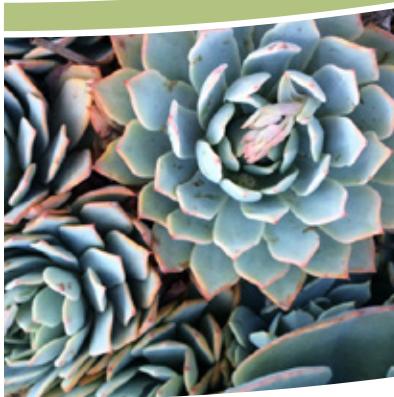


City of San Marcos, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



SAN MARCOS
DISCOVER LIFE'S POSSIBILITIES



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

**CITY MANAGER:
FINANCE DIRECTOR:**

**JACK GRIFFIN
LISA FOWLER**

Prepared by the City of San Marcos Finance Department



MISSION STATEMENT

The City of San Marcos strives 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 while promoting economic and educational opportunities.

City of San Marcos

Comprehensive Annual Financial Report For the Year Ended June 30, 2018

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Transmittal Letter.....

December 20, 2018

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) fiscal year 2017-18 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.



CITY OF SAN MARCOS PROFILE

The City was incorporated in 1963 and chartered on July 4, 1994. According to historical legends, the Spaniards, while pursuing the Native Americans in the late 18th 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", the City offers rugged beautiful rolling hills, bustling commercial districts, and leading educational institutions.

The City 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. The City's sphere of influence extends covers approximately thirty-three square miles.

The City continues to be the smallest yet fastest growing population along the 78 Corridor with an estimated population of over 93,000. The City's population has grown an average of 1,590 people per year since 2010 and is projected to grow by an additional 6.1 percent or approximately 5,620 people by 2020.

The City continues to have the largest amount of available residential land in North County with a median household income of \$66,300, the third highest along the 78 corridor.

The City 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 an expanding citywide trail system, a variety of parks, recreational facilities and a County library. The City provides a diverse array of services for seniors and youth, extensive continuing educational programs, concerts, team sports, and special events.

City Council:

The City Council is comprised of five council members for a term of four years, on a staggered basis. The Mayor is directly elected, at large, 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 operating and CIP budget. The City Council also oversees a variety of advisory commissions, such as the Traffic Commission and Planning Commission, to address specific issues. These advisory commission members are appointed by the City Council.



ECONOMIC CONDITIONS AND OUTLOOK

Education & Employment:

The City is home to several academic institutions with the second highest educational attainment among the five 78 corridor cities. The City is home to the San Marcos Unified School District (SMUSD) which has achieved local and state recognition for the excellence and is ranked fifth in the county. A number of higher education institutions, including California State University San Marcos and Palomar College, also have established campuses in the City. The continued growth of these academic institutions contributes to the creation, support and sustainability of a professional workforce within the City.

The City is home to a diverse and well balanced base of employers including wholesale trade, retail trade, food services, healthcare and manufacturing. The City is a major force in North County's economic landscape with nearly 40,000 jobs, 4,000 businesses and an annual gross domestic product totaling approximately \$8 billion.

Real Estate Market:

Home price growth has leveled out over the past two years, after a strong recovery following the economic downturn. However, the City has seen an increase in the construction of housing stock at a faster rate than other cities throughout the region with more opportunities for new development. Between 2010 and 2015, housing stock grew by 10.1 percent compared to the regional rate of 2.1 percent, and is projected to grow another 8.1 percent by 2020.

Local Trends:

Economic development in the City continues to be robust. Even with reduced land supply, the City has created new interest in infill development opportunities with new commercial, residential and mixed-use development projects to produce additional revenue streams.

Property tax revenue remains stable. The San Diego County Assessor's Office has certified the property assessment roll value reflecting a 6.9 percent increase in the City's 2018 assessed value growth over the 2017 roll.

Sales tax revenue increased moderately, by 5.2 percent, in 2017 compared to 2016 receipts, but is forecasted to level off. The 2018 sales tax revenue is anticipated to produce a minimal increase compared to 2017. Current forecasts predict a decrease in consumer confidence and consumption patterns to continue.

Capital & Infrastructure Improvements:

As North San Diego County continues to grow the challenges of increased traffic and congestion, affordable housing, and demand for services intensifies. 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 through the Capital Improvement Program (CIP).



The CIP budget reflects the City's foreseeable needs over the next five years and is developed in accordance with the City Council adopted policies and priorities in mind. The proposed FY 2018-19 through FY 2021-22 CIP budget appropriation was \$32.6 million. Approximately \$21 million of this appropriation will be focused in the "Creek District" projects, which are intended to mitigate traffic congestion, provide recreational opportunities and additional services for the community.

The City Council's adoption of the Fiscal Management Policy provides for a general fund contribution to the City's Infrastructure, City Facility and Vehicles and Equipment funds to plan for the rehabilitation and replacement of City infrastructure. A total of \$4.3 million has been appropriated for use in the FY 2018-19 Operating and CIP Budget. Furthermore, the Fiscal Management Policy provides direction to increase the annual set aside amount by a minimum of 0.5 percent, per year, with a goal of reaching 6 to 10 percent of the operating budget within ten years. The long term impact of this policy will allow for investment of millions of dollars in the City's aging infrastructure over time to ensure continued prosperity.

Long Range Financial Forecast:

A five-year general fund financial forecast (Forecast) is developed as part of the budgeting process which serves to guide the long-range fiscal planning and budget development process. The Forecast details the City's major revenue and expenditure items to provide long-term trend analysis and projections. Projected revenue is sufficient to cover budgeted expenditures the City Council adopted FY 2018-19 Operating budget with expenditures of approximately \$77 million, an increase of \$3.5 million, or 5.1 percent, from the prior year adopted budget. The increase is driven by an increased investment in infrastructure, an increase in the law enforcement contract with the San Diego Sheriff's Department, and rising salary and benefits costs.

However, current economic indicators and revenue forecasts reflect a diminishing positive outlook over the next five years as the City is expected to experience increases in general fund expenditures that may outpace the increases in available revenues, in spite of efforts to diligently reduce expenses. The City has proactively taken steps to mitigate increased costs by increasing employee contributions to the CalPERS retirement plan, capping the City's share of healthcare premiums and a one-time lump sum payment to the existing unfunded liability. 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.

The City's commitment to maintaining the 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. At year end, the unassigned general fund balance shall be maintained at a minimum of forty-percent of the annual operating expenditures. This figure is then allocated between the Catastrophic/Emergency Reserve (50 percent), One-time Recurring Savings/Opportunity Reserve (30 percent), and Contingency/Budget Stabilization Reserve (20 percent). The General Fund



Reserve Policy is reviewed annually by the City Council as part of the annual operating budget review and adoption process.

The City continues to focus on the City Council strategic goals such as, comprehensive planning and action in land use and transportation, infrastructure funding, economic development and the development of fiscal policies to provide financial resilience & prosperity.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Awards and Recognitions:

The City is dedicated to meeting the social, recreational, educational, cultural, commercial and retail needs of the community. The City's efforts to continually meet the needs of its citizens have resulted in a variety of awards and recognitions, as follows:

- In March 2018 the California Association for Local Economic Development (CALED) honored the City of San Marcos with an Award of Merit for its Discover San Marcos Economic Development Public Outreach Campaign.
- The Parks & Recreation and Public Works Department received an Event Achievement Award from the California Park & Recreation Society.
- The City received an award from the Government Finance Officers Association (GFOA) for "excellence in financial reporting" for the FY 2016-17 CAFR.

Acknowledgments:

Management wishes to express appreciation to staff for their dedication and contribution throughout the year and assistance with the preparation of the CAFR.

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

Respectfully submitted,



Lisa Fowler
Finance Director

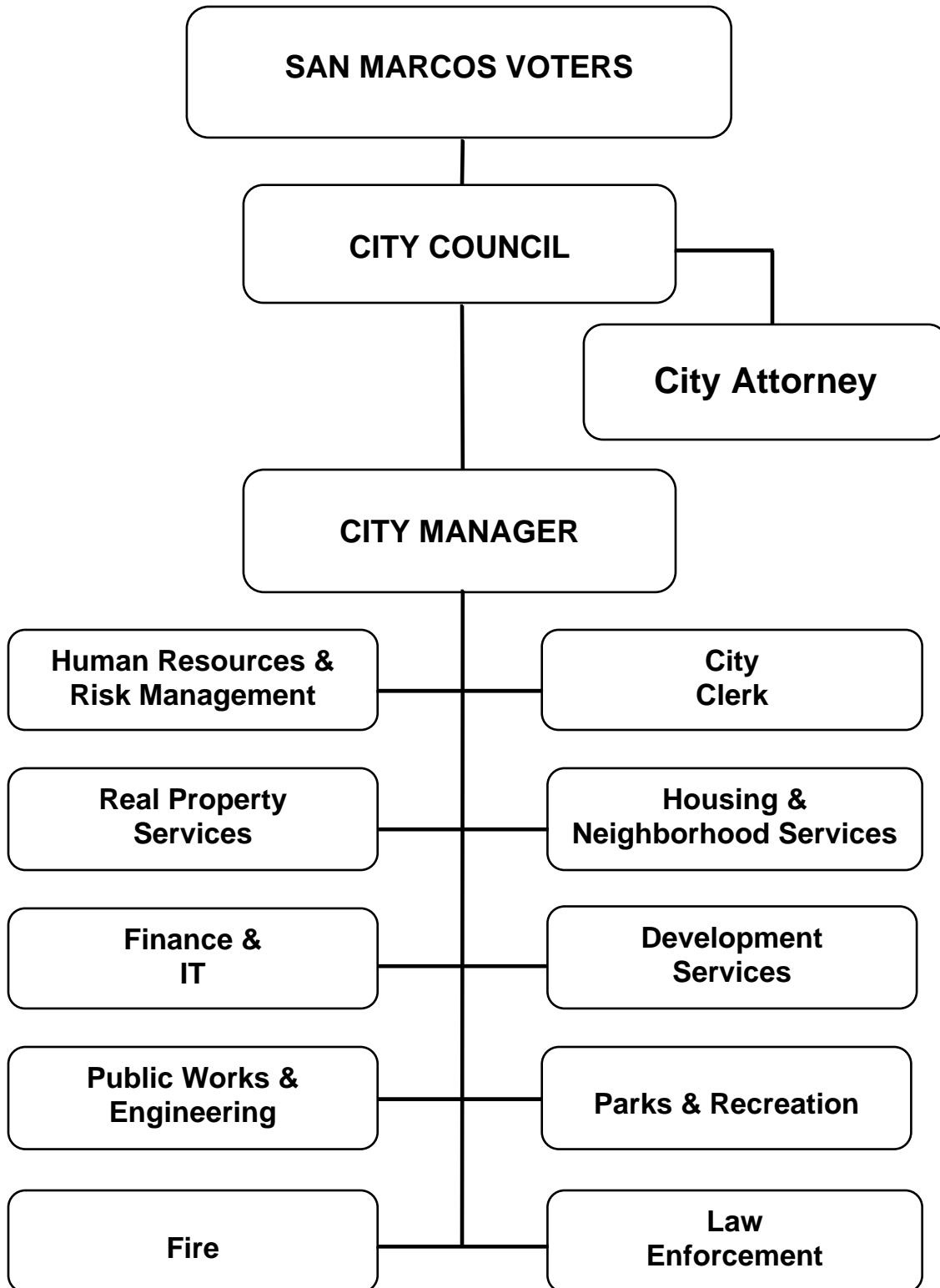


Jack Griffin
City Manager

City of San Marcos

Organizational Chart

June 30, 2018



City of San Marcos

List of Principal Officials

June 30, 2018

City Council

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

Administration

City Manager/Treasurer	Jack Griffin
Deputy City Manager/Public Work Director	Matt Little
City Attorney	Helen Holmes Peak
City Clerk	Phillip Scollick

Department/Division Heads

Development Services Director	Dahvia Lynch
Economic Development Manager	Tess Sangster
Finance & IT Director	Laura Rocha
Fire Chief	Brett VanWey
Human Resources & Risk Management Director	Michelle Bender
Parks and Recreation Director	Buck Martin
Real Property Services Manager	Mavis Anguiano
Sheriff Station Captain	Dave Brown



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, 2017

Christopher P. Morill

Executive Director/CEO



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

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INDEPENDENT AUDITOR'S REPORT

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Phillip H. Waller, CPA (Partner Emeritus)

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Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT

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, 2018, 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.



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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinion is not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of the City's proportional share of the plans' net pension liability and related ratios as of the measurement date, schedule of changes in net OPEB 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 20, 2018 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.

A handwritten signature in blue ink that reads "Rogers, Anderson, Malody & Scott, LLP." The signature is written in a cursive, flowing style.

San Bernardino, California

December 20, 2018

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

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, 2018. 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 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,001,167,527 (net position). Of this amount, \$143,294,266 represents unrestricted net position, which represents the majority of investments in real estate and joint venture.
- The City's total net position decreased \$6,161,279 from the prior fiscal year mainly attributable to the GASB Statement No. 75 implementation, which requires the City to report the long-term net position obligation for the City's Other Postemployment Benefits (OPEB) as a liability.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$203,562,217, an increase of \$11,325,993 in comparison with the prior year. Approximately 13.9% of this amount or \$28,352,011 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 \$39,813,895, or approximately 54.2% 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's 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's 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, 2018

The statement of net position presents financial information on all of the City's 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 is improving or deteriorating.

The statement of activities presents information showing how the City's 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 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 include general government, community development, public safety, highways, streets, and parks, and culture and recreation. The business-type activities of the City include Creekside Marketplace.

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

The government-wide financial statements can be found on pages 16-18 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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

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's 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 maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the San Marcos affordable housing fund, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single aggregated presentation. Individual fund data for each of these 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 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 19-22 of this report.

Proprietary Funds. The City 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 uses an enterprises fund to account for the activity of Creekside Marketplace, a City-owned shopping center.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Creekside Marketplace, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 23-25 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's 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, 2018

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

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 30-94 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's 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), schedule of changes in the net OPEB liability and related ratios, and general fund and major special revenue funds' budgetary schedules.

Required supplementary information can be found on pages 95-103 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 107-134 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$1,001,167,527, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 377,251,116	\$ 366,792,722	\$ 95,253,529	\$ 95,999,234	\$ 472,504,645	\$ 462,791,956
Capital assets, net	606,007,505	615,576,650	-	-	606,007,505	615,576,650
Total assets	983,258,621	982,369,372	95,253,529	95,999,234	1,078,512,150	1,078,368,606
Deferred outflows of resources	18,646,802	21,030,827	-	-	18,646,802	21,030,827
Long-term debt	79,530,692	70,294,354	-	-	79,530,692	70,294,354
Other liabilities	13,248,773	16,890,200	281,374	773,715	13,530,147	17,663,915
Total Liabilities	92,779,465	87,184,554	281,374	773,715	93,060,839	87,958,269
Deferred inflows of resources	2,930,585	4,112,358	-	-	2,930,585	4,112,358
Net position						
Net investment in capital assets	599,739,265	607,795,162	-	-	599,739,265	607,795,162
Restricted	258,133,996	244,240,658	-	-	258,133,996	244,240,658
Unrestricted	48,322,111	60,067,467	94,972,155	95,225,519	143,294,266	155,292,986
Total net position	\$ 906,195,372	\$ 912,103,287	\$ 94,972,155	\$ 95,225,519	\$ 1,001,167,527	\$ 1,007,328,806

By far, the largest portion of the City's net position (59.9%) 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 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's 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's net position (25.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$143,294,266 is unrestricted, however, that amount represents the majority of investments in real estate and joint venture.

At the end of the current fiscal year, the City is able to report positive balances for both 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's overall net position decreased \$6,161,279 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2018**

Governmental Activities. During the current fiscal year, net position for governmental activities decrease \$5,907,915 from the prior fiscal year for an ending balance of \$906,195,372. The largest decrease in the overall net position of governmental activities is the result of the implementation of GASB Statement No. 75 and the requirement to report the long-term net position obligation of \$8,039,000 for the City's OPEB as a liability. The current year activities, however, increased the net position by \$2,248,081.

City of San Marcos' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 26,518,082	\$ 29,086,744	\$ 5,510,983	\$ 5,188,034	\$ 32,029,065	\$ 34,274,778
Operating contributions and grants	17,606,841	11,094,309	-	-	17,606,841	11,094,309
Capital contributions and grants	4,437,779	1,345,661	-	-	4,437,779	1,345,661
General revenues:						
Property taxes	21,542,823	19,825,953	-	-	21,542,823	19,825,953
Transient occupancy taxes	1,303,446	978,498	-	-	1,303,446	978,498
Business license tax	232,733	231,933	-	-	232,733	231,933
Motor vehicle license	49,502	-	-	-	49,502	-
Franchise fees	4,042,123	3,897,771	-	-	4,042,123	3,897,771
Rental income	5,477,226	5,556,365	-	-	5,477,226	5,556,365
Sales taxes shared state revenue, unrestricted	17,270,634	16,404,555	-	-	17,270,634	16,404,555
In lieu sales tax, unrestricted	4,209	13,747	-	-	4,209	13,747
Investment income, restricted	-	-	-	-	-	-
Investment income, unrestricted	1,305,351	1,242,804	6,759	2,855	1,312,110	1,245,659
Gain (loss) on disposal of capital assets	258,282	227,020	-	-	258,282	227,020
Miscellaneous	223,593	96,331	-	-	223,593	96,331
Total Revenues	<u>100,272,624</u>	<u>90,001,691</u>	<u>5,517,742</u>	<u>5,190,889</u>	<u>105,790,366</u>	<u>95,192,580</u>
Expenses						
General government	19,444,881	15,819,492	-	-	19,444,881	15,819,492
Community development	6,368,611	1,679,942	-	-	6,368,611	1,679,942
Public safety	40,504,526	38,312,609	-	-	40,504,526	38,312,609
Highways, streets and parks	32,201,548	29,012,619	-	-	32,201,548	29,012,619
Culture and recreation	4,209,685	3,873,784	-	-	4,209,685	3,873,784
Interest on long-term debt	295,292	243,974	-	-	295,292	243,974
Creekside Marketplace	-	-	771,106	1,572,337	771,106	1,572,337
Total Expenses	<u>103,024,543</u>	<u>88,942,420</u>	<u>771,106</u>	<u>1,572,337</u>	<u>103,795,649</u>	<u>90,514,757</u>
Increase in Net Position						
Before Transfers	(2,751,919)	1,059,271	4,746,636	3,618,552	1,994,717	4,677,823
Transfers	<u>5,000,000</u>	<u>3,317,138</u>	<u>(5,000,000)</u>	<u>(3,317,138)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,248,081	4,376,409	(253,364)	301,414	1,994,717	4,677,823
Net Position, Beginning, as Restated	<u>903,947,291</u>	<u>907,726,878</u>	<u>95,225,519</u>	<u>94,924,105</u>	<u>999,172,810</u>	<u>1,002,650,983</u>
Net Position, Ending	<u>\$ 906,195,372</u>	<u>\$ 912,103,287</u>	<u>\$ 94,972,155</u>	<u>\$ 95,225,519</u>	<u>\$ 1,001,167,527</u>	<u>\$ 1,007,328,806</u>

