



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023
City of San Marcos, California



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2023

City Manager: Michelle Bender

Finance Director: Donna Apar

Prepared by the 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,
California*

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Prepared by the San Marcos Finance Department

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City of San Marcos

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Transmittal Letter

January 9, 2024

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) fiscal year 2022-23 Annual Comprehensive Financial Report (ACFR). 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 ACFR 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. 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 and is one of the highest in median household income along the 78 corridor. The most current population and income for the City can be found in the [San Marcos Data Dashboard](#) on the City’s Economic Development website.

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.

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 Operations and Capital Improvement Program 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. 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 home to a labor force of 41,000 and over 4,200 businesses. While staffing and supply chain issues, caused by the pandemic, have improved, the unemployment rate has reportedly increased at 4.2%, in October 2023 still lower than the 4.8 reported for the entire State for the same month.

Real Estate Market:

Real estate values in the City have seen an average annual appreciation of 26.2% since 2000 with median home prices slightly increasing to a reported \$899,500 in November of 2023. This is slightly higher than the median listing home price in the County, which was reported to be \$825,000 during the same time. However, the City continues to have potential for new development in the future and continues to see a steady stream of housing stock construction at a stable rate compared to other cities throughout the region.

Local Trends:

The City continues to create interest in infill development opportunities with new commercial, residential and mixed-use development projects to produce additional revenue streams. The City continues to support businesses coming out of the COVID-19 global pandemic as they navigate the repercussions of the pandemic's residual effects.

Property tax revenue receipts are expected to increase upwards of 7% over prior year. Sales tax revenue is estimated to increase, by approximately 2%, in fiscal year 2023-24 compared to prior year receipts. There is an optimistic expectation that future sales tax & property tax revenue will not decrease further and may produce a minimal increase and stabilize to pre-pandemic trends.



Future 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 FY 2023-24 CIP budget appropriation was \$5.8 million. The majority of the total CIP budget is in the "Creek District" projects, which are intended to mitigate traffic congestion, provide recreational opportunities and additional services for the community.

Long Range Financial Forecast:

A five-year general fund financial forecast is developed as part of the budgeting process, which serves to guide the long-range fiscal planning, and budget development process. This forecast details the City's major revenue and expenditure items to provide long-term trend analysis and projections. Current economic indicators and revenue forecasts reflect the continual increase in cost of goods and services with a slight stabilization of revenues over the next five years compared to prior year.

This resulted in an adopted budget deficit for the FY 2023-24 Operating budget of approximately \$90.5 million, an increase of 1.3% from the prior year adopted budget. The City is expected to experience increases in general fund expenditure, in future years that may outpace the revenue increases, in spite of efforts to diligently reduce expenses. The City continues to proactively take steps to mitigate increased costs by increasing employee contributions to the CalPERS retirement plan & capping the City's share of employee healthcare expenses. Even with these adjustments, it continues to be necessary for the City and its collective bargaining groups, through negotiations, to work collaboratively toward solutions to help relieve the City's growing operational obligations and pension burden in the coming years.

As the global and local economies adjust from the pandemic health and economic impacts, we may continue to see unanticipated and unknown long-term effects on expenditures and revenues. Though the mild increase in the City's major revenue sources is forecasted to alleviate the challenges we faced in prior years, it still may not close the budget gap.



The City Council's adoption of the Fiscal Management Policy provides for a general fund contribution to the City's Infrastructure, City Facility, and City Vehicles and Equipment funds to plan for the future and continuous rehabilitation and replacement of City infrastructure.

The City is committed 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/Pension 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 (33.3 percent), One-time Recurring Savings/Opportunity Reserve (33.3 percent), and Economic Contingency/Pension Stabilization Reserve (33.3percent).

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, especially in unprecedented times.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Awards and Recognitions:

The City is dedicated to meeting the social, recreational, educational, cultural, commercial, retail, and public service 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:

- The City received an award from the Government Finance Officers Association (GFOA) for "excellence in financial reporting" for the FY 2021-22 ACFR.
- The City scored an A+ from Citizens Take Action for Campaign Finance Laws and Transparency for Cities in San Diego County.
- The City received a CALED (California Association for Local Economic Development) Economic Resiliency and Recovery Award of Merit for the City's COVID-19 Business Sustainability Program.
- The City received the EPIC Award for Social Media Best Use Overall (Medium Population) for the San Marcos Creek Social Media Campaign from the 2023 Excellence in Public Information & Communications Award from CAPIO (California Public Information Officials).

- 
- The City received the Association of Marketing and Communication Professionals (AMCP) - Hermes Creative Award (Gold) for Let's Face It Together Marketing Campaign
 - The City received the Association of Marketing and Communication Professionals (AMCP) - Hermes Creative Award (Gold) for Let's Face It Together Branding/Marketing Materials
 - The City received the City-County Communications & Marketing Association (3CMA) – Savvy Award for Let's Face It Together Graphic Design (Top Honor)
 - The City received the 2023 Risk Management Award from the California JPIA for Best Overall Performance: Liability Program

Acknowledgments:

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

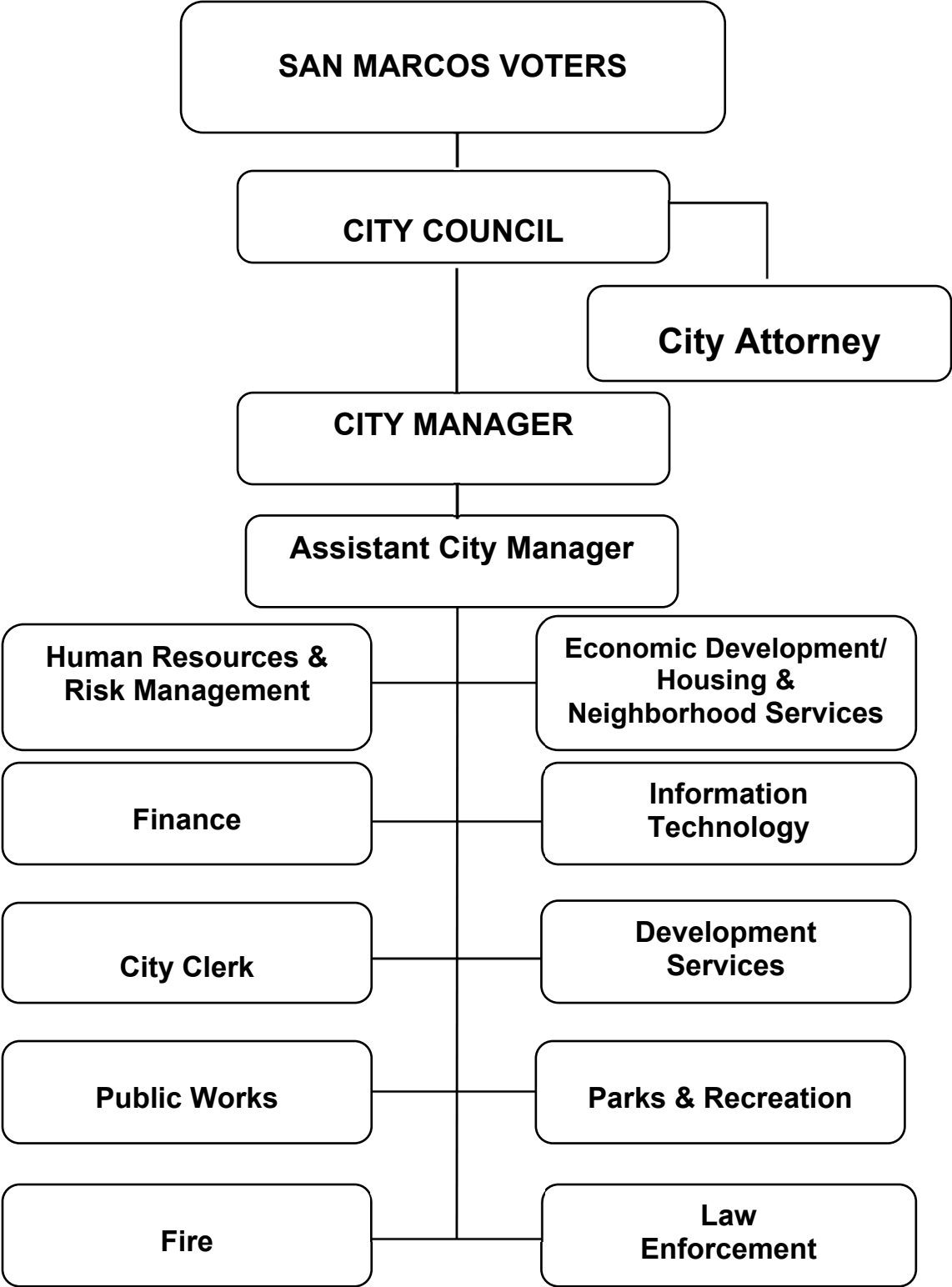


Donna Apar
Finance Director



Michelle Bender
City Manager

City of San Marcos
Organizational Chart
June 30, 2023



City of San Marcos

List of Principal Officials

June 30, 2023

City Council

Mayor
Deputy Mayor
Council Member
Council Member
Council Member

Rebecca Jones
Sharon Jenkins
Ed Musgrove
Maria Nunez
Mike Sannella

Administration

City Manager/Treasurer
Assistant City Manager
City Attorney
City Clerk

Michelle Bender
Vacant
Helen Holmes Peak
Phillip Scollick

Department/Division Heads

Development Services Director
Economic Development Director
Finance Director
Fire Chief
Human Resources/Risk Director
Parks and Recreation Director
Public Works Director
Sheriff Station Captain

Isaac Etchamendy
Tess Sangster
Donna Apar
Daniel Barron
Janelle Laughlin
Buck Martin
Darren Chamow
Kevin Ralph



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Marcos
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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

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

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Brenda L. Odle, CPA, MST (Partner Emeritus)

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
John Maldonado, CPA, MSA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA
Jeffrey McKennan, CPA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants



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Independent Auditor's Report

The Honorable City Council
of the City of San Marcos
San Marcos, California

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities under the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2024 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 solely 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 the effectiveness of 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 the City's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January 9, 2024

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City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

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, 2023. 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 \$1,081,168,372 (net position). Of this amount, \$138,072,622 represents unrestricted net position, which represents the majority of investments in real estate and joint venture.
- The City's total net position increased \$36,539,050 from the prior fiscal year mainly attributable to regular current year operating activities along with an increase in Operating grants and contributions and capital grants and contributions.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$226,564,901, a decrease of \$4,430,858 in comparison with the prior year. Approximately 4.4% of this amount or \$10,009,005 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 \$40,949,767, or approximately 41.35% of total General Fund expenditures.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

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, 2023

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 governments near-term financing requirements.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

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, the San Marcos Affordable Housing Fund, and the Capital Improvements Fund, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City 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 enterprise funds to account for the activity of Creekside Marketplace, a City-owned shopping center and other non-municipal use leased space.

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 these business-type activities, 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, 2023

The City maintains two different types of fiduciary funds. The Custodial Funds account for funds 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 30-89 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 90-98 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 102-107 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 \$1,081,168,372, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

City of San Marcos' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 490,481,999	\$ 460,478,670	\$ 95,974,968	\$ 95,076,788	\$ 586,456,967	\$ 555,555,458
Capital assets, net	629,072,987	601,410,159	-	-	629,072,987	601,410,159
Total assets	1,119,554,986	1,061,888,829	95,974,968	95,076,788	1,215,529,954	1,156,965,617
Deferred outflows of resources	31,351,950	15,461,949	-	-	31,351,950	15,461,949
Non-current liabilities	93,156,566	64,564,223	-	-	93,156,566	64,564,223
Other liabilities	42,237,164	38,754,123	1,599,294	2,394,777	43,836,458	41,148,900
Total Liabilities	135,393,730	103,318,346	1,599,294	2,394,777	136,993,024	105,713,123
Deferred inflows of resources	28,720,508	22,085,121	-	-	28,720,508	22,085,121
Net position						
Net investment in capital assets	625,379,612	596,923,771	-	-	625,379,612	596,923,771
Restricted	317,716,138	308,971,170	-	-	317,716,138	308,971,170
Unrestricted	43,696,948	46,052,370	94,375,674	92,682,011	138,072,622	138,734,381
Total net position	\$ 986,792,698	\$ 951,947,311	\$ 94,375,674	\$ 92,682,011	\$ 1,081,168,372	\$ 1,044,629,322

By far, the largest portion of the City's net position (57.84%) reflects its investment in capital assets (e.g., land, buildings, furniture, infrastructure, and right-to-use assets), 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 (29.39%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$138,072,622 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 increased \$36,539,050 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$34,845,387 from the prior fiscal year for an ending balance of \$986,792,698. The increase in the overall net position of governmental activities is the result of regular current year operating activities along with an increase in capital contributions and grants related to federal COVID relief.

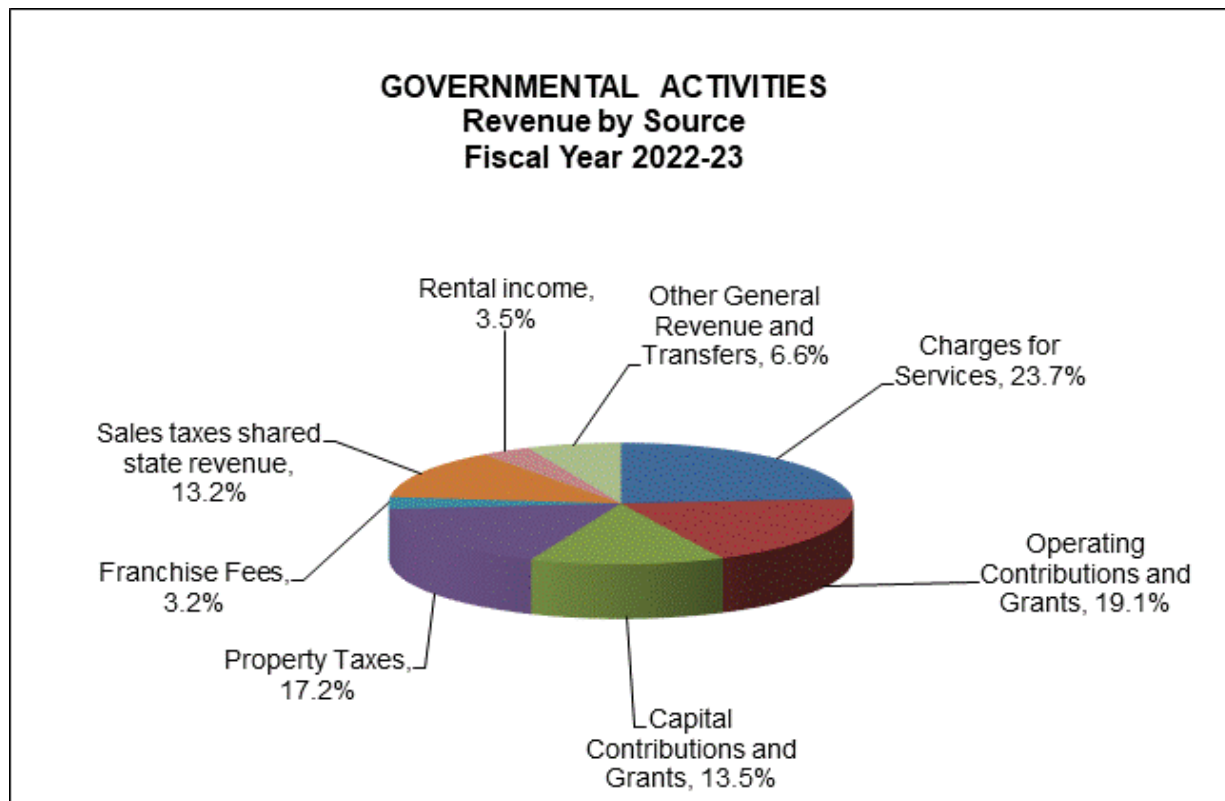
City of San Marcos' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 39,597,259	\$ 33,105,706	\$ 7,075,704	\$ 4,713,033	\$ 46,672,963	\$ 37,818,739
Operating contributions and grants	31,864,335	23,654,054	-	-	31,864,335	23,654,054
Capital contributions and grants	23,338,882	23,424,439	-	-	23,338,882	23,424,439
General revenues:						
Property taxes	28,629,629	26,695,907	-	-	28,629,629	26,695,907
Transient occupancy taxes	1,615,411	1,416,495	-	-	1,615,411	1,416,495
Business license tax	242,260	241,640	-	-	242,260	241,640
Motor vehicle license	96,966	111,588	-	-	96,966	111,588
Franchise fees	5,256,055	4,644,009	-	-	5,256,055	4,644,009
Rental income	5,866,922	5,626,286	-	-	5,866,922	5,626,286
Sales taxes shared state revenue, unrestricted	21,935,697	21,966,581	-	-	21,935,697	21,966,581
Investment income, restricted	109,305	137,263	-	-	109,305	137,263
Investment income, unrestricted	3,574,830	9,924,829	3,560	(3,287,385)	3,578,390	6,637,444
Gain (loss) on disposal of capital assets	4,155,018	191,367	-	-	4,155,018	191,367
Miscellaneous	632,894	549,913	6,509	-	639,403	549,913
Total Revenues	166,915,463	151,690,077	7,085,773	1,425,648	174,001,236	153,115,725
Expenses						
General government	34,816,393	32,589,843	-	-	34,816,393	32,589,843
Community development	12,813,037	12,423,814	-	-	12,813,037	12,423,814
Public safety	44,417,299	42,170,941	-	-	44,417,299	42,170,941
Highways, streets and parks	35,824,538	32,747,776	-	-	35,824,538	32,747,776
Culture and recreation	5,060,822	4,119,671	-	-	5,060,822	4,119,671
Interest on long-term debt	137,987	148,236	-	-	137,987	148,236
Creekside Marketplace	-	-	4,392,110	2,391,450	4,392,110	2,391,450
Total Expenses	133,070,076	124,200,281	4,392,110	2,391,450	137,462,186	126,591,731
Increase in Net Position Before Transfers	33,845,387	27,489,796	2,693,663	(965,802)	36,539,050	26,523,994
Transfers	1,000,000	3,500,000	(1,000,000)	(3,500,000)	-	-
Change in Net Position	34,845,387	30,989,796	1,693,663	(4,465,802)	36,539,050	26,523,994
Net Position, Beginning	951,947,311	920,957,515	92,682,011	97,147,813	1,044,629,322	1,018,105,328
Net Position, Ending	\$ 986,792,698	\$ 951,947,311	\$ 94,375,674	\$ 92,682,011	\$ 1,081,168,372	\$ 1,044,629,322

