits	723,685	771,931	1,001,672	
Unreserved, designated	36,814,029	37,521,231	36,200,000	
Unreserved, undesignated	6,045,355	6,058,840	5,995,245	
GASB 54:				
Nonspendable				\$ 19,463,456
Assigned				-
Unassigned				35,162,531
Total General Fund	<u>57,472,884</u>	<u>58,307,982</u>	<u>57,644,252</u>	<u>54,625,987</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	2,702,903	8,112,147	28,282,658	
Prepaid items	-	-	-	
Deposits	542,923	640,408	102,982	
Low and moderate income housing	59,766,836	35,347,108	10,056,506	
Landscape maintenance	5,368,912	5,845,298	5,845,298	
Debt service	4,625,869	10,850,533	12,941,982	
Capital projects	90,471,205	68,302,091	45,462,977	
Other purposes	1,000,000	905,850	1,023,850	
Unreserved, reported in:				
Special revenue funds	9,489,562	10,127,713	6,468,443	
Debt service funds	34,366,082	32,924,058	16,466,613	
Capital projects funds	212,545	(5,658,656)	(6,026,005)	
Permanent fund	98,318	-	-	
GASB 54:				
Nonspendable				1,244,590
Restricted				164,514,929
Unassigned				-
Total all other governmental funds	<u>208,645,155</u>	<u>167,396,550</u>	<u>120,625,304</u>	<u>165,759,519</u>
Total governmental funds	<u>\$ 266,118,039</u>	<u>\$ 225,704,532</u>	<u>\$ 178,269,556</u>	<u>\$ 220,385,506</u>

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Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 16,924,452	\$ 16,184,816	\$ 11,938,509	\$ 10,451,246	\$ 10,031,405	\$ 66,369,312
-	-	-	5,984,790	5,984,790	11,653,634
34,951,893	44,147,436	51,115,898	31,887,837	82,608,491	27,053,317
<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>	<u>105,076,263</u>

1,147,835	1,195,768	1,000,000	1,000,000	-	-
81,486,140	80,423,049	80,658,598	82,000,192	82,451,468	87,132,962
-	-	(225)	(20)	(33,867)	-
<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>87,132,962</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>	<u>\$ 192,209,225</u>



# City of San Marcos

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Taxes and special assessments (3)	\$ 97,363,686	\$ 94,097,283	\$ 87,852,421	\$ 87,336,566
Licenses and permits	3,907,123	4,229,537	4,274,969	4,722,075
Intergovernmental (3)	6,587,388	10,406,686	6,816,194	10,725,506
Charges for services	11,429,757	11,783,938	11,341,050	11,273,011
Developer fees	1,776,517	3,773,174	2,860,402	3,734,747
Fines and forfeitures	269,365	292,642	279,735	284,452
Investment and rental income	19,925,978	11,422,319	9,248,874	9,724,275
Contributions from property owners	-	-	-	-
Miscellaneous	1,452,870	4,444,346	3,358,490	1,984,750
Total Revenues	142,712,684	140,449,925	126,032,135	129,785,382
Expenditures:				
Current:				
General government (2)	12,733,906	13,333,406	14,825,068	17,457,897
Community development (2)	8,761,007	43,870,002	17,085,690	10,223,010
Public safety	26,225,302	27,392,057	27,461,612	27,317,174
Highways, streets and parks (1) (2)	15,223,370	15,455,033	14,040,659	13,379,798
Culture and recreation (1)	2,556,853	2,822,593	2,763,210	2,814,054
Tax increment distrib. to other gov. agencies	18,747,685	18,086,645	37,060,348	16,266,743
SERAF payment	-	-	-	4,163,078
Capital outlay	46,197,846	39,281,839	38,456,751	26,289,568
Debt service:				
Principal retirement	11,079,781	9,481,695	9,325,010	9,566,685
Interest and fiscal charges	19,984,462	15,911,227	15,221,332	15,782,349
Cost of issuance	-	-	-	674,238
Total expenditures	161,510,212	185,634,497	176,239,680	143,934,594
Excess/(deficiency) of Revenues Over Expenditures	(18,797,528)	(45,184,572)	(50,207,545)	(14,149,212)
Other financing sources (uses):				
Issuance of debt	1,441,826	730,998	330,709	54,779,110
Discount on bonds issued	-	-	-	(1,719,824)
Payment to bond escrow agent	-	-	-	-
Sale of capital assets	30,541	3,991,821	1,241,860	38,876
Acquisition under capital lease	-	-	-	-
Partnership contributions	-	-	-	-
Transfers in	32,041,467	6,772,976	8,056,903	14,843,444
Transfers out	(29,291,467)	(6,772,976)	(6,856,903)	(11,676,444)
Total other financing sources (uses)	4,222,367	4,722,819	2,772,569	56,265,162
Net Change in Fund Balances	\$ (14,575,161)	\$ (40,461,753)	\$ (47,434,976)	\$ 42,115,950
Debt service as a percentage of noncapital expenditures	23.41%	15.80%	16.08%	22.07%