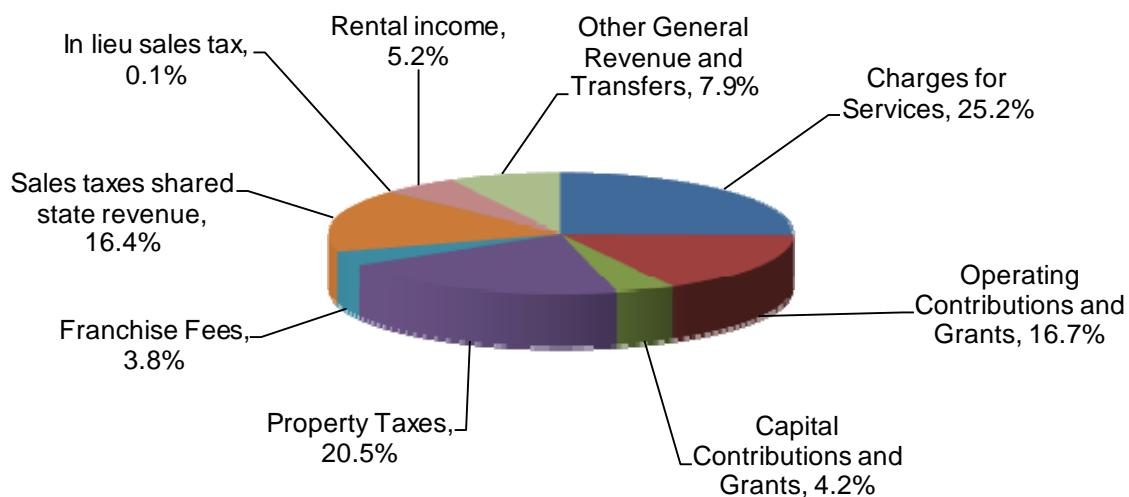
City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2018**

GOVERNMENTAL ACTIVITIES **Revenue by Source**

Revenue Source	2018	Percent of Total	Increase (Decrease) From 2017	Percent Increase (Decrease)
Charges for services	\$ 26,518,082	25.2%	\$ (2,568,662)	-9.7%
Operating contributions and grants	17,606,841	16.7%	6,512,532	37.0%
Capital contributions and grants	4,437,779	4.2%	3,092,118	69.7%
Property taxes	21,542,823	20.5%	1,716,870	8.0%
Franchise fees	4,042,123	3.8%	144,352	3.6%
Sales taxes shared state revenue	17,270,634	16.4%	866,079	5.0%
In lieu sales tax	4,209	0.1%	(9,538)	-226.6%
Rental income	5,477,226	5.2%	(79,139)	-1.4%
Other general revenue and transfers	<u>8,372,907</u>	<u>7.9%</u>	<u>2,279,183</u>	<u>27.2%</u>
Total revenue	<u><u>\$ 105,272,624</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 11,953,795</u></u>	<u><u>11.4%</u></u>

GOVERNMENTAL ACTIVITIES **Revenue by Source** **Fiscal Year 2017-18**



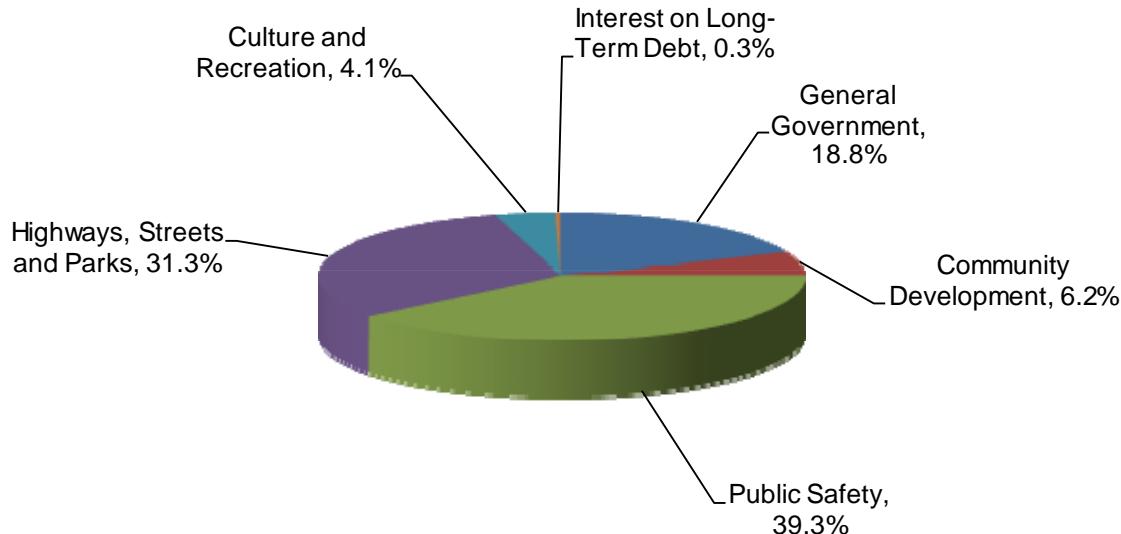
City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

GOVERNMENTAL ACTIVITIES Expense by Function

Function	2018	Percent of Total	Increase (Decrease) From 2017	Percent Increase (Decrease)
General government	\$ 19,444,881	18.8%	\$ 3,625,389	18.6%
Community development	6,368,611	6.2%	4,688,669	73.6%
Public safety	40,504,526	39.3%	2,191,917	5.4%
Highways, streets and parks	32,201,548	31.3%	3,188,929	9.9%
Culture and recreation	4,209,685	4.1%	335,901	8.0%
Interest on long-term debt	295,292	0.3%	51,318	17.4%
Total expenses	\$ 103,024,543	100.0%	\$ 14,082,123	13.7%

GOVERNMENTAL ACTIVITIES Expenses by Function Fiscal Year 2017-18



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive even though the overall net position decreased to an ending balance of \$94,972,155. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center. The total decrease in net position for business-type activities was \$253,364 or 0.3% from the prior fiscal year. This is due to the transfer out of funding to the General Fund in excess of the net operating income from the rental activity.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City 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's 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 itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2018, the City's governmental funds reported combined fund balances of \$203,562,217, an increase of \$11,352,993 in comparison to the prior year. Approximately 13.9% or \$28,352,011 of this amount constitutes an *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable*, *restricted*, or *assigned* to indicate that it is 1) not in spendable form (\$65,059,911), 2) restricted for particular purposes (\$98,836,674), or 3) assigned for particular purposes (\$11,313,621).

Major Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$28,500,274, while the total fund balance decreased by \$202,457 or 0.2% to \$104,873,806. 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 38.8% of total general fund expenditures, while total fund balance represents approximately 142.7% of that same amount.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

The San Marcos Affordable Housing Special Revenue Fund accounts for funds intended to improve or preserve the community's supply of affordable housing. This fund ended the year with a fund balance of \$38,110,564. To assist with the construction of affordable housing projects, \$1,857,882 was loaned to housing developers during the fiscal year. Overall, developer loan activity was down 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 Replacement/Rehabilitation Fund, Facilities Replacement/Rehabilitation Fund, and the Vehicle & Equipment Acquisition/Replacement Fund (Rehabilitation and Replacement 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 the City Council. The operating expenditure budget was increased by \$1,314,247 due to carryover appropriations from FY 2016-17. 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 2017-18 inclusive of the General Fund and the Rehabilitation and Replacement Funds. Other amendments to reallocate appropriations among departments took place. The movement of the appropriations between departments was not significant and did not increase the overall operating budget.

The General Fund revenues exceeded budgeted revenues by approximately \$1.8 million in FY2017-18. The excess revenue was due in part to a slight increase in property tax, sales tax receipts and Fire Department staff reimbursements for assistance on events outside of the City.

The General Fund expenditure budget came in slightly higher than the amended budget by approximately \$1.2 million. The higher than anticipated expenditure amounts were in part due to the services provided by the Fire Department and resulted in reimbursement.

The overall General Fund Budget for FY2017-18 was approximately \$2.9 million more than projected due to the additional revenues, as noted above.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$606,007,505 (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 \$9,569,145 or approximately 1.6% due to capital asset dispositions and depreciations, offset by current fiscal year capital asset additions.

City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2018**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Improvements	\$ 324,053,596	\$ 324,484,838	\$ -	\$ -	\$ 324,053,596	\$ 324,484,838
Buildings	43,087,615	44,548,872	-	-	43,087,615	44,548,872
Furniture and Equipment	6,954,137	7,121,547	-	-	6,954,137	7,121,547
Infrastructure	209,047,096	217,210,851	-	-	209,047,096	217,210,851
Construction in progress	22,865,061	22,210,542	-	-	22,865,061	22,210,542
Total	\$ 606,007,505	\$ 615,576,650	\$ -	\$ -	\$ 606,007,505	\$ 615,576,650

The progress and completion of several capital asset & infrastructure improvements during the fiscal year including, but not limited to: the completion of a street rehabilitation project, continued design of the San Marcos Creek Specific Plan projects, and the replacement of one fire engine.

Additional information on the City's capital assets can be found in Note 7 on pages 53-54 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total outstanding debt of \$79,530,692. Of this amount, \$3,492,221 is debt backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises pension-related debt, OPEB debt, note and loans payables, worker's compensation claims, compensated absences, and capital leases.

City of San Marcos' Outstanding Debt

	Governmental Activities		Net Change
	2018	2017	
Bonds payable, net	\$ 3,492,221	\$ 4,118,332	\$ (626,111)
Note payable	-	141,146	(141,146)
Compensated absences	4,479,651	4,487,804	(8,153)
Claims payable	1,420,926	1,381,511	39,415
Capital leases payable	1,731,711	2,250,027	(518,316)
Loans payable - CEC	1,108,642	1,271,983	(163,341)
Net pension liability	59,258,541	57,417,266	1,841,275
Net OPEB liability	8,039,000	-	8,039,000
Total	\$ 79,530,692	\$ 71,068,069	\$ 8,462,623

The City's total debt increased by \$8,462,623, or 11.9% during the current fiscal year. The majority of the increase was due to the addition of the City's net OPEB liability with the implementation of GASB Statement No. 75. There have been no changes in the credit ratings in the current year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2018

Additional information on the City's long-term debt can be found in Note 8, on pages 55-58 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 projection of growth approach to the FY 2018-19 General Fund operating budget. The approved budget for FY 2018-19 projects a 3.8% growth in spending over the prior year. Included in this growth is the appropriation of approximately \$2.9 million, the single largest line item increase, from the City's Rehabilitation and Replacement Funds.

Other significant line item expenditure increases included a 6.0% increase to the Sheriff's contract costs and a 2.0% cost of labor index increase as part of the City's Memorandum of Understanding with the Employee Associations. The budget also reflects projected increases in health care and pension costs. Anticipated changes by CalPERS, to their investment assumption rate may continue to impact budgeted pension costs in FY2018-19.

The recommended FY 2018-19 operating budget was 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 2018-19 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's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1 Civic Center Drive, San Marcos, California, 92069.

City of San Marcos

Statement of Net Position June 30, 2018

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	\$ 127,508,530	\$ 450,150	\$ 127,958,680	\$ 5,576
Cash and investments with fiscal agents (note 2)	778,313	-	778,313	-
Investments in real estate (note 2)	53,181,000	94,000,000	147,181,000	-
Investment in joint venture (note 2)	7,121,578	-	7,121,578	-
Receivables:				
Taxes and special assessments	3,377,988	-	3,377,988	-
Accounts	2,632,863	5,176	2,638,039	-
Interest	344,670	2,984	347,654	27
Notes (note 3)	159,157,390	-	159,157,390	-
Other (note 4)	748,006	719,618	1,467,624	-
Due from other governments	1,696,961	-	1,696,961	-
Advances to Successor Agency (note 18)	14,754,663	-	14,754,663	-
Deposits	703,649	75,601	779,250	1,260,066
Prepays	32,386	-	32,386	-
Land held for resale	5,213,119	-	5,213,119	-
Capital assets, not depreciated (note 7)	346,918,657	-	346,918,657	-
Capital assets, net of depreciation (note 7)	259,088,848	-	259,088,848	-
Total Assets	983,258,621	95,253,529	1,078,512,150	1,265,669
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	18,315,468	-	18,315,468	-
Loss on defeasance of debt	64,334	-	64,334	-
OPEB related	267,000	-	267,000	-
Total Deferred Outflows of Resources	18,646,802	-	18,646,802	-
LIABILITIES				
Accounts payable	7,297,314	40,633	7,337,947	7,076
Accrued liabilities	1,570,408	-	1,570,408	-
Unearned revenue (note 6)	2,803,745	160,631	2,964,376	-
Deposits payable	1,577,307	80,110	1,657,417	-
Noncurrent liabilities (note 8):				
Due within one year	3,999,296	-	3,999,296	-
Due in more than one year	75,531,396	-	75,531,396	-
Total Liabilities	92,779,466	281,374	93,060,840	7,076
DEFERRED INFLOWS OF RESOURCES				
Pension related	2,211,585	-	2,211,585	-
OPEB related	719,000	-	719,000	-
Total Deferred Outflows of Resources	2,930,585	-	2,930,585	-
NET POSITION				
Net investment in capital assets (note 10)	599,739,265	-	599,739,265	-
Restricted for:				
Permanent fund - not expendable	-	-	-	1,000,000
Permanent fund - expendable	-	-	-	258,593
Affordable housing	197,267,954	-	197,267,954	-
Transportation	4,768,611	-	4,768,611	-
Lighting and landscape	12,833,499	-	12,833,499	-
Capital improvements	3,186,646	-	3,186,646	-
Public facilities	37,499,234	-	37,499,234	-
Other purposes	2,578,052	-	2,578,052	-
Unrestricted	48,322,111	94,972,155	143,294,266	-
Total Net Position	\$ 906,195,372	\$ 94,972,155	\$ 1,001,167,527	\$ 1,258,593

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

City of San Marcos

Statement of Activities **For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 19,444,881	\$ 1,704,211	\$ 240,134	\$ -
Community development	6,368,611	2,485,165	5,605,219	331,495
Public safety	40,504,526	12,001,681	377,988	-
Highways, streets, and parks	32,201,548	7,860,930	10,897,835	4,106,284
Culture and recreation	4,209,685	2,466,095	485,665	-
Interest on long-term debt	<u>295,292</u>	-	-	-
Total governmental activities	103,024,543	26,518,082	17,606,841	4,437,779
Business-type activities:				
Creekside Marketplace	<u>771,106</u>	<u>5,510,983</u>	-	-
Total Primary Government	<u>\$ 103,795,649</u>	<u>\$ 32,029,065</u>	<u>\$ 17,606,841</u>	<u>\$ 4,437,779</u>
Component Unit:				
Permanent Fund Community Foundation	\$ 69,946	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 69,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Net (Expense) Revenue and Changes in Net Position			Permanent Fund
	Governmental Activities	Business-Type Activities	Total	Community Foundation
Functions/Programs				
Governmental activities:				
General government	\$ (17,500,536)	\$ -	\$ (17,500,536)	\$ -
Community development	2,053,268	-	2,053,268	-
Public safety	(28,124,857)	-	(28,124,857)	-
Highways, streets, and parks	(9,336,499)	-	(9,336,499)	-
Culture and recreation	(1,257,925)	-	(1,257,925)	-
Interest on long-term debt	(295,292)	-	(295,292)	-
Total governmental activities	(54,461,841)	-	(54,461,841)	-
Business-type activities:				
Creekside Marketplace	-	4,739,877	4,739,877	-
Total Primary Government	(54,461,841)	4,739,877	(49,721,964)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(69,946)
Total Component Unit	-	-	-	(69,946)
General revenues:				
Taxes:				
Property taxes	21,542,823	-	21,542,823	-
Transient occupancy taxes	1,303,446	-	1,303,446	-
Business license tax	232,733	-	232,733	-
Motor vehicle license	49,502	-	49,502	-
Franchise fees	4,042,123	-	4,042,123	-
Rental income	5,477,226	-	5,477,226	-
Sales taxes shared state revenue, unrestricted	17,270,634	-	17,270,634	-
Sales tax in lieu, unrestricted	4,209	-	4,209	-
Investment income, restricted	-	-	-	97,654
Investment income, unrestricted	1,305,351	6,759	1,312,110	-
Gain on disposal and sale of capital assets	258,282	-	258,282	-
Miscellaneous income	223,593	-	223,593	-
Transfers (note 5)	5,000,000	(5,000,000)	-	-
Total general revenues and transfers	56,709,922	(4,993,241)	51,716,681	97,654
Change in Net Position	2,248,081	(253,364)	1,994,717	27,708
Net Position, Beginning, as Restated	903,947,291	95,225,519	999,172,810	1,230,885
Net Position, Ending	\$ 906,195,372	\$ 94,972,155	\$ 1,001,167,527	\$ 1,258,593

City of San Marcos

Balance Sheet - Governmental Funds June 30, 2018

	Special Revenue		Total Non-Major Governmental Funds		Total
	General	San Marcos Affordable Housing			
ASSETS					
Cash and investments (note 2)	\$ 45,077,725	\$ 20,423,832	\$ 62,006,973	\$ 127,508,530	
Cash and investments with fiscal agents (note 2)	-	-	778,313	778,313	
Investments in real estate (note 2)	53,181,000	-	-	53,181,000	
Investment in joint venture (note 2)	7,121,578	-	-	7,121,578	
Receivables:					
Taxes and special assessments	3,355,701	-	22,287	3,377,988	
Accounts	2,538,974	21,921	71,968	2,632,863	
Interest	138,962	53,067	152,641	344,670	
Notes, net (note 3)	-	156,795,686	2,361,704	159,157,390	
Other, net (note 4)	627,490	-	120,516	748,006	
Due from other governments	542,836	-	1,154,125	1,696,961	
Advances to other funds (note 5)	-	2,631,471	-	2,631,471	
Due from other funds (note 5)	241,652	-	-	241,652	
Advances to Successor Agency (note 18)	-	14,754,663	-	14,754,663	
Deposits	703,649	-	-	703,649	
Land held for resale	4,053,684	301,087	858,348	5,213,119	
Total Assets	<u>\$ 117,583,251</u>	<u>\$ 194,981,727</u>	<u>\$ 67,526,875</u>	<u>\$ 380,091,853</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,572,971	\$ 29,028	\$ 1,695,315	\$ 7,297,314	
Accrued liabilities	1,434,310	11,952	110,183	1,556,445	
Advances from other funds (note 5)	2,631,471	-	-	2,631,471	
Due to other funds (note 5)	-	-	241,652	241,652	
Unearned revenue (note 6)	566,502	-	2,237,243	2,803,745	
Deposits payable	1,379,810	34,498	162,999	1,577,307	
Total Liabilities	<u>11,585,064</u>	<u>75,478</u>	<u>4,447,392</u>	<u>16,107,934</u>	
Deferred Inflows of Resources:					
Unavailable revenue (note 6)	<u>1,124,381</u>	<u>156,795,685</u>	<u>2,501,636</u>	<u>160,421,702</u>	
Fund Balances (note 9):					
Nonspendable:					
Land held for resale	4,053,684	-	-	4,053,684	
Deposits	703,649	-	-	703,649	
Investments in real estate (note 2)	53,181,000	-	-	53,181,000	
Investment in joint venture (note 2)	7,121,578	-	-	7,121,578	
Restricted:					
Affordable housing	-	38,110,564	-	38,110,564	
Transportation	-	-	4,768,611	4,768,611	
Lighting and landscape	-	-	12,814,083	12,814,083	
Capital improvements	-	-	3,186,646	3,186,646	
Public facilities	-	-	37,378,718	37,378,718	
Other purposes	-	-	2,578,052	2,578,052	
Assigned (note 9)	11,313,621	-	-	11,313,621	
Unassigned	<u>28,500,274</u>	<u>-</u>	<u>(148,263)</u>	<u>28,352,011</u>	
Total Fund Balances	<u>104,873,806</u>	<u>38,110,564</u>	<u>60,577,847</u>	<u>203,562,217</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 117,583,251</u>	<u>\$ 194,981,727</u>	<u>\$ 67,526,875</u>	<u>\$ 380,091,853</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, 2018

Fund balances of governmental funds \$ 203,562,217

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. 32,386

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

Capital assets, not depreciated	\$ 346,918,657
Capital assets, being depreciated	476,965,763
Less: accumulated depreciation	<u>(217,876,915)</u> 606,007,505

Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position. 64,334

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. (13,963)

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

Pension related deferred outflows of resources	\$ 18,315,468
Pension related deferred inflows of resources	<u>(2,211,585)</u> 16,103,883

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

OPEB related deferred outflows of resources	\$ 267,000
OPEB related deferred inflows of resources	<u>(719,000)</u> (452,000)

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

Bonds payable	\$ (3,492,221)
Compensated absences	(4,479,651)
Claims payable	(1,420,926)
Capital lease financing	(1,731,711)
Loans payable	(1,108,642)
Net pension liability	(59,258,541)
Net OPEB liability	<u>(8,039,000)</u> (79,530,692)

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

160,421,702

Net position of governmental activities \$ 906,195,372

City of San Marcos

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2018

	Special Revenue		Total Non-Major Governmental Funds	Total
	San Marcos	Affordable Housing		
	General			
REVENUES				
Taxes and special assessments	\$ 23,079,002	\$ -	\$ 7,655,446	\$ 30,734,448
Licenses and permits	5,567,081	-	-	5,567,081
Intergovernmental	17,847,504	-	6,392,654	24,240,158
Charges for services	16,391,482	-	-	16,391,482
Developer fees	23,769	1,757,388	8,487,994	10,269,151
Fines and forfeitures	592,516	-	-	592,516
Investment and rental income	6,488,697	1,235,540	901,700	8,625,937
Miscellaneous	615,845	1,269,655	284,716	2,170,216
Total Revenues	70,605,896	4,262,583	23,722,510	98,590,989
EXPENDITURES				
Current:				
General government	17,230,160	389,027	-	17,619,187
Community development	4,238,446	1,857,882	323,380	6,419,708
Public safety	37,334,894	-	-	37,334,894
Highways, streets and parks	10,131,935	-	8,792,397	18,924,332
Culture and recreation	3,666,433	-	264,502	3,930,935
Capital outlay	188,673	-	6,046,511	6,235,184
Debt service:				
Principal	594,115	-	858,688	1,452,803
Interest and fiscal charges	99,562	-	169,085	268,647
Cost of issuance	-	-	108,311	108,311
Total Expenditures	73,484,218	2,246,909	16,562,874	92,294,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,878,322)	2,015,674	7,159,636	6,296,988
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	3,535,000	3,535,000
Payment to refunding bond escrow agent	-	-	(3,535,000)	(3,535,000)
Transfers in (note 5)	5,182,250	-	4,637,891	9,820,141
Transfers out (note 5)	(2,506,385)	-	(2,313,756)	(4,820,141)
Total Other Financing Sources (Uses)	2,675,865	-	2,324,135	5,000,000
Net Change in Fund Balances	(202,457)	2,015,674	9,483,771	11,296,988
Fund Balances, Beginning, as Restated	105,076,263	36,094,890	51,094,076	192,265,229
Fund Balances, Ending	\$ 104,873,806	\$ 38,110,564	\$ 60,577,847	\$ 203,562,217

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, 2018

Net change in fund balances - total governmental funds \$ 11,296,988

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 capitalized	\$ 6,166,692
Depreciation expense, net of deletions to capital assets	<u>(15,735,837)</u>
	(9,569,145)

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	1,990,020
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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.

Principal payments on long-term debt	\$ 4,987,803
Issuance of long-term debt	(3,535,000)
Changes in pension related items	(2,585,678)
Changes in OPEB related items	<u>(279,000)</u>
	(1,411,875)

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	\$ 8,153
Change in claims payable	(39,415)
Change in accrued interest	(13,963)
Amortization of prepaid insurance	(2,944)
Amortization of deferred loss	(5,849)
Amortization of bond discount	<u>(3,889)</u>
	(57,907)
Change in net position of governmental activities	<u>\$ 2,248,081</u>

City of San Marcos

Statement of Net Position - Proprietary Funds June 30, 2018

	Enterprise Funds	
	Creekside	
	Marketplace	
ASSETS		
Current Assets:		
Cash and investments (note 2)	\$ 450,150	
Investments in real estate (note 2)	94,000,000	
Receivables:		
Accounts	5,176	
Interest	2,984	
Deposits	<u>75,601</u>	
Total Current Assets	<u>94,533,911</u>	
Noncurrent Assets:		
Other receivable (note 4)	<u>719,618</u>	
Total Noncurrent Assets	<u>719,618</u>	
Total Assets	<u>95,253,529</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	40,633	
Deposits payable	80,110	
Unearned revenue	<u>160,631</u>	
Total Liabilities	<u>281,374</u>	
NET POSITION		
Unrestricted	<u>94,972,155</u>	
Total Net Position	<u>\$ 94,972,155</u>	

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

City of San Marcos

**Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds
For the Year Ended June 30, 2018**

	Enterprise Funds
	Creekside
	Marketplace
OPERATING REVENUES	
Rental income	\$ 4,801,097
Common area maintenance charges	<u>709,886</u>
Total Operating Revenues	<u>5,510,983</u>
OPERATING EXPENSES	
Property management	289,414
Janitorial	142,911
Repair and maintenance	<u>338,781</u>
Total Operating Expenses	<u>771,106</u>
Operating Income	4,739,877
NON-OPERATING REVENUE	
Investment income	<u>6,759</u>
Income Before Transfers	4,746,636
TRANSFERS	
Transfers out (note 5)	<u>(5,000,000)</u>
Total Transfers	<u>(5,000,000)</u>
Change in Net Position	(253,364)
Net Position, Beginning	<u>95,225,519</u>
Net Position, Ending	<u>\$ 94,972,155</u>

City of San Marcos

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds
	Creekside
	Marketplace
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 5,085,537
Payments to suppliers for goods and services	<u>(771,106)</u>
Net cash provided by operating activities	<u>4,314,431</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from settlement agreement	19,493
Transfer to general fund	<u>(5,000,000)</u>
Net cash (used for) noncapital financing activities	<u>(4,980,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>6,769</u>
Net increase (decrease) in cash and cash equivalents	<u>(659,307)</u>
Cash and cash equivalents, beginning	<u>1,109,457</u>
Cash and cash equivalents, ending	<u>\$ 450,150</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 4,739,877
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in operating receivables:	
Accounts receivable	1,778
Deposit receivable	65,117
Increase (decrease) in operating liabilities:	
Accounts payable	(354,421)
Unearned revenue	<u>(137,920)</u>
Net cash provided by for operating activities	<u>\$ 4,314,431</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, 2018**

	<u>Agency Funds</u>	<u>Private-Purpose Trust Funds</u>
ASSETS		
Cash and investments (note 2)	\$ 3,585,404	\$ 7,125,546
Receivables:		
Special assessments	47,167	-
Interest	57	34,526
Direct financing lease	-	2,390,667
Prepaid expenses	-	335,571
Restricted Assets:		
Cash and investments with fiscal agents (note 2)	11,904,586	53,509,933
Capital Assets:		
Land	<u>-</u>	<u>3,907,369</u>
Total Assets	<u>\$ 15,537,214</u>	<u>67,303,612</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt		<u>11,499,930</u>
LIABILITIES		
Accounts payable	\$ 4,333	3,016
Accrued liabilities	-	12,683
Accrued interest payable	-	2,628,070
Due to other governments	-	5,755
Deposits payable	3,580,991	-
Due to bondholders	11,951,890	-
Noncurrent Liabilities:		
Due within one year	<u>-</u>	<u>13,556,276</u>
Due in more than one year	<u>-</u>	<u>288,261,497</u>
Total Liabilities	<u>\$ 15,537,214</u>	<u>304,467,297</u>
NET POSITION (DEFICIT)		
Held in trust for other taxing entities		<u>\$ (225,663,755)</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, 2018

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Tax	\$ 26,653,826
Income from property and investments	119,621
Other revenue	<u>130,098</u>
 Total Additions	 <u>26,903,545</u>
DEDUCTIONS	
General and administrative	1,344,421
Interest expense and fees	<u>12,345,531</u>
 Total Deductions	 <u>13,689,952</u>
Change in Net Position	13,213,593
Net Position (Deficit), Beginning	<u>(238,877,348)</u>
Net Position (Deficit), Ending	<u>\$ (225,663,755)</u>

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

City of San Marcos

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City of San Marcos

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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 or the FPD, through the construction and/or acquisition by the Financing Authority of such public capital improvements and/or by the Financing Authority of bonds of the City, FPD or any other local agency pursuant the bond purchase agreements and/or the lending of funds by the Financing Authority to the City, the FPD or any other local agency. The Financing Authority is governed by a board of five directors, which is composed of the 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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."

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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 (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

GASB Statement No. 75, which was implemented in the current year, 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	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

(14) Reclassifications and Eliminations

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(15) Use of Estimates

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

(16) Fund 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(16) Fund Balances, (continued)

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

(17) 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 127,958,680
Cash and investments with fiscal agents	778,313
Investments in real estate	147,181,000
Investment in joint venture	7,121,578
Statement of fiduciary net position:	
Cash and investments	10,710,950
Cash and investments with fiscal agents	<u>65,414,519</u>
Total Cash and Investments	<u>\$ 359,165,040</u>

Cash and investments at June 30, 2018 consisted of the following:

Demand deposits	\$ 1,962,009
Local Agency Investment Pool (LAIF)	34,586,122
California Asset Management Pool (CAMP)	42,536,290
Federal Agency Securities	22,956,879
U.S. Treasury Obligations	17,656,539
U.S. Corporate	15,075,685
Asset-Backed Securities	4,137,160
Negotiable CD's	2,550,000
Money Market Mutual Funds	63,401,778
Real Estate	147,181,000
Joint Venture	<u>7,121,578</u>
Total Cash and Investments	<u>\$ 359,165,040</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018

2) CASH AND INVESTMENTS, (continued)

Investments Authorized by Debt Agreements

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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	\$ 22,018,783	\$ -	\$ 13,191,957	\$ 8,826,826	\$ -
U.S. Treasury Obligations	15,778,180	-	8,408,763	7,369,417	-
U.S. Corporate	15,075,685	3,189,952	6,735,440	5,150,293	-
Asset-Backed Securities	4,137,160	53,536	2,047,058	2,036,566	-
Negotiable CD's	2,550,000	2,550,000	-	-	-
Money Market Mutual Funds	60,704	60,704	-	-	-
LAIF	34,586,122	34,586,122	-	-	-
CAMP	42,536,290	42,536,290	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	63,341,074	63,341,074	-	-	-
U.S. Treasury Obligations	1,878,359	554,035	1,324,324	-	-
Federal Agency Securities	938,096	296,241	641,855	-	-
Real Estate	147,181,000	-	-	-	147,181,000
Joint Venture	7,121,578	-	-	-	7,121,578
Total	\$ 357,203,031	\$ 147,167,954	\$ 32,349,397	\$ 23,383,102	\$ 154,302,578

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, 2018

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	\$ 22,018,783	N/A	AA+
U.S. Treasury Obligations	15,778,180	N/A	AA+
U.S. Corporate	15,075,685	N/A	A+
Asset-Backed Securities	4,137,160	N/A	AAA
Negotiable CD's	2,550,000	N/A	A-1
Money Market Mutual Funds	60,704	N/A	AAA
LAIF	34,586,122	N/A	Not Rated
CAMP	42,536,290	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	63,341,074	A	AAA
U.S. Treasury Obligations	1,878,359	N/A	AA+
Federal Agency Securities	938,096	N/A	AA+
Real Estate	147,181,000	N/A	Not Rated
Joint Venture	<u>7,121,578</u>	N/A	Not Rated
Total	<u>\$ 357,203,031</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, 2018 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018, 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, 2018

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, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, 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, 2018.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 22,018,783	\$ -	\$ 22,018,783	\$ -
U.S. Treasury Obligations	15,778,180	-	15,778,180	-
U.S. Corporate	15,075,685	-	15,075,685	-
Asset-Backed Securities	4,137,160	-	4,137,160	-
Negotiable CD's	2,550,000	-	2,550,000	-
Held by bond trustees:				
U.S. Treasury Obligations	1,878,359	-	1,878,359	-
Federal Agency Securities	938,096	-	938,096	-
Real Estate	147,181,000	-	-	147,181,000
Joint Venture	7,121,578	-	-	7,121,578
Total Investments by Fair Value Level	216,678,841	\$ -	\$ 62,376,263	\$ 154,302,578
Investments Measured at Net Asset Value (NAV) (which approximates fair value)				
LAIF	34,586,122			
CAMP	42,536,290			
Money Market Mutual Funds	60,704			
Held by bond trustees:				
Money Market Mutual Funds	63,341,074			
Total		\$ 357,203,031		

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

3) NOTES RECEIVABLE

At June 30, 2018, 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.

\$ 1,380,070

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.

149,887,879

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, 2018 includes accrued interest of \$393,467.

1,713,467

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, 2018 includes accrued interest of \$86,722.

786,722

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018 includes accrued interest of \$485,385.

\$ 2,331,010

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.

2,361,705

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.

696,537

Total notes receivable

\$ 159,157,390

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

4) OTHER RECEIVABLES

At June 30, 2018, other receivables consisted of the following:

Governmental Funds:

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

627,490

Total other receivables – governmental funds

\$ 748,006

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.

\$ 719,618

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2018:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	\$ <u>241,652</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, 2018:

Receivable Fund	Payable Fund	Amount
San Marcos Affordable Housing	General Fund	\$ <u>2,631,471</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:

	Transfers In			Total Transfers Out
	General Fund	Non-Major Governmental Funds		
Transfers Out:				
General Fund	\$ -	\$ 2,506,385		\$ 2,506,385
Creekside Marketplace				
Enterprise Fund	5,000,000	-		5,000,000
Non-major Governmental Funds	<u>182,250</u>	<u>2,131,506</u>		<u>2,313,756</u>
Total Transfers In:	<u>\$ 5,182,250</u>	<u>\$ 4,637,891</u>		<u>\$ 9,820,141</u>

All of the transfers were made as budgeted. The transfer of \$5,000,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations. Of the transfer of \$2,506,385 from General Fund to the Non-Major Governmental Funds, \$1,133,032 was for operational activities and the remainder was to fund Capital Improvement Program (CIP) projects. The \$2,131,506 transfers between the Non-Major Governmental Funds were also to fund the CIP projects.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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	\$ -	\$ 566,502	\$ 566,502
Revenue received from developers prior to earning	-	2,237,243	2,237,243
Revenues earned but not available within 60 days after the close of the fiscal year	490,682	-	490,682
Fees receivable from property owners under various agreements	201,080	-	201,080
Long-term loans to mobile home owners	1,380,070	-	1,380,070
Long-term loans to individuals under a mortgage assistance program	3,058,242	-	3,058,242
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	153,578,161	-	153,578,161
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,713,467	-	1,713,467
 Total unavailable/earned revenue for governmental funds	<u>\$ 160,421,702</u>	<u>\$ 2,803,745</u>	<u>\$ 163,225,447</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2018:

Governmental Activities:	Balance			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets, not depreciated:				
Land	\$ 258,117,857	\$ 282,374	\$ (350,838)	\$ 258,049,393
Land improvements	66,366,981	-	(362,778)	66,004,203
Construction in progress	22,210,542	4,780,815	(4,126,296)	22,865,061
Total capital assets, not depreciated	<u>346,695,380</u>	<u>5,063,189</u>	<u>(4,839,912)</u>	<u>346,918,657</u>
Capital assets, being depreciated:				
Buildings	73,062,865	-	-	73,062,865
Furniture and equipment	18,606,559	1,911,812	(1,679,347)	18,839,024
Infrastructure	381,745,887	3,317,987	-	385,063,874
Total capital assets, being depreciated	<u>473,415,311</u>	<u>5,229,799</u>	<u>(1,679,347)</u>	<u>476,965,763</u>
Less accumulated depreciation for:				
Buildings	(28,513,993)	(1,461,257)	-	(29,975,250)
Furniture and equipment	(11,485,012)	(1,982,894)	1,583,019	(11,884,887)
Infrastructure	(164,535,036)	(11,481,742)	-	(176,016,778)
Total accumulated depreciation	<u>(204,534,041)</u>	<u>(14,925,893)</u>	<u>1,583,019</u>	<u>(217,876,915)</u>
Total capital assets, being depreciated, net	<u>268,881,270</u>	<u>(9,696,094)</u>	<u>(96,328)</u>	<u>259,088,848</u>
Total governmental activities	<u>\$ 615,576,650</u>	<u>\$ (4,632,905)</u>	<u>\$ (4,936,240)</u>	<u>\$ 606,007,505</u>

Current year deletions to construction in progress include \$3,317,987 addition to infrastructure, and \$808,309 addition to furniture & equipment for the completion of building a leased fire engine.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

7) CAPITAL ASSETS, (continued)

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

Governmental Activities:

General government	\$ 967,476
Public safety	1,657,637
Highways, streets and parks	12,176,438
Culture and recreation	<u>124,342</u>
 Total depreciation expense – governmental activities	 <u>\$ 14,925,893</u>

Assets acquired through capital leases are as follows:

Equipment	\$ 1,933,031
Less: Accumulated depreciation	<u>(488,994)</u>
 Total	 <u>\$ 1,444,037</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 4,165,000	\$ 3,535,000	\$ (4,165,000)	\$ 3,535,000	\$ 320,000
Plus (less) deferred amounts:					
Issuance discount	(46,668)	-	3,889	(42,779)	-
Total bonds payable	4,118,332	3,535,000	(4,161,111)	3,492,221	320,000
Note payable	141,146	-	(141,146)	-	-
Compensated absences	4,487,804	2,874,516	(2,882,669)	4,479,651	2,774,618
Claims payable	1,381,511	396,201	(356,786)	1,420,926	300,000
Capital leases payable	2,250,027	-	(518,316)	1,731,711	439,700
Loans payable	1,271,983	-	(163,341)	1,108,642	164,978
Net pension liability	57,417,266	1,841,275	-	59,258,541	-
Net OPEB liability	-	8,039,000	-	8,039,000	-
Total	\$ 71,068,069	\$ 16,685,992	\$ (8,223,369)	\$ 79,530,692	\$ 3,999,296

The entire net pension and net OPEB liabilities are reported as a noncurrent liabilities in the accompanying Statement of Net Position in accordance with GASB Statement Nos. 68 and 75, respectively. Net pension and net OPEB liabilities are generally liquidated by the City's General Fund. See notes 11 and 12, respectively, for more information.

Bonds Payable

In November 2017, the San Marcos Public Financing Authority issued \$3,535,000, 2017 Lease Revenue Refunding Bonds to refund the San Marcos Public Facilities Authority 2006 Lease Revenue Refunding Bonds. The bonds consist entirely of serial bonds of \$3,535,000 maturing from 2018 to 2028 in annual installments of \$105,000 to \$380,000. Interest is payable semi-annually on May 1 and November 1 commencing May 1, 2018 at interest rate of 2.37%. The reserve requirement was fully funded at the end of the fiscal year.

\$ 3,535,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

8) LONG-TERM LIABILITIES, (continued)

Bonds Payable, (continued)

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%.

These bonds were paid in full in the current year by the San Marcos Public Financing Authority 2017 Lease Revenue Refunding Bonds. As a result of the current refunding, the City decreased its debt service cash flow by \$959,011, resulting in an economic gain of \$357,045 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 320,000	\$ 77,263	\$ 397,263
2020	310,000	76,196	386,196
2021	320,000	68,849	388,849
2022	335,000	61,265	396,265
2023	340,000	53,325	393,325
2024-2028	1,805,000	142,910	1,947,910
2029	105,000	2,488	107,488
Total	\$ 3,535,000	\$ 482,296	\$ 4,017,296

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

8) LONG-TERM LIABILITIES, (continued)

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 \$4,479,651 as of June 30, 2018.