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

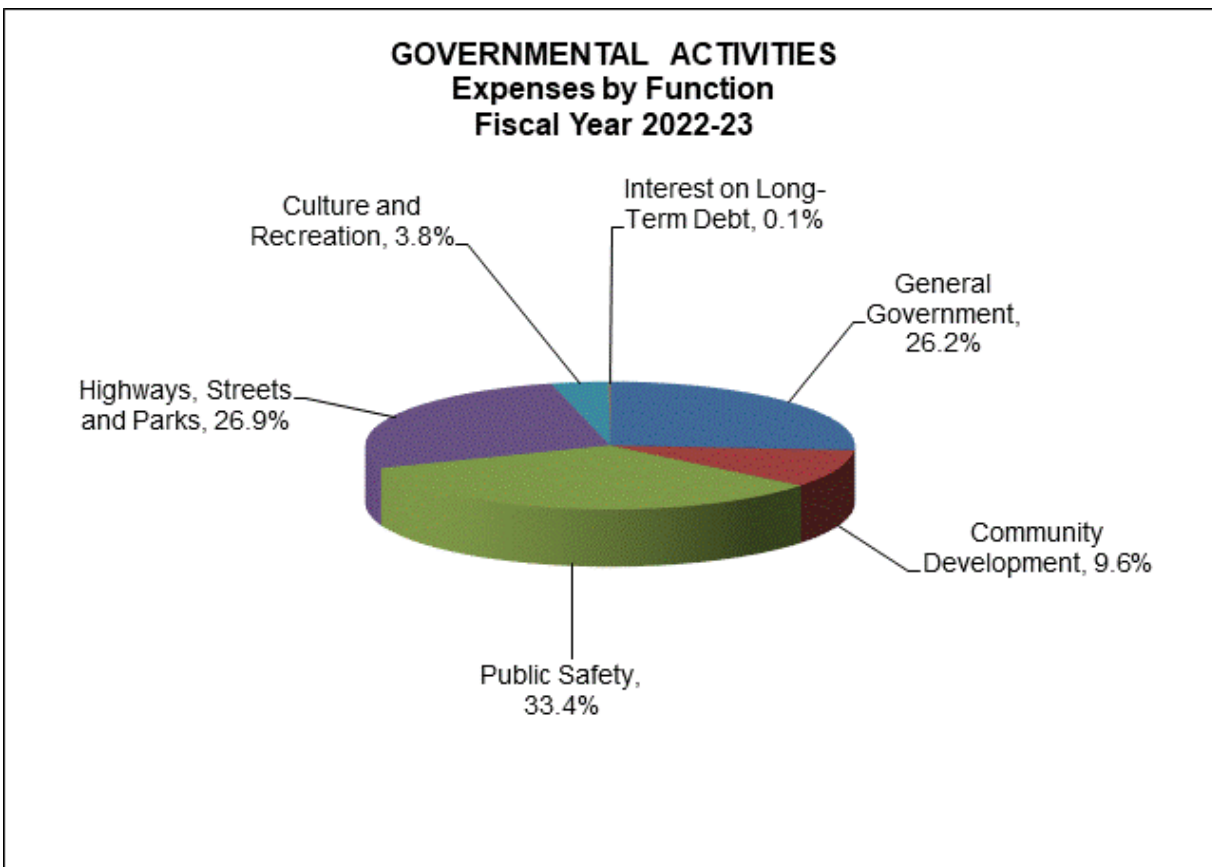
Revenue Source	2023	Percent of Total	Increase (Decrease) From 2022	Percent Increase (Decrease)
Charges for services	\$ 39,597,259	23.6%	\$ 6,491,553	16.4%
Operating contributions and grants	31,864,335	19.0%	8,210,281	25.8%
Capital contributions and grants	23,338,882	13.9%	(85,557)	-0.4%
Property taxes	28,629,629	17.1%	1,933,722	6.8%
Franchise fees	5,256,055	3.2%	612,046	11.6%
Sales taxes shared state revenue	21,935,697	13.1%	(30,884)	-0.1%
Rental income	5,866,922	3.5%	240,636	4.1%
Other general revenue and transfers	11,426,684	6.8%	(4,646,411)	-40.7%
Total revenue	<u>\$ 167,915,463</u>	<u>100.2%</u>	<u>\$ 12,725,386</u>	<u>7.6%</u>



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

Function	2023	Percent of Total	Increase (Decrease) From 2022	Percent Increase (Decrease)
General government	\$ 34,816,393	26.2%	\$ 2,226,550	6.4%
Community development	12,813,037	9.6%	389,223	3.0%
Public safety	44,417,299	33.4%	2,246,358	5.1%
Highways, streets and parks	35,825,013	26.9%	3,076,762	8.6%
Culture and recreation	5,060,347	3.8%	941,151	18.6%
Interest on long-term debt	137,987	0.1%	(10,249)	-7.4%
Total expenses	<u>\$ 133,070,076</u>	<u>100.0%</u>	<u>\$ 8,869,795</u>	<u>6.7%</u>



Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive. Overall net position increased to an ending balance of \$94,375,674. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center. The total increase in net position for business-type activities was \$1,693,663 or 1.8% from the prior fiscal year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

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.

On June 30, 2023, the City's governmental funds reported combined fund balances of \$226,564,901, an decrease of \$4,430,858 in comparison to the prior year. Approximately 4.4% or \$10,009,005 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 \$76,188,631, 2) restricted for particular purposes \$127,814,858, or 3) assigned for particular purposes \$12,552,407.

Rental income increased \$267,406 or 4.8% primarily due to increase in number of tenants.

Capital outlay expenditures increased by \$20,938,531 or 88.5% mostly due to increase in construction of various projects such as Grand Ave bridge construction project and Discovery St extension project.

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 \$28,397,360, while the total fund balance decreased by \$278,655 or -0.2% to \$119,655,777. 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 28.68% of total General Fund expenditures, while total fund balance represents approximately 120.83% of that same amount.

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 \$49,130,857. To assist with the construction of affordable housing projects, \$11,084,586 was loaned to housing developers during the fiscal year. Overall, developer loan activity was up from the prior year.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

The Capital Improvement Capital Projects Fund accounts for capital projects funded with Federal and other grants and developer contributions. This fund ended the year with a deficit fund balance of (\$16,683,875).

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund, as presented in the ACFR 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 the original budgeted appropriations were authorized by the City Council and minor 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. With the final tranche of revenue replacement funds from the Federal American Rescue Plan Act, the City adopted a balanced budget for FY 2022-2023. At the time of approval of the mid- year budget adjustments, unanticipated legal expenses related to water quality remediation at Lake San Marcos led to a projected deficit of \$1.4 million. However, the General Fund expenditure budget came in lower than the amended budget in large part due to delays in some services that were not completed during the Fiscal Year. Additionally, the General Fund revenues exceeded amended budgeted due in part to higher franchise agreement fees and higher property tax revenues.

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, 2023, amounts to \$629,072,987 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture and equipment, infrastructure, and right-to-use assets. The total increase in capital assets for the current fiscal year was \$27,662,828 or approximately 4.56% due to an increase in construction in progress offset by capital asset dispositions and depreciations.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2022	2021	2022	2021
Land and Improvements	\$ 300,489,984	\$ 304,667,384	\$ -	\$ -	\$ 300,489,984	\$ 304,667,384
Buildings	35,962,115	37,424,670	-	-	35,962,115	37,424,670
Furniture and Equipment	7,919,054	6,611,179	-	-	7,919,054	6,611,179
Infrastructure	156,506,198	166,235,878	-	-	156,506,198	166,235,878
Right-to-use subscription assets	219,324	-	-	-	219,324	-
Construction in progress	127,976,312	86,471,048	-	-	127,976,312	86,471,048
Total	\$ 629,072,987	\$ 601,410,159	\$ -	\$ -	\$ 629,072,987	\$ 601,410,159

The progress and completion of several capital asset & infrastructure improvements during the fiscal year including beginning construction of the San Marcos Creek Specific Plan project.

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

Non-Current Liabilities. At the end of the current fiscal year, the City had total non-current outstanding liabilities of \$93,156,566. Of this amount, \$1,910,000 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, leases and subscriptions.

City of San Marcos' Non-Current Outstanding Liabilities

	Governmental Activities		Net Change
	2023	2022	
Compensated absences	\$ 5,008,697	\$ 5,175,026	\$ (166,329)
Claims payable	1,084,617	1,193,859	(109,242)
Leases payable	1,192,311	1,759,679	(567,368)
Subscriptions payable	200,526	-	200,526
Loans payable - Safety Center	1,910,000	2,250,000	(340,000)
Loans payable - CEC	425,627	517,647	(92,020)
Net pension liability	76,290,352	43,266,363	33,023,989
Total OPEB liability	7,044,436	10,401,649	(3,357,213)
Total	\$ 93,156,566	\$ 64,564,223	\$ 28,592,343

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2023

The City's total liabilities decreased by \$28,592,343, or 44.3% during the current fiscal year. The increase was due to change in net pension liability offset principal reduction as result of on-going debt service payments. Additional information on the City's long-term liabilities can be found in Note 8, on pages 55-58 of this report and also at Notes 11 and 12.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

At the creation and preparation of the FY 2023-24 budget, the inflation rate rose to 5% by March 2023 with little change to unemployment rates and the Consumer Price Index trending down from the prior year to 5.3%. The economic impacts created by the global pandemic, which significantly impacted prior years' budgets, appeared to still be a concern with the development of the FY 2023-24 General Fund operating budget as the nation continued to experience economic uncertainty coming out of the pandemic. Although staff managed to keep adopted FY 2023-24 expenditures at a 1.3% increase over the FY 2022-23 adopted budget, the absence of Federal American Rescue Plan Act funds replacing long-term revenue lost during the COVID-19 pandemic resulted in a 3% decrease in revenue from FY 2022-23 to FY 2023-24, and subsequently resulted in an adopted deficit of \$3.8 million.

Our normally anticipated expenditure increases have become a more significant challenge as the economy continues to adjust from the impacts of the global pandemic. To mitigate the economic challenges emerging from COVID-19, the City continues to mitigate increased costs outpacing revenue growth through increased employee contributions to CalPERS and capping the City's share of employee healthcare expenses. The approved FY 2023-24 operating budget was adopted with a projected deficit, with the support of the City's reserve funds as needed. To mitigate use of reserve funds, the City is applying a best value analysis for delivering regular public services.

As the global and local economies emerge from the pandemic, unanticipated and unknown long term effects on future revenue and expenditure forecasts remain. Although economic indicators forecast a mildly positive return in sales tax, and other major revenue sources, the City is continuing to work toward solutions to relieve the City's growing cost of normal operations and services.

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 2023-24 budget book, 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, 2023

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	\$ 167,293,704	\$ 1,916,417	\$ 169,210,121	\$ 35,802
Cash and investments with fiscal agent (note 2)	828,999	-	828,999	-
Pension trust cash and investments (note 2)	2,517,379	-	2,517,379	-
Investments in real estate (note 2)	64,760,000	92,310,000	157,070,000	-
Investment in joint venture (note 14)	6,736,285	-	6,736,285	-
Receivables:				
Taxes and special assessments	4,011,342	-	4,011,342	-
Accounts	3,824,942	76,753	3,901,695	-
Interest	623,152	-	623,152	-
Notes (note 3)	200,152,022	-	200,152,022	-
Leases	20,435,571	-	20,435,571	-
Other (note 4)	1,029,791	622,153	1,651,944	-
Due from other governments	5,763,716	-	5,763,716	-
Advances to Successor Agency (note 17)	2,254,663	-	2,254,663	-
Deposits	4,251,752	6,349,645	10,601,397	1,243,781
Prepays	-	-	-	-
Internal balances	5,300,000	(5,300,000)	-	-
Land held for resale	698,681	-	698,681	-
Capital assets, not depreciated (note 7)	428,466,296	-	428,466,296	-
Capital assets, net of depreciation (note 7)	200,606,691	-	200,606,691	-
Total Assets	1,119,554,986	95,974,968	1,215,529,954	1,279,583
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	29,555,905	-	29,555,905	-
Loss on defeasance of debt	35,089	-	35,089	-
OPEB related	1,760,956	-	1,760,956	-
Total Deferred Outflows of Resources	31,351,950	-	31,351,950	-
LIABILITIES				
Accounts payable	20,441,829	1,139,268	21,581,097	20,802
Accrued liabilities	2,801,163	-	2,801,163	-
Due to other governments	4,236,982	-	4,236,982	-
Unearned revenue (note 6)	4,994,437	373,558	5,367,995	-
Deposits payable	9,762,753	86,468	9,849,221	-
Noncurrent liabilities:				
Due within one year (note 8)	4,630,487	-	4,630,487	-
Due in more than one year (note 8)	5,191,291	-	5,191,291	-
Net pension liability, due in more than one year	76,290,352	-	76,290,352	-
Total OPEB liability, due in more than one year	7,044,436	-	7,044,436	-
Total Liabilities	135,393,730	1,599,294	136,993,024	20,802
DEFERRED INFLOWS OF RESOURCES				
Lease related	19,616,409	-	19,616,409	-
Pension related	4,415,862	-	4,415,862	-
OPEB related	4,688,237	-	4,688,237	-
Total Deferred Inflows of Resources	28,720,508	-	28,720,508	-
NET POSITION (NOTE 10)				
Net investment in capital assets	625,379,612	-	625,379,612	-
Restricted for:				
Affordable housing	238,874,604	-	238,874,604	-
Lighting and landscape	19,185,250	-	19,185,250	-
Public facilities	40,430,216	-	40,430,216	-
Other purposes	19,226,068	-	19,226,068	1,258,781
Unrestricted	43,696,948	94,375,674	138,072,622	-
Total Net Position	\$ 986,792,698	\$ 94,375,674	\$ 1,081,168,372	\$ 1,258,781

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

City of San Marcos

Statement of Activities For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 34,816,393	\$ 4,990,742	\$ 235,680	\$ 8,047,718
Community development	12,813,037	7,786,718	18,149,312	761,195
Public safety	44,417,299	13,752,035	543,861	18,160
Highways, streets, and parks	35,825,013	10,506,534	12,611,771	14,511,809
Culture and recreation	5,060,347	2,561,230	323,711	-
Interest on long-term debt	137,987	-	-	-
Total governmental activities	133,070,076	39,597,259	31,864,335	23,338,882
Business-type activities:				
Creekside Marketplace	4,392,110	7,075,704	-	-
Total Primary Government	<u>\$ 137,462,186</u>	<u>\$ 46,672,963</u>	<u>\$ 31,864,335</u>	<u>\$ 23,338,882</u>
Component Unit:				
Permanent Fund Community Foundation	\$ 78,320	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 78,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Permanent Fund
	Governmental Activities	Business-Type Activities	Total	Community Foundation
Governmental activities:				
General government	\$ (21,542,253)	\$ -	\$ (21,542,253)	\$ -
Community development	13,884,188	-	13,884,188	-
Public safety	(30,103,243)	-	(30,103,243)	-
Highways, streets, and parks	1,805,101	-	1,805,101	-
Culture and recreation	(2,175,406)	-	(2,175,406)	-
Interest on long-term debt	(137,987)	-	(137,987)	-
Total governmental activities	(38,269,600)	-	(38,269,600)	-
Business-type activities:				
Creskide Marketplace	-	2,683,594	2,683,594	-
Total Primary Government	(38,269,600)	2,683,594	(35,586,006)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(78,320)
Total Component Unit	-	-	-	(78,320)
General revenues:				
Taxes:				
Property taxes	28,629,629	-	28,629,629	-
Transient occupancy taxes	1,615,411	-	1,615,411	-
Business license tax	242,260	-	242,260	-
Motor vehicle license tax	96,966	-	96,966	-
Franchise fees	5,256,055	-	5,256,055	-
Rental income	5,866,922	-	5,866,922	-
Sales taxes shared state revenue, unrestricted	21,935,697	-	21,935,697	-
Investment income, restricted	109,305	-	109,305	121,075
Investment income, unrestricted	3,574,830	3,560	3,578,390	-
Gain on disposal and sale of capital assets	4,155,018	-	4,155,018	-
Miscellaneous income	632,894	6,509	639,403	-
Transfers (note 5)	1,000,000	(1,000,000)	-	-
Total general revenues and transfers	73,114,987	(989,931)	72,125,056	121,075
Change in Net Position	34,845,387	1,693,663	36,539,050	42,755
Net Position, Beginning	951,947,311	92,682,011	1,044,629,322	1,216,026
Net Position, Ending	\$ 986,792,698	\$ 94,375,674	\$ 1,081,168,372	\$ 1,258,781

City of San Marcos

Balance Sheet Governmental Funds June 30, 2023

	General	Special Revenue San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
ASSETS					
Cash and investments (note 2)	\$ 50,039,758	\$ 44,148,894	\$ -	\$ 73,105,052	\$ 167,293,704
Cash and investments with fiscal agents (note 2)	-	-	-	828,999	828,999
Pension trust cash and investments (note 2)	2,517,379	-	-	-	2,517,379
Investments in real estate (note 2)	64,760,000	-	-	-	64,760,000
Investment in joint venture (note 14)	6,736,285	-	-	-	6,736,285
Receivables:					
Taxes and special assessments	3,975,043	-	-	36,299	4,011,342
Accounts	3,298,298	450,336	-	76,308	3,824,942
Interest	146,250	150,798	24,412	301,692	623,152
Notes, net (note 3)	10,480,176	187,703,508	-	1,968,338	200,152,022
Leases	18,125,448	-	-	2,310,123	20,435,571
Other, net (note 4)	909,275	-	-	120,516	1,029,791
Due from other governments	515,368	-	4,413,172	835,176	5,763,716
Advances to other funds (note 5)	-	1,309,755	-	6,300,000	7,609,755
Due from other funds (note 5)	6,669,160	712,500	-	-	7,381,660
Advances to Successor Agency (note 17)	-	2,254,663	-	-	2,254,663
Deposits	4,251,752	-	-	-	4,251,752
Land held for resale	440,594	258,087	-	-	698,681
Total Assets	<u>\$ 172,864,786</u>	<u>\$ 236,988,541</u>	<u>\$ 4,437,584</u>	<u>\$ 85,882,503</u>	<u>\$ 500,173,414</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,182,618	\$ 34,741	\$ 11,369,462	\$ 1,855,008	\$ 20,441,829
Accrued liabilities	2,461,831	33,679	15,342	281,446	2,792,298
Due to other governments	-	-	-	4,236,982	4,236,982
Advances from other funds (note 5)	2,309,755	-	-	-	2,309,755
Due to other funds (note 5)	712,500	-	6,043,612	625,548	7,381,660
Unearned revenue (note 6)	1,898,024	-	3,096,413	-	4,994,437
Deposits payable	9,121,236	34,498	596,630	10,389	9,762,753
Total Liabilities	<u>23,685,964</u>	<u>102,918</u>	<u>21,121,459</u>	<u>7,009,373</u>	<u>51,919,714</u>
Deferred Inflows of Resources:					
Unavailable revenue (note 6)	12,191,752	187,754,766	-	2,125,872	202,072,390
Lease related	17,331,293	-	-	2,285,116	19,616,409
Total Deferred Inflows or Resources	<u>29,523,045</u>	<u>187,754,766</u>	<u>-</u>	<u>4,410,988</u>	<u>221,688,799</u>
Fund Balances (note 9)(deficit):					
Nonspendable:					
Land held for resale	440,594	-	-	-	440,594
Deposits	4,251,752	-	-	-	4,251,752
Investments in real estate (note 2)	64,760,000	-	-	-	64,760,000
Investment in joint venture (note 2)	6,736,285	-	-	-	6,736,285
Restricted:					
Affordable housing	-	49,130,857	-	-	49,130,857
Transportation	-	-	-	11,047,508	11,047,508
Lighting and landscape	-	-	-	19,166,052	19,166,052
Pension trust	2,517,379	-	-	-	2,517,379
Capital improvements	-	-	-	1,026,360	1,026,360
Public facilities	-	-	-	40,293,326	40,293,326
Other purposes	-	-	-	4,633,376	4,633,376
Assigned	12,552,407	-	-	-	12,552,407
Unassigned	28,397,360	-	(16,683,875)	(1,704,480)	10,009,005
Total Fund Balances	<u>119,655,777</u>	<u>49,130,857</u>	<u>(16,683,875)</u>	<u>74,462,142</u>	<u>226,564,901</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 172,864,786</u>	<u>\$ 236,988,541</u>	<u>\$ 4,437,584</u>	<u>\$ 85,882,503</u>	<u>\$ 500,173,414</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, 2023

Fund balances of governmental funds \$ 226,564,901

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

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

Capital assets, not depreciated	\$ 428,466,296	
Capital assets, being depreciated	487,992,819	
Less: accumulated depreciation	<u>(287,386,128)</u>	629,072,987

Deferred loss on defeasance of debt is deferred and amortized over the life of the bonds in the Statement of Net Position. 35,089

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. (8,865)

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

Pension related deferred outflows of resources	29,555,905	
Pension related deferred inflows of resources	<u>(4,415,862)</u>	25,140,043