### Notes:

- (1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
- (2) Beginning in fiscal year 2009-2010, all costs relating to the construction inspection function are reported under community development instead of highways, streets, and parks. Also, the storm water management function is under general government instead of highways, streets, and parks.
- (3) Beginning in fiscal year 2016-2017, all sales tax related revenue is recorded under the intergovernmental revenue category instead of taxes and special assessments revenue category.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 44,811,128	\$ 40,050,764	\$ 37,499,452	\$ 40,746,406	\$ 43,388,689	\$ 28,386,492
5,210,749	5,031,124	4,834,181	4,896,092	5,190,125	5,184,798
14,657,647	16,273,969	14,879,876	11,705,953	8,388,620	22,446,951
13,430,631	14,423,983	14,014,737	14,767,944	15,644,089	15,756,224
8,822,043	12,333,859	604,325	3,085,839	5,680,240	6,770,876
203,253	171,675	379,517	378,143	492,091	632,114
8,710,563	8,108,512	8,390,525	9,159,541	9,887,780	9,814,976
-	-	-	-	-	-
2,020,386	1,656,624	2,784,337	1,307,048	3,003,475	1,656,344
97,866,400	98,050,510	83,386,950	86,046,966	91,675,109	90,648,775
15,640,014	15,237,915	15,683,539	16,082,210	15,769,553	20,232,292
17,717,361	9,148,706	4,209,639	7,282,130	9,218,570	9,224,684
30,262,221	27,156,685	30,863,346	35,743,282	33,512,449	36,449,543
14,053,498	13,407,088	21,875,374	20,669,923	16,739,415	19,258,048
2,984,215	4,819,380	2,948,559	4,904,494	3,611,161	3,814,190
410,877	-	-	-	-	-
-	-	-	-	-	-
20,163,235	16,677,835	8,462,086	3,672,221	11,115,705	10,255,091
9,903,628	342,996	430,447	570,876	677,198	970,360
9,509,119	277,403	269,039	260,465	259,734	286,705
-	-	-	-	-	-
120,644,168	87,068,008	84,742,029	89,185,601	90,903,785	100,490,913
(22,777,768)	10,982,502	(1,355,079)	(3,138,635)	771,324	(9,842,138)
-	-	-	12,752	1,036,580	-
-	-	-	-	-	-
-	-	-	-	-	-
23,611	6,489	(659,841)	-	-	-
-	-	427,300	125,074	432,248	2,018,392
-	-	-	(6,537,501)	-	-
65,681,454	11,511,222	5,227,487	5,911,842	6,441,564	5,470,561
(60,581,454)	(17,185,934)	(977,487)	(9,762,267)	(1,941,564)	(2,153,423)
5,123,611	(5,668,223)	4,017,459	(10,250,100)	5,968,828	5,335,530
\$ (17,654,157)	\$ 5,314,279	\$ 2,662,380	\$ (13,388,735)	\$ 6,740,152	\$ (4,506,608)
18.82%	0.81%	0.93%	0.95%	0.99%	1.42%

## *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>
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
2017	11,407,192,886	337,739,348	(570,825,511)	11,174,106,723	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											
	City of San Marcos		San Marcos Unified School District		San Marcos Fire Protection District		San Diego County		Others		Voter Approved Debt		Total Tax Rate (2)	
2008	0.0883	%	0.3805	%	0.0632	%	0.2481	%	0.2200	%	0.0432	%	1.0432	%
2009	0.0883		0.3805		0.0632		0.2481		0.2200		0.0470		1.0470	
2010	0.0883		0.3805		0.0632		0.2481		0.2200		0.0439		1.0439	
2011	0.0883		0.3805		0.0632		0.2481		0.2200		0.0559		1.0560	
2012	0.0883		0.3805		0.0632		0.2481		0.2200		0.0994		1.0994	
2013	0.0883		0.3805		0.0632		0.2481		0.2200		0.0994		1.0994	
2014	0.0883		0.3805		0.0632		0.2481		0.2200		0.0978		1.0978	
2015	0.0883		0.3805		0.0632		0.2481		0.2200		0.1138		1.1138	
2016	0.0883		0.3805		0.0632		0.2481		0.2200		0.1180		1.1180	
2017	0.0883		0.3805		0.0632		0.2481		0.2200		0.1175		1.1175	