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 13). The amount outstanding as of June 30, 2018 was \$1,420,926.

Capital Leases Payable

Future lease payments under the capital lease are as follows:

Year Ending June 30,	Principal
2019	\$ 439,700
2020	324,338
2021	324,338
2022	323,338
2023	297,105
2024	148,553
Total minimum lease payments	1,857,372
Less amount representing interest	(125,661)
Net present value of minimum lease payments	<u><u>\$ 1,731,711</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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.

\$ 231,980

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

876,662

Total loans payable

\$ 1,108,642

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

Year Ending June 30,	Principal	Interest	Total
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	92,020	4,948	96,968
2024-2028	<u>425,627</u>	<u>10,725</u>	<u>436,352</u>
	<u><u>\$ 1,108,642</u></u>	<u><u>\$ 48,608</u></u>	<u><u>\$ 1,157,250</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

9) FUND BALANCE CLASSIFICATIONS

Fund balance for governmental funds are classified as (1) nonspendable, (2) restricted, (3) assigned, or (4) unassigned. The details of the governmental fund balances as of June 30, 2018 are presented below:

	General	San Marcos Affordable Housing	Total Non-Major Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Land held for resale	\$ 4,053,684	\$ -	\$ -	\$ 4,053,684
Deposits	703,649	-	-	703,649
Investments in real estate	53,181,000	-	-	53,181,000
Investment in joint venture	7,121,578	-	-	7,121,578
Subtotal	<u>65,059,911</u>	-	-	<u>65,059,911</u>
Restricted for:				
Affordable housing	-	38,110,564	-	38,110,564
Transportation	-	-	4,768,611	4,768,611
Lighting and landscape	-	-	12,814,083	12,814,083
Capital improvements	-	-	3,186,646	3,186,646
Public facilities	-	-	37,378,718	37,378,718
Other purposes	-	-	2,578,052	2,578,052
Subtotal	-	38,110,564	60,726,110	98,836,674
Assigned to:				
Vehicle & equipment acquisition/ replacement	1,869,967	-	-	1,869,967
City facilities replacement/ rehabilitation	4,355,892	-	-	4,355,892
City infrastructure replacement/ rehabilitation	5,087,762	-	-	5,087,762
Subtotal	<u>11,313,621</u>	-	-	<u>11,313,621</u>
Unassigned	<u>28,500,274</u>	-	<u>(148,263)</u>	<u>28,352,011</u>
Total	<u>\$ 104,873,806</u>	\$ 38,110,564	\$ 60,577,847	\$ 203,562,217

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

10) 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, 2018 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund	Community Foundation
Net Investment in Capital Assets:					
Capital assets, net of accumulated depreciation	\$ 606,007,505	\$ -	\$ 606,007,505	\$ -	
Loss of defeasance of debt	64,334	-	64,334	-	
Less capital related debt balances:					
Bonds payable	(3,492,221)	-	(3,492,221)	-	
Capital leases payable	(1,731,711)	-	(1,731,711)	-	
Loans payable	(1,108,642)	-	(1,108,642)	-	
Total Net Investment in Capital Assets	599,739,265	-	599,739,265	-	
Restricted for:					
Permanent fund - not expendable	-	-	-	1,000,000	
Permanent fund - expendable	-	-	-	258,593	
Affordable housing	197,267,954	-	197,267,954	-	
Transportation	4,768,611	-	4,768,611	-	
Lighting and landscape	12,833,499	-	12,833,499	-	
Capital improvements	3,186,646	-	3,186,646	-	
Public facilities	37,499,234	-	37,499,234	-	
Other purposes	2,578,052	-	2,578,052	-	
Total Restricted	258,133,996	-	258,133,996	1,258,593	
Unrestricted	48,322,111	94,972,155	143,294,266	-	
Total	\$ 906,195,372	\$ 94,972,155	\$ 1,001,167,527	\$ 1,258,593	

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) 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, 2016 Annual Actuarial Valuation Report. 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.

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 other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and 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.

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, 2018

11) 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, 2018, are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	Prior to January 1, 2013	On or After January 1, 2013
Hire date	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit formula			
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.50%
Required employer contribution rates	10.949%	10.949%	10.949%

	Safety Plan		
	Prior to May 15, 2012	Prior to January 1, 2013	On or After January 1, 2013
Hire date	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit formula			
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	21.418%	18.487%	12.729%

Employees Covered

At June 30, 2016 (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	166
Inactive employees entitled to but not yet receiving benefits	260
Active employees	195
Total	621

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) 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, 2018 were \$4,274,518.

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, 2018 were \$2,179,053. The actual employer payments of \$1,550,376 made to CalPERS by the City during the measurement period ended June 30, 2017 differed from the City's proportionate share of the employer's contributions of \$1,814,044 by \$263,668, 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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2018

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	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⁾ 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, 2016 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 at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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. The tests revealed the assets would not run out. Therefore, the current 7.15 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 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate, (continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Year 11+²
Global Equity	47.0%	4.90%	5.38%
Global Fixed income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	100.0%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

C) Changes in 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)
Balance at: 6/30/2016 (VD)	\$ 119,397,631	\$ 76,859,959	\$ 42,537,672
Changes Recognized for the Measurement Period:			
• Service Cost	2,805,674	-	2,805,674
• Interest on the Total Pension Liability	8,918,976	-	8,918,976
• Changes of Benefit Terms	-	-	-
• Changes of Assumptions	7,506,452	-	7,506,452
• Differences between Expected and Actual Experience	(697,183)	-	(697,183)
• Net Plan to Plan Resource Movement	-	-	-
• Contributions from Employers	-	9,542,711	(9,542,711)
• Contributions from Employees	-	1,169,316	(1,169,316)
• Net Investment Income	-	8,627,538	(8,627,538)
• Benefit Payments, including Refunds of Employee Contributions	(5,737,609)	(5,737,609)	-
• Administrative Expense	-	(113,479)	113,479
Net Changes during 2016-17	12,796,310	13,488,477	(692,167)
Balance at: 6/30/2017 (MD)	\$ 132,193,941	\$ 90,348,436	\$ 41,845,505

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

C) Changes in 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: 6/30/2016 (VD)	\$ 61,417,462	\$ 46,537,868	\$ 14,879,594
Balance at: 6/30/2017 (MD)	69,978,719	52,565,683	17,413,036
Net changes during 2016-17	8,561,257	6,027,815	2,533,442

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, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

	Safety Plan
Proportion - June 30, 2016	0.28729%
Proportion - June 30, 2017	0.29142%
Change - Increase (Decrease)	0.00413%

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

C) Changes in 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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plans' Net Pension Liability	\$ 60,110,228	\$ 41,845,505	\$ 26,839,177
Safety Plans' Net Pension Liability	\$ 27,204,253	\$ 17,413,036	\$ 9,409,205

Subsequent Events

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

Recognition of Gains and Losses

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

C) Changes in 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 expected average 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, 2017, measurement date is 3.1 years, which was obtained by dividing the total service years of 1,911 (the sum of remaining service lifetimes of the active employees) by 621 (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, 2017, is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (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, 2018

11) 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, 2016), the net pension liability is \$42,537,672. For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense of \$6,261,743 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,805,674
Interest on Total Pension Liability	8,918,976
Recognized Changes of Assumptions	1,908,580
Recognized Differences between Expected and Actual Experience	(685,147)
Employee Contributions	(1,169,316)
Projected Earnings on Pension Plan Investments	(5,657,754)
Recognized Differences between Projected and Actual	
Earnings on Plan Investments	27,251
Administrative Expense	113,479
Total Pension Expense	\$ 6,261,743

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

As of the start of the measurement period (July 1, 2016), the net pension liability for the safety plans is \$14,879,594. For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense of \$3,530,199 for the safety plan.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) RETIREMENT PLAN, (continued)

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

As of June 30, 2018, 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	\$ 425,751	\$ (1,099,386)	\$ 204,366	\$ (53,284)
Changes of Assumptions	5,085,016	(461,572)	2,963,815	(227,392)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,180,715	-	646,228	-
Change in Employer's Proportion	-	-	836,309	(175,669)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	519,697	(194,282)
Pension Contributions Subsequent to Measurement Date	4,274,518	-	2,179,053	-
	<u>\$ 10,966,000</u>	<u>\$ (1,560,958)</u>	<u>\$ 7,349,468</u>	<u>\$ (650,627)</u>

These amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense. The \$4,274,518 and \$2,179,053 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:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
2019	\$ 1,371,643	\$ 1,597,393
2020	3,651,163	2,066,053
2021	701,674	1,234,473
2022	(593,956)	(378,131)
2023	-	-
Thereafter	-	-

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

11) 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, 2018.

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, 2018, the City's total payroll and covered payroll for part-time employees was \$1,224,851. The City made employer contributions of \$23,272 (1.9% of current covered payroll), and employees contributed \$68,592 (5.6% of current covered payroll).

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

12) Other Postemployment Benefits (OPEB)

A) General Information about the OPEB Plans

Plan Description

Safety

Effective January 12, 1999, the City of San Marcos City Council and the San Marcos Fire Protection District (SMFPD) Board of Directors authorized the merger of the City and SMFPD contracts for the California Public Employees' Retirement System (CalPERS) for the Safety employees. For Safety retirees who retired before the merger, the City continues to contribute the amount necessary to pay the full cost of enrollment in the CalPERS Health Plan, including the enrollment of eligible family members, as passed by resolution by the SMFPD Board of Directors on April 12, 1977. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. For Safety retirees who retired after the merger, the City provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. The scheduled minimum required employer contributions for each eligible retiree under the CalPERS Health Plan are \$126.35 per month in 2018.

Miscellaneous

For non-safety or Miscellaneous employees, the City offers retirees and eligible dependents to continue on the City's miscellaneous employee health plan until they are eligible for Medicare benefits. Retirees may participate in the health plan at their own cost.

The City does not issue any financial report for the plans. A separate financial report is not prepared for the plans.

Employees Covered

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	247
Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to, but not yet receiving benefits	12
Total	<u>298</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

12) Other Postemployment Benefits (OPEB), (continued)

A) General Information about the OPEB Plans, (continued)

Contributions

The City pays the portion of the employer related health insurance premiums for the current retirees and their spouses/dependents on a pay-as-you-go basis (no prefunding). For fiscal year ended June 30, 2018, the City paid \$267,000 for other postemployment benefits.

B) Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Actuarial Valuation Date	June 30, 2016
Contribution Policy	No pre-funding
Discount Rate	3.58%
General Inflation	3.00%
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2011 Experience Study
Salary increases	3.25%
Medical Trend	Non-Medicare – 6.5% for 2018, decreasing to 5.00% for 2021 and later Medicare – 6.7% for 2018, decreasing to 5.00% for 2021 and later
Healthcare Participation	<i>Current Actives:</i> Miscellaneous - 70% Safety - 60% <i>Current Retirees:</i> Current election

Discount Rate

A discount rate of 3.58 percent was used in the valuation for measurement date June 30, 2017.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

12) Other Postemployment Benefits (OPEB), (continued)

B) Net OPEB Liability, (continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	(a)	(b) Plan	(a) - (b) = (c)
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (6/30/16 measurement date)	<u>\$ 8,212,000</u>	<u>\$ -</u>	<u>\$ 8,212,000</u>
Changes recognized for the measurement period:			
Service cost	600,000	-	600,000
Interest	248,000	-	248,000
Changes of assumptions	(815,000)	-	(815,000)
Benefit payments	(206,000)	-	(206,000)
Net changes	<u>(173,000)</u>	<u>-</u>	<u>(173,000)</u>
Balance at June 30, 2018 (6/30/17 measurement date)	<u>\$ 8,039,000</u>	<u>\$ -</u>	<u>\$ 8,039,000</u>

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 9,189,000	\$ 8,039,000	\$ 7,101,000

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 6,825,000	\$ 8,039,000	\$ 9,591,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

12) Other Postemployment Benefits (OPEB), (continued)

B) Net OPEB Liability, (continued)

OPEB Plan Fiduciary Net Position

As the City is not prefunding with an OPEB trust, Plan Fiduciary Net Position was \$0 at the June 30, 2017 measurement date.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$752,000. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 719,000
Contributions to OPEB plan subsequent to the measurement date	<u>267,000</u>	-
Total	<u>\$ 267,000</u>	<u>\$ 719,000</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

12) Other Postemployment Benefits (OPEB), (continued)

B) Net OPEB Liability, (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, (continued)

The \$267,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (96,000)
2020	(96,000)
2021	(96,000)
2022	(96,000)
2023	(96,000)
Thereafter	(239,000)

13) INSURANCE

A) California Joint Powers Insurance Authority

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

(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 primary 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.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpi.org/protection/coverage-programs>.

(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, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

(3) Purchased Insurance, (continued)

Property Insurance

The City of San Marcos participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of San Marcos property is currently insured according to a schedule of covered property submitted by the City of San Marcos to the Authority. City of San Marcos property currently has all-risk property insurance protection in the amount of \$180,037,218. There is a \$10,000 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. City of San Marcos property currently has earthquake protection in the amount of \$132,977,148. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

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 2017-18.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

13) INSURANCE, (continued)

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, 2018, the City had \$697,201 on deposit with PASIS and claims payable of \$1,420,926.

14) 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

14) JOINT VENTURES, (continued)

North County Dispatch Joint Powers Authority, (continued)

Summarized audited information of the JPA for the fiscal year ended June 30, 2017, the most current available information, is as follows:

Assets	\$ 4,360,219
Deferred outflows	635,931
Liabilities	(2,187,384)
Deferred inflows	(286,481)
<hr/>	<hr/>
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.

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 \$7,121,578 as of June 30, 2018. Separate financial statements for this joint venture are not available.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

15) ASSESSMENT DISTRICT, COMMUNITY FACILITIES DISTRICTS BONDS AND CONDUIT DEBT

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

Type of Debt	Amount of Issue	Outstanding June 30, 2018
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	\$ 12,420,786
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	10,665,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012A (Improvement Area No. 1)	13,820,000	11,780,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2012B (Improvement Area No. 1)	4,240,000	100,000
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	16,955,000
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	28,180,000
Total	\$111,870,000	\$ 80,100,786

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

15) 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, 2018</u>
\$2,300,000 Redevelopment Agency of the City of San Marcos Multifamily Housing Revenue Bonds (Villa Serena Apartments), 2000 Series A	\$ 1,416,037
\$6,000,000 City of San Marcos Mobile Home Park Revenue Bonds, Series 1999 (Valle Verde)	6,000,000
\$56,860,000 San Marcos Public Financing Authority Tax Increment Pass-through Revenue Refunding Bonds, San Marcos Unified School District, 2006 Series A	45,530,000
\$44,640,000 California Mobilehome Park Financing Authority Mobile Home Parks Revenue Refunding Bonds, Series 2006 A, B, C (Union City Tropics)	<u>36,555,000</u>
Total	<u>\$ 89,501,037</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

16) 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.

17) 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.

18) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

18) 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.

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, 2031 and payments of \$62,663 with no interest from July 15, 2002 to July 15, 2022. A net investment in direct financing lease has been recorded in the Successor Agency Trust to account for the net present value of the lease payments at June 30, 2018.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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

The following lists the components of the net investment in the direct financing lease as of June 30, 2018:

Total minimum lease payments to be received	\$ 3,234,422
Less unearned income	<u>(843,755)</u>
Net investment in direct financing lease	<u>\$ 2,390,667</u>

At June 30, 2018, the future minimum lease payments are as follows:

Year Ending June 30,	Amount
2019	\$ 323,138
2020	323,138
2021	323,138
2022	323,138
2023	260,475
2024-2028	989,057
2029-2032	<u>692,338</u>
Total	<u>\$ 3,234,422</u>

Capital Assets

Capital asset activity was as follows for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not depreciated				
Land	\$ 3,907,369	\$ -	\$ -	\$ 3,907,369
Total capital assets	<u>\$ 3,907,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,907,369</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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

Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Bonds payable	\$261,465,000	\$ 47,800,000	\$ (54,175,000)	\$ 255,090,000	\$ 13,210,000
Plus (less) deferred amounts:					
Issuance premium	10,622,234	-	(505,821)	10,116,413	-
Issuance discount	(1,203,878)	(1,000,315)	157,442	(2,046,751)	-
Total bonds payable	270,883,356	46,799,685	(54,523,379)	263,159,662	13,210,000
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos					
Affordable Housing Fund	17,254,663	-	(2,500,000)	14,754,663	-
Due to other governments	1,030,596	-	(402,444)	628,152	346,276
Total	<u>\$312,443,911</u>	<u>\$ 46,799,685</u>	<u>\$ (57,425,823)</u>	<u>\$ 301,817,773</u>	<u>\$ 13,556,276</u>

Bonds Payable

In December 2017, the Successor Agency to the San Marcos Redevelopment Agency (Agency) issued \$47,800,000 Tax Allocation Refunding Bonds, Series 2017, to refund the outstanding \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010, (Taxable). The bonds consist entirely of serial bonds of \$47,800,000 maturing from 2018 to 2030 in annual installments of \$3,150,000 to \$4,595,000. Interest is payable semi-annually on April 1 and October 1 commencing April 1, 2018 at rates ranging from 1.5% to 3.25%. Bonds maturing on or after October 1, 2028 are subject to optional redemption, in whole or in part, on any date on or after October 1, 2027. A discount of \$1,000,315 is being amortized over the life of the debt. The reserve requirement was met by the issuance of a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. at the end of the fiscal year.

\$ 47,800,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

18) 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 \$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.

78,290,000

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.

129,000,000

Total bonds payable

\$ 255,090,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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

Bonds Payable (continued)

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

These bonds were paid in full in the current year by the Successor Agency to the San Marcos Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2017. As a result of the current refunding, the Successor Agency decreased its debt service cash flow by \$15,193,410, resulting in an economic gain of \$7,052,139 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

Bond debt service requirements to maturity are as follows:

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 13,210,000	\$ 13,149,826	\$ 26,359,826
2020	12,010,000	12,771,130	24,781,130
2021	12,375,000	12,286,380	24,661,380
2022	12,800,000	11,754,491	24,554,491
2023	13,210,000	11,196,091	24,406,091
2024-2028	72,800,000	46,282,892	119,082,892
2029-2033	73,295,000	24,879,192	98,174,192
2034-2038	40,780,000	6,537,251	47,317,251
2039	4,610,000	230,595	4,840,595
Total	\$ 255,090,000	\$ 139,087,848	\$ 394,177,848

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

18) 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 (SERAFF) 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.

\$ 14,754,663

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

18) 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.

\$ 628,152

19) 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, 2018 has been restated as follows:

Special Revenue Funds:

Traffic Safety

Fund balance - beginning, as previously reported	\$ 1,441,102
Correction of an error	<u>(57,519)</u>
Fund balance - beginning, as restated	<u>\$ 1,383,583</u>

The restatement to the Special Revenue Fund 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, 2018

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

Fund Statements – Governmental Funds, (continued)

Capital Projects Funds:

Capital Improvements

Fund balance - beginning, as previously reported	\$ 1,908,822
Correction of an error	<u>351,599</u>
Fund balance - beginning, as restated	<u>\$ 2,260,421</u>

Transportation Sales Tax

Fund balance - beginning, as previously reported	\$ 195,245
Correction of an error	<u>(238,076)</u>
Fund balance - beginning, as restated	<u>\$ (42,831)</u>

The restatements to the Capital Project funds were due to corrections to some Capital Improvement Program (CIP) projects' expenditures 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	\$ 912,103,287
Correction of an error	56,004
Initial OPEB liability	<u>(8,212,000)</u>
Net position - beginning, as restated	<u>\$ 903,947,291</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 the restating of the initial OPEB liability which is due to the implementation of GASB Statement No. 75, as discussed in Note 1.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2018

20) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

As of June 30, 2018, the following funds presented a negative fund balance.