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

OPEB related deferred outflows of resources	1,760,956	
OPEB related deferred inflows of resources	<u>(4,688,237)</u>	(2,927,281)

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

Compensated absences	(5,008,697)	
Claims payable	(1,084,617)	
Lease liability	(1,192,311)	
Subscription liability	(200,526)	
Loans payable	(2,335,627)	
Net pension liability	(76,290,352)	
Total OPEB liability	<u>(7,044,436)</u>	(93,156,566)

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

202,072,390

Net position of governmental activities \$ 986,792,698

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

City of San Marcos

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2023

	General	Special Revenue San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
REVENUES					
Taxes and special assessments	\$ 30,487,301	\$ -	\$ -	\$ 10,476,493	\$ 40,963,794
Licenses and permits	6,577,183	-	-	-	6,577,183
Intergovernmental	30,762,392	-	18,168,605	5,480,029	54,411,026
Charges for services	19,271,585	-	-	-	19,271,585
Developer fees	24,413	3,612,392	-	10,018,099	13,654,904
Fines and forfeitures	204,650	-	1,036,531	-	1,241,181
Investment and rental income	8,507,229	1,595,751	82,117	1,836,449	12,021,546
Miscellaneous	2,811,161	368,269	-	107,049	3,286,479
Total Revenues	98,645,914	5,576,412	19,287,253	27,918,119	151,427,698
EXPENDITURES					
Current:					
General government	33,356,204	476,971	-	-	33,833,175
Community development	7,338,716	5,083,716	-	418,388	12,840,820
Public safety	43,091,788	-	-	-	43,091,788
Highways, streets and parks	10,529,944	-	-	14,481,009	25,010,953
Culture and recreation	4,065,950	-	-	406,180	4,472,130
Capital outlay	-	-	45,045,625	20,807	45,066,432
Debt service:					
Principal	567,369	-	-	432,019	999,388
Interest and fiscal charges	79,885	-	-	54,243	134,128
Total Expenditures	99,029,856	5,560,687	45,045,625	15,812,646	165,448,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	(383,942)	15,725	(25,758,372)	12,105,473	(14,021,116)
OTHER FINANCING SOURCES (USES)					
Subscription acquisition	257,840	-	-	-	257,840
Proceeds from sale of capital assets	1,000,000	7,332,418	-	-	8,332,418
Transfers in (note 5)	1,751,890	142,500	18,094,012	831,000	20,819,402
Transfers out (note 5)	(2,904,443)	-	-	(16,914,959)	(19,819,402)
Total Other Financing Sources (Uses)	105,287	7,474,918	18,094,012	(16,083,959)	9,590,258
Net Change in Fund Balances	(278,655)	7,490,643	(7,664,360)	(3,978,486)	(4,430,858)
Fund Balances (Deficit), Beginning	119,934,432	41,640,214	(9,019,515)	78,440,628	230,995,759
Fund Balances (Deficit), Ending	\$ 119,655,777	\$ 49,130,857	\$ (16,683,875)	\$ 74,462,142	\$ 226,564,901

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, 2023

Net change in fund balances - total governmental funds \$ (4,430,858)

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	\$ 44,603,703	
Depreciation expense, net of deletions to capital assets	<u>(16,940,875)</u>	27,662,828

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	11,332,747
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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	1,056,702	
Subscription acquisition	(257,840)	
Changes in pension related items	(630,142)	
Changes in OPEB related items	<u>(159,762)</u>	8,958

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	166,329	
Change in claims payable	109,242	
Change in accrued interest	1,990	
Amortization of deferred loss	<u>(5,849)</u>	271,712

Change in net position of governmental activities	<u><u>\$ 34,845,387</u></u>
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The accompanying notes are an integral part of these financial statements.

City of San Marcos

Statement of Net Position Proprietary Funds June 30, 2023

	Enterprise Fund Creekside Marketplace
ASSETS	
Current Assets:	
Cash and investments (note 2)	\$ 1,916,417
Investments in real estate (note 2)	92,310,000
Receivables:	
Accounts	76,753
Deposits	6,349,645
Total Current Assets	100,652,815
Noncurrent Assets:	
Other receivable (note 4)	622,153
Total Noncurrent Assets	622,153
Total Assets	101,274,968
LIABILITIES	
Current Liabilities:	
Accounts payable	1,139,268
Deposits payable	86,468
Unearned revenue	373,558
Advances from other funds (note 5)	5,300,000
Total Liabilities	6,899,294
NET POSITION	
Unrestricted	94,375,674
Total Net Position	\$ 94,375,674

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, 2023

	Enterprise Fund Creekside Marketplace
OPERATING REVENUES	
Rental income	\$ 6,306,610
Common area maintenance charges	769,094
Total Operating Revenues	<u>7,075,704</u>
OPERATING EXPENSES	
Property management	1,065,132
Janitorial	281,980
Repairs and maintenance	3,044,998
Total Operating Expenses	<u>4,392,110</u>
Operating Income	2,683,594
NON-OPERATING REVENUES	
Investment income	3,560
Other revenues	6,509
Total Non-Operating Revenues	<u>10,069</u>
Income Before Transfers	2,693,663
TRANSFERS	
Transfers out (note 5)	<u>(1,000,000)</u>
Total Transfers	<u>(1,000,000)</u>
Change in Net Position	1,693,663
Net Position, Beginning	<u>92,682,011</u>
Net Position, Ending	<u><u>\$ 94,375,674</u></u>

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

City of San Marcos

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2023

	<u>Enterprise Fund</u> <u>Creekside</u> <u>Marketplace</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,978,965
Payments to suppliers for goods and services	<u>(4,392,110)</u>
Net cash (used for) operating activities	<u>(2,406,636)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from settlement agreement	19,493
Advances from other funds	5,300,000
Transfer to general fund	<u>(1,000,000)</u>
Net cash provided by noncapital financing activities	<u>4,319,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>3,560</u>
Net cash provided by investing activities	<u>3,560</u>
Net increase in cash and cash equivalents	1,916,417
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u><u>\$ 1,916,417</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,683,594
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in operating receivables:	
Accounts receivable	469,695
Deposits	(3,025,403)
Increase (decrease) in operating liabilities:	
Accounts payable	(1,026,197)
Due to other funds	(1,748,427)
Deposits payable	21,735
Unearned revenue	<u>208,979</u>
Net cash provided by for operating activities	<u><u>\$ (2,406,636)</u></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, 2023

	Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments (note 2)	\$ 2,360,316	\$ 3,791
Receivables:		
Accounts	98,906	-
Special assessments	-	18,203
Interest	12,557	-
Direct financing lease	1,248,554	-
Prepaid expenses	237,931	-
Restricted Assets:		
Cash and investments with fiscal agent (note 2)	37,746,318	9,961,824
Total Assets	<u>41,704,582</u>	<u>9,983,818</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt	<u>7,764,090</u>	<u>-</u>
LIABILITIES		
Accounts payable	10,185	186,256
Accrued liabilities	4,800	-
Accrued interest payable	2,129,876	-
Due to other governments	5,755	11,909
Noncurrent Liabilities:		
Due within one year	13,690,000	-
Due in more than one year	<u>209,652,725</u>	<u>-</u>
Total Liabilities	<u>225,493,341</u>	<u>198,165</u>
NET POSITION (DEFICIT)		
Restricted for:		
Other taxing entities and other agencies	<u>\$ (176,024,669)</u>	<u>\$ 9,785,653</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, 2023

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Tax	\$ 24,618,899	\$ 7,706,475
Income from property and investments	1,049,750	133,199
Debt proceeds collected for other agencies	-	35,039
Other revenue	145,813	-
	<hr/>	<hr/>
Total Additions	25,814,462	7,874,713
	<hr/>	<hr/>
DEDUCTIONS		
General and administrative	3,678,621	-
Interest expense and fees	9,114,990	-
Administrative expense	-	250,736
Payments to fiscal agent on behalf of other agencies	-	7,176,868
	<hr/>	<hr/>
Total Deductions	12,793,611	7,427,604
	<hr/>	<hr/>
Change in Net Position	13,020,851	447,109
Net Position (Deficit), Beginning	(189,045,520)	9,338,544
	<hr/>	<hr/>
Net Position (Deficit), Ending	<u>\$ (176,024,669)</u>	<u>\$ 9,785,653</u>

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

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For the Year Ended June 30, 2023**

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City of San Marcos

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For the Year Ended June 30, 2023**

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**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A) Description of Reporting Entity, (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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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. Custodial funds use the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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. The fund also accounts for the low and moderate income housing receivables of the former City of San Marcos Redevelopment Agency.

Capital Improvements Fund

The Capital Improvements Fund is used to account for capital projects funded with Federal and other grants and developer contributions.

The City reports the following major proprietary fund:

Creekside Marketplace Fund

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

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.

Custodial Funds

The Custodial 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.

E) Financial Statement Elements

(1) Cash and Investments

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

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

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

(2) Receivables and Payables

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (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 assets 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 assets or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(7) Program Revenues

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

(8) Property Taxes

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

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

(9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(10) Capital and Intangible 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. Intangible assets are recorded at the value of the liability recognized and amortized on a straight-line basis over the life of the liability.

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

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

	Years
Buildings	50
Furniture and Equipment	3-10
Infrastructure	20-50

(11) Compensated Absences

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

(12) 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(13) 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.

(14) Postemployment Benefits other than Pensions (OPEB)

For purposes of measuring the total 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, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

(15) 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 at www.calpers.ca.gov.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

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, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

(16) 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.

(17) 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

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.

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. 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.

(18) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(19) New Accounting Pronouncements

During the fiscal year ended June 30, 2023, the City implemented the following GASB standard:

GASB Statement No. 96 – The Governmental Accounting Standards Board (GASB) has issued Statement No. 96, *Subscription Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 169,210,121
Cash and investments with fiscal agents	828,999
Pension trust cash and investments	2,517,379
Investments in real estate	157,070,000
Investment in joint venture	6,736,285
Statement of fiduciary net position:	
Private-Purpose Trust Fund	
Cash and investments	2,360,316
Cash and investments with fiscal agents	37,746,318
Custodial Funds	
Cash and investments	3,791
Cash and investments with fiscal agents	<u>9,961,824</u>
 Total Cash and Investments	 <u><u>\$ 386,435,033</u></u>

Cash and investments at June 30, 2023 consisted of the following:

Demand deposits	\$ 12,212,779
Local Agency Investment Fund (LAIF)	55,912,643
California Asset Management Program (CAMP)	43,548,005
Federal Agency Securities	13,808,982
U.S. Treasury Obligations	20,758,874
U.S. Corporate	16,663,136
Municipal Obligations	721,312
Asset-Backed Securities	6,109,989
Collateralized Mortgage Obligations	4,710,434
Supranational	586,373
Money Market Mutual Funds	47,596,221
Real Estate	157,070,000
Joint Venture	<u>6,736,285</u>
 Total Cash and Investments	 <u><u>\$ 386,435,033</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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. In addition to the table below, the investment policy specifies that the City may invest in other investments that are, or may become, legal investments through the State of California Government Code and with prior approval of the City Council. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

Investment Type Authorized by State Law	Authorized By City Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Municipal Obligations	Yes	5 years	30%	5%
Supranationals	Yes	5 years	30%	10%
Bankers' Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	15%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	30 days	50%	None
Reverse Repurchase Agreements	No	1 year	20%	None
US Corporate Medium Term Notes	Yes	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	10%	5%
Asset-Backed Securities	Yes	5 years	10%	None
Collateralized Mortgage Obligations	Yes	5 years	10%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$75 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, 2023

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	\$75 million per entity
Investment Contracts	None	None	None

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

2) CASH AND INVESTMENTS, (continued)

Interest Rate Risk, (continued)

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	\$ 13,808,982	\$ 8,339,330	\$ 4,826,968	\$ 642,684	\$ -
U.S. Treasury Obligations	19,723,701	4,396,780	8,163,267	7,163,654	-
U.S. Corporate	16,663,136	6,258,950	7,749,154	2,655,032	-
Municipal Obligations	721,312	721,312	-	-	-
Asset-Backed Securities	6,109,989	1,332,575	4,540,339	237,075	-
Collateralized Mortgage Obligations	4,710,434	1,189,058	1,191,672	2,329,704	-
Supranational	586,373	-	586,373	-	-
Money Market Mutual Funds	107,822	107,822	-	-	-
LAIF	55,912,643	55,912,643	-	-	-
CAMP	43,548,005	43,548,005	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	47,488,399	47,488,399	-	-	-
U.S. Treasury Obligations	1,035,173	1,035,173	-	-	-
Real Estate	157,070,000	-	-	-	157,070,000
Total	<u>\$ 367,485,969</u>	<u>\$ 170,330,047</u>	<u>\$ 27,057,773</u>	<u>\$ 13,028,149</u>	<u>\$ 157,070,000</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

2) CASH AND INVESTMENTS, (continued)

Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Standard & Poor's Rating as of Year End
Federal Agency Securities	\$ 13,808,982	N/A	AA+
U.S. Treasury Obligations	19,723,701	N/A	N/A
U.S. Corporate	16,663,136	N/A	N/A
Municipal Obligations	721,312	N/A	AA-
Asset-Backed Securities	6,109,989	N/A	AAA
Collateralized Mortgage Obligations	4,710,434	N/A	A-
Supranational	586,373	N/A	AAA
Money Market Mutual Funds	107,822	N/A	AAA
LAIF	55,912,643	N/A	Not Rated
CAMP	43,548,005	N/A	AAA
Held by bond trustees:			
Money Market Mutual Funds	47,488,399	A	AAA
U.S. Treasury Obligations	1,035,173	N/A	N/A
Real Estate	157,070,000	N/A	Not Rated
Total	<u>\$ 367,485,969</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, 2023 that meet the above criteria.

Custodial Credit Risk

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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, 2023, 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 \$75 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>. Currently, LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

The 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

2) CASH AND INVESTMENTS, (continued)

Investment in California Asset Management Program Pool. (continued)

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.

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 valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The following table presents the balances of the assets measured at fair value on a recurring basis of June 30, 2023.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 13,808,982	\$ -	\$ 13,808,982	\$ -
U.S. Treasury Obligations	19,723,701	-	19,723,701	-
U.S. Corporate	16,663,136	-	16,663,136	-
Municipal Obligations	721,312	-	721,312	-
Asset-Backed Securities	6,109,989	-	6,109,989	-
Collateralized Mortgage Obligations	4,710,434	-	4,710,434	-
Supranational	586,373	-	586,373	-
Held by bond trustees:				
U.S. Treasury Obligations	1,035,173	-	1,035,173	-
Real Estate	157,070,000	-	-	157,070,000
Total Investments by Fair Value Level	220,429,100	\$ -	\$ 63,359,100	\$ 157,070,000
Not subject to the fair value hierarchy:				
LAIF	55,912,643			
CAMP	43,548,005			
Money Market Mutual Funds	107,822			
Held by bond trustees:				
Money Market Mutual Funds	47,488,399			
Total	\$ 367,485,969			

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

3) NOTES RECEIVABLE

At June 30, 2023, notes receivable consisted of the following:

The City loaned \$8,672,500 to AOA San Marcos LLC for construction financing of a mixed use complex. The loan is payable in full in June, 2024 and bears an interest rate of 5.25% per annum. Due to the long-term nature of the loan, unavailable revenue has been recorded in the General Fund. The balance at June 30, 2023 includes accrued interest of \$1,807,676.

\$ 10,480,176

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.

780,950

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund.

181,119,951

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2023 includes accrued interest of \$591,467.

1,911,467

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

3) NOTES RECEIVABLE, (continued)

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June 30, 2023 includes accrued interest of \$121,722.

\$ 821,722

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, unavailable revenue has been recorded in the Affordable Housing Special Revenue Fund. The balance at June, 30, 2023 includes accrued interest of \$762,229.

2,607,854

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, unavailable revenue has been recorded in the HOME Grant and the CalHOME Grant Special Revenue Funds.

1,968,338

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.

461,564

Total notes receivable

\$ 200,152,022

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

4) OTHER RECEIVABLES

At June 30, 2023, 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

909,275

Total other receivables – governmental funds

\$ 1,029,791

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.

\$ 622,153

Lease Receivables

During the current fiscal year, the City entered into various lease receivable agreements for the use of buildings and land. The leases range from 12-396 months in term to fiscal year 2056. Amounts collected annually range from \$24,000 to \$826,000. For the fiscal year ended June 30, 2023, the City recognized \$2,472,047 in lease revenue and \$435,565 in interest revenue.

The schedule of future payments of principal and interest for the lease receivable is as follows:

Year Ending June 30,	Principal	Interest
2024	\$ 2,515,051	\$ 366,529
2025	2,488,082	322,028
2026	2,504,871	276,736
2027	2,481,917	230,954
2028	2,161,336	186,377
2029-2033	5,987,530	526,713
2034-2038	1,745,332	154,015
2039-2043	432,144	30,217
2044-2048	39,294	13,765
2049-2053	47,331	7,939
2054-2056	32,683	1,361
	<u>\$ 20,435,571</u>	<u>\$ 2,116,634</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2023:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
San Marcos Affordable Housing	General Fund	\$ 712,500
General Fund	Non-Major Governmental Funds	625,548
General Fund	Capital Improvements	<u>6,043,612</u>
		<u><u>\$ 7,381,660</u></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, 2023:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
San Marcos Affordable Housing	General Fund	\$ 1,309,755
Non-Major Governmental Funds	Creekside Marketplace Fund	5,300,000
Non-Major Governmental Funds	General Fund	<u>1,000,000</u>
		<u><u>\$ 7,609,755</u></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. The loan from the PPagublic Facility Fund to the Creekside Marketplace Fund and the Real Property Management Fund (within General Fund) was made for the purpose of funding capital project obligations.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

5) INTERFUND RECEIVABLES AND TRANSFERS, (continued)

Interfund transfers were as follows:

	Transfers In				Total
	General Fund	San Marcos Affordable Housing	Capital Improvements	Non-Major Governmental Funds	Transfers Out
Transfers Out:					
General Fund	\$ -	\$ 142,500	\$ 1,930,943	\$ 831,000	\$ 2,904,443
Creekside Marketplace Enterprise Fund	1,000,000	-	-	-	1,000,000
Non-major Governmental Funds	751,890	-	16,163,069	-	16,914,959
Total Transfers In:	<u>\$ 1,751,890</u>	<u>\$ 142,500</u>	<u>\$ 18,094,012</u>	<u>\$ 831,000</u>	<u>\$ 20,819,402</u>

All of the transfers were made as budgeted. The transfer of \$1,000,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations. \$1,930,943 from the General Fund to the Capital Improvements Fund was to fund Capital Improvement projects. \$831,000 from General Fund to the Non-Major Governmental Funds was for operational activities, \$660,000 was transferred to fund lighting and landscaping costs. The \$16,163,069 transfers from the Non-Major Governmental Funds to the Capital Improvements Fund were also to fund the CIP projects.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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	\$ -	\$ 1,898,024	\$ 1,898,024
Revenue received from developers prior to earning	-	3,096,413	3,096,413
Revenues earned but not available within 60 days after the close of the fiscal year	343,221	-	343,221
Fees receivable from property owners under various agreements	649,401	-	649,401
Long-term loans to mobile home owners	1,015,349	-	1,015,349
Long-term loans to individuals under under a mortgage assistance program	2,236,450	-	2,236,450
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	195,916,502	-	195,916,502
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,911,467	-	1,911,467
Total unavailable/unearned revenue for governmental funds	<u>\$ 202,072,390</u>	<u>\$ 4,994,437</u>	<u>\$ 207,066,827</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2023:

Governmental Activities:	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not depreciated:				
Land	\$ 237,796,321	\$ -	\$ (4,177,400)	\$ 233,618,921
Land improvements	66,871,063	-	-	66,871,063
Construction in progress	86,471,048	44,340,314	(2,835,050)	127,976,312
Total capital assets, not depreciated	391,138,432	44,340,314	(7,012,450)	428,466,296
Capital assets, being depreciated:				
Buildings	73,256,572	-	-	73,256,572
Furniture and equipment	23,725,850	2,584,014	(326,786)	25,983,078
Infrastructure	388,238,744	256,585	-	388,495,329
Right-to-use subscription assets	-	257,840	-	257,840
Total capital assets, being depreciated	485,221,166	3,098,439	(326,786)	487,992,819
Less accumulated depreciation for:				
Buildings	(35,831,902)	(1,462,555)	-	(37,294,457)
Furniture and equipment	(17,114,671)	(1,276,139)	326,786	(18,064,024)
Infrastructure	(222,002,866)	(9,986,265)	-	(231,989,131)
Right-to-use subscription assets	-	(38,516)	-	(38,516)
Total accumulated depreciation	(274,949,439)	(12,763,475)	326,786	(287,386,128)
Total capital assets, being depreciated, net	210,271,727	(9,665,036)	-	200,606,691
Total governmental activities	\$ 601,410,159	\$ 34,675,278	\$ (7,012,450)	\$ 629,072,987

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

Governmental Activities:	
General government	\$ 860,923
Public safety	1,326,388
Highways, streets and parks	10,435,023
Culture and recreation	141,141
Total depreciation expense – governmental activities	<u>\$ 12,763,475</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Long-term debt					
<i>Direct borrowing:</i>					
Loans payable	\$ 517,647	\$ -	\$ (92,020)	\$ 425,627	\$ 92,931
Safety center private placement financing	2,250,000	-	(340,000)	1,910,000	345,000
Subtotal long-term debt	2,767,647	-	(432,020)	2,335,627	437,931
Other long-term liabilities					
Compensated absences	5,175,026	3,039,432	(3,205,761)	5,008,697	3,102,300
Claims payable	1,193,859	233,677	(342,919)	1,084,617	600,000
Leases payable	1,759,679	-	(567,368)	1,192,311	435,188
Subscriptions payable	-	257,840	(57,314)	200,526	55,068
Subtotal other long-term liabilities	8,128,564	3,530,949	(4,173,362)	7,486,151	4,192,556
Total long-term liabilities	\$ 10,896,211	\$ 3,530,949	\$ (4,605,382)	\$ 9,821,778	\$ 4,630,487

The entire net pension and total 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 total OPEB liabilities are generally liquidated by the City's General Fund. See notes 11 and 12, respectively, for more information.