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	2017			2008		
	Taxable Assessed Value (2)	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value (2)	Rank	Percentage of Total City Taxable Assessed Value
Prominence Willmark Communities	\$ 93,280,458	1	0.83 %	\$ 81,319,635	1	0.84 %
Camden USA, Inc.	90,196,148	2	0.80	79,177,286	2	0.82
Hunter Industries, Inc.	79,542,874	3	0.71	67,503,968	3	0.70
Urban Villages, San Marcos LLC	70,318,391	4	0.62			
Grand Plaza, LLC	65,829,115	5	0.58	66,622,341	4	0.69
Ralphs Grocery Company	58,240,218	6	0.52			
Integral Project Owner II, LLC	51,214,074	7	0.45			
Quad Housing, LLC	49,614,897	8	0.44			
Richmond American Homes of Maryland	47,809,517	9	0.42	52,703,736	6	0.54
Abs Ca-O, LLC	42,337,599	10	0.38			
Lo Land Assets Limited Partnership				54,100,800	5	0.56
Fieldstone Rancho Santalina, LLC				49,625,778	7	0.51
Standard Pacific Corp.				47,366,228	8	0.49
Continental Residential, Inc.				38,435,005	9	0.40
San Elijo Hills Development Co.				38,156,455	10	0.39
Total	<u>\$ 648,383,291</u>		<u>5.75 %</u>	<u>\$ 575,011,232</u>		<u>5.94 %</u>

### Notes:

- (1) Data has been re-calculated using methods utilized by Muniservices.
- (2) Assessed values represented above are net of all other exemptions.

Sources: San Diego County Auditor and Controller Office and MuniServices, LLC

## 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 (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2008	\$ 6,773,119	\$ 6,341,932	93.63 %	\$ 327,562	\$ 6,669,494	98.47 %
2009	6,183,776	5,932,421	95.94	181,147	6,113,568	98.86
2010	5,575,114	5,363,998	96.21	198,527	5,562,525	99.77
2011	5,604,503	5,413,368	96.59	123,424	5,536,792	98.79
2012	5,646,455	5,479,552	97.04	104,596	5,584,148	98.90
2013	5,900,446	5,735,557	97.21	74,240	5,809,797	98.46
2014	6,281,371	6,071,920	96.67	65,509	6,137,429	97.71
2015	6,502,541	6,342,713	97.54	67,021	6,342,713	97.54
2016	6,875,051	6,704,823	97.52	50,466	6,704,823	97.52
2017	7,280,193	7,082,528	97.28	N/A	7,082,528	97.28

Notes:

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

(2) Fiscal Years 2008, 2009 & 2010 numbers are adjusted due to a formula error in prior year.

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		
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	0.13	72
2017	-	4,118,332	141,146	2,250,022	1,271,983	7,781,483	0.15	83

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>
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
2017	-	4,118,332	4,118,332	0.037	44

**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			
	2008	2009	2010	2011
Total assessed valuation	\$ 10,023,511,536	\$ 9,949,048,058	\$ 9,292,290,923	\$ 9,173,749,055
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,505,877,884	2,487,262,015	2,323,072,731	2,293,437,264
Debt limit percentage	15%	15%	15%	15%
Debt limit	375,881,683	373,089,302	348,460,910	344,015,590
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 375,881,683</u>	<u>\$ 373,089,302</u>	<u>\$ 348,460,910</u>	<u>\$ 344,015,590</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					
2012	2013	2014	2015	2016	2017
\$ 9,250,699,841	\$ 9,300,557,724	\$ 9,676,874,262	\$ 10,520,993,240	\$ 11,140,456,884	\$ 11,744,932,234
25%	25%	25%	25%	25%	25%
2,312,674,960	2,325,139,431	2,419,218,566	2,630,248,310	2,785,114,221	2,936,233,059
15%	15%	15%	15%	15%	15%
346,901,244	348,770,915	362,882,785	394,537,247	417,767,133	440,434,959
-	-	-	-	-	-
\$ 346,901,244	\$ 348,770,915	\$ 362,882,785	\$ 394,537,247	\$ 417,767,133	\$ 440,434,959
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)		Coverage	
		Principal	Interest		
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	
2017	470,353	275,000	195,353	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, 2017