<u>Governmental Funds - Non-Major</u>		
Debt Service Funds		
San Marcos Public Facilities Authority		\$ (59,810)
Capital Projects Funds		
Transportation Sales Tax		\$ (88,453)

The Debt Service Funds' deficit fund balance will be remedied by rental income of the Safety Center. The Capital Projects Funds' deficit fund balance will be remedied by requesting reimbursement of CIP expenses.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of San Marcos

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

Miscellaneous Plan

	Measurement Period 6/30/2014	Measurement Period 6/30/2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,750,478	\$ 2,559,947
Interest	7,817,338	8,083,219
Difference Between Expected and Actual Experience	-	(2,717,435)
Changes of Assumptions	-	(2,000,140)
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)
Net Change in Total Pension Liability	6,508,670	1,338,428
Total Pension Liability - Beginning	104,885,512	111,394,182
Total Pension Liability - Ending (a)	\$ 111,394,182	\$ 112,732,610
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 3,469,533	\$ 4,558,184
Contributions - Employee	1,094,087	1,302,378
Net Investment Income	10,830,423	1,709,531
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)
Administrative Expense	-	(85,688)
Net Change in Fiduciary Net Position	11,334,897	2,897,242
Plan Fiduciary Net Position - Beginning	61,873,569	73,208,466
Plan Fiduciary Net Position - Ending (b)	\$ 73,208,466	\$ 76,105,708
Plan Net Pension Liability - Ending (a) - (b)	\$ 38,185,716	\$ 36,626,902
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.72%	67.51%
Covered Payroll	\$ 12,556,977	\$ 14,085,514
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	304.10%	260.03%

* Measurement period June 30, 2014 was the first year of implementation, therefore, only four 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 2017, the discount rate was adjusted from 7.65 to 7.15 percent. 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 Changes in Net Pension Liability and Related Ratios Last Ten Years*

Miscellaneous Plan

Measurement Period 6/30/2016	Measurement Period 6/30/2017
\$ 2,553,229	\$ 2,805,674
8,584,986	8,918,976
898,809	(697,183)
-	7,506,452
(5,372,003)	(5,737,609)
<u>6,665,021</u>	<u>12,796,310</u>
<u>112,732,610</u>	<u>119,397,631</u>
<u>\$ 119,397,631</u>	<u>\$ 132,193,941</u>
\$ 4,385,959	\$ 9,542,711
1,348,496	1,169,316
438,181	8,627,538
(5,372,003)	(5,737,609)
(46,382)	(113,479)
<u>754,251</u>	<u>13,488,477</u>
<u>76,105,708</u>	<u>76,859,959</u>
<u>\$ 76,859,959</u>	<u>\$ 90,348,436</u>
<u>\$ 42,537,672</u>	<u>\$ 41,845,505</u>
64.37%	68.35%
\$ 14,012,521	\$ 14,219,367
303.57%	294.29%

City of San Marcos

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

Miscellaneous Plan

Fiscal Year	Contributions in Relation to the			Contributions as a Percentage of Covered Payroll	
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	
6/30/2015	\$ 3,469,533	\$ (3,469,533)	\$ -	\$ 14,085,514	24.63%
6/30/2016	4,558,184	(4,558,184)	-	14,012,521	32.53%
6/30/2017	4,385,959	(4,385,959)	-	14,219,367	30.84%
6/30/2018	4,499,034	(9,499,034)	(5,000,000)	14,197,035	66.91%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015, Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2015, 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of San Marcos

Required Supplementary Information

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

and Related Ratios as of the Measurement Date

Last Ten Years*

Safety Plan

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.26294%	\$ 9,862,978	\$ 6,222,192	158.51%	81.42%
6/30/2015	0.27674%	11,402,729	6,725,963	169.53%	80.23%
6/30/2016	0.28729%	14,879,594	8,996,362	165.40%	75.77%
6/30/2017	0.29142%	17,413,036	6,816,670	255.45%	77.90%

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

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

City of San Marcos

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

Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 1,938,477	\$ (1,938,477)	\$ -	\$ 6,725,963	28.82%
6/30/2016	1,976,541	(1,976,541)	-	8,996,362	21.97%
6/30/2017	1,550,376	(1,550,376)	-	6,816,670	22.74%
6/30/2018	2,179,053	(2,179,053)	-	6,582,579	33.10%

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

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: The discount rate was reduced from 7.65% to 7.15% in the current year.

City of San Marcos

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

as of the Measurement Date

Last Ten Years*

	Fiscal Year	2017-18
	Measurement Period	2016-17
Total OPEB Liability		
Service cost	\$ 600,000	
Interest	248,000	
Changes of assumptions	(815,000)	
Benefit payments	(206,000)	
Net change in total OPEB liability	(173,000)	
Total OPEB liability - beginning	8,212,000	
Total OPEB liability - ending (a)	<u>8,039,000</u>	
Plan Fiduciary Net Position		
Contributions – employer	-	
Net investment income	-	
Benefit payments	-	
Administrative expense	-	
Net change in plan fiduciary net position	-	
Plan fiduciary net position - beginning	-	
Plan fiduciary net position - ending (b)	<u>-</u>	
Net OPEB liability - ending (a) - (b)	<u>\$ 8,039,000</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	
Covered-employee payroll	\$ 24,297,000	
Net OPEB liability as a percentage of covered payroll	33.1%	

* Fiscal year 2017-18 (measurement date June 30, 2017) was the first year of implementation, therefore, only one year is presented.

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 22,588,117	\$ 22,588,117	\$ 23,079,002	\$ 490,885
Licenses and permits	5,108,564	5,108,564	5,567,081	458,517
Intergovernmental	17,207,720	17,207,720	17,847,504	639,784
Charges for services	15,297,261	16,149,446	16,391,482	242,036
Developer fees	10,000	10,000	23,769	13,769
Fines and forfeitures	553,000	553,000	592,516	39,516
Investment and rental income	6,379,385	6,379,385	6,488,697	109,312
Miscellaneous	720,145	789,645	615,845	(173,800)
Total Revenues	67,864,192	68,785,877	70,605,896	1,820,019
EXPENDITURES				
Current:				
General government	18,090,876	20,479,350	17,230,160	3,249,190
Community development	4,351,334	4,658,103	4,238,446	419,657
Public safety	37,460,753	38,739,961	37,334,894	1,405,067
Highways, streets and parks	10,350,200	10,446,123	10,131,935	314,188
Culture and recreation	3,858,516	3,657,358	3,666,433	(9,075)
Capital outlay	169,100	148,154	188,673	(40,519)
Debt service:				
Principal	601,731	594,105	594,115	(10)
Interest and fiscal charges	53,395	61,020	99,562	(38,542)
Total Expenditures	74,935,905	78,784,174	73,484,218	5,299,956
Excess (Deficiency) of Revenues over Expenditures	(7,071,713)	(9,998,297)	(2,878,322)	7,119,975
OTHER FINANCING SOURCES (USES)				
Transfers in	5,660,500	5,660,500	5,182,250	(478,250)
Transfers out	(1,271,800)	(6,656,440)	(2,506,385)	4,150,055
Total Other Financing Sources (Uses)	4,388,700	(995,940)	2,675,865	3,671,805
Net Change in Fund Balance	(2,683,013)	(10,994,237)	(202,457)	10,791,780
Fund Balance, Beginning	105,076,263	105,076,263	105,076,263	-
Fund Balance, Ending	\$ 102,393,250	\$ 94,082,026	\$ 104,873,806	\$ 10,791,780

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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Developer fees	\$ 264,000	\$ 264,000	\$ 1,757,388	\$ 1,493,388
Investment and rental income	269,650	269,650	1,235,540	965,890
Miscellaneous	<u>481,500</u>	<u>481,500</u>	<u>1,269,655</u>	<u>788,155</u>
Total Revenues	<u>1,015,150</u>	<u>1,015,150</u>	<u>4,262,583</u>	<u>3,247,433</u>
EXPENDITURES				
Current:				
General government	409,044	409,044	389,027	20,017
Community development	<u>7,869,206</u>	<u>8,036,546</u>	<u>1,857,882</u>	<u>6,178,664</u>
Total Expenditures	<u>8,278,250</u>	<u>8,445,590</u>	<u>2,246,909</u>	<u>6,198,681</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,263,100)</u>	<u>(7,430,440)</u>	<u>2,015,674</u>	<u>9,446,114</u>
OTHER FINANCING SOURCES				
Transfers in	<u>146,800</u>	<u>146,800</u>	<u>-</u>	<u>(146,800)</u>
Total Other Financing Sources	<u>146,800</u>	<u>146,800</u>	<u>-</u>	<u>(146,800)</u>
Net Change in Fund Balance	<u>(7,116,300)</u>	<u>(7,283,640)</u>	<u>2,015,674</u>	<u>9,299,314</u>
Fund Balances, Beginning	<u>36,094,890</u>	<u>36,094,890</u>	<u>36,094,890</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 28,978,590</u>	<u>\$ 28,811,250</u>	<u>\$ 38,110,564</u>	<u>\$ 9,299,314</u>

City of San Marcos

Notes to Required Supplementary Information **June 30, 2018**

1) BUDGETARY INFORMATION

The City adopts an operating budget annually during June to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

Budgets for all governmental type funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Annual budgets are adopted for the General, Special Revenue, Debt Service Funds with the exception of the HOME Grant and CalHOME Grant Special Revenue Funds. Annual budgets are not adopted for all of the Capital Projects Funds. Therefore, budget and actual financial statements have not been prepared for them because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General, Special Revenue, and Capital Projects Funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end unless City Council takes action in the form of a resolution to continue the appropriations into the following fiscal year.

2) EXPENDITURES IN EXCESS OF APPROPRIATIONS

Governmental Funds - Non-Major Fund	Budget	Expenditures	Excess
Special Revenue Funds:			
Community Facilities District 98-02	\$ 5,497,435	\$ 5,908,295	\$ (410,860)
Street Lighting District	1,216,904	1,308,587	(91,683)
Community Development Block Grant	145,083	170,308	(25,225)
State CAsp Fee	5,000	5,877	(877)

City of San Marcos

Non-Major Governmental Funds

Special Revenue Funds

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

The Gas Tax Fund is used to account for 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 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.

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

City of San Marcos

Non-Major Governmental Funds

Special Revenue Funds, (continued)

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

The State CASp Fee Fund is used to account for the Certified Access Specialists (CASp) fee collected through business licenses. The CASp fee is mandated by the California SB 1186, AB 1379 and Government Code Section 4467 and its purpose is to increase disability access and compliance with construction-related accessibility requirements. The majority of the fee is retained by the City to support the CASp program and the remainder is sent to the California Department of General Services, Division of State Architect (DSA) to maintain oversight of the CASp program.

The Gas Tax RMRA Fund is used account for the Road Maintenance and Rehabilitation (RMRA) revenues received from the State of California under the California Streets and Highways Code Section 2032. These funds are earmarked for specific capital improvement program projects involving the rehabilitation or improvement of public streets.

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

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.

The Transportation Impact Fee Fund is used to account for fees collected by the County of San Diego Department of Public Works for future road improvements as a result of indirect impacts of private developments occurring in the unincorporated area within the City's boundaries. The fees will be used for qualifying congestion relief type improvements.

City of San Marcos

Combining Balance Sheet Non-Major Governmental Funds June 30, 2018

	Total Debt Service Funds			
	Total Special Revenue Funds	San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 20,769,738	\$ -	\$ 41,237,235	\$ 62,006,973
Cash and investments with fiscal agents (note 2)	-	92,549	685,764	778,313
Receivables:				
Taxes and special assessments	22,287	-	-	22,287
Accounts	71,128	840	-	71,968
Interest	54,382	-	98,259	152,641
Notes, net (note 3)	2,361,704	-	-	2,361,704
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	291,393	-	862,732	1,154,125
Land held for resale	-	-	858,348	858,348
Total Assets	\$ 23,570,632	\$ 93,389	\$ 43,862,854	\$ 67,526,875
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 899,606	\$ -	\$ 795,709	\$ 1,695,315
Accrued liabilities	110,183	-	-	110,183
Due to other funds (note 5)	-	153,199	88,453	241,652
Unearned revenue (note 6)	-	-	2,237,243	2,237,243
Deposits payable	10,389	-	152,610	162,999
Total Liabilities	1,020,178	153,199	3,274,015	4,447,392
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	2,381,120	-	120,516	2,501,636
Fund Balances:				
Restricted:				
Transportation	4,685,703	-	82,908	4,768,611
Lighting and landscaping	12,814,083	-	-	12,814,083
Capital improvements	91,496	-	3,095,150	3,186,646
Public facilities	-	-	37,378,718	37,378,718
Other purposes	2,578,052	-	-	2,578,052
Unassigned	-	(59,810)	(88,453)	(148,263)
Total Fund Balances	20,169,334	(59,810)	40,468,323	60,577,847
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,570,632	\$ 93,389	\$ 43,862,854	\$ 67,526,875

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended June 30, 2018

	Total Debt Service Funds			
	Total Special Revenue Funds	San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes and special assessments	\$ 7,655,446	\$ -	\$ -	\$ 7,655,446
Intergovernmental	3,235,526	-	3,157,128	6,392,654
Developer fees	234,572	-	8,253,422	8,487,994
Investment and rental income	125,522	545,627	230,551	901,700
Miscellaneous	158,397	-	126,319	284,716
Total Revenues	11,409,463	545,627	11,767,420	23,722,510
EXPENDITURES				
Current:				
Community development	323,380	-	-	323,380
Highways, streets and parks	8,792,397	-	-	8,792,397
Culture and recreation	264,502	-	-	264,502
Capital outlay	5,065	-	6,041,446	6,046,511
Debt service:				
Principal	87,543	629,999	141,146	858,688
Interest and fiscal charges	9,425	151,897	7,763	169,085
Cost of issuance	-	108,311	-	108,311
Total Expenditures	9,482,312	890,207	6,190,355	16,562,874
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,927,151	(344,580)	5,577,065	7,159,636
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	3,535,000	-	3,535,000
Payment to refunding bond escrow agent	-	(3,535,000)	-	(3,535,000)
Transfers in (note 5)	1,341,913	-	3,295,978	4,637,891
Transfers out (note 5)	(1,568,463)	-	(745,293)	(2,313,756)
Total Other Financing Sources (Uses)	(226,550)	-	2,550,685	2,324,135
Net Change in Fund Balances	1,700,601	(344,580)	8,127,750	9,483,771
Fund Balances, Beginning, as Restated	18,468,733	284,770	32,340,573	51,094,076
Fund Balances (Deficit), Ending	\$ 20,169,334	\$ (59,810)	\$ 40,468,323	\$ 60,577,847

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2018

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments (note 2)	\$ 1,608,432	\$ 1,363,109	\$ 13,448,050	\$ 181,742	\$ 6,406	\$ 41,907
Receivables:						
Taxes and special assessments	-	-	18,853	3,073	-	-
Accounts	-	-	21,237	-	-	-
Interest	4,296	4,239	35,078	239	-	-
Notes, net (note 3)	-	-	-	-	-	-
Due from other governments	-	19,866	-	-	14,109	58,097
Total Assets	<u>\$ 1,612,728</u>	<u>\$ 1,387,214</u>	<u>\$ 13,523,218</u>	<u>\$ 185,054</u>	<u>\$ 20,515</u>	<u>\$ 100,004</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 22,507	\$ 17,408	\$ 632,709	\$ 179,363	\$ 16,026	\$ 5,859
Accrued liabilities	40,363	-	57,010	5,691	4,470	2,649
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>62,870</u>	<u>27,797</u>	<u>689,719</u>	<u>185,054</u>	<u>20,496</u>	<u>8,508</u>
Deferred Inflows of Resources:						
Unavailable revenue (note 6)	-	-	19,416	-	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	1,549,858	1,359,417	-	-	-	-
Lighting and landscaping	-	-	12,814,083	-	-	-
Capital improvements	-	-	-	-	-	91,496
Other purposes	-	-	-	-	19	-
Total Fund Balances	<u>1,549,858</u>	<u>1,359,417</u>	<u>12,814,083</u>	<u>-</u>	<u>19</u>	<u>91,496</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,612,728</u>	<u>\$ 1,387,214</u>	<u>\$ 13,523,218</u>	<u>\$ 185,054</u>	<u>\$ 20,515</u>	<u>\$ 100,004</u>

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CASp Fee	Gas Tax RMRA	Total
\$ 25,580	\$ 111,194	\$ 959,950	\$ 1,540,803	\$ 1,111,711	\$ 2,681	\$ 18,022	\$ 350,151	\$ 20,769,738
-	112	-	-	249	-	-	-	22,287
-	-	-	49,891	-	-	-	-	71,128
-	300	2,561	4,106	2,879	-	-	684	54,382
1,506,165	-	-	-	-	855,539	-	-	2,361,704
-	-	-	-	-	-	-	199,321	291,393
<u>\$ 1,531,745</u>	<u>\$ 111,606</u>	<u>\$ 962,511</u>	<u>\$ 1,594,800</u>	<u>\$ 1,114,839</u>	<u>\$ 858,220</u>	<u>\$ 18,022</u>	<u>\$ 550,156</u>	<u>\$ 23,570,632</u>
\$ 24,976	\$ 173	\$ -	\$ -	\$ -	\$ 585	\$ -	\$ 899,606	
-	-	-	-	-	-	-	-	110,183
-	-	-	-	-	-	-	-	10,389
<u>24,976</u>	<u>173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585</u>	<u>-</u>	<u>-</u>	<u>1,020,178</u>
1,506,165	-	-	-	-	855,539	-	-	2,381,120
-	111,433	-	-	1,114,839	-	-	550,156	4,685,703
-	-	-	-	-	-	-	-	12,814,083
-	-	-	-	-	-	-	-	91,496
<u>604</u>	<u>-</u>	<u>962,511</u>	<u>1,594,800</u>	<u>-</u>	<u>2,681</u>	<u>17,437</u>	<u>-</u>	<u>2,578,052</u>
<u>604</u>	<u>111,433</u>	<u>962,511</u>	<u>1,594,800</u>	<u>1,114,839</u>	<u>2,681</u>	<u>17,437</u>	<u>550,156</u>	<u>20,169,334</u>
<u>\$ 1,531,745</u>	<u>\$ 111,606</u>	<u>\$ 962,511</u>	<u>\$ 1,594,800</u>	<u>\$ 1,114,839</u>	<u>\$ 858,220</u>	<u>\$ 18,022</u>	<u>\$ 550,156</u>	<u>\$ 23,570,632</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, 2018

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 6,502,735	\$ 531,046	\$ -	\$ -
Intergovernmental	2,002,169	208,924	-	-	85,740	331,649
Developer fees	-	-	-	-	-	-
Investment and rental income	12,470	10,600	78,076	(554)	109	2
Miscellaneous	-	-	37,806	-	27,116	-
Total Revenues	2,014,639	219,524	6,618,617	530,492	112,965	331,651
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	165,284
Highways, streets and parks	1,609,547	38,571	5,836,789	1,283,084	-	-
Culture and recreation	-	-	-	-	261,002	-
Capital outlay	-	-	41	-	-	5,024
Debt Service:						
Principal	-	-	64,519	23,024	-	-
Interest and fiscal charges	-	-	6,946	2,479	-	-
Total Expenditures	1,609,547	38,571	5,908,295	1,308,587	261,002	170,308
Excess (Deficiency) of Revenues Over (Under) Expenditures	405,092	180,953	710,322	(778,095)	(148,037)	161,343
OTHER FINANCING SOURCES (USES)						
Transfers in (note 5)	-	-	37,705	1,117,714	175,300	-
Transfers out (note 5)	(476,451)	(205,119)	(341,847)	(339,619)	(27,345)	(168,508)
Total Other Financing Sources (Uses)	(476,451)	(205,119)	(304,142)	778,095	147,955	(168,508)
Net Change in Fund Balances	(71,359)	(24,166)	406,180	-	(82)	(7,165)
Fund Balances, Beginning, as Restated	1,621,217	1,383,583	12,407,903	-	101	98,661
Fund Balances, Ending	\$ 1,549,858	\$ 1,359,417	\$ 12,814,083	\$ -	\$ 19	\$ 91,496