Loans Payable - Direct Borrowing

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. In the event annual cost savings fail to equal or exceed the amount due under the loan agreement, the agreement may be renegotiated to assure that the repayment amount does not exceed the actual energy savings or avoided costs resulting from the project.

\$ 425,627

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

8) LONG-TERM LIABILITIES, (continued)

Loans Payable - Direct Borrowing, (continued)

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 92,931	\$ 4,035	\$ 96,966
2025	93,874	3,094	96,968
2026	94,815	2,153	96,968
2027	95,765	1,203	96,968
2028	48,242	242	48,484
Total	<u>\$ 425,627</u>	<u>\$ 10,727</u>	<u>\$ 436,354</u>

Safety Center Private Placement Financing - Direct Borrowing

In November 2017, the San Marcos Public Financing Authority entered into a private placement financing agreement in the amount of \$3,535,000 to refund the San Marcos Public Facilities Authority 2006 Lease Revenue Refunding Bonds for the construction of a safety center. The interest and principal are due semi-annually on May 1 and November 1 commencing May 1, 2018 at interest rate of 2.37%. Payments due are funded by the revenues generated from the use of the safety center from various entities. The reserve requirement was fully funded at the end of the fiscal year.

\$ 1,910,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 345,000	\$ 45,267	\$ 390,267
2025	350,000	37,091	387,091
2026	360,000	28,795	388,795
2027	370,000	20,263	390,263
2028	380,000	11,494	391,494
2029	105,000	2,488	107,488
Total	<u>\$ 1,910,000</u>	<u>\$ 145,398</u>	<u>\$ 2,055,398</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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 \$5,008,697 as of June 30, 2023.

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, 2023 was \$1,084,617.

Leases Payable

Type I Fire Engine and Tractor Drawn Ladder Truck Lease

On October 20, 2016, the City entered into an 84-month lease as Lessee for the use of a 2017 Pierce Type-I Fire Engine and a Pierce 100' Tractor-Drawn Ladder Truck. An initial lease liability was recorded in the amount of \$1,904,493. As of June 30, 2023, the value of the lease liability was \$147,188. The lessee is required to make monthly fixed payments of \$74,276 until October 20, 2023. The lease has an interest rate of 2.47%. The equipment useful life was 84 months as of the contract commencement. The value of the asset as of June 30, 2023 was \$1,904,493 with an accumulated depreciation of \$1,084,846.

Type I Fire Engine – Pierce Velocity FR PUC Lease

On November 22, 2019, the City entered into an 84-month lease as Lessee for the use of a Pierce Velocity Firetruck Type-I. An initial lease liability was recorded in the amount of \$1,509,757. As of June 30, 2023, the value of the lease liability was \$751,115. The lessee is required to make monthly fixed payments of \$61,536 until August 22, 2026. The lease has an interest rate of 4.90%. The value of the asset as of June 30, 2023 was \$1,509,757 with an accumulated depreciation of \$345,011.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

8) LONG-TERM LIABILITIES, (continued)

Leases Payable, (continued)

Type III Fire Engine Lease

On October 29, 2020, the City entered into an 84-month lease as Lessee for the use of a Type-III Fire Engine. An initial lease liability was recorded in the amount of \$467,519. As of June 30, 2023, the value of the lease liability was \$294,008. The lessee is required to make monthly fixed payments of \$18,336 until October 20, 2023. The lease has an interest rate of 2.63%. The value of the asset as of June 30, 2023 was \$467,519 with an accumulated depreciation of \$51,221.

Future lease payments under the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 435,188	\$ 32,851	\$ 468,039
2025	297,965	21,521	319,486
2026	308,280	11,206	319,486
2027	114,565	1,979	116,544
2028	36,313	359	36,672
Total	<u>\$ 1,192,311</u>	<u>\$ 67,916</u>	<u>\$ 1,260,227</u>

Subscriptions Payable

The City entered into various subscription based IT arrangements (SBITA) for \$257,840. The arrangements are for 12-60 months with interest rates at 2.363%. The City is required to make payments ranging between \$26,170-\$35,275. As of June 30, 2023, the City had \$200,526 outstanding for the subscription payable. The City recognized a right-to-use assets of \$257,840, which will be amortized over the lives of the respective agreements.

Future lease payments under the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 55,068	\$ 4,741	\$ 59,809
2025	57,764	3,439	61,203
2026	60,562	2,073	62,635
2027	27,132	641	27,773
Total	<u>\$ 200,526</u>	<u>\$ 10,894</u>	<u>\$ 211,420</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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, 2023 are presented below:

	General	San Marcos Affordable Housing	Capital Improvements	Total Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Land held for resale	\$ 440,594	\$ -	\$ -	\$ -	\$ 440,594
Deposits	4,251,752	-	-	-	4,251,752
Investments in real estate	64,760,000	-	-	-	64,760,000
Investment in joint venture	6,736,285	-	-	-	6,736,285
Subtotal	76,188,631	-	-	-	76,188,631
Restricted for:					
Affordable housing	-	49,130,857	-	-	49,130,857
Transportation	-	-	-	11,047,508	11,047,508
Lighting and landscape	-	-	-	19,166,052	19,166,052
Pension trust	2,517,379	-	-	-	2,517,379
Capital improvements	-	-	-	1,026,360	1,026,360
Public facilities	-	-	-	40,293,326	40,293,326
Other purposes	-	-	-	4,633,376	4,633,376
Subtotal	2,517,379	49,130,857	-	76,166,622	127,814,858
Assigned to:					
Vehicle & equipment acquisition/ replacement	1,171,717	-	-	-	1,171,717
City facilities replacement/ rehabilitation	6,050,696	-	-	-	6,050,696
City infrastructure replacement/ rehabilitation	5,329,994	-	-	-	5,329,994
Subtotal	12,552,407	-	-	-	12,552,407
Unassigned (deficit)	28,397,360	-	(16,683,875)	(1,704,480)	10,009,005
Total	\$ 119,655,777	\$ 49,130,857	\$ (16,683,875)	\$ 74,462,142	\$ 226,564,901

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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, 2023 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
Net Investment in Capital Assets:				
Capital assets, net of accumulated depreciation	\$ 629,072,987	\$ -	\$ 629,072,987	\$ -
Loss on defeasance of debt	35,089	-	35,089	-
Less capital related debt balances:				
Private placement financing	(1,910,000)	-	(1,910,000)	-
Leases payable	(1,192,311)	-	(1,192,311)	-
Subscriptions payable	(200,526)	-	(200,526)	-
Loans payable	(425,627)	-	(425,627)	-
Total Net Investment in Capital Assets	625,379,612	-	625,379,612	-
Restricted for:				
Permanent fund - not expendable	-	-	-	1,000,000
Permanent fund - expendable	-	-	-	258,781
Affordable housing	238,874,604	-	238,874,604	-
Transportation	11,048,953	-	11,048,953	-
Lighting and landscape	19,185,250	-	19,185,250	-
Pension trust	2,517,379	-	2,517,379	-
Capital improvements	1,026,360	-	1,026,360	-
Public facilities	40,430,216	-	40,430,216	-
Other purposes	4,633,376	-	4,633,376	-
Total Restricted	317,716,138	-	317,716,138	1,258,781
Unrestricted	43,696,948	94,375,674	138,072,622	-
Total	\$ 986,792,698	\$ 94,375,674	\$ 1,081,168,372	\$ 1,258,781

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). 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, 2021 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

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 or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. 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 generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (one miscellaneous and three 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, 2023

11) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (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 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, 2023, are summarized as follows:

	Miscellaneous Plan		
	On or After May 15, 2012	On or After	
	Prior to May 15, 2012	Prior to January 1, 2013	January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 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%	7.25%
Required employer contribution rates	10.970%	10.970%	10.970%

	Safety Plan		
	On or After May 15, 2012	On or After	
	Prior to May 15, 2012	Prior to January 1, 2013	January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 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%	13.75%
Required employer contribution rates	25.640%	22.480%	13.660%

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

11) RETIREMENT PLAN, (continued)

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

Employees Covered

At June 30, 2021 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous Plan</u>
Inactive employees or beneficiaries currently receiving benefits	229
Inactive employees entitled to but not yet receiving benefits	325
Active employees	<u>172</u>
Total	<u><u>726</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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, 2023 were \$5,888,164.

Safety – Cost Sharing, 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, 2023 were \$3,268,116.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

11) RETIREMENT PLAN, (continued)

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

The actual employer payments of \$3,121,569 made to CalPERS by the City during the measurement period ended June 30, 2022 differed from the City's proportionate share of the employer's contributions of \$4,915,417 by \$1,793,848, 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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by entry age and service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

<u>Asset Class¹</u>	<u>Current Target Allocation</u>	<u>Real Return²</u>
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

¹ An expected inflation of 2.30% is used for this period.

² Figures are based on the 2021 Asset Liability Management study

Change of Assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2021 (VD)	\$ 158,776,551	\$ 127,555,491	\$ 31,221,060
Changes Recognized for the Measurement Period:			
• Service Cost	2,529,711	-	2,529,711
• Interest on the Total Pension Liability	10,925,107	-	10,925,107
• Changes of Assumptions	5,709,463	-	5,709,463
• Differences between Expected and Actual Experience	(3,119,020)	-	(3,119,020)
• Contributions from Employers	-	5,497,659	(5,497,659)
• Contributions from Employees	-	1,303,526	(1,303,526)
• Net Investment Income	-	(9,733,183)	9,733,183
• Benefit Payments, including Refunds of Employee Contributions	(8,593,937)	(8,593,937)	-
• Administrative Expense	-	(79,459)	79,459
Net Changes during 2020-21	7,451,324	(11,605,394)	19,056,718
Balance at: 6/30/2022 (MD)	\$ 166,227,875	\$ 115,950,097	\$ 50,277,778

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

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	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2021 (VD)	\$ 91,909,207	\$ 79,863,904	\$ 12,045,303
Balance at: 6/30/2022 (MD)	99,689,726	73,677,152	26,012,574
Net changes during 2020-21	\$ 7,780,519	\$ (6,186,752)	\$ 13,967,271

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

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, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the safety Plan as of the June 30, 2021 and 2022 measurement dates was as follows:

	Safety Plan
Proportion - June 30, 2021	0.32681%
Proportion - June 30, 2022	0.34322%
Change - Increase (Decrease)	0.01641%

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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plans' Net Pension Liability	\$ 72,762,458	\$ 50,277,778	\$ 31,839,969
Safety Plans' Net Pension Liability	\$ 39,779,569	\$ 26,012,574	\$ 14,761,166

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

11) RETIREMENT PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 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.

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

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

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

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. 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, 2023

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, 2021), the net pension liability was \$31,221,060. For the measurement period ending June 30, 2022 (the measurement date), the City incurred a pension expense of \$5,883,701 for the Plan.

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

As of the start of the measurement period (July 1, 2021), the net pension liability for the safety plans is \$12,045,303. For the measurement period ending June 30, 2022 (the measurement date), the City incurred a pension expense of \$3,902,919 for the safety plan.

The aggregate amount of pension expenses for the Miscellaneous and Safety plans for the measurement period ending June 30, 2022 is \$9,786,620.

As of June 30, 2023, 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	\$ 381,577	\$ (2,043,496)	\$ 1,076,566	\$ (282,476)
Changes of Assumptions	3,740,683	-	2,622,855	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,769,894	-	4,107,749	-
Change in Employer's Proportion	-	-	2,700,301	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	(2,089,890)
Pension Contributions Subsequent to Measurement Date	5,888,164	-	3,268,116	-
	<u>\$ 15,780,318</u>	<u>\$ (2,043,496)</u>	<u>\$ 13,775,587</u>	<u>\$ (2,372,366)</u>

These amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. The \$5,888,164 and \$3,268,116 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

11) RETIREMENT PLAN, (continued)

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

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
2024	\$ 2,167,567	\$ 2,520,488
2025	1,605,591	2,006,598
2026	382,334	1,102,239
2027	3,693,166	2,505,780
2028	-	-
Thereafter	-	-

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, 2023.

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, 2023, the City's total payroll and covered payroll for part-time employees was \$1,781,867. The City made employer contributions of \$33,856 (1.9% of current covered payroll), and employees contributed \$99,785 (5.6% of current covered payroll).

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A) General Information about the OPEB Plans

Plan Description

Safety – Single Employer Defined Benefit Plan

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 \$154 per month in 2023.

Miscellaneous – Single Employer Defined Benefit Plan

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, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	225
Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving benefits	16
Total	<u>277</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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, 2023, the City paid \$287,522 for other postemployment benefits.

B) Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2022 to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions:

<u>Actuarial Assumptions</u>	<u>June 30, 2022 Measurement Date</u>
Actuarial Valuation Date	June 30, 2022
Contribution Policy	No pre-funding
Discount Rate	3.54% at June 30, 2022 (Bond Buyer 20-Bond Index) 2.16% at June 30, 2021 (Bond Buyer 20-Bond Index)
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	Based on CalPERS 2000-2019 Experience Study
Salary increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare – 8.5% for 2023, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) – 7.5% for 2023, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) – 6.25% for 2023, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase Healthcare Participation	3.50%
	<i>Current Actives:</i> Miscellaneous - 70% Safety - 60%
	<i>Current Retirees:</i> 100% if covered, 5% re-elect PEMHCA at 65, if waived

Discount Rate

A discount rate of 3.54 percent was used in the valuation for measurement date June 30, 2022.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total OPEB Liability, (continued)

Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balance at June 30, 2022 (6/30/21 measurement date)	<u>\$ 10,401,649</u>
Changes recognized for the measurement period:	
Service cost	642,301
Interest	235,445
Differences between expected and actual experience	(2,128,594)
Changes of assumptions	(1,818,843)
Benefit payments	<u>(287,522)</u>
Net changes	<u>(3,357,213)</u>
Balance at June 30, 2023 (6/30/22 measurement date)	<u><u>\$ 7,044,436</u></u>

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

The following presents the total 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, 2022:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 8,002,646	\$ 7,044,436	\$ 6,248,450

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

The following presents the total 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, 2022:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 6,054,498	\$ 7,044,436	\$ 8,291,528

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total 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, 2022 measurement date. The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

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 (EARS�) of plan participants.

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

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$393,140. As of fiscal year ended June 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	\$ 277,750	\$ (2,765,696)
Changes of assumptions	1,249,828	(1,922,541)
Contributions to OPEB plan subsequent to the measurement date	233,378	-
Total	<u>\$ 1,760,956</u>	<u>\$ (4,688,237)</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

12) OTHER POSTEMPLOYMENT BENEFITS (OPEB), (continued)

B) Total OPEB Liability, (continued)

The \$233,378 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (485,158)
2025	(485,158)
2026	(436,158)
2027	(389,158)
2028	(308,212)
Thereafter	(1,056,815)

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 124 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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 \$100,000 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 \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 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 also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

(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 \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (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 \$211,861,834. 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 \$172,166,513. 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 2022-23.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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, 2023, the City had \$741,911 on deposit with PASIS and claims payable of \$1,084,617.

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, 2023

14) JOINT VENTURES, (continued)

North County Dispatch Joint Powers Authority, (continued)

Summarized audited information of the JPA for the fiscal year ended June 30, 2023, the most current available information, is as follows:

Assets	\$ 11,397,195
Deferred outflows	1,889,099
Liabilities	(2,777,543)
Deferred inflows	<u>(423,310)</u>
Net position	<u>\$ 10,085,441</u>
Revenues	\$ 6,533,706
Expenses	<u>(8,212,261)</u>
Change in net position	<u>\$ (1,678,555)</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 \$6,736,285 as of June 30, 2023. 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, 2023

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, 2023
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	\$ 5,863,441
City of San Marcos Community Facilities District No. 99-01, Special Tax Refunding Bonds, Series 2021 (Improvement Area C2B, I1, I2)	9,720,000	8,605,000
City of San Marcos Community Facilities District No. 2002-01 (University Commons), Special Tax Refunding Bonds, Series 2021 (Improvement Area No. 1)	10,575,000	9,285,000
City of San Marcos Community Facilities District No. 99-01, 2018 Special Tax Refunding Bonds (Improvement Area D2L, D2U, D3, D4, E1, E2, H2, H3)	16,955,000	14,270,000
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	21,760,000
Total	<u>\$ 92,070,000</u>	<u>\$ 59,783,441</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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, 2023</u>
\$39,815,000 Successor Agency to the San Marcos Redevelopment Agency 2018 Pass-Through Tax Revenue Refunding Bonds Project Area #3 - San Marcos Unified School District	<u>\$ 34,990,000</u>

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) 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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

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).

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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

Net Investment in Direct Financing Lease

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

The terms of the amended lease call for semi-annual payments of \$98,906 including interest at 5.87% each July and January 15 commencing July 15, 2002 to July 15, 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, 2023.

The following lists the components of the net investment in the direct financing lease as of June 30, 2023:

Total minimum lease payments to be received	\$ 2,828,982
Less unearned income	<u>(1,580,428)</u>
Net investment in direct financing lease	<u><u>\$ 1,248,554</u></u>

At June 30, 2023, the future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 122,745
2025	130,055
2026	137,801
2027	142,310
2028	145,040
2029-2032	<u>570,603</u>
Total	<u><u>\$ 1,248,554</u></u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

17) 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, 2023:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Bonds payable	\$204,695,000	\$ -	\$ (13,210,000)	\$ 191,485,000	\$ 13,690,000
Plus (less) deferred amounts:					
Issuance premium	8,093,128	-	(505,822)	7,587,306	-
Issuance discount	(1,416,983)	-	157,443	(1,259,540)	-
Total bonds payable	211,371,145	-	(13,558,379)	197,812,766	13,690,000
Cooperation agreement	23,275,296	-	-	23,275,296	-
Advance from San Marcos Affordable Housing Fund	4,754,663	-	(2,500,000)	2,254,663	-
Total	<u>\$239,401,104</u>	<u>\$ -</u>	<u>\$ (16,058,379)</u>	<u>\$ 223,342,725</u>	<u>\$ 13,690,000</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

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

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.