2016-17 Assessed Valuation: (1)		\$11,269,118,523		Estimated Share of Overlapping Debt
	Percentage Applicable (2)	Outstanding Debt June 30, 2017 (3)		
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>				
Metropolitan Water District of Southern California	0.434%	\$ 74,905,000	\$	325,088
Palomar Community College District	10.266%	639,550,855		65,656,291
San Marcos Unified School District	61.617%	275,461,541		169,731,138
San Marcos Unified School District School Facilities Improvement District No. 1	59.934%	2,819,069		1,689,581
San Marcos Unified School District Community Facilities District No. 3	100.000%	1,100,000		1,100,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	17,260,000		11,151,168
Other School Districts	Various	626,764,316		308,022
Palomar Pomerado Hospital	11.336%	443,465,867		50,271,291
<b>City of San Marcos</b>	<b>100.000%</b>	<b>-</b>		<b>-</b>
City of San Marcos Community Facilities District No. 88-1	100.000%	14,194,079		14,194,079
City of San Marcos Community Facilities District No. 91-01	100.000%	968,748		968,748
City of San Marcos Community Facilities District No. 99-01	100.000%	61,256,463		61,256,463
City of San Marcos Community Facilities District No. 2002-1	100.000%	12,360,000		12,360,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>				<b>389,011,869</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>				
San Diego County General Fund Obligations	2.412%	291,180,000		7,023,262
San Diego County Pension Obligation Bonds	2.412%	605,520,000		14,605,142
San Diego County Superintendent of Schools Obligations	2.412%	11,460,000		276,415
Palomar Community College District General Fund Obligations	10.266%	3,280,000		336,725
Mira Costa Community College District General Fund Obligations	0.002%	12,265,000		245
San Marcos Unified School District General Fund Obligations	61.617%	57,876,115		35,661,526
Other School District Certificates of Participation	Various	97,815,000		127,425
<b>City of San Marcos General Fund Obligations</b>	<b>100.000%</b>	<b>7,781,488 (4)</b>		<b>7,781,488</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>				<b>65,812,228</b>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	308,185,000		308,185,000
<b>TOTAL DIRECT DEBT</b>				<b>7,781,488</b>
<b>TOTAL OVERLAPPING DEBT</b>				<b>755,227,609</b>
<b>COMBINED TOTAL DEBT (3) (4)</b>				<b>\$ 763,009,097</b>
<b><u>Ratios to 2016-17 Assessed Valuation:</u></b>				
<b>Direct Debt</b>	<b>0.00%</b>			
Total Direct and Overlapping Tax and Assessment Debt	3.45%			
<b>Combined Direct Debt (\$7,781,488)</b>	<b>0.07%</b>			
Combined Total Debt	6.77%			

### Notes:

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

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

## *City of San Marcos*

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

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate
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	4,626,732,294	51,439	5.00
2015	33.07	92,076	2.37	4,968,697,188	53,963	4.00
2016	33.07	93,242 (2)	1.27	5,143,974,656	55,168	3.66
2017	33.07	94,042	0.86	(3)	(3)	3.41

**Notes:**

- (1) Data presented is for San Diego/Carlsbad/San Marcos economic area. Prior year data has been updated.
- (2) Fiscal Year 2016 Population was revised by the State Department of Finance.
- (3) Personal income and per capita personal income data for 2017 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 (1)	2017			2008		
	Number of Employees	Rank	Percent of Total Employment (2)	Number of Employees	Rank	Percent of Total Employment (2)
San Marcos Unified School District	2,407	1	6.16%			
Palomar Community College	1,627	2	4.16%			
California State University San Marcos	1,791	3	4.58%			
Hunter Industries, Inc.	792	4	2.03%	692	1	2.39%
North County Health Services	700	5	1.79%			
United Parcel Service, Inc.	523	6	1.34%	471	2	1.62%
Southern CA Permanente Med Group	462	7	1.18%			
City of San Marcos	454	8	1.16%			
Costco Wholesale	320	9	0.82%	346	6	1.19%
Lusardi Construction Co.	250	10	0.64%	400	3	1.38%
Wal-Mart Stores, Inc.				360	5	1.24%
Vanpike, Inc.				387	4	1.33%
Fry's Electronics				325	7	1.12%
Oncore Manufacturing Services				285	8	0.98%
RB III Associates, Inc.				240	9	0.83%
University Auxiliary & Research Services Corp. (3)				230	10	0.79%
Total	9,326		23.86%	3,736		12.87%