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CASp Fee	Gas Tax RMRA	Total
\$ -	\$ 14,778	\$ -	\$ 184,316	\$ 422,571	\$ -	\$ -	\$ -	\$ 7,655,446
-	-	-	-	-	56,000	-	551,044	3,235,526
-	-	222,452	-	-	-	12,120	-	234,572
-	744	5,055	9,727	4,300	5,881	-	(888)	125,522
46,675	-	-	-	-	46,800	-	-	158,397
46,675	15,522	227,507	194,043	426,871	108,681	12,120	550,156	11,409,463
46,071	-	-	148	-	106,000	5,877	-	323,380
-	4,406	-	-	20,000	-	-	-	8,792,397
-	-	3,500	-	-	-	-	-	264,502
-	-	-	-	-	-	-	-	5,065
-	-	-	-	-	-	-	-	87,543
-	-	-	-	-	-	-	-	9,425
46,071	4,406	3,500	148	20,000	106,000	5,877	-	9,482,312
604	11,116	224,007	193,895	406,871	2,681	6,243	550,156	1,927,151
-	-	-	-	-	-	11,194	-	1,341,913
-	(9,574)	-	-	-	-	-	-	(1,568,463)
-	(9,574)	-	-	-	-	11,194	-	(226,550)
604	1,542	224,007	193,895	406,871	2,681	17,437	550,156	1,700,601
-	109,891	738,504	1,400,905	707,968	-	-	-	18,468,733
\$ 604	\$ 111,433	\$ 962,511	\$ 1,594,800	\$ 1,114,839	\$ 2,681	\$ 17,437	\$ 550,156	\$ 20,169,334

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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 2,600,859	\$ 1,956,105	\$ 2,002,169	\$ 46,064
Investment and rental income	13,750	13,750	12,470	(1,280)
Total Revenues	<u>2,614,609</u>	<u>1,969,855</u>	<u>2,014,639</u>	<u>44,784</u>
EXPENDITURES				
Current:				
Highways, streets and parks	1,789,684	1,838,951	1,609,547	229,404
Total Expenditures	<u>1,789,684</u>	<u>1,838,951</u>	<u>1,609,547</u>	<u>229,404</u>
Excess (deficiency) of revenues over expenditures	824,925	130,904	405,092	274,188
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000,000)	(3,252,724)	(476,451)	2,776,273
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(3,252,724)</u>	<u>(476,451)</u>	<u>2,776,273</u>
Net Change in Fund Balance	(175,075)	(3,121,820)	(71,359)	3,050,461
Fund Balance, Beginning	<u>1,621,217</u>	<u>1,621,217</u>	<u>1,621,217</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,446,142</u>	<u>\$ (1,500,603)</u>	<u>\$ 1,549,858</u>	<u>\$ 3,050,461</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental Investment and rental income	\$ 280,000 8,499	\$ 280,000 8,499	\$ 208,924 10,600	\$ (71,076) 2,101
Total Revenues	<u>288,499</u>	<u>288,499</u>	<u>219,524</u>	<u>(68,975)</u>
EXPENDITURES				
Current:				
Highways, streets and parks	<u>130,000</u>	<u>130,000</u>	<u>38,571</u>	<u>91,429</u>
Total Expenditures	<u>130,000</u>	<u>130,000</u>	<u>38,571</u>	<u>91,429</u>
Excess (deficiency) of revenues over expenditures	<u>158,499</u>	<u>158,499</u>	<u>180,953</u>	<u>22,454</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(83,265)</u>	<u>(567,130)</u>	<u>(205,119)</u>	<u>362,011</u>
Total other financing sources (uses)	<u>(83,265)</u>	<u>(567,130)</u>	<u>(205,119)</u>	<u>362,011</u>
Net Change in Fund Balance	<u>75,234</u>	<u>(408,631)</u>	<u>(24,166)</u>	<u>384,465</u>
Fund Balance, Beginning, as Restated	<u>1,383,583</u>	<u>1,383,583</u>	<u>1,383,583</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,458,817</u>	<u>\$ 974,952</u>	<u>\$ 1,359,417</u>	<u>\$ 384,465</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Facilities District 98-02 Special Revenue Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 6,411,493	\$ 6,411,493	\$ 6,502,735	\$ 91,242
Investment and rental income	68,500	68,500	78,076	9,576
Miscellaneous	25,000	25,000	37,806	12,806
Total Revenues	<u>6,504,993</u>	<u>6,504,993</u>	<u>6,618,617</u>	<u>113,624</u>
EXPENDITURES				
Current:				
Highways, streets and parks	5,425,970	5,425,970	5,836,789	(410,819)
Capital outlay	-	-	41	(41)
Debt Service:				
Principal	64,519	64,519	64,519	-
Interest and fiscal charges	6,946	6,946	6,946	-
Total Expenditures	<u>5,497,435</u>	<u>5,497,435</u>	<u>5,908,295</u>	<u>(410,860)</u>
Excess of Revenues Over Expenditures	<u>1,007,558</u>	<u>1,007,558</u>	<u>710,322</u>	<u>(297,236)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	37,705	37,705	-
Transfers out	<u>(662,500)</u>	<u>(916,671)</u>	<u>(341,847)</u>	<u>574,824</u>
Total Other Financing Sources (Uses)	<u>(662,500)</u>	<u>(878,966)</u>	<u>(304,142)</u>	<u>574,824</u>
Net Change in Fund Balance	345,058	128,592	406,180	277,588
Fund Balance, Beginning	<u>12,407,903</u>	<u>12,407,903</u>	<u>12,407,903</u>	-
Fund Balance, Ending	<u>\$ 12,752,961</u>	<u>\$ 12,536,495</u>	<u>\$ 12,814,083</u>	<u>\$ 277,588</u>

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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 530,589	\$ 530,589	\$ 531,046	\$ 457
Investment and rental income	-	-	(554)	(554)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	-	(6,000)
Total Revenues	<u>536,589</u>	<u>536,589</u>	<u>530,492</u>	<u>(6,097)</u>
EXPENDITURES				
Current:				
Highways, streets and parks	1,191,401	1,191,401	1,283,084	(91,683)
Debt Service:				
Principal	23,024	23,024	23,024	-
Interest and fiscal charges	<u>2,479</u>	<u>2,479</u>	<u>2,479</u>	-
Total Expenditures	<u>1,216,904</u>	<u>1,216,904</u>	<u>1,308,587</u>	<u>(91,683)</u>
Excess of Revenues Over (Under) Expenditures	<u>(680,315)</u>	<u>(680,315)</u>	<u>(778,095)</u>	<u>(97,780)</u>
OTHER FINANCING SOURCES				
Transfers in	650,000	1,184,982	1,117,714	(67,268)
Transfers out	-	-	(339,619)	(339,619)
Total Other Financing Sources	<u>650,000</u>	<u>1,184,982</u>	<u>778,095</u>	<u>(406,887)</u>
Net Change in Fund Balance	(30,315)	504,667	-	(504,667)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ (30,315)</u>	<u>\$ 504,667</u>	<u>\$ -</u>	<u>\$ (504,667)</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Senior Nutrition Grant Special Revenue Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 85,740	\$ 15,740
Investment and rental income	549	549	109	(440)
Miscellaneous	35,200	35,200	27,116	(8,084)
Total Revenues	<u>105,749</u>	<u>105,749</u>	<u>112,965</u>	<u>7,216</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>280,922</u>	<u>302,798</u>	<u>261,002</u>	<u>41,796</u>
Total Expenditures	<u>280,922</u>	<u>302,798</u>	<u>261,002</u>	<u>41,796</u>
Excess of Revenues (Deficiency) Over (Under) Expenditures	<u>(175,173)</u>	<u>(197,049)</u>	<u>(148,037)</u>	<u>49,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	175,000	175,000	175,300	300
Transfers out	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,345)</u>	<u>(345)</u>
Total Other Financing Sources (Uses)	<u>148,000</u>	<u>148,000</u>	<u>147,955</u>	<u>(45)</u>
Net Change in Fund Balance	<u>(27,173)</u>	<u>(49,049)</u>	<u>(82)</u>	<u>48,967</u>
Fund Balance, Beginning	<u>101</u>	<u>101</u>	<u>101</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (27,072)</u>	<u>\$ (48,948)</u>	<u>\$ 19</u>	<u>\$ 48,967</u>

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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 507,381	\$ 507,381	\$ 331,649	\$ (175,732)
Investment and rental income	-	-	2	2
Total Revenues	<u>507,381</u>	<u>507,381</u>	<u>331,651</u>	<u>(175,730)</u>
EXPENDITURES				
Current:				
Community development	145,083	145,083	165,284	(20,201)
Capital outlay	-	-	5,024	(5,024)
Total Expenditures	<u>145,083</u>	<u>145,083</u>	<u>170,308</u>	<u>(25,225)</u>
Excess (deficiency) of revenues over expenditures	<u>362,298</u>	<u>362,298</u>	<u>161,343</u>	<u>(200,955)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(321,239)	(683,034)	(168,508)	514,526
Total other financing sources (uses)	<u>(321,239)</u>	<u>(683,034)</u>	<u>(168,508)</u>	<u>514,526</u>
Net Change in Fund Balance	41,059	(320,736)	(7,165)	313,571
Fund Balance, Beginning	<u>98,661</u>	<u>98,661</u>	<u>98,661</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 139,720</u>	<u>\$ (222,075)</u>	<u>\$ 91,496</u>	<u>\$ 313,571</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, 2018**

	Budgeted Amounts			Actual	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes and special assessments	\$ 31,775	\$ 31,775		\$ 14,778	\$ (16,997)
Investment and rental income	550	550		744	194
Total Revenues	32,325	32,325		15,522	(16,803)
EXPENDITURES					
Current:					
Highways, streets and parks	10,118	10,118		4,406	5,712
Total Expenditures	10,118	10,118		4,406	5,712
Excess of Revenues Over Expenditures	22,207	22,207		11,116	(11,091)
OTHER FINANCING SOURCES (USES)					
Transfers out	(10,500)	(10,500)		(9,574)	926
Total Other Financing Sources (Uses)	(10,500)	(10,500)		(9,574)	926
Net Change in Fund Balance	11,707	11,707		1,542	(10,165)
Fund Balance, Beginning	109,891	109,891		109,891	-
Fund Balance, Ending	\$ 121,598	\$ 121,598		\$ 111,433	\$ (10,165)

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Developer fees	\$ -	\$ -	\$ 222,452	\$ 222,452
Investment and rental income	<u>5,000</u>	<u>5,000</u>	<u>5,055</u>	<u>55</u>
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>227,507</u>	<u>222,507</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Expenditures	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Net Change in Fund Balance	1,500	1,500	224,007	222,507
Fund Balance, Beginning	<u>738,504</u>	<u>738,504</u>	<u>738,504</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 740,004</u>	<u>\$ 740,004</u>	<u>\$ 962,511</u>	<u>\$ 222,507</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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 233,126	\$ 233,126	\$ 184,316	\$ (48,810)
Investment and rental income	8,250	8,250	9,727	1,477
Total Revenues	<u>241,376</u>	<u>241,376</u>	<u>194,043</u>	<u>(47,333)</u>
EXPENDITURES				
Current:				
Community development	50,000	50,000	148	49,852
Highways, streets and parks	15,000	15,000	-	15,000
Total Expenditures	<u>65,000</u>	<u>65,000</u>	<u>148</u>	<u>64,852</u>
Net Change in Fund Balance	176,376	176,376	193,895	17,519
Fund Balance, Beginning	<u>1,400,905</u>	<u>1,400,905</u>	<u>1,400,905</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,577,281</u>	<u>\$ 1,577,281</u>	<u>\$ 1,594,800</u>	<u>\$ 17,519</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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 425,436	\$ 425,436	\$ 422,571	\$ (2,865)
Investment and rental income	3,500	3,500	4,300	800
Total Revenues	<u>428,936</u>	<u>428,936</u>	<u>426,871</u>	<u>(2,065)</u>
EXPENDITURES				
Current:				
Highway, streets and parks	20,000	20,000	20,000	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	408,936	448,936	406,871	(2,065)
Fund Balance, Beginning	<u>707,968</u>	<u>707,968</u>	<u>707,968</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,116,904</u>	<u>\$ 1,156,904</u>	<u>\$ 1,114,839</u>	<u>\$ (2,065)</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
State CASp Fee Special Revenue Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Developer fees	\$ -	\$ 5,500	\$ 12,120	\$ 6,620
Total Revenues	-	5,500	12,120	6,620
EXPENDITURES				
Current:				
Community development	-	5,000	5,877	(877)
Total Expenditures	-	5,000	5,877	(877)
Excess (deficiency) of revenues over expenditures	-	500	6,243	5,743
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,194	11,194
Total other financing sources (uses)	-	-	11,194	11,194
Net Change in Fund Balance	-	500	17,437	16,937
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ 500	\$ 17,437	\$ 16,937

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax RMRA Special Revenue Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
REVENUES					
Intergovernmental	\$ -	\$ 644,754	\$ 551,044	\$ (93,710)	
Investment and rental income	<u>-</u>	<u>-</u>	<u>(888)</u>	<u>(888)</u>	
Total Revenues	<u>-</u>	<u>644,754</u>	<u>550,156</u>	<u>(94,598)</u>	
EXPENDITURES					
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>644,754</u>	<u>550,156</u>	<u>(94,598)</u>	
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>(527,125)</u>	<u>-</u>	<u>-</u>	<u>527,125</u>
Total other financing sources (uses)	<u>-</u>	<u>(527,125)</u>	<u>-</u>	<u>-</u>	<u>527,125</u>
Net Change in Fund Balances	<u>-</u>	<u>117,629</u>	<u>550,156</u>	<u>432,527</u>	
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 117,629</u>	<u>\$ 550,156</u>	<u>\$ 432,527</u>	

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, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ 525,000	\$ 525,000	\$ 545,627	\$ 20,627
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>545,627</u>	<u>20,627</u>
EXPENDITURES				
Debt service:				
Principal	285,000	651,699	629,999	21,700
Interest and fiscal charges	183,590	183,590	151,897	31,693
Cost of issuance	-	115,000	108,311	6,689
Total Expenditures	<u>468,590</u>	<u>950,289</u>	<u>890,207</u>	<u>60,082</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>56,410</u>	<u>(425,289)</u>	<u>(344,580)</u>	<u>80,709</u>
OTHER FINANCING SOURCES				
Proceeds from long-term debt	-	3,535,000	3,535,000	-
Payment to refunding bond escrow agent	-	<u>(3,535,000)</u>	<u>(3,535,000)</u>	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	56,410	(425,289)	(344,580)	80,709
Fund Balance, Beginning	<u>284,770</u>	<u>284,770</u>	<u>284,770</u>	-
Fund Balance, Ending	<u>\$ 341,180</u>	<u>\$ (140,519)</u>	<u>\$ (59,810)</u>	<u>\$ 80,709</u>

City of San Marcos

Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2018

	Public Facility	Capital Improvements	Community Facilities District 99-1
ASSETS			
Cash and investments (note 2)	\$ 36,426,312	\$ 4,448,642	\$ 5,161
Cash and investments with fiscal agents (note 2)	-	-	685,764
Receivables:			
Interest	97,287	-	15
Other, net (note 4)	120,516	-	-
Due from other governments	-	862,732	-
Land held for resale	858,348	-	-
Total Assets	\$ 37,502,463	\$ 5,311,374	\$ 690,940
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,229	\$ 792,480	\$ -
Due to other funds (note 5)	-	-	-
Unearned revenue (note 6)	-	2,237,243	-
Deposits payable	-	152,610	-
Total Liabilities	3,229	3,182,333	-
Deferred Inflows of Resources:			
Unavailable revenue (note 6)	120,516	-	-
Fund Balances:			
Restricted:			
Transportation	-	-	-
Capital improvements	-	2,129,041	690,940
Public facilities	37,378,718	-	-
Unassigned	-	-	-
Total Fund Balances (Deficit)	37,378,718	2,129,041	690,940
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 37,502,463	\$ 5,311,374	\$ 690,940

Transportation Sales Tax	Community Facilities District 02-01	Transportation Impact Fee	Total
\$ -	\$ 274,434	\$ 82,686	\$ 41,237,235
-	-	-	685,764
-	735	222	98,259
-	-	-	120,516
-	-	-	862,732
-	-	-	858,348
\$ -	\$ 275,169	\$ 82,908	\$ 43,862,854
\$ -	\$ -	\$ -	\$ 795,709
88,453	-	-	88,453
-	-	-	2,237,243
-	-	-	152,610
88,453	-	-	3,274,015
-	-	-	120,516
-	-	82,908	82,908
-	275,169	-	3,095,150
-	-	-	37,378,718
(88,453)	-	-	(88,453)
(88,453)	275,169	82,908	40,468,323
\$ -	\$ 275,169	\$ 82,908	\$ 43,862,854

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, 2018

	Public Facility	Capital Improvements	Community Facilities District 99-1
REVENUES			
Intergovernmental	\$ -	\$ 2,574,238	\$ -
Developer fees	8,170,400	-	-
Investment and rental income	222,787	-	5,939
Miscellaneous	51,665	74,654	-
Total Revenues	8,444,852	2,648,892	5,939
EXPENDITURES			
Capital outlay	29,959	6,012,288	-
Debt service:			
Principal	141,146	-	-
Interest and fiscal charges	7,763	-	-
Total Expenditures	178,868	6,012,288	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,265,984	(3,363,396)	5,939
OTHER FINANCING SOURCES			
Transfers in (note 5)	-	3,295,978	-
Transfers out (note 5)	(52,018)	(63,962)	-
Total Other Financing Sources	(52,018)	3,232,016	-
Net Change in Fund Balances	8,213,966	(131,380)	5,939
Fund Balances, Beginning, as Restated	29,164,752	2,260,421	685,001
Fund Balances (Deficit), Ending	\$ 37,378,718	\$ 2,129,041	\$ 690,940

Transportation Sales Tax	Community Facilities District 02-01		Transportation Impact Fee	Total
\$ 582,890	\$ -		\$ -	\$ 3,157,128
-	-		83,022	8,253,422
-	1,939		(114)	230,551
-	-		-	126,319
<u>582,890</u>	<u>1,939</u>		<u>82,908</u>	<u>11,767,420</u>
(801)	-		-	6,041,446
-	-		-	141,146
-	-		-	7,763
<u>(801)</u>	<u>-</u>		<u>-</u>	<u>6,190,355</u>
<u>583,691</u>	<u>1,939</u>		<u>82,908</u>	<u>5,577,065</u>
-	-		-	3,295,978
<u>(629,313)</u>	<u>-</u>		<u>-</u>	<u>(745,293)</u>
<u>(629,313)</u>	<u>-</u>		<u>-</u>	<u>2,550,685</u>
(45,622)	1,939		82,908	8,127,750
<u>(42,831)</u>	<u>273,230</u>		<u>-</u>	<u>32,340,573</u>
<u>\$ (88,453)</u>	<u>\$ 275,169</u>		<u>\$ 82,908</u>	<u>\$ 40,468,323</u>