\$ 30,220,000

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

59,730,000

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.

101,535,000

Total bonds payable

\$ 191,485,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

17) 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
2024	\$ 13,690,000	\$ 10,599,741	\$ 24,289,741
2025	13,765,000	9,938,635	24,289,741
2026	14,310,000	9,291,522	23,703,635
2027	15,210,000	8,604,097	23,601,522
2028	15,825,000	7,848,897	23,814,097
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	<u>\$ 191,485,000</u>	<u>\$ 77,929,930</u>	<u>\$ 270,030,774</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

17) 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:

2018-19 through 2022-23	30%
2023-24 through 2027-28	35%
2028-29 through 2032-33	40%
2033-34 through 2037-38	45%
2038-39 and thereafter	50%

Once the County has been fully paid all principal and interest, if the Agency is still entitled to receive Agency tax revenue, annual payments to the County will equal the County's portion after deducting the housing set-aside.

\$ 23,275,296

Advance from the City of San Marcos

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

\$ 2,254,663

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2023

18) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

As of June 30, 2023, the following funds presented a negative fund balance.

<u>Governmental Funds - Major Funds</u>	<u>Amount</u>
Capital Improvements Fund	\$ (16,683,875)
<u>Governmental Funds - Non-Major</u>	
Special Revenue Funds	
Street Lighting District	\$ (488,151)
Senior Nutrition Grant	(141,622)
Congestion Management CFD	(866,919)
Capital Projects Funds	
Transportation Sales Tax	(207,788)

The deficit fund balances will be remedied by requesting reimbursement of CIP expenses from various grants.

Expenditures in Excess of Appropriations

For the year ended June 30, 2023, the following funds had expenditures in excess of appropriations.

<u>Governmental Funds - Non-Major Fund</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Gas Tax Fund	\$ 374,279	\$ 384,372	\$ (10,093)
Congestion Management CFD	5,567,640	5,567,945	(305)

**REQUIRED SUPPLEMENTARY
INFORMATION**

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City of San Marcos

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

Miscellaneous Plan

	Measurement Period 6/30/2014	Measurement Period 6/30/2015	Measurement Period 6/30/2016	Measurement Period 6/30/2017	Measurement Period 6/30/2018
TOTAL PENSION LIABILITY					
Service Cost	\$ 2,750,478	\$ 2,559,947	\$ 2,553,229	\$ 2,805,674	\$ 2,898,829
Interest	7,817,338	8,083,219	8,584,986	8,918,976	9,287,287
Difference Between Expected and Actual Experience	-	(2,717,435)	898,809	(697,183)	283,350
Changes of Assumptions	-	(2,000,140)	-	7,506,452	(933,150)
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)	(5,737,609)	(6,202,870)
Net Change in Total Pension Liability	6,508,670	1,338,428	6,665,021	12,796,310	5,333,446
Total Pension Liability - Beginning	104,885,512	111,394,182	112,732,610	119,397,631	132,193,941
Total Pension Liability - Ending (a)	\$ 111,394,182	\$ 112,732,610	\$ 119,397,631	\$ 132,193,941	\$ 137,527,387
PLAN FIDUCIARY NET POSITION					
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ -	\$ -	\$ (225)
Contributions - Employer	3,469,533	4,558,184	4,385,959	9,542,711	4,278,656
Contributions - Employee	1,094,087	1,302,378	1,348,496	1,169,316	1,126,769
Net Investment Income	10,830,423	1,709,531	438,181	8,627,538	7,721,226
Benefit Payments, Including Refunds of Employee Contributions	(4,059,146)	(4,587,163)	(5,372,003)	(5,737,609)	(6,202,870)
Administrative Expense	-	(85,688)	(46,382)	(113,479)	(140,788)
Other Miscellaneous Income/(Expense) ¹	-	-	-	-	(267,358)
Net Change in Fiduciary Net Position	11,334,897	2,897,242	754,251	13,488,477	6,515,410
Plan Fiduciary Net Position - Beginning	61,873,569	73,208,466	76,105,708	76,859,959	90,348,436
Plan Fiduciary Net Position - Ending (b)	\$ 73,208,466	\$ 76,105,708	\$ 76,859,959	\$ 90,348,436	\$ 96,863,846
Plan Net Pension Liability - Ending (a) - (b)	\$ 38,185,716	\$ 36,626,902	\$ 42,537,672	\$ 41,845,505	\$ 40,663,541
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.72%	67.51%	64.37%	68.35%	70.43%
Covered Payroll	\$ 12,556,977	\$ 14,085,514	\$ 14,012,521	\$ 14,219,367	\$ 14,197,035
Plan Net Pension Liability as a Percentage of Covered Payroll	304.10%	260.03%	303.57%	294.29%	286.42%

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

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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.

¹ During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Report for Pensions (GASB 68).

City of San Marcos

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

Miscellaneous Plan, (continued)

	Measurement Period 6/30/2019	Measurement Period 6/30/2020	Measurement Period 6/30/2021	Measurement Period 6/30/2022
TOTAL PENSION LIABILITY				
Service Cost	\$ 2,938,266	\$ 2,703,721	\$ 2,546,641	\$ 2,529,711
Interest	9,846,868	10,335,678	10,782,695	10,925,107
Difference Between Expected and Actual Experience	2,125,402	1,290,024	1,095,442	(3,119,020)
Changes of Assumptions	-	-	-	5,709,463
Benefit Payments, Including Refunds of Employee Contributions	(6,806,974)	(7,435,808)	(8,172,791)	(8,593,937)
Net Change in Total Pension Liability	8,103,562	6,893,615	6,251,987	7,451,324
Total Pension Liability - Beginning	137,527,387	145,630,949	152,524,564	158,776,551
Total Pension Liability - Ending (a)	\$ 145,630,949	\$ 152,524,564	\$ 158,776,551	\$ 166,227,875
PLAN FIDUCIARY NET POSITION				
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ -	\$ -
Contributions - Employer	4,615,503	5,080,583	4,969,430	5,497,659
Contributions - Employee	1,104,152	1,102,880	946,753	1,303,526
Net Investment Income	6,421,470	5,149,684	24,035,409	(9,733,183)
Benefit Payments, Including Refunds of Employee Contributions	(6,806,974)	(7,435,808)	(8,172,791)	(8,593,937)
Administrative Expense	(69,124)	(143,977)	(105,770)	(79,459)
Other Miscellaneous Income/(Expense) ¹	225	-	-	-
Net Change in Fiduciary Net Position	5,265,252	3,753,362	21,673,031	(11,605,394)
Plan Fiduciary Net Position - Beginning	96,863,846	102,129,098	105,882,460	127,555,491
Plan Fiduciary Net Position - Ending (b)	\$ 102,129,098	\$ 105,882,460	\$ 127,555,491	\$ 115,950,097
Plan Net Pension Liability - Ending (a) - (b)	\$ 43,501,851	\$ 46,642,104	\$ 31,221,060	\$ 50,277,778
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.13%	69.42%	80.34%	69.75%
Covered Payroll	\$ 14,148,630	\$ 13,872,161	\$ 11,811,814	\$ 13,535,022
Plan Net Pension Liability as a Percentage of Covered Payroll	307.46%	336.23%	264.32%	371.46%

City of San Marcos

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

Miscellaneous 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	\$ 4,708,421	\$ (4,708,421)	\$ -	\$ 14,085,514	33.43%
6/30/2016	3,975,080	(3,975,080)	-	14,012,521	28.37%
6/30/2017	4,499,034	(9,499,034)	(5,000,000)	14,219,367	66.80%
6/30/2018	4,274,518	(4,274,518)	-	14,197,035	30.11%
6/30/2019	4,613,016	(4,613,016)	-	14,148,630	32.60%
6/30/2020	5,024,888	(5,024,888)	-	13,872,161	36.22%
6/30/2021	6,321,721	(6,321,721)	-	11,811,184	53.52%
6/30/2022	5,497,462	(5,497,462)	-	13,535,022	40.62%
6/30/2023	5,888,164	(5,888,164)	-	14,370,884	40.97%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were from the June 30, 2020, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2021, Funding Valuation Report.
Asset Valuation Method	Fair value of assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

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	0.234342%	\$ 9,862,978	\$ 6,222,192	158.51%	81.42%
6/30/2015	0.166126%	11,402,729	6,725,963	169.53%	80.23%
6/30/2016	0.171957%	14,879,594	8,996,362	165.40%	75.77%
6/30/2017	0.175583%	17,413,036	6,816,670	255.45%	75.12%
6/30/2018	0.182753%	17,610,602	6,582,579	267.53%	76.85%
6/30/2019	0.190512%	19,521,871	6,690,455	291.79%	75.78%
6/30/2020	0.200112%	21,773,049	6,854,243	317.66%	74.65%
6/30/2021	0.222720%	12,045,303	6,838,996	176.13%	86.89%
6/30/2022	0.225200%	26,012,574	7,274,045	357.61%	73.91%

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 nine 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%
6/30/2019	2,456,542	(2,456,542)	-	6,690,455	36.72%
6/30/2020	2,639,604	(2,639,604)	-	6,854,243	38.51%
6/30/2021	2,878,444	(2,878,444)	-	6,838,996	42.09%
6/30/2022	3,121,569	(3,121,569)	-	7,274,045	42.91%
6/30/2023	3,268,116	(3,268,116)	-	7,428,741	43.99%

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

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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 the Total OPEB Liability and Related Ratios as of the Measurement Date Last Ten Years*

Fiscal Year Measurement Period	2017-18 2016-17	2018-19 2017-18	2019-20 2018-19	2020-21 2019-20	2021-2022 2020-2021	2022-2023 2021-2022
Total OPEB Liability						
Service cost	\$ 600,000	\$ 533,323	\$ 409,539	\$ 454,666	\$ 616,808	\$ 642,301
Interest	248,000	302,110	269,366	272,594	226,597	235,445
Differences between expected and actual experience	-	(1,812,466)	-	407,944	-	(2,128,594)
Changes of assumptions	(815,000)	(130,218)	351,334	1,451,482	72,371	(1,818,843)
Benefit payments	(206,000)	(267,000)	(227,858)	(266,812)	(301,131)	(287,522)
Net change in total OPEB liability	(173,000)	(1,374,251)	802,381	2,319,874	614,645	(3,357,213)
Total OPEB liability - beginning	8,212,000	8,039,000	6,664,749	7,467,130	9,787,004	10,401,649
Net OPEB liability - ending	<u>\$ 8,039,000</u>	<u>\$ 6,664,749</u>	<u>\$ 7,467,130</u>	<u>\$ 9,787,004</u>	<u>\$ 10,401,649</u>	<u>\$ 7,044,436</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 25,017,697	\$ 24,297,000	\$ 23,281,622	\$ 21,370,676	\$ 24,093,404	\$ 23,289,922
Total OPEB liability as a percentage of covered-employee payroll	32.1%	27.4%	32.1%	45.8%	43.2%	30.2%

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

The City does not have assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

City of San Marcos

Required Supplementary Information Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 28,335,473	\$ 28,472,971	\$ 30,487,301	\$ 2,014,330
Licenses and permits	5,276,677	5,276,677	6,577,183	1,300,506
Intergovernmental	28,802,044	29,862,039	30,762,392	900,353
Charges for services	18,397,574	19,427,833	19,271,585	(156,248)
Developer fees	11,500	11,500	24,413	12,913
Fines and forfeitures	332,800	332,800	204,650	(128,150)
Investment and rental income	7,279,874	8,656,108	8,507,229	(148,879)
Miscellaneous	446,177	3,031,122	2,811,161	(219,961)
Total Revenues	88,882,119	95,071,050	98,645,914	3,574,864
EXPENDITURES				
Current:				
General government	28,704,987	39,739,063	33,356,204	6,382,859
Community development	7,777,670	9,357,860	7,338,716	2,019,144
Public safety	44,061,649	44,752,323	43,091,788	1,660,535
Highways, streets and parks	9,360,311	11,694,575	10,529,944	1,164,631
Culture and recreation	4,135,134	4,528,795	4,065,950	462,845
Debt service:				
Principal	615,572	615,572	567,369	48,203
Interest and fiscal charges	55,609	55,609	79,885	(24,276)
Total Expenditures	94,710,932	110,743,797	99,029,856	11,713,941
Excess (Deficiency) of Revenues over Expenditures	(5,828,813)	(15,672,747)	(383,942)	15,288,805
OTHER FINANCING SOURCES (USES)				
Subscription acquisition	-	257,840	257,840	-
Sale of capital assets	-	1,000,000	1,000,000	-
Transfers in	4,479,300	6,252,639	1,751,890	(4,500,749)
Transfers out	(1,073,500)	(15,234,587)	(2,904,443)	12,330,144
Total Other Financing Sources (Uses)	3,405,800	(7,724,108)	105,287	7,829,395
Net Change in Fund Balance	(2,423,013)	(23,396,855)	(278,655)	23,118,200
Fund Balance, Beginning	119,934,432	119,934,432	119,934,432	-
Fund Balance, Ending	\$ 117,511,419	\$ 96,537,577	\$ 119,655,777	\$ 23,118,200

City of San Marcos

Required Supplementary Information Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual San Marcos Affordable Housing For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	\$ 2,700,000	\$ 2,700,000	\$ 3,612,392	\$ 912,392
Investment and rental income	1,383,000	1,383,000	1,595,751	212,751
Miscellaneous	228,000	228,000	368,269	140,269
Total Revenues	4,311,000	4,311,000	5,576,412	1,265,412
EXPENDITURES				
Current:				
General government	451,270	508,370	476,971	31,399
Community development	7,171,900	7,172,000	5,083,716	2,088,284
Total Expenditures	7,623,170	7,680,370	5,560,687	2,119,683
Excess (Deficiency) of Revenues Over Expenditures	(3,312,170)	(3,369,370)	15,725	3,385,095
OTHER FINANCING SOURCES				
Sale of general capital assets	-	-	7,332,418	7,332,418
Transfers in	142,500	142,500	142,500	-
Transfers out	-	(30,000)	-	30,000
Total Other Financing Sources	142,500	112,500	7,474,918	7,362,418
Net Change in Fund Balance	(3,169,670)	(3,256,870)	7,490,643	10,747,513
Fund Balance, Beginning	41,640,214	41,640,214	41,640,214	-
Fund Balance, Ending	\$ 38,470,544	\$ 38,383,344	\$ 49,130,857	\$ 10,747,513

**Notes to Required Supplementary Information
June 30, 2023**

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. 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.

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

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

City of San Marcos

Non-Major Governmental Funds

Capital Projects Funds, (continued)

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, 2023

	Total Special Revenue Funds	Debt Service Fund San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 38,113,752	\$ 670,627	\$ 34,320,673	\$ 73,105,052
Cash and investments with fiscal agents (note 2)	-	99,968	729,031	828,999
Receivables:				
Taxes and special assessments	36,299	-	-	36,299
Accounts	59,934	-	16,374	76,308
Interest	123,205	29,892	148,595	301,692
Notes, net (note 3)	1,968,338	-	-	1,968,338
Leases	-	2,310,123	-	2,310,123
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	835,176	-	-	835,176
Advances to other funds (note 5)	-	-	6,300,000	6,300,000
Total Assets	<u>\$ 41,136,704</u>	<u>\$ 3,110,610</u>	<u>\$ 41,635,189</u>	<u>\$ 85,882,503</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,777,153	\$ -	\$ 77,855	\$ 1,855,008
Accrued liabilities	269,685	-	11,761	281,446
Due to other governments	4,227,682	-	9,300	4,236,982
Due to other funds (note 5)	425,993	-	199,555	625,548
Deposits payable	10,389	-	-	10,389
Total Liabilities	<u>6,710,902</u>	<u>-</u>	<u>298,471</u>	<u>7,009,373</u>
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	1,988,982	-	136,890	2,125,872
Lease related	-	2,285,116	-	2,285,116
Total Deferred Inflows of Resources	<u>1,988,982</u>	<u>2,285,116</u>	<u>136,890</u>	<u>4,410,988</u>
Fund Balances (Deficit):				
Restricted:				
Transportation	10,959,578	-	87,930	11,047,508
Lighting and landscape	19,166,052	-	-	19,166,052
Capital improvements	-	-	1,026,360	1,026,360
Public facilities	-	-	40,293,326	40,293,326
Other purposes	3,807,882	825,494	-	4,633,376
Unassigned	(1,496,692)	-	(207,788)	(1,704,480)
Total Fund Balances	<u>32,436,820</u>	<u>825,494</u>	<u>41,199,828</u>	<u>74,462,142</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 41,136,704</u>	<u>\$ 3,110,610</u>	<u>\$ 41,635,189</u>	<u>\$ 85,882,503</u>

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City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended June 30, 2023

	Total Special Revenue Funds	Debt Service Fund San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes and special assessments	\$ 10,476,493	\$ -	\$ -	\$ 10,476,493
Intergovernmental	5,480,029	-	-	5,480,029
Developer fees	60,272	-	9,957,827	10,018,099
Investment and rental income	458,924	606,272	771,253	1,836,449
Miscellaneous	107,049	-	-	107,049
Total Revenues	16,582,767	606,272	10,729,080	27,918,119
EXPENDITURES				
Current:				
Community development	418,388	-	-	418,388
Highways, streets and parks	14,357,970	-	123,039	14,481,009
Culture and recreation	406,180	-	-	406,180
Capital outlay	-	-	20,807	20,807
Debt service:				
Principal	92,019	340,000	-	432,019
Interest and fiscal charges	4,947	49,296	-	54,243
Total Expenditures	15,279,504	389,296	143,846	15,812,646
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,303,263	216,976	10,585,234	12,105,473
OTHER FINANCING SOURCES (USES)				
Transfers in (note 5)	831,000	-	-	831,000
Transfers out (note 5)	(2,727,648)	-	(14,187,311)	(16,914,959)
Total Other Financing Sources (Uses)	(1,896,648)	-	(14,187,311)	(16,083,959)
Net Change in Fund Balances	(593,385)	216,976	(3,602,077)	(3,978,486)
Fund Balances, Beginning	33,030,205	608,518	44,801,905	78,440,628
Fund Balances, Ending	\$ 32,436,820	\$ 825,494	\$ 41,199,828	\$ 74,462,142