### Notes:

- (1) Prior to 2016, Schools and the City were not included.
- (2) Total Employment as used above represents the total employment of all employers located within City limits.
- (3) Formerly the "CA State University SM Foundation".

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**

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<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2017</u>
General government	51	50	60	59	55	58	57	61	56	52
Community development	40	37	44	39	38	39	42	34	26	29
Public safety (1)	91	94	101	97	92	95	97	90	105	108
Highways, streets and parks	77	66	71	76	77	76	76	77	84	88
Culture and recreation	<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>	<u>177</u>
Total	<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>	<u>454</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				
	2008	2009	2010	2011	2012
General Government:					
Number of business licenses issued	5,161	5,436	5,320	5,330	5,455
Number of requests for public information	160	176	211	202	270
Number of new hires including part-time	98	71	98	93	86
Number of invoices processed	11,208	11,256	19,296	13,020	11,810
Public Safety:					
Police:					
Contracts with the San Diego County Sheriff's Department for full service law enforcement					
Fire:					
Number of emergency calls	6,911	6,955	7,184	6,928	7,382
Number of fire inspections	1,459	1,852	2,211	2,101	2,367
Highways and Streets:					
Number of street lights added in current year	25	17	14	36	24
Number of traffic signals added in current year	3	4	3	3	1
Miles of streets swept	14,770	14,770	14,976	14,976	14,976
Miles of centerline streets added	5	-	-	-	-
Storm drain structures cleaned and repaired	114	116	389	474	580
Culture and Recreation:					
Number of facility rentals	670	669	857	757	761
Number of swim program participants	17,688	19,714	30,110	34,494	40,820
Number of adult sports participants	21,204	25,961	31,772	35,105	38,897
Number of youth sports participants	11,126	12,108	17,610	18,105	13,714
Number of senior nutrition program meals served	16,426	15,708	13,126	13,295	14,031
Community Development:					
Number of building permits issued	502	458	454	618	866
Approximate number of building inspections conducted	21,554	14,501	24,819	24,888	28,466
Number of new business licenses issued	1,307	1,225	1,261	1,328	1,273

Note:

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

Source: Various City Departments

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Fiscal Year				
2013	2014	2015	2016	2017
5,519	5,623	5,593	5,762	6,091
253	238	276	355	346
85	90	123	182	150
12,354	13,464	13,342	12,813	12,287
7,287	7,675	8,889	10,719	11,258
3,214	2,953	2,894	2,419	2,431
6	19	-	5	30
-	1	1	3	1
15,165	15,175	12,090	12,090	12,090
5	-	-	-	-
568	597	596	602	719
768	799	802	862	925
46,211	52,577	57,009	40,711	38,105
41,660	46,313	47,094	50,814	55,809
20,946	22,946	23,014	26,415	27,013
13,455	12,775	13,039	10,813	10,997
1,248	1,700	1,877	2,390	2,198
15,247	15,713	10,922	12,150	10,641
1,316	1,342	1,462	1,519	1,534

## *City of San Marcos*

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety:					
Police (1)					
Fire					
Number of fire stations	4	4	4	4	4
Number of emergency vehicles	35	33	40	31	32
Highways and Streets:					
Miles of streets (2)	236	236	236	241	194
Number of street lights	2,625	2,645	2,659	2,695	2,691
Culture and Recreation:					
Parks	28	30	32	33	34
Acres of park land (3)	373	373	377	379	380
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.
- (3) Due to a calculation error, the number of acres of park land has been revised for 2017.

Sources: Various City departments.

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Fiscal Year				
2013	2014	2015	2016	2017
4	4	4	4	4
36	38	41	44	47
199	197	197	197	197
2,702	2,708	2,708	2,713	2,743
34	35	35	35	37
380	384	384	384	355
2	2	2	2	2

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