City of San Marcos

Combining Balance Sheet
Agency Funds
June 30, 2018

	1915 Act Assessment District	Deposits	Community Facilities District 88-1
ASSETS			
Cash and investments (note 2)	\$ -	\$ 3,585,324	\$ 7
Restricted Assets:			
Cash and investments with fiscal agents (note 2)	-	-	4,139,122
Receivables:			
Special assessments	-	-	13,658
Interest	-	-	15
Total Assets	\$ -	\$ 3,585,324	\$ 4,152,802
LIABILITIES			
Accounts payable	\$ -	\$ 4,333	\$ -
Deposits payable	-	3,580,991	-
Due to bondholders	-	-	4,152,802
Total Liabilities	\$ -	\$ 3,585,324	\$ 4,152,802

Community Facilities District 99-1	Community Facilities District 02-01	Total
\$ 62	\$ 11	\$ 3,585,404
5,900,191	1,865,273	11,904,586
27,263	6,246	47,167
36	6	57
<u>\$ 5,927,552</u>	<u>\$ 1,871,536</u>	<u>\$ 15,537,214</u>
\$ -	\$ -	4,333
-	-	3,580,991
<u>5,927,552</u>	<u>1,871,536</u>	<u>11,951,890</u>
<u>\$ 5,927,552</u>	<u>\$ 1,871,536</u>	<u>\$ 15,537,214</u>

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>1915 ACT Assessment District</u>				
ASSETS				
Cash and investments	\$ 58,769	\$ 747	\$ 59,516	\$ -
Interest receivable	123	-	123	-
Total Assets	\$ 58,892	\$ 747	\$ 59,639	\$ -
LIABILITIES				
Due to bondholders	\$ 58,892	\$ 698	\$ 59,590	\$ -

Deposits

ASSETS				
Cash and investments				
	\$ 2,835,742	\$ 3,319,764	\$ 2,570,182	\$ 3,585,324
Total Assets	\$ 2,835,742	\$ 3,319,764	\$ 2,570,182	\$ 3,585,324
LIABILITIES				
Accounts payable	\$ 16,136	\$ 1,469,720	\$ 1,481,523	\$ 4,333
Deposits payable	2,819,606	3,374,575	2,613,190	3,580,991
Total Liabilities	\$ 2,835,742	\$ 4,844,295	\$ 4,094,713	\$ 3,585,324

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Community Facilities District 88-1</u>				
ASSETS				
Cash and investments	\$ 22	\$ 2,513,922	\$ 2,513,937	\$ 7
Cash and investments with fiscal agents	4,196,033	2,558,645	2,615,556	4,139,122
Special assessments receivable	5,135	13,659	5,136	13,658
Interest receivable	9	14	8	15
Total Assets	\$ 4,201,199	\$ 5,086,240	\$ 5,134,637	\$ 4,152,802
LIABILITIES				
Due to bondholders	<u>\$ 4,201,199</u>	<u>\$ 2,580,002</u>	<u>\$ 2,628,399</u>	<u>\$ 4,152,802</u>
<u>Community Facilities District 99-1</u>				
ASSETS				
Cash and investments	\$ 789	\$ 5,760,911	\$ 5,761,638	\$ 62
Cash and investments with fiscal agents	7,760,144	6,467,268	8,327,221	5,900,191
Special assessments receivable	22,081	27,263	22,081	27,263
Interest receivable	40	36	40	36
Total Assets	\$ 7,783,054	\$ 12,255,478	\$ 14,110,980	\$ 5,927,552
LIABILITIES				
Accounts payable	\$ -	\$ 53,942	\$ 3,942	\$ 50,000
Due to bondholders	<u>\$ 7,783,054</u>	<u>\$ 25,527,432</u>	<u>\$ 27,432,934</u>	<u>\$ 5,877,552</u>
Total Liabilities	\$ 7,783,054	\$ 25,581,374	\$ 27,436,876	\$ 5,927,552

City of San Marcos

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Community Facilities District 02-01				
ASSETS				
Cash and investments	\$ 23	\$ 1,080,148	\$ 1,080,160	\$ 11
Cash and investments with fiscal agents	1,856,724	1,089,292	1,080,743	1,865,273
Special assessments receivable	2,063	6,246	2,063	6,246
Interest receivable	7	6	7	6
Total Assets	\$ 1,858,817	\$ 2,175,692	\$ 2,162,973	\$ 1,871,536
LIABILITIES				
Due to bondholders	<u>\$ 1,858,817</u>	<u>\$ 1,101,367</u>	<u>\$ 1,088,648</u>	<u>\$ 1,871,536</u>
Total - Agency Funds				
ASSETS				
Cash and investments	\$ 2,895,345	\$ 12,675,492	\$ 11,985,433	\$ 3,585,404
Cash and investments with fiscal agents	13,812,901	10,115,205	12,023,520	11,904,586
Special assessments receivable	29,279	47,168	29,280	47,167
Interest receivable	179	56	178	57
Total Assets	\$ 16,737,704	\$ 22,837,921	\$ 24,038,411	\$ 15,537,214
LIABILITIES				
Accounts payable	\$ 16,136	\$ 1,469,720	\$ 1,481,523	\$ 4,333
Deposits payable	2,819,606	3,374,575	2,613,190	3,580,991
Due to bondholders	<u>13,901,962</u>	<u>29,263,441</u>	<u>31,213,513</u>	<u>11,951,890</u>
Total Liabilities	\$ 16,737,704	\$ 34,107,736	\$ 35,308,226	\$ 15,537,214

City of San Marcos

Statistical Section

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

	CONTENTS	Page
Financial Trends		136
	These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
Revenue Capacity		146
	These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity		150
	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
Demographic and Economic Information		156
	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information		159
	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	

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

City of San Marcos

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities:				
Net investment in capital assets	\$ 460,101,619	\$ 484,423,039	\$ 499,416,669	\$ 658,296,750
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	115,805,089	120,917,457	119,927,089	163,429,723
Landscape Maintenance	8,999,420	8,514,304	9,032,742	9,389,874
Other purposes	3,904,177	4,378,971	6,026,400	6,506,958
Endowment	905,850	1,023,850	1,244,590	1,147,835
Unrestricted	2,504,296	(11,409,150)	(6,504,167)	64,955,219
Total governmental activities net position	<u>592,220,451</u>	<u>607,848,471</u>	<u>629,143,323</u>	<u>903,726,359</u>
Business-type activities:				
Net investment in capital assets	\$ 29,072,130	\$ 28,689,775	\$ 28,307,420	\$ 27,925,065
Unrestricted	6,698,002	8,442,809	8,052,471	6,319,042
Total business-type activities net position	<u>35,770,132</u>	<u>37,132,584</u>	<u>36,359,891</u>	<u>34,244,107</u>
Component unit:				
Not expendable	-	-	-	-
Expendable	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government:				
Net investment in capital assets	\$ 489,173,749	\$ 513,112,814	\$ 527,724,089	\$ 686,221,815
Restricted for:				
Capital projects	-	-	-	-
Low and moderate income housing	115,805,089	120,917,457	119,927,089	163,429,723
Landscape Maintenance	8,999,420	8,514,304	9,032,742	9,389,874
Other purposes	3,904,177	4,378,971	6,026,400	6,506,958
Endowment	905,850	1,023,850	1,244,590	1,147,835
Unrestricted	9,202,298	(2,966,341)	1,548,304	71,274,261
Total primary government net position	<u>\$ 627,990,583</u>	<u>\$ 644,981,055</u>	<u>\$ 665,503,214</u>	<u>\$ 937,970,466</u>
Component unit:				
Restricted	\$ -	\$ -	\$ -	\$ -
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 646,769,141	\$ 671,633,533	\$ 647,192,005	\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	
20,320,721	21,071,049	24,998,414	32,111,994	36,384,666	3,186,646	
160,939,069	162,388,168	174,239,971	182,174,655	192,984,712	197,267,954	
9,706,762	10,141,062	11,266,533	12,073,491	12,410,105	12,833,499	
10,295,075	8,955,235	7,645,829	2,187,164	2,461,175	44,845,897	
1,195,768	1,000,000	1,000,000	-	-	-	
57,252,131	60,074,433	3,482,542	48,523,274	60,067,467	48,322,111	
<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>	<u>906,195,372</u>	
\$ 26,725,626	\$ 27,160,354	\$ 34,101,091	\$ -	\$ -	\$ -	
5,761,171	4,352,951	2,552,732	94,924,105	95,225,519	94,972,155	
<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>	<u>94,972,155</u>	
-	-	-	1,000,000	1,000,000	1,000,000	
-	-	-	157,923	230,885	258,593	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	
\$ 673,494,767	\$ 698,793,887	\$ 681,293,096	\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	
20,320,721	21,071,049	24,998,414	32,111,994	36,384,666	3,186,646	
160,939,069	162,388,168	174,239,971	182,174,655	192,984,712	197,267,954	
9,706,762	10,141,062	11,266,533	12,073,491	12,410,105	12,833,499	
10,295,075	8,955,235	7,645,829	2,187,164	2,461,175	44,845,897	
1,195,768	1,000,000	1,000,000	-	-	-	
63,013,302	64,427,384	6,035,274	143,447,379	155,292,986	143,294,266	
<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>	<u>\$ 1,001,167,527</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,923</u>	<u>\$ 1,230,885</u>	<u>\$ 1,258,593</u>	

City of San Marcos

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Governmental Activities:				
General government	\$ 14,639,790	\$ 15,990,955	\$ 18,106,693	\$ 16,992,317
Community development	4,815,602	6,366,892	5,739,531	28,586,547
Public safety	28,733,922	28,603,083	28,216,005	32,163,467
Highways, streets and parks	26,532,368	25,046,164	26,408,488	22,057,522
Culture and recreation	3,124,741	3,014,690	3,079,743	3,163,230
Interest on long-term debt	15,984,417	15,307,372	16,325,714	9,399,083
Total governmental activities expenses	<u>93,830,840</u>	<u>94,329,156</u>	<u>97,876,174</u>	<u>112,362,166</u>
Business-type activities:				
Creekside Marketplace	1,072,662	1,207,245	1,296,182	1,060,528
Total business-type activities expenses	<u>1,072,662</u>	<u>1,207,245</u>	<u>1,296,182</u>	<u>1,060,528</u>
Total primary government expenses	<u>94,903,502</u>	<u>95,536,401</u>	<u>99,172,356</u>	<u>113,422,694</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	\$ 7,121,094	\$ 7,825,116	\$ 7,381,025	\$ 8,616,200
Community development (2)	1,501,973	1,568,683	2,131,886	5,179,421
Public safety	8,293,907	7,623,734	7,266,747	8,012,187
Highways, streets and parks (1) (2)	6,744,066	6,793,677	7,150,548	6,943,057
Culture and recreation (2)	1,590,115	1,825,778	1,837,906	1,878,137
Operating grants and contributions	2,135,832	2,392,703	3,547,679	3,333,506
Capital contributions and grants	18,916,094	25,090,511	15,027,697	20,273,816
Total governmental activities program revenues	<u>46,303,081</u>	<u>53,120,202</u>	<u>44,343,488</u>	<u>54,236,324</u>
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,789,846	3,639,134	3,523,109	3,907,546
Total business-type activities program revenues	<u>3,789,846</u>	<u>3,639,134</u>	<u>3,523,109</u>	<u>3,907,546</u>
Total primary government program revenues	<u>50,092,927</u>	<u>56,759,336</u>	<u>47,866,597</u>	<u>58,143,870</u>
Net (expenses) revenues:				
Governmental activities	(47,527,759)	(41,208,954)	(53,532,686)	(58,125,842)
Business-type activities	2,717,184	2,431,889	2,226,927	2,847,018
Total primary government net (expenses)/revenues	<u>\$ (44,810,575)</u>	<u>\$ (38,777,065)</u>	<u>\$ (51,305,759)</u>	<u>\$ (55,278,824)</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government net (expenses)/revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 15,885,771	\$ 16,447,263	\$ 16,944,647	\$ 18,256,401	\$ 15,819,492	\$ 19,444,881	
6,379,029	3,431,958	7,094,841	12,890,498	1,679,942	6,368,611	
27,531,474	31,398,530	36,059,952	32,564,134	38,312,609	40,504,526	
31,047,726	32,779,655	33,832,005	23,904,189	29,012,619	32,201,548	
4,992,567	3,022,930	5,040,297	3,951,699	3,873,784	4,209,685	
286,343	272,403	267,688	262,067	243,974	295,292	
<u>86,122,910</u>	<u>87,352,739</u>	<u>99,239,430</u>	<u>91,828,988</u>	<u>88,942,420</u>	<u>103,024,543</u>	
866,501	1,061,134	2,053,600	2,069,680	1,572,337	771,106	
<u>866,501</u>	<u>1,061,134</u>	<u>2,053,600</u>	<u>2,069,680</u>	<u>1,572,337</u>	<u>771,106</u>	
<u>86,989,411</u>	<u>88,413,873</u>	<u>101,293,030</u>	<u>93,898,668</u>	<u>90,514,757</u>	<u>103,795,649</u>	
-	-	-	56,622	65,283	69,946	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,622</u>	<u>\$ 65,283</u>	<u>\$ 69,946</u>	
\$ 7,515,771	\$ 1,288,995	\$ 1,843,724	\$ 1,151,920	\$ 1,038,094	\$ 1,704,211	
6,998,956	2,997,665	2,252,007	4,554,470	6,363,423	2,485,165	
8,636,601	8,888,703	9,103,730	10,358,412	10,979,615	12,001,681	
8,462,005	7,455,240	8,196,772	7,931,273	8,605,163	7,860,930	
2,105,349	2,081,035	2,364,561	2,575,892	2,100,449	2,466,095	
24,338,152	16,811,188	11,893,755	13,919,753	11,094,309	17,606,841	
2,125,409	9,843,740	4,294,066	3,523,253	1,345,661	4,437,779	
<u>60,182,243</u>	<u>49,366,566</u>	<u>39,948,615</u>	<u>44,014,973</u>	<u>41,526,714</u>	<u>48,562,702</u>	
4,103,722	3,470,369	3,335,509	4,924,764	5,188,034	5,510,983	
<u>4,103,722</u>	<u>3,470,369</u>	<u>3,335,509</u>	<u>4,924,764</u>	<u>5,188,034</u>	<u>5,510,983</u>	
64,285,965	52,836,935	43,284,124	48,939,737	46,714,748	54,073,685	
(25,940,667)	(37,986,173)	(59,290,815)	(47,814,015)	(47,415,706)	(54,461,841)	
3,237,221	2,409,235	1,281,909	2,855,084	3,615,697	4,739,877	
<u>\$ (22,703,446)</u>	<u>\$ (35,576,938)</u>	<u>\$ (58,008,906)</u>	<u>\$ (44,958,931)</u>	<u>\$ (43,800,009)</u>	<u>\$ (49,721,964)</u>	
-	-	-	(56,622)	(65,283)	(69,946)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,622)</u>	<u>(65,283)</u>	<u>(69,946)</u>	

City of San Marcos

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

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 12,718,633	\$ 12,490,217	\$ 12,373,080	\$ 12,734,479
Tax increment, net	45,214,569	21,315,468	36,294,755	11,896,531
Transient occupancy taxes	330,412	298,459	610,460	713,538
Business license	192,873	188,300	195,134	195,431
Franchise fees	2,442,412	2,482,704	2,677,551	2,713,099
Gain/(Loss) on sale of capital assets	3,180,648	-	67,970	-
Motor vehicle license fees	283,349	246,496	382,275	42,071
Rental income	-	-	-	-
Sales tax shared state revenue and in lieu, unrestricted	13,432,391	12,269,791	13,091,860	13,836,852
Investment income	6,226,240	4,397,830	4,583,907	3,692,241
Other	3,372,210	1,943,136	1,390,381	1,160,059
Transfers	-	1,200,000	3,167,000	5,100,000
Transfer to Successor Agency	-	-	-	-
Extraordinary gain	-	-	-	280,624,874
Total governmental activities	<u>87,393,737</u>	<u>56,832,401</u>	<u>74,834,373</u>	<u>332,709,175</u>
Business-type activities:				
Investment income	134,040	130,563	167,380	137,198
Transfers	-	(1,200,000)	(3,167,000)	(5,100,000)
Total business-type activities	<u>134,040</u>	<u>(1,069,437)</u>	<u>(2,999,620)</u>	<u>(4,962,802)</u>
Total primary government	<u>87,527,777</u>	<u>55,762,964</u>	<u>71,834,753</u>	<u>327,746,373</u>
Component Unit:				
Investment income, restricted	-	-	-	-
Other	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position:				
Governmental activities	39,865,978	15,623,447	21,301,687	274,583,333
Business-type activities	2,851,224	1,362,452	(772,693)	(2,115,784)
Total primary government	<u>\$ 42,717,202</u>	<u>\$ 16,985,899</u>	<u>\$ 20,528,994</u>	<u>\$ 272,467,549</u>
Component Unit:				
Permanent Fund Community Foundation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 19,036,135	\$ 14,730,525	\$ 16,627,912	\$ 18,604,256	\$ 19,825,953	\$ 21,542,823	
736,035	794,846	829,724	873,863	978,498	1,303,446	
194,864	208,911	213,173	228,040	231,933	232,733	
2,582,279	3,520,613	3,907,803	4,031,275	3,897,771	4,042,123	
-	(659,841)	1,810,932	187,956	227,020	258,282	
80,791	-	-	-	-	49,502	
-	6,260,337	5,790,384	5,950,030	5,556,365	5,477,226	
14,596,011	15,840,511	16,209,302	16,868,051	16,418,302	17,274,843	
3,508,350	1,108,705	937,647	1,731,178	1,242,804	1,305,351	
1,991,861	489,778	982,947	529,653	96,331	223,593	
5,000,000	4,250,000	(3,850,425)	4,500,000	3,317,138	5,000,000	
(10,674,712)	-	-	-	-	-	
<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>	<u>56,709,922</u>	
5,469	50,190	8,184	16,289	2,855	6,759	
(5,000,000)	(4,250,000)	3,850,425	(4,500,000)	(3,317,138)	(5,000,000)	
(4,994,531)	(4,199,810)	3,858,609	(4,483,711)	(3,314,283)	(4,993,241)	
32,057,083	42,344,575	47,318,008	49,020,591	48,477,832	51,716,681	
-	-	-	(11,645)	138,220	97,654	
-	-	-	-	25	-	
-	-	-	(11,645)	138,245	97,654	
11,110,947	8,558,212	(15,831,416)	5,690,287	4,376,409	2,248,081	
(1,757,310)	(1,790,575)	5,140,518	(1,628,627)	301,414	(253,364)	
<u>\$ 9,353,637</u>	<u>\$ 6,767,637</u>	<u>\$ (10,690,898)</u>	<u>\$ 4,061,660</u>	<u>\$ 4,677,823</u>	<u>\$ 1,994,717</u>	
-	-	-	(68,267)	72,962	27,708	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,267)</u>	<u>\$ 72,962</u>	<u>\$ 27,708</u>	

City of San Marcos

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	\$ 13,397,269	\$ 13,447,269		
Prepaid items	558,711	1,000,066		
Deposits	771,931	1,001,672		
Unreserved, designated	37,521,231	36,200,000		
Unreserved, undesignated	6,058,840	5,995,245		
GASB 54:				
Nonspendable		\$ 19,463,456	\$ 16,924,452	
Assigned		-	-	
Unassigned		35,162,531	34,951,893	
Total General Fund	58,307,982	57,644,252	54,625,987	51,876,345
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
Noncurrent assets	8,112,147	28,282,658		
Deposits	640,408	102,982		
Low and moderate income housing	35,347,108	10,056,506		
Landscape maintenance	5,845,298	5,845,298		
Debt service	10,850,533	12,941,982		
Capital projects	68,302,091	45,462,977		
Other purposes	905,850	1,023,850		
Unreserved, reported in:				
Special revenue funds	10,127,713	6,468,443		
Debt service funds	32,924,058	16,466,613		
Capital projects funds	(5,658,656)	(6,026,005)		
GASB 54:				
Nonspendable		1,244,590	1,147,835	
Restricted		164,514,929	81,486,140	
Unassigned		-	-	
Total all other governmental funds	167,396,550	120,625,304	165,759,519	82,633,975
Total governmental funds	\$ 225,704,532	\$ 178,269,556	\$ 220,385,506	\$ 134,510,320