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2023

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments	\$ 4,629,447	\$ 1,264,155	\$ 20,026,888	\$ -	\$ -	\$ 410,173
Receivables:						
Taxes and special assessments	-	-	30,494	2,159	-	-
Accounts	-	-	24,991	538	-	-
Interest	12,803	4,300	68,709	-	-	-
Notes, net	-	-	-	-	-	-
Due from other governments	210,072	12,769	-	-	19,960	224,308
Total Assets	<u>\$ 4,852,322</u>	<u>\$ 1,281,224</u>	<u>\$ 20,151,082</u>	<u>\$ 2,697</u>	<u>\$ 19,960</u>	<u>\$ 634,481</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 212,520	\$ 42,065	\$ 840,206	\$ 184,074	\$ 13,303	\$ 104,205
Accrued liabilities	-	-	125,698	15,539	13,449	8,108
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	-	291,163	134,830	-
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>212,520</u>	<u>52,454</u>	<u>965,904</u>	<u>490,776</u>	<u>161,582</u>	<u>112,313</u>
Deferred Inflows of Resources:						
Unavailable revenue	<u>-</u>	<u>-</u>	<u>19,126</u>	<u>72</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit):						
Restricted						
Transportation	4,639,802	1,228,770	-	-	-	-
Lighting and landscape	-	-	19,166,052	-	-	-
Other purposes	-	-	-	-	-	522,168
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(488,151)</u>	<u>(141,622)</u>	<u>-</u>
Total Fund Balances	<u>4,639,802</u>	<u>1,228,770</u>	<u>19,166,052</u>	<u>(488,151)</u>	<u>(141,622)</u>	<u>522,168</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,852,322</u>	<u>\$ 1,281,224</u>	<u>\$ 20,151,082</u>	<u>\$ 2,697</u>	<u>\$ 19,960</u>	<u>\$ 634,481</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
\$ 232,345	\$ 158,702	\$ 1,017,279	\$ 1,591,692	\$ 3,772,443	\$ 343,722	\$ 115,860	\$ 4,551,046	\$ 38,113,752
-	11	-	-	3,635	-	-	-	36,299
-	-	-	29,988	4,417	-	-	-	59,934
-	542	3,493	5,397	12,627	-	-	15,334	123,205
1,347,694	-	-	-	-	620,644	-	-	1,968,338
-	-	-	-	-	-	-	368,067	835,176
<u>\$ 1,580,039</u>	<u>\$ 159,255</u>	<u>\$ 1,020,772</u>	<u>\$ 1,627,077</u>	<u>\$ 3,793,122</u>	<u>\$ 964,366</u>	<u>\$ 115,860</u>	<u>\$ 4,934,447</u>	<u>\$ 41,136,704</u>
\$ -	\$ 2,696	\$ 50,000	\$ 3,341	\$ 324,129	\$ -	\$ 614	\$ -	\$ 1,777,153
-	-	-	-	106,784	-	107	-	269,685
-	-	-	-	4,227,682	-	-	-	4,227,682
-	-	-	-	-	-	-	-	425,993
-	-	-	-	-	-	-	-	10,389
-	2,696	50,000	3,341	4,658,595	-	721	-	6,710,902
1,347,694	-	-	-	1,446	620,644	-	-	1,988,982
-	156,559	-	-	-	-	-	4,934,447	10,959,578
-	-	-	-	-	-	-	-	19,166,052
232,345	-	970,772	1,623,736	-	343,722	115,139	-	3,807,882
-	-	-	-	(866,919)	-	-	-	(1,496,692)
<u>232,345</u>	<u>156,559</u>	<u>970,772</u>	<u>1,623,736</u>	<u>(866,919)</u>	<u>343,722</u>	<u>115,139</u>	<u>4,934,447</u>	<u>32,436,820</u>
<u>\$ 1,580,039</u>	<u>\$ 159,255</u>	<u>\$ 1,020,772</u>	<u>\$ 1,627,077</u>	<u>\$ 3,793,122</u>	<u>\$ 964,366</u>	<u>\$ 115,860</u>	<u>\$ 4,934,447</u>	<u>\$ 41,136,704</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, 2023

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 8,813,555	\$ 528,916	\$ -	\$ -
Intergovernmental	2,395,249	122,325	-	-	100,781	761,195
Developer fees	-	-	-	-	-	-
Investment and rental income	47,141	17,918	252,250	-	-	-
Miscellaneous	-	-	165	-	26,652	-
Total Revenues	2,442,390	140,243	9,065,970	528,916	127,433	761,195
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	417,153
Highways, streets and parks	384,372	67,932	6,745,926	1,579,591	-	-
Culture and recreation	-	-	-	-	356,180	-
Debt Service:						
Principal	-	-	67,818	24,201	-	-
Interest and fiscal charges	-	-	3,646	1,301	-	-
Total Expenditures	384,372	67,932	6,817,390	1,605,093	356,180	417,153
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,058,018	72,311	2,248,580	(1,076,177)	(228,747)	344,042
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	660,000	171,000	-
Transfers out	(607,483)	(1,959)	(751,890)	-	-	(344,173)
Total Other Financing Sources (Uses)	(607,483)	(1,959)	(751,890)	660,000	171,000	(344,173)
Net Change in Fund Balances	1,450,535	70,352	1,496,690	(416,177)	(57,747)	(131)
Fund Balances (Deficit), Beginning	3,189,267	1,158,418	17,669,362	(71,974)	(83,875)	522,299
Fund Balances (Deficit), Ending	\$ 4,639,802	\$ 1,228,770	\$ 19,166,052	\$ (488,151)	\$ (141,622)	\$ 522,168

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
\$ -	\$ 24,434	\$ -	\$ 185,691	\$ 923,897	\$ -	\$ -	\$ -	\$ 10,476,493
-	-	-	-	-	-	-	2,100,479	5,480,029
-	-	38,971	-	-	-	21,301	-	60,272
-	1,915	15,469	23,488	56,010	-	-	44,733	458,924
80,232	-	-	-	-	-	-	-	107,049
80,232	26,349	54,440	209,179	979,907	-	21,301	2,145,212	16,582,767
-	-	-	-	-	-	1,235	-	418,388
-	6,940	-	5,264	5,567,945	-	-	-	14,357,970
-	-	50,000	-	-	-	-	-	406,180
-	-	-	-	-	-	-	-	92,019
-	-	-	-	-	-	-	-	4,947
-	6,940	50,000	5,264	5,567,945	-	1,235	-	15,279,504
80,232	19,409	4,440	203,915	(4,588,038)	-	20,066	2,145,212	1,303,263
-	-	-	-	-	-	-	-	831,000
-	-	-	(79,914)	-	-	-	(942,229)	(2,727,648)
-	-	-	(79,914)	-	-	-	(942,229)	(1,896,648)
80,232	19,409	4,440	124,001	(4,588,038)	-	20,066	1,202,983	(593,385)
152,113	137,150	966,332	1,499,735	3,721,119	343,722	95,073	3,731,464	33,030,205
\$ 232,345	\$ 156,559	\$ 970,772	\$ 1,623,736	\$ (866,919)	\$ 343,722	\$ 115,139	\$ 4,934,447	\$ 32,436,820

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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 2,816,247	\$ 2,816,247	\$ 2,395,249	\$ (420,998)
Investment and rental income	34,000	34,000	47,141	13,141
Total Revenues	2,850,247	2,850,247	2,442,390	(407,857)
EXPENDITURES				
Current:				
Highways, streets and parks	2,147,618	374,279	384,372	(10,093)
Total Expenditures	2,147,618	374,279	384,372	(10,093)
Excess (deficiency) of revenues over expenditures	702,629	2,475,968	2,058,018	(417,950)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(3,898,438)	(607,483)	3,290,955
Total other financing sources (uses)	-	(3,898,438)	(607,483)	3,290,955
Net Change in Fund Balance	702,629	(1,422,470)	1,450,535	2,873,005
Fund Balance, Beginning	3,189,267	3,189,267	3,189,267	-
Fund Balance, Ending	\$ 3,891,896	\$ 1,766,797	\$ 4,639,802	\$ 2,873,005

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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 122,325	\$ (2,675)
Investment and rental income	6,000	6,000	17,918	11,918
Total Revenues	131,000	131,000	140,243	9,243
EXPENDITURES				
Current:				
Highways, streets and parks	185,000	194,909	67,932	126,977
Total Expenditures	185,000	194,909	67,932	126,977
Excess (deficiency) of revenues over expenditures	(54,000)	(63,909)	72,311	136,220
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(73,039)	(1,959)	71,080
Total other financing sources (uses)	-	(73,039)	(1,959)	71,080
Net Change in Fund Balance	(54,000)	(136,948)	70,352	207,300
Fund Balance, Beginning	1,158,418	1,158,418	1,158,418	-
Fund Balance, Ending	\$ 1,104,418	\$ 1,021,470	\$ 1,228,770	\$ 207,300

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 7,718,000	\$ 7,718,000	\$ 8,813,555	\$ 1,095,555
Investment and rental income	51,000	51,000	252,250	201,250
Miscellaneous	-	-	165	165
Total Revenues	7,769,000	7,769,000	9,065,970	1,296,970
EXPENDITURES				
Current:				
Highways, streets and parks	7,424,287	7,628,935	6,745,926	883,009
Debt Service:				
Principal	65,166	67,818	67,818	-
Interest and fiscal charges	6,299	3,646	3,646	-
Total Expenditures	7,495,752	7,700,399	6,817,390	883,009
Excess of Revenues Over Expenditures	273,248	68,601	2,248,580	2,179,979
OTHER FINANCING SOURCES (USES)				
Transfers out	(958,800)	(961,847)	(751,890)	209,957
Total Other Financing Sources (Uses)	(958,800)	(961,847)	(751,890)	209,957
Net Change in Fund Balance	(685,552)	(893,246)	1,496,690	2,389,936
Fund Balance, Beginning	17,669,362	17,669,362	17,669,362	-
Fund Balance, Ending	\$ 16,983,810	\$ 16,776,116	\$ 19,166,052	\$ 2,389,936

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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 530,000	\$ 530,000	\$ 528,916	\$ (1,084)
Investment and rental income	-	-	-	-
Total Revenues	530,000	530,000	528,916	(1,084)
EXPENDITURES				
Current:				
Highways, streets and parks	1,587,759	1,634,911	1,579,591	55,320
Debt Service:				
Principal	22,340	22,340	24,201	(1,861)
Interest and fiscal charges	2,248	2,248	1,301	947
Total Expenditures	1,612,347	1,659,499	1,605,093	54,406
Excess of Revenues Over (Under) Expenditures	(1,082,347)	(1,129,499)	(1,076,177)	53,322
OTHER FINANCING SOURCES				
Transfers in	660,000	660,000	660,000	-
Total Other Financing Sources	660,000	660,000	660,000	-
Net Change in Fund Balance	(422,347)	(469,499)	(416,177)	53,322
Fund Balance (Deficit), Beginning	(71,974)	(71,974)	(71,974)	-
Fund Balance (Deficit), Ending	\$ (494,321)	\$ (541,473)	\$ (488,151)	\$ 53,322

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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 103,565	\$ 132,957	\$ 100,781	\$ (32,176)
Miscellaneous	19,700	19,700	26,652	6,952
Total Revenues	123,265	152,657	127,433	(25,224)
EXPENDITURES				
Current:				
Culture and recreation	404,659	415,929	356,180	59,749
Total Expenditures	404,659	415,929	356,180	59,749
Excess of Revenues (Deficiency) Over (Under) Expenditures	(281,394)	(263,272)	(228,747)	34,525
OTHER FINANCING SOURCES (USES)				
Transfers in	171,000	171,000	171,000	-
Total Other Financing Sources (Uses)	171,000	171,000	171,000	-
Net Change in Fund Balance	(110,394)	(92,272)	(57,747)	34,525
Fund Balance (Deficit), Beginning	(83,875)	(83,875)	(83,875)	-
Fund Balance (Deficit), Ending	<u>\$ (194,269)</u>	<u>\$ (176,147)</u>	<u>\$ (141,622)</u>	<u>\$ 34,525</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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 1,055,788	\$ 1,055,788	\$ 761,195	\$ (294,593)
Total Revenues	1,055,788	1,055,788	761,195	(294,593)
EXPENDITURES				
Current:				
Community development	619,529	856,936	417,153	439,783
Total Expenditures	619,529	856,936	417,153	439,783
Excess (deficiency) of revenues over expenditures	436,259	198,852	344,042	145,190
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,225,873)	(344,173)	881,700
Total other financing sources (uses)	-	(1,225,873)	(344,173)	881,700
Net Change in Fund Balance	436,259	(1,027,021)	(131)	1,026,890
Fund Balance, Beginning	522,299	522,299	522,299	-
Fund Balance (Deficit), Ending	\$ 958,558	\$ (504,722)	\$ 522,168	\$ 1,026,890

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual HOME Grant Special Revenue Fund For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 80,232	\$ 30,232
Total Revenues	50,000	50,000	80,232	30,232
EXPENDITURES				
Current:				
Community development	100,000	100,000	-	100,000
Total Expenditures	100,000	100,000	-	100,000
Net Change in Fund Balance	(50,000)	(50,000)	80,232	130,232
Fund Balance, Beginning	152,113	152,113	152,113	-
Fund Balance, Ending	<u>\$ 102,113</u>	<u>\$ 102,113</u>	<u>\$ 232,345</u>	<u>\$ 130,232</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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 24,000	\$ 24,000	\$ 24,434	\$ 434
Investment and rental income	2,000	2,000	1,915	(85)
Total Revenues	26,000	26,000	26,349	349
EXPENDITURES				
Current:				
Highways, streets and parks	26,520	26,520	6,940	19,580
Total Expenditures	26,520	26,520	6,940	19,580
Excess of Revenues Over Expenditures	(520)	(520)	19,409	19,929
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,500)	(20,500)	-	20,500
Total Other Financing Sources (Uses)	(20,500)	(20,500)	-	20,500
Net Change in Fund Balance	(21,020)	(21,020)	19,409	40,429
Fund Balance, Beginning	137,150	137,150	137,150	-
Fund Balance, Ending	\$ 116,130	\$ 116,130	\$ 156,559	\$ 40,429

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, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	\$ 30,000	\$ 30,000	\$ 38,971	\$ 8,971
Investment and rental income	3,000	3,000	15,469	12,469
Total Revenues	33,000	33,000	54,440	21,440
EXPENDITURES				
Current:				
Culture and recreation	185,000	185,000	50,000	135,000
Total Expenditures	185,000	185,000	50,000	135,000
Net Change in Fund Balance	(152,000)	(152,000)	4,440	156,440
Fund Balance, Beginning	966,332	966,332	966,332	-
Fund Balance, Ending	\$ 814,332	\$ 814,332	\$ 970,772	\$ 156,440

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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 130,000	\$ 130,000	\$ 185,691	\$ 55,691
Investment and rental income	30,000	30,000	23,488	(6,512)
Total Revenues	160,000	160,000	209,179	49,179
EXPENDITURES				
Current:				
Highways, streets and parks	100,000	100,000	5,264	94,736
Total Expenditures	100,000	100,000	5,264	94,736
Excess (deficiency) of revenues over expenditures	60,000	60,000	203,915	143,915
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(150,115)	(79,914)	70,201
Total other financing sources (uses)	-	(150,115)	(79,914)	70,201
Net Change in Fund Balance	60,000	(90,115)	124,001	214,116
Fund Balance, Beginning	1,499,735	1,499,735	1,499,735	-
Fund Balance, Ending	<u>\$ 1,559,735</u>	<u>\$ 1,409,620</u>	<u>\$ 1,623,736</u>	<u>\$ 214,116</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes and special assessments	\$ 700,000	\$ 700,000	\$ 923,897	\$ 223,897
Investment and rental income	10,500	10,500	56,010	45,510
Total Revenues	710,500	710,500	979,907	269,407
EXPENDITURES				
Current:				
Highway, streets and parks	2,000	5,567,640	5,567,945	(305)
Total expenditures	2,000	5,567,640	5,567,945	(305)
Net Change in Fund Balance	708,500	(4,857,140)	(4,588,038)	269,102
Fund Balance, Beginning	3,721,119	3,721,119	3,721,119	-
Fund Balance (Deficit), Ending	\$ 4,429,619	\$ (1,136,021)	\$ (866,919)	\$ 269,102

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual CalHOME Grant Special Revenue Fund For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment and rental income	\$ 113,000	\$ 113,000	\$ -	\$ (113,000)
Total Revenues	113,000	113,000	-	(113,000)
EXPENDITURES				
Current:				
Community development	200,000	200,000	-	200,000
Total Expenditures	200,000	200,000	-	200,000
Net Change in Fund Balance	(87,000)	(87,000)	-	87,000
Fund Balance, Beginning	343,722	343,722	343,722	-
Fund Balance, Ending	\$ 256,722	\$ 256,722	\$ 343,722	\$ 87,000

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, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Developer fees	\$ 15,000	\$ 15,000	\$ 21,301	\$ 6,301
Total Revenues	15,000	15,000	21,301	6,301
EXPENDITURES				
Current:				
Community development	2,000	2,000	1,235	765
Total Expenditures	2,000	2,000	1,235	765
Net Change in Fund Balance	13,000	13,000	20,066	7,066
Fund Balance, Beginning	-	95,073	95,073	-
Fund Balance, Ending	\$ 13,000	\$ 108,073	\$ 115,139	\$ 7,066

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, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 2,195,172	\$ 2,195,172	\$ 2,100,479	\$ (94,693)
Investment and rental income	25,000	25,000	44,733	19,733
Total Revenues	2,220,172	2,220,172	2,145,212	(74,960)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,366,122)	(942,229)	423,893
Total other financing sources (uses)	-	(1,366,122)	(942,229)	423,893
Net Change in Fund Balances	2,220,172	854,050	1,202,983	348,933
Fund Balances, Beginning	3,731,464	3,731,464	3,731,464	-
Fund Balances, Ending	<u>\$ 5,951,636</u>	<u>\$ 4,585,514</u>	<u>\$ 4,934,447</u>	<u>\$ 348,933</u>

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City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual San Marcos Public Facilities Authority Debt Service Fund For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment and rental income	\$ 554,800	\$ 554,800	\$ 606,272	\$ 51,472
Total Revenues	554,800	554,800	606,272	51,472
EXPENDITURES				
Debt service:				
Principal	340,000	340,000	340,000	-
Interest and fiscal charges	49,296	49,296	49,296	-
Total Expenditures	389,296	389,296	389,296	-
Net Change in Fund Balance	165,504	165,504	216,976	51,472
Fund Balance, Beginning	608,518	608,518	608,518	-
Fund Balance, Ending	<u>\$ 774,022</u>	<u>\$ 774,022</u>	<u>\$ 825,494</u>	<u>\$ 51,472</u>

City of San Marcos

Combining Balance Sheet Non-Major Capital Projects Funds June 30, 2023

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
ASSETS			
Cash and investments	\$ 33,936,733	\$ 5,472	\$ -
Cash and investments with fiscal agents	-	729,031	-
Receivables:			
Accounts	16,374	-	-
Interest	147,276	19	-
Other, net	120,516	-	-
Advances to other funds	6,300,000	-	-
Total Assets	\$ 40,520,899	\$ 734,522	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 77,855	\$ -	\$ -
Accrued liabilities	3,528	-	8,233
Due to other governments	9,300	-	-
Due to other funds	-	-	199,555
Total Liabilities	90,683	-	207,788
Deferred Inflows of Resources:			
Unavailable revenue	136,890	-	-
Fund Balances (Deficit):			
Restricted:			
Transportation	-	-	-
Capital improvements	-	734,522	-
Public facilities	40,293,326	-	-
Unassigned	-	-	(207,788)
Total Fund Balances	40,293,326	734,522	(207,788)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,520,899	\$ 734,522	\$ -

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ 290,839	\$ 87,629	\$ 34,320,673
-	-	729,031
-	-	16,374
999	301	148,595
-	-	120,516
-	-	6,300,000
<u>\$ 291,838</u>	<u>\$ 87,930</u>	<u>\$ 41,635,189</u>
\$ -	\$ -	\$ 77,855
-	-	11,761
-	-	9,300
-	-	199,555
<u>-</u>	<u>-</u>	<u>298,471</u>
-	-	136,890
-	87,930	87,930
291,838	-	1,026,360
-	-	40,293,326
-	-	(207,788)
<u>291,838</u>	<u>87,930</u>	<u>41,199,828</u>
<u>\$ 291,838</u>	<u>\$ 87,930</u>	<u>\$ 41,635,189</u>

City of San Marcos

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Capital Projects Funds For the Year Ended June 30, 2023

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
REVENUES			
Developer fees	\$ 9,957,827	\$ -	\$ -
Investment and rental income	741,601	21,897	1,650
Total Revenues	10,699,428	21,897	1,650
EXPENDITURES			
Current:			
Highways, streets and parks	2	-	123,037
Capital outlay	20,807	-	-
Total Expenditures	20,809	-	123,037
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,678,619	21,897	(121,387)
OTHER FINANCING SOURCES			
Transfers out (note 5)	(13,755,393)	-	(431,918)
Total Other Financing Sources	(13,755,393)	-	(431,918)
Net Change in Fund Balances	(3,076,774)	21,897	(553,305)
Fund Balances (Deficit), Beginning	43,370,100	712,625	345,517
Fund Balances (Deficit), Ending	\$ 40,293,326	\$ 734,522	\$ (207,788)

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ -	\$ -	\$ 9,957,827
4,692	1,413	771,253
4,692	1,413	10,729,080
-	-	123,039
-	-	20,807
-	-	143,846
4,692	1,413	10,585,234
-	-	(14,187,311)
-	-	(14,187,311)
4,692	1,413	(3,602,077)
287,146	86,517	44,801,905
\$ 291,838	\$ 87,930	\$ 41,199,828

City of San Marcos

Combining Statement of Fiduciary Net Position Custodial Funds June 30, 2023

	Custodial Funds				
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Community Facilities District 11-01	Total Custodial Funds
ASSETS					
Cash and investments (note 2)	\$ 3,791	\$ -	\$ -	\$ -	\$ 3,791
Receivables:					
Special assessments	657	12,679	4,867	-	18,203
Restricted Assets:					
Cash and investments with fiscal agents (note 2)	2,782,117	6,142,227	1,037,480	-	9,961,824
Total Assets	2,786,565	6,154,906	1,042,347	-	9,983,818
LIABILITIES					
Accounts payable	167,891	16,365	2,000	-	186,256
Due to other governments	-	3,376	8,533	597	11,909
Total Liabilities	167,891	19,741	10,533	597	198,165
NET POSITION (DEFICIT)					
Restricted for:					
Other taxing entities and other agencies	\$ 2,618,674	\$ 6,135,165	\$ 1,031,814	\$ (597)	\$ 9,785,653

City of San Marcos

Combining Statement of Changes in Fiduciary Net Position Custodial Funds For the Year Ended June 30, 2023

	Custodial Funds				
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Community Facilities District 11-01	Total Custodial Funds
ADDITIONS					
Tax	\$ 1,513,151	\$ 5,139,630	\$ 1,053,694	\$ -	\$ 7,706,475
Income from property and investments	104	113,662	19,433	-	133,199
Other revenue	-	35,039	-	-	35,039
Total Additions	1,513,255	5,288,331	1,073,127	-	7,874,713
DEDUCTIONS					
Administrative expense	197,891	50,845	2,000	-	250,736
Payments to fiscal agent on behalf of other agencies	1,244,450	5,099,033	833,385	-	7,176,868
Total Deductions	1,442,341	5,149,878	835,385	-	7,427,604
Change in Net Position	70,914	138,453	237,742	-	447,109
Net Position (Deficit), Beginning	2,547,760	5,996,712	794,072	(597)	9,338,544
Net Position (Deficit), Ending	\$ 2,618,674	\$ 6,135,165	\$ 1,031,814	\$ (597)	\$ 9,785,653

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Statistical Section

This section of the City's annual comprehensive 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	130
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	141
These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity	144
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	150
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	154
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 annual comprehensive financial reports for the relevant year.

City of San Marcos

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental Activities:				
Net investment in capital assets	\$ 671,633,533	\$ 647,192,005	\$ 623,187,760	\$ 607,795,162
Restricted for:				
Affordable housing	162,388,168	174,239,971	182,174,655	192,984,712
Lighting and landscape	10,141,062	11,266,533	12,073,491	12,410,105
Public facilities	21,071,049	24,998,414	32,111,994	36,384,666
Other purposes	8,955,235	7,645,829	2,187,164	2,461,175
Endowment	1,000,000	1,000,000	-	-
Unrestricted	60,074,433	3,482,542	48,523,274	60,067,467
Total governmental activities net position	<u>\$ 935,263,480</u>	<u>\$ 869,825,294</u>	<u>\$ 900,258,338</u>	<u>\$ 912,103,287</u>
Business-type activities:				
Net investment in capital assets	\$ 27,160,354	\$ 34,101,091	\$ -	\$ -
Unrestricted	4,352,951	2,552,732	94,924,105	95,225,519
Total business-type activities net position	<u>\$ 31,513,305</u>	<u>\$ 36,653,823</u>	<u>\$ 94,924,105</u>	<u>\$ 95,225,519</u>
Component unit:				
Not expendable	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Expendable	-	-	157,923	230,885
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,230,885</u>
Primary Government:				
Net investment in capital assets	\$ 698,793,887	\$ 681,293,096	\$ 623,187,760	\$ 607,795,162
Restricted for:				
Affordable housing	162,388,168	174,239,971	182,174,655	192,984,712
Lighting and landscape	10,141,062	11,266,533	12,073,491	12,410,105
Capital improvements	21,071,049	24,998,414	32,111,994	36,384,666
Other purposes	8,955,235	7,645,829	2,187,164	2,461,175
Endowment	1,000,000	1,000,000	-	-
Unrestricted	64,427,384	6,035,274	143,447,379	155,292,986
Total primary government net position	<u>\$ 966,776,785</u>	<u>\$ 906,479,117</u>	<u>\$ 995,182,443</u>	<u>\$ 1,007,328,806</u>
Component unit:				
Restricted	\$ -	\$ -	\$ -	\$ 1,230,885
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,230,885</u>

Source: City of San Marcos, Finance Department

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 599,739,265	\$ 600,656,145	\$ 594,590,985	\$ 591,038,322	\$ 596,923,771	\$ 625,379,612
197,267,954	204,874,361	214,394,691	222,040,542	227,818,434	238,874,604
12,833,499	14,734,771	15,104,188	16,803,353	17,688,560	19,185,250
3,186,646	1,008,537	1,004,808	1,005,625	43,506,990	40,430,216
44,845,897	42,359,172	51,842,888	54,134,938	19,957,186	19,226,068
-	-	-	-	-	-
48,322,111	46,006,938	35,895,754	35,934,735	46,052,370	43,696,948
<u>\$ 906,195,372</u>	<u>\$ 909,639,924</u>	<u>\$ 912,833,314</u>	<u>\$ 920,957,515</u>	<u>\$ 951,947,311</u>	<u>\$ 986,792,698</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
94,972,155	95,293,994	96,901,655	97,147,813	92,682,011	94,375,674
<u>\$ 94,972,155</u>	<u>\$ 95,293,994</u>	<u>\$ 96,901,655</u>	<u>\$ 97,147,813</u>	<u>\$ 92,682,011</u>	<u>\$ 94,375,674</u>
\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
258,593	250,742	219,405	475,316	216,026	258,781
<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>	<u>\$ 1,219,405</u>	<u>\$ 1,475,316</u>	<u>\$ 1,216,026</u>	<u>\$ 1,258,781</u>
\$ 599,739,265	\$ 600,656,145	\$ 594,590,985	\$ 591,038,322	\$ 596,923,771	\$ 625,379,612
197,267,954	204,874,361	214,394,691	222,040,542	227,818,434	238,874,604
12,833,499	14,734,771	15,104,188	16,803,353	17,688,560	19,185,250
3,186,646	1,008,537	1,004,808	1,005,625	43,506,990	40,430,216
44,845,897	42,359,172	51,842,888	54,134,938	19,957,186	19,226,068
-	-	-	-	-	-
143,294,266	141,300,932	132,797,409	133,082,548	138,734,381	138,072,622
<u>\$ 1,001,167,527</u>	<u>\$ 1,004,933,918</u>	<u>\$ 1,009,734,969</u>	<u>\$ 1,018,105,328</u>	<u>\$ 1,044,629,322</u>	<u>\$ 1,081,168,372</u>
\$ 1,258,593	\$ 1,250,742	\$ 1,219,405	\$ 1,475,316	\$ 1,216,026	\$ 1,258,781
<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>	<u>\$ 1,219,405</u>	<u>\$ 1,475,316</u>	<u>\$ 1,216,026</u>	<u>\$ 1,258,781</u>

City of San Marcos

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

	Fiscal Year			
	2014	2015	2016	2017
Expenses:				
Governmental Activities:				
General government	\$ 16,447,263	\$ 16,944,647	\$ 18,256,401	\$ 15,819,492
Community development	3,431,958	7,094,841	12,890,498	1,679,942
Public safety	31,398,530	36,059,952	32,564,134	38,312,609
Highways, streets and parks	32,779,655	33,832,005	23,904,189	29,012,619
Culture and recreation	3,022,930	5,040,297	3,951,699	3,873,784
Interest on long-term debt	272,403	267,688	262,067	243,974
Total governmental activities expenses	86,122,910	87,352,739	99,239,430	91,828,988
Business-type activities:				
Creekside Marketplace	1,061,134	2,053,600	2,069,680	1,572,337
Total business-type activities expenses	866,501	1,061,134	2,053,600	2,069,680
Total primary government expenses	86,989,411	88,413,873	101,293,030	93,898,668
Component Unit:				
Permanent Fund Community Foundation	-	-	56,622	65,283
Total primary government expenses	\$ -	\$ -	\$ -	\$ 56,622
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	\$ 7,515,771	\$ 1,288,995	\$ 1,843,724	\$ 1,151,920
Community development (2)	6,998,956	2,997,665	2,252,007	4,554,470
Public safety	8,636,601	8,888,703	9,103,730	10,358,412
Highways, streets and parks (1) (2)	8,462,005	7,455,240	8,196,772	7,931,273
Culture and recreation (2)	2,105,349	2,081,035	2,364,561	2,575,892
Operating grants and contributions	24,338,152	16,811,188	11,893,755	13,919,753
Capital contributions and grants	2,125,409	9,843,740	4,294,066	3,523,253
Total governmental activities program revenues	54,236,324	60,182,243	49,366,566	39,948,615
Business-type activities:				
Charges for services:				
Creekside Marketplace	4,103,722	3,470,369	3,335,509	4,924,764
Total business-type activities program revenues	3,907,546	4,103,722	3,470,369	3,335,509
Total primary government program revenues	58,143,870	64,285,965	52,836,935	43,284,124
Net (expenses) revenues:				
Governmental activities	(31,886,586)	(27,170,496)	(49,872,864)	(51,880,373)
Business-type activities	3,041,045	3,042,588	1,416,769	1,265,829
Total primary government net (expenses)/revenues	\$ (28,845,541)	\$ (24,127,908)	\$ (48,456,095)	\$ (50,614,544)
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(56,622)
Total primary government net (expenses)/revenues	-	-	-	(56,622)

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.

Source: City of San Marcos, Finance Department

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 19,444,881	\$ 24,545,665	\$ 26,598,227	\$24,133,604	\$32,589,843	\$34,816,393
6,368,611	5,036,267	10,631,212	13,174,383	12,423,814	12,813,037
40,504,526	42,703,434	42,461,674	45,837,054	42,170,941	44,417,299
32,201,548	31,533,558	32,356,482	33,373,256	32,747,776	35,825,013
4,209,685	4,025,485	3,982,454	3,557,335	4,119,671	5,060,347
295,292	183,847	227,552	259,529	148,236	137,987
88,942,420	103,024,543	108,028,256	116,257,601	120,335,161	133,070,076
771,106	969,539	1,339,226	974,272	2,391,450	4,392,110
1,572,337	771,106	969,539	1,339,226	974,272	4,392,110
90,514,757	103,795,649	108,997,795	117,596,827	121,309,433	137,462,186
69,946	71,223	51,361	84,837	76,844	78,320
\$ 65,283	\$ 69,946	\$ 71,223	\$ 51,361	\$ 84,837	\$ 78,320
\$ 1,038,094	\$ 1,704,211	\$ 1,580,692	\$ 1,447,664	\$ 1,384,202	\$ 4,990,742
6,363,423	2,485,165	1,813,367	2,499,892	5,416,289	7,786,718
10,979,615	12,001,681	11,883,120	13,464,941	14,862,440	13,752,035
8,605,163	7,860,930	9,294,971	9,658,671	8,976,054	10,506,534
2,100,449	2,466,095	1,543,846	946,994	2,466,721	2,561,230
11,094,309	17,606,841	23,979,367	24,626,457	23,654,054	31,864,335
1,345,661	4,437,779	7,053,470	22,305,574	23,424,439	23,338,882
44,014,973	41,526,714	48,562,702	57,148,833	74,950,193	94,800,476
5,188,034	5,510,983	4,808,776	4,617,947	4,713,033	7,075,704
4,924,764	5,188,034	5,510,983	4,808,776	4,617,947	7,075,704
48,939,737	46,714,748	54,073,685	61,957,609	79,568,140	101,876,180
(44,927,447)	(61,497,829)	(59,465,554)	(59,108,768)	(45,384,968)	(38,269,600)
3,352,427	4,416,928	4,541,444	3,469,550	3,643,675	2,683,594
\$ (41,575,020)	\$ (57,080,901)	\$ (54,924,110)	\$ (55,639,218)	\$ (41,741,293)	\$ (35,586,006)
(65,283)	(69,946)	(71,223)	(51,361)	(84,837)	(78,320)
(65,283)	(69,946)	(71,223)	(51,361)	(84,837)	(78,320)

City of San Marcos

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

	Fiscal Year			
	2014	2015	2016	2017
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 19,036,135	\$ 14,730,525	\$ 16,627,912	\$ 18,604,256
Tax increment, net	-	-	-	-
Transient occupancy taxes	736,035	794,846	829,724	873,863
Business license	194,864	208,911	213,173	228,040
Franchise fees	2,582,279	3,520,613	3,907,803	4,031,275
Gain/(Loss) on sale of capital assets	-	(659,841)	1,810,932	187,956
Motor vehicle license fees	80,791	-	-	-
Rental income	-	6,260,337	5,790,384	5,950,030
Sales tax shared state revenue and in lieu, unrestricted	14,596,011	15,840,511	16,209,302	16,868,051
Investment income	3,508,350	1,108,705	937,647	1,731,178
Other	1,991,861	489,778	982,947	529,653
Transfers	5,000,000	4,250,000	(3,850,425)	4,500,000
Transfer to Successor Agency	(10,674,712)	-	-	-
Total governmental activities	332,709,175	37,051,614	46,544,385	43,459,399
Business-type activities:				
Investment income	5,469	50,190	8,184	16,289
Other	-	-	-	-
Transfers	(5,000,000)	(4,250,000)	3,850,425	(4,500,000)
Total business-type activities	(4,962,802)	(4,994,531)	(4,199,810)	3,858,609
Total primary government	327,746,373	32,057,083	42,344,575	47,318,008
Component Unit:				
Investment income, restricted	-	-	-	(11,645)
Other	-	-	-	-
Total primary government	-	-	-	-
Change in Net Position:				
Governmental activities	305,538,679	(12,821,250)	(5,335,988)	(1,468,048)
Business-type activities	(1,920,214)	(3,577,762)	(2,933,981)	7,211,036
Total primary government	\$ 303,618,465	\$ (16,399,012)	\$ (8,269,969)	\$ 5,742,988
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total primary government	\$ -	\$ -	\$ -	\$ -

Source: City of San Marcos, Finance Department

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 19,825,953	\$ 21,542,823	\$ 24,982,707	\$ 24,980,971	\$ 26,695,907	\$ 28,629,629
-	-	-	-	-	-
978,498	1,303,446	1,068,175	871,393	1,416,495	1,615,411
231,933	232,733	226,950	230,340	241,640	242,260
3,897,771	4,042,123	4,282,862	4,220,898	4,644,009	5,256,055
227,020	258,282	229,032	(74,079)	191,367	4,155,018
-	49,502	79,818	72,985	111,588	96,966
5,556,365	5,477,226	5,140,403	7,290,221	5,626,286	5,866,922
16,418,302	17,274,843	19,306,999	17,308,573	21,966,581	21,935,697
1,242,804	1,305,351	10,303,109	2,031,411	10,062,092	3,684,135
96,331	223,593	982,103	1,026,771	549,913	632,894
3,317,138	5,000,000	3,500,000	3,400,000	3,500,000	1,000,000
-	-	-	-	-	-
53,504,302	51,792,115	56,709,922	70,102,158	61,359,484	73,114,987
2,855	6,759	1,636,309	2,483	(3,287,385)	3,560
-	-	1,802	-	-	6,509
(3,317,138)	(5,000,000)	(3,500,000)	(3,400,000)	(3,500,000)	(1,000,000)
(4,483,711)	(3,314,283)	(4,993,241)	(1,861,889)	(3,397,517)	(989,931)
49,020,591	48,477,832	51,716,681	68,240,269	57,961,967	72,125,056
138,220	97,654	19,998	340,748	(182,446)	121,075
25	-	26	-	-	-
(11,645)	138,245	97,654	20,024	340,748	121,075
(7,993,527)	(7,673,439)	(2,398,846)	24,717,190	15,974,516	34,845,387
(66,783)	1,227,161	(1,523,691)	1,781,786	246,158	1,693,663
\$ (8,060,310)	\$ (6,446,278)	\$ (3,922,537)	\$ 26,498,976	\$ 16,220,674	\$ 36,539,050
(81,591)	67,022	46,293	(64,813)	255,911	42,755
\$ (81,591)	\$ 67,022	\$ 46,293	\$ (64,813)	\$ 255,911	\$ 42,755

City of San Marcos

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

	Fiscal Year			
	2014	2015	2016	2017
Nonspendable	\$ 11,938,509	\$ 10,451,246	\$ 10,031,405	\$ 66,369,312
Restricted	-	-	-	-
Assigned	-	5,984,790	5,984,790	11,653,634
Unassigned	51,115,898	31,887,837	82,608,491	27,053,317
Total General Fund	<u>60,332,252</u>	<u>63,054,407</u>	<u>48,323,873</u>	<u>98,624,686</u>
Nonspendable	1,000,000	1,000,000	-	-
Restricted	80,658,598	82,000,192	82,451,468	87,132,962
Unassigned	(225)	(20)	(33,867)	-
Total all other governmental funds	<u>81,618,817</u>	<u>81,658,373</u>	<u>83,000,172</u>	<u>82,417,601</u>
Total governmental funds	<u>\$ 141,951,069</u>	<u>\$ 144,712,780</u>	<u>\$ 131,324,045</u>	<u>\$ 181,042,287</u>

Source: City of San Marcos, Finance Department

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 65,059,911	\$ 64,997,746	\$ 62,506,999	\$ 61,913,706	\$ 74,313,510	\$ 76,188,631
-	-	2,492,150	2,889,350	2,398,726	2,517,379
11,313,621	11,059,665	10,023,351	11,864,630	11,864,630	12,552,407
28,500,274	30,443,892	32,505,397	40,069,078	31,357,566	28,397,360
<u>105,076,263</u>	<u>104,873,806</u>	<u>106,501,303</u>	<u>107,527,897</u>	<u>116,736,764</u>	<u>119,655,777</u>
-	-	-	-	-	-
98,836,674	99,243,047	110,557,067	109,842,378	120,236,691	125,297,479
(148,263)	(378,551)	(5,099,687)	(11,385,046)	(9,175,364)	(18,388,355)
<u>87,132,962</u>	<u>98,688,411</u>	<u>98,864,496</u>	<u>105,457,380</u>	<u>98,457,332</u>	<u>106,909,124</u>
<u>\$ 192,209,225</u>	<u>\$ 203,562,217</u>	<u>\$ 205,365,799</u>	<u>\$ 212,985,277</u>	<u>\$ 215,194,096</u>	<u>\$ 226,564,901</u>

City of San Marcos

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

	Fiscal Year			
	2014	2015	2016	2017
Revenues:				
Taxes and special assessments (3)	\$ 37,499,452	\$ 40,746,406	\$ 43,388,689	\$ 28,386,492
Licenses and permits	4,834,181	4,896,092	5,190,125	5,184,798
Intergovernmental (3)	14,879,876	11,705,953	8,388,620	22,446,951
Charges for services	14,014,737	14,767,944	15,644,089	15,756,224
Developer fees	604,325	3,085,839	5,680,240	6,770,876
Fines and forfeitures	379,517	378,143	492,091	632,114
Investment and rental income	8,390,525	9,159,541	9,887,780	9,814,976
Miscellaneous	2,784,337	1,307,048	3,003,475	1,656,344
Total Revenues	<u>83,386,950</u>	<u>86,046,966</u>	<u>91,675,109</u>	<u>90,648,775</u>
Expenditures:				
Current:				
General government (2)	15,683,539	16,082,210	15,769,553	20,232,292
Community development (2)	4,209,639	7,282,130	9,218,570	9,224,684
Public safety	30,863,346	35,743,282	33,512,449	36,449,543
Highways, streets and parks (1) (2)	21,875,374	20,669,923	16,739,415	19,258,048
Culture and recreation (1)	2,948,559	4,904,494	3,611,161	3,814,190
Capital outlay	8,462,086	3,672,221	11,115,705	10,255,091
Debt service:				
Principal retirement	430,447	570,876	677,198	970,360
Interest and fiscal charges	269,039	260,465	259,734	286,705
Cost of issuance	-	-	-	-
Total expenditures	<u>84,742,029</u>	<u>89,185,601</u>	<u>90,903,785</u>	<u>100,490,913</u>
Excess/(deficiency) of Revenues Over Expenditures	<u>(1,355,079)</u>	<u>(3,138,635)</u>	<u>771,324</u>	<u>(9,842,138)</u>
Other financing sources (uses):				
Issuance of debt	-	12,752	1,036,580	-
Subscription acquisition	-	-	-	-
Proceeds from sale of capital assets	(659,841)	-	-	-
Capital leases	427,300	125,074	432,248	2,018,392
Partnership contributions	-	(6,537,501)	-	-
Transfers in	5,227,487	5,911,842	6,441,564	5,470,561
Transfers out	(977,487)	(9,762,267)	(1,941,564)	(2,153,423)
Total other financing sources (uses)	<u>4,017,459</u>	<u>(10,250,100)</u>	<u>5,968,828</u>	<u>5,335,530</u>
Net Change in Fund Balances	<u>\$ 2,662,380</u>	<u>\$ (13,388,735)</u>	<u>\$ 6,740,152</u>	<u>\$ (4,506,608)</u>
Debt service as a percentage of noncapital expenditures	0.94%	1.04%	1.05%	1.20%

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.