Fiscal Year					
2013	2014	2015	2016	2017	2018

\$ 16,184,816	\$ 11,938,509	\$ 10,451,246	\$ 10,031,405	\$ 66,369,312	\$ 65,059,911
-	-	5,984,790	5,984,790	11,653,634	11,313,621
44,147,436	51,115,898	31,887,837	82,608,491	27,053,317	28,500,274
<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>	<u>104,873,806</u>

1,195,768	1,000,000	1,000,000	-	-	-
80,423,049	80,658,598	82,000,192	82,451,468	87,132,962	98,836,674
-	(225)	(20)	(33,867)	-	(148,263)
<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>98,688,411</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>	<u>\$ 203,562,217</u>

City of San Marcos

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues:				
Taxes and special assessments (3)	\$ 94,097,283	\$ 87,852,421	\$ 87,336,566	\$ 44,811,128
Licenses and permits	4,229,537	4,274,969	4,722,075	5,210,749
Intergovernmental (3)	10,406,686	6,816,194	10,725,506	14,657,647
Charges for services	11,783,938	11,341,050	11,273,011	13,430,631
Developer fees	3,773,174	2,860,402	3,734,747	8,822,043
Fines and forfeitures	292,642	279,735	284,452	203,253
Investment and rental income	11,422,319	9,248,874	9,724,275	8,710,563
Miscellaneous	4,444,346	3,358,490	1,984,750	2,020,386
Total Revenues	140,449,925	126,032,135	129,785,382	97,866,400
Expenditures:				
Current:				
General government (2)	13,333,406	14,825,068	17,457,897	15,640,014
Community development (2)	43,870,002	17,085,690	10,223,010	17,717,361
Public safety	27,392,057	27,461,612	27,317,174	30,262,221
Highways, streets and parks (1) (2)	15,455,033	14,040,659	13,379,798	14,053,498
Culture and recreation (1)	2,822,593	2,763,210	2,814,054	2,984,215
Tax increment distrib. to other gov. agencies	18,086,645	37,060,348	16,266,743	410,877
SERAFF payment	-	-	4,163,078	-
Capital outlay	39,281,839	38,456,751	26,289,568	20,163,235
Debt service:				
Principal retirement	9,481,695	9,325,010	9,566,685	9,903,628
Interest and fiscal charges	15,911,227	15,221,332	15,782,349	9,509,119
Cost of issuance	-	-	674,238	-
Total expenditures	185,634,497	176,239,680	143,934,594	120,644,168
Excess/(deficiency) of Revenues Over Expenditures	(45,184,572)	(50,207,545)	(14,149,212)	(22,777,768)
Other financing sources (uses):				
Issuance of debt	730,998	330,709	54,779,110	-
Discount on bonds issued	-	-	(1,719,824)	-
Sale of capital assets	3,991,821	1,241,860	38,876	23,611
Acquisition under capital lease	-	-	-	-
Partnership contributions	-	-	-	-
Transfers in	6,772,976	8,056,903	14,843,444	65,681,454
Transfers out	(6,772,976)	(6,856,903)	(11,676,444)	(60,581,454)
Total other financing sources (uses)	4,722,819	2,772,569	56,265,162	5,123,611
Net Change in Fund Balances	\$ (40,461,753)	\$ (47,434,976)	\$ 42,115,950	\$ (17,654,157)
Debt service as a percentage of noncapital expenditures	15.80%	16.08%	22.07%	18.82%

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						
2013	2014	2015	2016	2017	2018	
\$ 40,050,764	\$ 37,499,452	\$ 40,746,406	\$ 43,388,689	\$ 28,386,492	\$ 30,734,448	
5,031,124	4,834,181	4,896,092	5,190,125	5,184,798	5,567,081	
16,273,969	14,879,876	11,705,953	8,388,620	22,446,951	24,240,158	
14,423,983	14,014,737	14,767,944	15,644,089	15,756,224	16,391,482	
12,333,859	604,325	3,085,839	5,680,240	6,770,876	10,269,151	
171,675	379,517	378,143	492,091	632,114	592,516	
8,108,512	8,390,525	9,159,541	9,887,780	9,814,976	8,625,937	
1,656,624	2,784,337	1,307,048	3,003,475	1,656,344	2,170,216	
<u>98,050,510</u>	<u>83,386,950</u>	<u>86,046,966</u>	<u>91,675,109</u>	<u>90,648,775</u>	<u>98,590,989</u>	
15,237,915	15,683,539	16,082,210	15,769,553	20,232,292	17,619,187	
9,148,706	4,209,639	7,282,130	9,218,570	9,224,684	6,419,708	
27,156,685	30,863,346	35,743,282	33,512,449	36,449,543	37,334,894	
13,407,088	21,875,374	20,669,923	16,739,415	19,258,048	18,924,332	
4,819,380	2,948,559	4,904,494	3,611,161	3,814,190	3,930,935	
-	-	-	-	-	-	
-	-	-	-	-	-	
16,677,835	8,462,086	3,672,221	11,115,705	10,255,091	6,235,184	
342,996	430,447	570,876	677,198	970,360	1,474,503	
277,403	269,039	260,465	259,734	286,705	246,947	
-	-	-	-	-	108,311	
<u>87,068,008</u>	<u>84,742,029</u>	<u>89,185,601</u>	<u>90,903,785</u>	<u>100,490,913</u>	<u>92,294,001</u>	
10,982,502	(1,355,079)	(3,138,635)	771,324	(9,842,138)	6,296,988	
-	-	12,752	1,036,580	-	-	
-	-	-	-	-	-	
6,489	(659,841)	-	-	-	-	
-	427,300	125,074	432,248	2,018,392	-	
-	-	(6,537,501)	-	-	-	
11,511,222	5,227,487	5,911,842	6,441,564	5,470,561	9,820,141	
(17,185,934)	(977,487)	(9,762,267)	(1,941,564)	(2,153,423)	(4,820,141)	
(5,668,223)	4,017,459	(10,250,100)	5,968,828	5,335,530	5,000,000	
<u>\$ 5,314,279</u>	<u>\$ 2,662,380</u>	<u>\$ (13,388,735)</u>	<u>\$ 6,740,152</u>	<u>\$ (4,506,608)</u>	<u>\$ 11,296,988</u>	
0.81%	0.93%	0.95%	0.99%	1.42%	2.12%	

City of San Marcos

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

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (2)
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
2018	12,146,122,751	348,333,349	(595,248,906)	11,899,207,194	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 13-066.

Source: San Diego County Assessor's Office

City of San Marcos

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

Allocation of 1% Ad Valorem Property Taxes													
Fiscal Year	Direct Rate		Overlapping Rates										Total Tax Rate (2)
	City of San Marcos	San Marcos Unified School District	San Marcos Fire Protection District	San Diego County	Others	Voter Approved Debt							
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	
2018	0.0883	0.3805	0.0632	0.2481	0.2200	0.0910						1.0911	

Notes:

- (1) Tax rates are for Tax Rate Area 13-066.
- (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 (1)**

Taxpayer	2018			2009		
	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	\$ 95,146,065	1	0.80 %	\$ 84,068,026	1	1.11 %
Camden USA, Inc.	92,491,120	2	0.78			0.82
Hunter Industries, Inc.	89,154,070	3	0.75	83,059,281	2	1.35
Urban Villages, San Marcos LLC	75,501,693	4	0.63	45,694,037	6	0.60
Grand Plaza, LLC	61,376,964	5	0.52	55,146,839	5	0.73
Ralphs Grocery Company	60,421,407	6	0.51	39,522,312	8	0.52
Brookfield Homes Southern California	52,868,039	7	0.44			
Integral Project Owner II, LLC	52,238,353	8	0.44			
Block C LLC	43,420,469	9	0.37			
ABS CA O LLC	43,184,348	10	0.36			
Richmond American Homes of Maryland						
San Elijo Hills Development Co.				77,778,507	3	1.02
Lo Land Assets Limited Partnership				55,182,816	4	0.73
California Cove at San Elijo LLC				42,868,824	7	0.56
Fieldstone Rancho Santalina, LLC				35,078,441	9	0.46
BLC of California-San Marcos LP				27,552,222	10	0.36
Total	<u>\$ 665,802,528</u>		<u>5.60 %</u>	<u>\$ 545,951,305</u>		<u>7.44 %</u>

Notes:

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

Sources: San Diego County Auditor and Controller Office
 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	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2009	\$ 6,183,776	\$ 5,932,421	95.94 %	\$ 181,870	\$ 6,114,291	98.88 %
2010	5,575,114	5,363,998	96.21	199,486	5,563,484	99.79
2011	5,604,503	5,413,368	96.59	124,786	5,538,154	98.82
2012	5,646,455	5,479,552	97.04	106,885	5,586,437	98.94
2013	5,900,446	5,735,557	97.21	77,203	5,812,760	98.51
2014	6,281,371	6,071,920	96.67	69,223	6,141,143	97.77
2015	6,502,541	6,342,713	97.54	72,628	6,342,713	97.54
2016	6,875,051	6,704,823	97.52	61,744	6,704,823	97.52
2017	7,280,193	7,082,528	97.28	65,799	7,082,528	97.28
2018	7,584,842	7,402,491	97.60	N/A	7,402,491	97.60

Notes:

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

Source: San Diego County Auditor and Controller Office

City of San Marcos

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)							Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable	Total Primary Government			
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	
2018	-	3,492,221	-	1,731,711	1,108,642	6,332,574	0.12	66	

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 of San Marcos, Finance Department

City of San Marcos

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds (1)	Total	Percent of Assessed Value (2)	Per Capita
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
2018	-	3,492,221	3,492,221	0.029	36

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 of San Marcos, Finance Department

City of San Marcos

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Total assessed valuation	\$ 9,949,048,058	\$ 9,292,290,923	\$ 9,173,749,055	\$ 9,250,699,841
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,487,262,015	2,323,072,731	2,293,437,264	2,312,674,960
Debt limit percentage	15%	15%	15%	15%
Debt limit	373,089,302	348,460,910	344,015,590	346,901,244
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 373,089,302</u>	<u>\$ 348,460,910</u>	<u>\$ 344,015,590</u>	<u>\$ 346,901,244</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 of San Marcos, Finance Department

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 9,300,557,724	\$ 9,676,874,262	\$ 10,520,993,240	\$ 11,140,456,884	\$ 11,744,932,234	\$ 12,494,456,100
25%	25%	25%	25%	25%	25%
2,325,139,431	2,419,218,566	2,630,248,310	2,785,114,221	2,936,233,059	3,123,614,025
15%	15%	15%	15%	15%	15%
348,770,915	362,882,785	394,537,247	417,767,133	440,434,959	468,542,104
-	-	-	-	-	-
<u>\$ 348,770,915</u>	<u>\$ 362,882,785</u>	<u>\$ 394,537,247</u>	<u>\$ 417,767,133</u>	<u>\$ 440,434,959</u>	<u>\$ 468,542,104</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Revenue Bonds (1)					Coverage
	Debt Service (2)					
	Revenue	Principal	Interest			
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
2018 (3)	415,197	285,000	130,197			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.
- (3) Revenue Bonds refunded as of 11/29/17

Source: City of San Marcos, Finance Department

City of San Marcos

Direct and Overlapping Debt As of June 30, 2018

<u>2017-18 Assessed Valuation: (1)</u>		<u>\$11,993,843,394</u>	
	Percentage Applicable (2)	Outstanding Debt June 30, 2018 (3)	Estimated Share of Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	0.435%	\$ 60,600,000	\$ 263,610
Palomar Community College District	10.339%	627,826,320	64,910,963
San Marcos Unified School District	61.865%	277,826,759	171,877,524
San Marcos Unified School District School Facilities Improvement District No. 1	60.229%	2,092,874	1,260,517
San Marcos Unified School District Community Facilities District No. 3	100.000%	965,000	965,000
San Marcos Unified School District Community Facilities District No. 4	64.607%	16,520,000	10,673,076
Other School Districts	Various	791,238,753	378,710
Palomar Pomerado Hospital	11.443%	436,358,740	49,932,531
City of San Marcos	100.000%	-	-
City of San Marcos Community Facilities District No. 88-1	100.000%	12,420,784	12,420,784
City of San Marcos Community Facilities District No. 91-01	100.000%	746,667	746,667
City of San Marcos Community Facilities District No. 99-01	100.000%	55,349,735	55,349,735
City of San Marcos Community Facilities District No. 2002-1	100.000%	11,880,000	11,880,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>380,659,117</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	2.418%	\$ 273,220,000	6,606,460
San Diego County Pension Obligation Bonds	2.418%	558,525,000	13,505,135
San Diego County Superintendent of Schools Obligations	2.418%	10,785,000	260,781
Palomar Community College District General Fund Obligations	10.339%	2,720,000	281,221
San Marcos Unified School District General Fund Obligations	61.865%	74,774,457	46,259,218
Other School District Certificates of Participation	Various	95,585,000	119,469
City of San Marcos General Fund Obligations	100.000%	6,332,574	(4) <u>6,332,574</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>73,364,858</u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	\$ 300,620,000	<u>300,620,000</u>
TOTAL DIRECT DEBT			<u>6,332,574</u>
TOTAL OVERLAPPING DEBT			<u>748,311,401</u>
COMBINED TOTAL DEBT (3) (4)			<u>\$ 754,643,975</u>
Direct Debt			0.00%
Total Direct and Overlapping Tax and Assessment Debt			3.17%
Combined Direct Debt (\$6,332,574)			0.05%
Combined Total Debt			6.29%
Ratios to Redevelopment Incremental Valuation (\$7,900,513,484):			
Total Overlapping Tax Increment Debt			3.81%

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.
City of San Marcos, Finance Department

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
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	1.27	5,143,974,656	55,168	3.66
2017	33.07	94,258 (2)	1.09	5,458,763,554	57,913	3.41
2018	33.07	95,768	1.60	(3)	(3)	3.30

Notes:

- (1) Data presented is for San Diego/Carlsbad/San Marcos economic area. Prior year data has been updated.
- (2) Fiscal Year 2017 Population was revised by the State Department of Finance.
- (3) Personal income and per capita personal income data for 2018 are unavailable.

Sources: Population information provided by the State Department of Finance.
Personal income data provided by the U.S. Department of Commerce.

City of San Marcos

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

Employer (1)	2018			2009		
	Number of Employees	Rank	Percent of Total Employment (2)	Number of Employees	Rank	Percent of Total Employment (2)
San Marcos Unified School District	2,413	1	5.93%			
Palomar Community College	2,482	2	6.09%			
California State University San Marcos	1,407	3	3.45%			
Hunter Industries, Inc.	805	4	1.98%	726	1	2.50%
North County Health Services	700	5	1.72%			
United Parcel Service, Inc.	551	6	1.35%	467	2	1.61%
Southern California Permanente Medical Group	444	7	1.09%	231	10	0.80%
City of San Marcos	430	8	1.06%			
Costco Wholesale	404	9	0.99%	360	5	1.24%
Lusardi Construction Co.	250	10	0.61%	300	8	1.03%
Wal-Mart Stores, Inc.				395	3	1.36%
Vanpike, Inc.				387	4	1.33%
Fry's Electronics				290	9	1.00%
Oncore Manufacturing Services				320	6	1.10%
RB III Associates, Inc.				300	7	1.03%
Total	<u>9,886</u>		<u>24.27%</u>	<u>3,776</u>		<u>13.00%</u>

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 the City limits.

Sources: City of San Marcos, Business License Directory
 City of San Marcos, Economic Development Department

City of San Marcos

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>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>	<u>2018</u>
General government	50	60	59	55	58	57	61	56	52	43
Community development	37	44	39	38	39	42	34	26	29	33
Public safety (1)	94	101	97	92	95	97	90	105	108	104
Highways, streets and parks	66	71	76	77	76	76	77	84	88	92
Culture and recreation	126	120	128	126	128	120	149	181	177	158
Total	<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>	<u>430</u>

Note:

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

Source: City of San Marcos, Finance Department

City of San Marcos

Operating Indicators by Function (1) Last Ten Years

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
General Government:					
Number of business licenses issued	5,436	5,320	5,330	5,455	5,519
Number of requests for public information	176	211	202	270	253
Number of new hires including part-time	71	98	93	86	85
Number of invoices processed	11,256	19,296	13,020	11,810	12,354
Public Safety:					
Police:					
Contracts with the San Diego County Sheriff's Department for full service law enforcement					
Fire:					
Number of emergency calls	6,955	7,184	6,928	7,382	7,287
Number of fire inspections	1,852	2,211	2,101	2,367	3,214
Highways and Streets:					
Number of street lights added in current year	17	14	36	24	6
Number of traffic signals added in current year	4	3	3	1	-
Miles of streets swept	14,770	14,976	14,976	14,976	15,165
Miles of centerline streets added	-	-	-	-	5
Storm drain structures cleaned and repaired (2)	116	389	474	580	568
Culture and Recreation:					
Number of facility rentals	669	857	757	761	768
Number of swim program participants	19,714	30,110	34,494	40,820	46,211
Number of adult sports participants	25,961	31,772	35,105	38,897	41,660
Number of youth sports participants	12,108	17,610	18,105	13,714	20,946
Number of senior nutrition program meals served	15,708	13,126	13,295	14,031	13,455
Community Development:					
Number of building permits issued	458	454	618	866	1,248
Approximate number of building inspections conducted	14,501	24,819	24,888	28,466	15,247
Number of new business licenses issued	1,225	1,261	1,328	1,273	1,316

Note:

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

(2) The significant increase in FY2018 was due to equipment acquisition which increased cleaning capabilities.

Source: Various City of San Marcos Departments

Fiscal Year				
2014	2015	2016	2017	2018
5,623	5,593	5,762	5,916	5,898
238	276	355	346	353
90	123	182	150	144
13,464	13,342	12,813	12,287	12,123
7,675	8,889	10,719	11,258	11,458
2,953	2,894	2,419	2,431	3,168
19	-	5	30	15
1	1	3	1	-
15,175	12,090	12,090	12,090	12,157
-	-	-	-	-
597	596	602	719	1,109
799	802	862	925	931
52,577	57,009	40,711	38,105	33,955
46,313	47,094	50,814	55,809	59,361
22,946	23,014	26,415	27,013	32,092
12,775	13,039	10,813	10,997	12,024
1,700	1,877	2,390	2,198	2,326
15,713	10,922	12,150	10,641	16,829
1,342	1,462	1,519	1,407	1,346

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety:					
Police (1)					
Fire					
Number of fire stations	4	4	4	4	4
Number of emergency vehicles	33	40	31	32	36
Highways and Streets:					
Miles of streets (2)	236	236	241	194	199
Number of street lights	2,645	2,659	2,695	2,691	2,702
Culture and Recreation:					
Parks (3)	30	32	33	34	34
Acres of park and trail land (3)	373	377	379	380	380
Pools	2	2	2	2	2

Notes:

- (1) The City 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 FY2012 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) An audit of the City's parks and trails was conducted in FY2018 and it was determined that acres of park land reported in the prior years included trail land. Also, the number of parks has been revised to included parks owned by the City and developers, which the City maintains and has the right to use. The numbers are revised starting in FY2017.

Sources: Various City Departments.

Fiscal Year				
2014	2015	2016	2017	2018
4	4	4	4	4
38	41	44	47	47
197	197	197	197	198
2,708	2,708	2,713	2,743	2,758
35	35	35	36	36
384	384	384	333	333
2	2	2	2	2