Source: City of San Marcos, Finance Department

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 30,734,448	\$ 37,396,482	\$ 35,074,453	\$ 35,336,432	\$ 38,014,722	\$ 40,963,794
5,567,081	4,829,046	4,982,848	5,758,317	6,229,489	6,577,183
24,240,158	22,558,222	30,208,872	50,774,854	50,768,628	54,411,026
16,391,482	16,112,574	15,608,463	17,466,496	20,530,129	19,271,585
10,269,151	5,217,642	7,775,654	7,826,185	12,959,166	13,654,904
592,516	498,336	389,034	257,569	68,465	1,241,181
8,625,937	11,496,722	19,363,307	8,782,267	15,259,941	12,021,546
2,170,216	1,873,724	1,556,989	1,163,325	1,617,335	3,286,479
98,590,989	99,982,748	114,959,620	127,365,445	145,447,875	151,427,698
17,619,187	21,862,137	24,474,209	22,215,742	31,048,583	33,833,175
6,419,708	4,795,779	9,921,546	13,323,540	12,240,828	12,840,820
37,334,894	37,782,655	39,103,687	42,204,560	42,816,495	43,091,788
18,924,332	18,575,680	18,682,862	18,038,640	17,536,047	25,010,953
3,930,935	3,759,978	3,416,437	3,248,975	4,084,656	4,472,130
6,235,184	19,258,698	16,762,011	31,070,090	24,629,033	45,066,432
1,474,503	860,105	907,466	1,111,330	1,042,598	999,388
246,947	155,238	219,983	225,850	144,339	134,128
108,311	-	-	-	-	-
92,294,001	107,050,270	113,488,201	131,438,727	133,542,579	165,448,814
6,296,988	(7,067,522)	1,471,419	(4,073,282)	11,905,296	(14,021,116)
-	-	-	-	-	-
-	-	-	-	-	257,840
-	4,521,104	1,138,302	2,427,572	396,367	8,332,418
-	-	1,509,757	585,414	-	-
-	-	-	-	-	-
9,820,141	11,859,523	14,722,108	17,515,183	11,302,783	20,819,402
(4,820,141)	(7,509,523)	(11,222,108)	(14,115,183)	(7,802,783)	(19,819,402)
5,000,000	8,871,104	6,148,059	6,412,986	3,896,367	9,590,258
\$ 11,296,988	\$ 1,803,582	\$ 7,619,478	\$ 2,339,704	\$ 15,801,663	\$ (4,430,858)
2.28%	1.01%	1.11%	1.18%	1.12%	0.80%

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)
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
2019	12,991,489,372	370,104,590	(619,191,733)	12,742,402,229	0.0883
2020	13,815,539,662	379,261,628	(579,152,010)	13,615,649,280	0.0883
2021	14,506,330,312	384,186,012	(654,981,947)	14,235,534,377	0.0883
2022	15,119,698,651	313,927,047	(753,940,771)	14,679,684,927	0.0883
2023	16,204,222,773	399,106,990	(842,763,196)	15,760,566,567	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
2014	0.0883	%	0.3805	%	0.0632	%	0.2481	%	0.2200	0.0978
2015	0.0883		0.3805		0.0632		0.2481		0.2200	0.1138
2016	0.0883		0.3805		0.0632		0.2481		0.2200	0.1180
2017	0.0883		0.3805		0.0632		0.2481		0.2200	0.1175
2018	0.0883		0.3805		0.0632		0.2481		0.2200	0.0910
2019	0.0883		0.3805		0.0632		0.2481		0.2200	0.0908
2020	0.0883		0.3805		0.0632		0.2481		0.2200	0.0970
2021	0.0883		0.3805		0.0632		0.2481		0.2200	0.0804
2022	0.0883		0.3805		0.0632		0.2481		0.2200	0.0777
2023	0.0883		0.3805		0.0632		0.2481		0.2200	0.0752

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

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
2014	\$ 6,281,371	\$ 6,071,920	96.67 %	\$ 72,548	\$ 6,144,468	97.82 %
2015	6,502,541	6,342,713	97.54	78,122	6,420,835	98.74
2016	6,875,051	6,704,823	97.52	71,018	6,775,841	98.56
2017	7,280,193	7,082,528	97.28	84,336	7,166,864	98.44
2018	7,584,842	7,402,491	97.60	82,208	7,484,699	98.68
2019	8,110,254	7,879,445	97.15	87,121	7,966,566	98.23
2020	8,257,634	7,990,099	96.76	118,209	8,108,308	98.19
2021	8,671,538	8,522,190	98.28	102,059	8,624,249	99.45
2022	9,291,999	8,889,705	95.67	88,509	8,978,214	96.62
2023	9,925,652	9,530,480	96.02	N/A	9,530,480	96.02

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)						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Leases Payable	Subscriptions Payable	Loans Payable (3)			
2014	\$ -	\$ 4,901,333	\$ 521,949	\$ 413,919	\$ -	\$ 530,676	\$ 6,367,876	0.14 %	73
2015	-	4,653,666	401,747	411,883	-	469,865	5,937,160	0.12	66
2016	-	4,390,999	274,934	633,034	-	1,432,155	6,731,122	0.13	73
2017	-	4,118,332	141,146	2,250,022	-	1,271,983	7,781,483	0.14	83
2018 (2)	-	-	-	1,731,711	-	4,643,642	6,375,353	0.11	66
2019	-	-	-	1,334,885	-	4,158,664	5,493,549	0.09	57
2020	-	-	-	2,413,785	-	3,682,055	6,095,840	0.09	63
2021	-	-	-	2,376,171	-	3,193,753	5,569,924	0.08	58
2022	-	-	-	1,759,679	-	2,767,647	4,527,326	0.07	48
2023 (4)	-	-	-	1,192,311	200,526	2,335,627	3,728,464	(4)	39

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.

(2) Revenue Bonds refunded as of November 29, 2017

(3) Beginning 2018 includes Safety Center Private Placement Financing

(4) Personal income data for 2023 is unavailable.

Source: City of San Marcos, Finance Department

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City of San Marcos

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds (1)</u>	<u>Total</u>	<u>Percent of Assessed Value (2)</u>	<u>Per Capita</u>
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)	-	-	-	0.000	-
2019	-	-	-	0.000	-
2020	-	-	-	0.000	-
2021	-	-	-	0.000	-
2022	-	-	-	0.000	-
2023	-	-	-	0.000	-

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.
- (3) Revenue Bonds refunded as of November 29, 2017

Source: City of San Marcos, Finance Department

City of San Marcos

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Total assessed valuation	\$ 9,676,874,262	\$ 10,520,993,240	\$ 11,140,456,884	\$ 11,744,932,234
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,419,218,566	2,630,248,310	2,785,114,221	2,936,233,059
Debt limit percentage	15%	15%	15%	15%
Debt limit	362,882,785	394,537,247	417,767,133	440,434,959
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	\$ 362,882,785	\$ 394,537,247	\$ 417,767,133	\$ 440,434,959
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
County of San Diego Tax Assessor's Office

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 12,494,456,100	\$ 13,361,593,962	\$ 14,194,801,290	\$ 14,890,516,324	\$ 15,433,625,698	\$ 16,603,329,763
25%	25%	25%	25%	25%	25%
3,123,614,025	3,340,398,491	3,548,700,323	3,722,629,081	3,858,406,425	4,150,832,441
15%	15%	15%	15%	15%	15%
468,542,104	501,059,774	532,305,048	558,394,362.15	578,760,963.68	622,624,866.11
-	-	-	-	-	-
\$ 468,542,104	\$ 501,059,774	\$ 532,305,048	\$ 558,394,362	\$ 578,760,964	\$ 622,624,866
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

Pledged-Revenue Coverage Last Ten Fiscal Years

Revenue Bonds (1)					
Debt Service (2)					
Fiscal Year	Revenue	Principal	Interest	Coverage	
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)	-	-	-	1.00	
2019	-	-	-	1.00	
2020	-	-	-	1.00	
2021	-	-	-	1.00	
2022	-	-	-	1.00	
2023	-	-	-	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 November 29, 2017

Source: City of San Marcos, Finance Department

City of San Marcos

Direct and Overlapping Debt As of June 30, 2023

2022-23 Assessed Valuation: (1)

\$15,854,367.967

			Estimated
	Percentage Applicable (2)	Outstanding Debt June 30, 2023 (3)	Share of Overlapping Debt
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.432%	\$19,215,000	\$ 83,009
Palomar Community College District	10.512%	641,965,146	\$ 67,483,376
San Marcos Unified School District	62.567%	268,478,476	\$ 167,978,928
San Marcos Unified School District Community Facilities District No. 3	100.000%	180,000	\$ 180,000
San Marcos Unified School District Community Facilities District No. 4	86.196%	12,590,000	\$ 10,852,076
San Marcos Unified School District Community Facilities District No. 7	100.000%	6,740,000	\$ 6,740,000
San Marcos Unified School District Community Facilities District No. 8	100.000%	3,055,000	\$ 3,055,000
Other School Districts	Various	1,295,091,964	\$ 482,575
Palomar Pomerado Hospital	11.754%	400,167,282	\$ 47,035,662
City of San Marcos	100.000%	-	\$ -
City of San Marcos Community Facilities District No. 88-1	100.000%	5,863,441	\$ 5,863,441
City of San Marcos Community Facilities District No. 99-01	100.000%	44,634,998	\$ 44,634,998
City of San Marcos Community Facilities District No. 2002-1	100.000%	9,285,000	\$ 9,285,000
California Statewide Communities Development Authority Assessment District No. 22-01	100.000%	1,490,000	\$ 1,490,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 365,164,065.00
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	2.413%	\$229,680,000	\$ 5,542,178.00
San Diego County Pension Obligation Bonds	2.413%	277,990,000	\$ 6,707,899.00
San Diego County Superintendent of Schools Obligations	2.413%	6,935,000	\$ 167,342.00
Palomar Community College District General Fund Obligations	10.512%	1,310,000	\$ 137,707.00
San Marcos Unified School District General Fund Obligations	62.567%	91,570,999	\$ 57,293,227.00
Other School District Certificates of Participation	Various	125,689,003	\$ 122,332.00
City of San Marcos General Fund Obligations	100.000%	3,302,837 (4)	\$ 3,302,837.00
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 73,273,522.00
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$ 226,475,000	\$ 226,475,000.00
TOTAL DIRECT DEBT			\$ 3,302,837.00
TOTAL OVERLAPPING DEBT			\$ 661,609,750.00
COMBINED TOTAL DEBT (3) (4)			\$ 664,912,587
Direct Debt		0.00%	
Total Direct and Overlapping Tax and Assessment Debt		2.30%	
Combined Direct Debt (\$3,302,837)		0.02%	
Combined Total Debt		4.19%	
<u>Ratios to Redevelopment Incremental Valuation (\$10,056,043,322):</u>			
Total Overlapping Tax Increment Debt		2.09%	

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
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	5,268,732,452	56,506	3.66
2017	33.07	94,258 (2)	1.09	5,502,782,040	58,380	3.41
2018	33.07	95,768	1.60	5,855,925,896	61,147	3.30
2019	33.07	96,335	0.59	6,139,333,215	63,729	2.80
2020	33.07	97,209	0.91	6,441,651,594	66,266	5.68
2021	33.07	96,302	-0.93	6,995,088,374	72,637	3.20
2022	33.07	93,585	-2.82	6,955,798,710	74,326	4.10
2023	33.07	94,530	1.01	(3)	(3)	3.30

Notes:

- (1) Data presented is for San Diego/Chula Vista/Carlsbad economic area. FY2022 data was updated.
- (2) Fiscal Year 2017 Population was revised by the State Department of Finance.
- (3) Personal income and per capita personal income data for 2023 is unavailable.

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

City of San Marcos

Principal Employers Current Year and Nine Years Ago

Employer (1)	2023			2014		
	Number of Employees	Rank	Percent of Total Employment (2)	Number of Employees	Rank	Percent of Total Employment (2)
San Marcos Unified School District	3,519	1	7.61%			
California State University San Marcos	1,995	2	4.31%			
Palomar Community College	2,014	3	4.35%			
Hunter Industries, Inc.	776	4	1.68%	756	1	2.54%
United Parcel Service, Inc.	551	5	1.19%	438	2	1.47%
Southern California Permanente Medical Group	454	6	0.98%	361	3	1.21%
Costco Wholesale	370	7	0.80%	268	7	0.90%
Lusardi Construction Co.	250	8	0.54%	300	5	1.01%
North County Health Project (3)	250	9	0.54%			
Hughes Circuits Inc.	238	10	0.51%	170	13	0.57%
Hollandia Dairy, Inc.	230	11	0.50%	185	12	0.62%
Fluid Components International	217	12	0.47%	245	9	0.82%
Wal-Mart Stores, Inc.	216	13	0.47%	350	4	1.18%
Manpower of San Diego	210	14	0.45%			
Home Depot	193	15	0.42%	164	14	0.55%
Diamond Environmental Svcs	175	16	0.38%	148	17	0.50%
Oncore Manufacturing Svcs	160	17	0.35%	233	10	0.78%
Southern Contracting	150	18	0.32%	150	16	0.50%
Falmet Inc	143	19	0.31%	130	20	0.44%
Winco Foods	136	20	0.29%			
Aerotek Inc				283	6	0.95%
RB III Associates				259	8	0.87%
Fry's Electronic				186	11	0.63%
Swartz Burgers Inc				150	15	0.50%
Markstein Beverage				140	18	0.47%
Plum Health Care Group				135	19	0.45%
Total	12,247		26.47%	5,051		16.96%

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.
- (3) Formerly the "North County Health Services"

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

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City of San Marcos

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 (2)</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General government	57	61	56	52	43	67	40	48	60	56
Community development	42	34	26	29	33	40	25	34	41	38
Public safety (1)	97	90	105	108	104	129	108	121	114	119
Highways, streets and parks	76	77	84	88	92	97	82	65	71	65
Culture and recreation	<u>120</u>	<u>149</u>	<u>181</u>	<u>177</u>	<u>158</u>	<u>200</u>	<u>73</u>	<u>121</u>	<u>121</u>	<u>135</u>
Total	<u>392</u>	<u>411</u>	<u>452</u>	<u>454</u>	<u>430</u>	<u>533</u>	<u>328</u>	<u>389</u>	<u>407</u>	<u>413</u>

Note:

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

(2) Due to the COVID-19 pandemic, employment numbers are significantly lower than previous years.

Source: City of San Marcos, Finance Department

City of San Marcos

Operating Indicators by Function (1) Last Ten Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
General Government:				
Number of business licenses issued	5,623	5,593	5,762	5,916
Number of requests for public information	238	276	355	346
Number of new hires including part-time	90	123	182	150
Number of invoices processed	13,464	13,342	12,813	12,287
Public Safety:				
Police:				
Contracts with the San Diego County Sheriff's Department for full service law enforcement				
Fire:				
Number of emergency calls	7,675	8,889	10,719	11,258
Number of fire inspections	2,953	2,894	2,419	2,431
Highways and Streets:				
Number of street lights added in current year	19	-	5	30
Number of traffic signals added in current year	1	1	3	1
Miles of streets swept	15,175	12,090	12,090	12,090
Miles of centerline streets added	-	-	-	-
Storm drain structures cleaned and repaired (2)	597	596	602	719
Culture and Recreation (3):				
Number of facility rentals	799	802	862	925
Number of swim program participants	52,577	57,009	40,711	38,105
Number of adult sports participants	46,313	47,094	50,814	55,809
Number of youth sports participants	22,946	23,014	26,415	27,013
Number of senior nutrition program meals served	12,775	13,039	10,813	10,997
Community Development:				
Number of building permits issued	1,700	1,877	2,390	2,198
Approximate number of building inspections conducted	15,713	10,922	12,150	10,641
Number of new business licenses issued	1,342	1,462	1,519	1,407

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.
- (3) Due to the COVID-19 pandemic, many Parks and Recreation programs were shut down for much of 2020 through June 2021, hence the decrease in number of participants and facility rentals.

Source: Various City of San Marcos Departments

Fiscal Year					
2018	2019	2020	2021	2022	2023
5,898	6,086	5,808	5,450	5,660	5,706
353	379	492	693	714	686
144	165	83	117	163	185
12,123	12,123	12,290	10,624	10,423	12,179
11,458	11,275	10,838	11,603	12,464	12,062
3,168	2,748	1,745	1,482	6,957	2,414
15	6	6	-	8	19
-	4	3	-	-	5
12,157	12,157	12,354	12,354	12,219	12,220
-	-	-	-	-	-
1,109	282	487	448	750	478
931	1,052	641	107	393	429
33,955	21,338	11,634	3,705	1,581	1,230
59,361	64,025	59,056	1,470	6,886	7,103
32,092	33,603	21,256	4,112	6,333	8,303
12,024	11,450	11,642	12,846	9,112	12,174
2,326	2,337	2,200	2,409	2,763	4,266
16,829	11,999	9,127	10,669	14,726	19,544
1,346	1,385	1,166	1,138	1,264	1,216

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
Public Safety:				
Police (1)				
Fire				
Number of fire stations	4	4	4	4
Number of emergency vehicles	38	41	44	47
Highways and Streets:				
Miles of streets (2)	197	197	197	197
Number of street lights	2,708	2,708	2,713	2,743
Culture and Recreation:				
Parks (3)	35	35	35	36
Acres of park and trail land (3)	384	384	384	333
Pools	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					
2018	2019	2020	2021	2022	2023
4	4	4	4	4	4
47	50	50	50	50	56
198	204	204	204	204	204
2,758	2,760	2,383	2,383	2,391	2,410
36	36	37	39	39	41
333	333	287	256	256	294
2	2	2	2	2	2

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