



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2025
City of San Marcos, California

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2025

City Manager: Michelle Bender
Finance Director: Donna Apar

Prepared by the Finance Department

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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.

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*City of San Marcos,
California*

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Prepared by the San Marcos Finance Department

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City of San Marcos

Annual Comprehensive Financial Report For the Year Ended June 30, 2025

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Transmittal Letter

December 17, 2025

Members of the Council and Citizens of San Marcos:

It is our pleasure to present the City of San Marcos (City) Fiscal Year 2024-25 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 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 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. Additional population and income information for the City can be found in the Community Profile 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, 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 excellence. Several higher education institutions, including California State University San Marcos and Palomar College, also have established campuses in the City. The 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 robust and well-balanced base of employers including wholesale trade, retail trade, food services, healthcare, and manufacturing. The City is also home to a diverse and talented labor force with over 4,200 businesses. The resiliency of local businesses has been a key to San Marcos' economy. The current unemployment rate is 4.8% as of August 2025, which is lower than the 5.5% rate reported for the entire State for the same month.

Real Estate Market

Although home prices in San Marcos were down slightly compared to the prior year, the real estate market in the City is strong and has remained competitive with a median sales price of \$950,000 through September 2025. This is slightly higher than the median sales price in the County, which was reported to be \$890,000 during the same time. The City continues to see a steady stream of housing stock construction, including the large Hill District in the North City area, and has potential for new development in the future.

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 is currently experiencing an exceptional rate of growth and development, including the mixed-use North City development, with additional housing being developed in the surrounding area as well.

Property tax revenue receipts are expected to increase approximately 5% over prior year due to new housing construction in the City. Sales tax revenue outlook is currently optimistic as Fiscal Year 2025-26 will mark the first full year of funding from Measure Q, the 1% local sales tax passed by voters November 5, 2024. Measure Q funds are focused on public safety and emergency response, roads and infrastructure maintenance, and parks and community spaces.



Future Capital & Infrastructure Improvements

As North San Diego County grows, the challenges of increased traffic and congestion, affordable housing, and demand for services intensifies. The City Council is focused on balancing 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 Fiscal Year 2025-26 CIP budget appropriation was \$19.1 million. A large portion of the total CIP budget is in "Creek District" projects, which are intended to mitigate traffic congestion and provide recreational opportunities and additional services for the community. Street improvement and rehabilitation projects throughout the City also account for a large portion of the total CIP budget.

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.

While the City continues to closely monitor cost of goods and services and implement efficiencies wherever possible, rising costs continue to be a challenge for the City. The passage of Measure Q will provide crucial funding to maintain the City's services, infrastructure, and quality of life.

Funding from Measure Q in Fiscal Year 2025-26 is estimated at \$22 million. The funds will support important community needs and priorities such as maintaining fire protection, cleaning and maintaining local parks, fixing potholes, and cleaning and maintaining local lakes, creeks and waterways. During the 10-year lifespan of the measure, the City will allocate the funds to prioritize deferred maintenance of essential City facilities and delayed improvements like a new fire station to address the City's growing population.



The Fiscal Year 2025-26 Operating budget was approximately \$98.0 million, an increase of 4.6% from the prior year adopted budget. While the City is expected to experience increases in general fund expenditure in future years, staff remain diligent to ensure revenues are sufficient to cover expenses while also maintaining investments in the City's infrastructure funds. To ensure fiscal health, the City continues to proactively take steps to mitigate increased costs by continually seeking other funding source opportunities and investing in our revenue-generating real estate portfolio, capping the City's share of employee healthcare expenses, engaging in best value analysis to economically deliver services, as well as engaging in a strategic planning approach for deferred projects and new initiatives. In addition, the City and its collective bargaining groups, through negotiations, work collaboratively toward solutions to help relieve the City's growing operational obligations and pension burden in the coming years.

The City's Budget Amendment and Transfer Policy authorizes the City Manager to transfer budgeted amounts between departments or functions as long as the total City Council approved budget is not exceeded. Any budget adjustments that include transfers at the fund level or that result in an increase or decrease that directly affects the service level and/or project scope to the originally approved budget require City Council approval. 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 for 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 (33.3 percent).

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 and prosperity.



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 Fiscal Year 2023-24.
- The City was the recipient of a Risk Management Award from the California Joint Powers Insurance Authority.
- The City's Bradley Bike Park received an award for Excellence in Design from the California Parks and Recreation Society (CPRS) State Board.
- The Bradley Bike Park also received a "Parks Make Life Better Award Spotlight" by CPRS District 12.
- The City won the Project of the Year Award from the American Public Works Association, San Diego Chapter, for the Creek District infrastructure improvements. The Creek Project was also awarded Project of the Year from the San Diego Chapter of the American Society of Civil Engineers.
- The City was named one of the Best Small Cities in America in 2025 by WalletHub.

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 finances in a responsible, professional and progressive manner.

Respectfully submitted,



Donna Apar
Finance Director

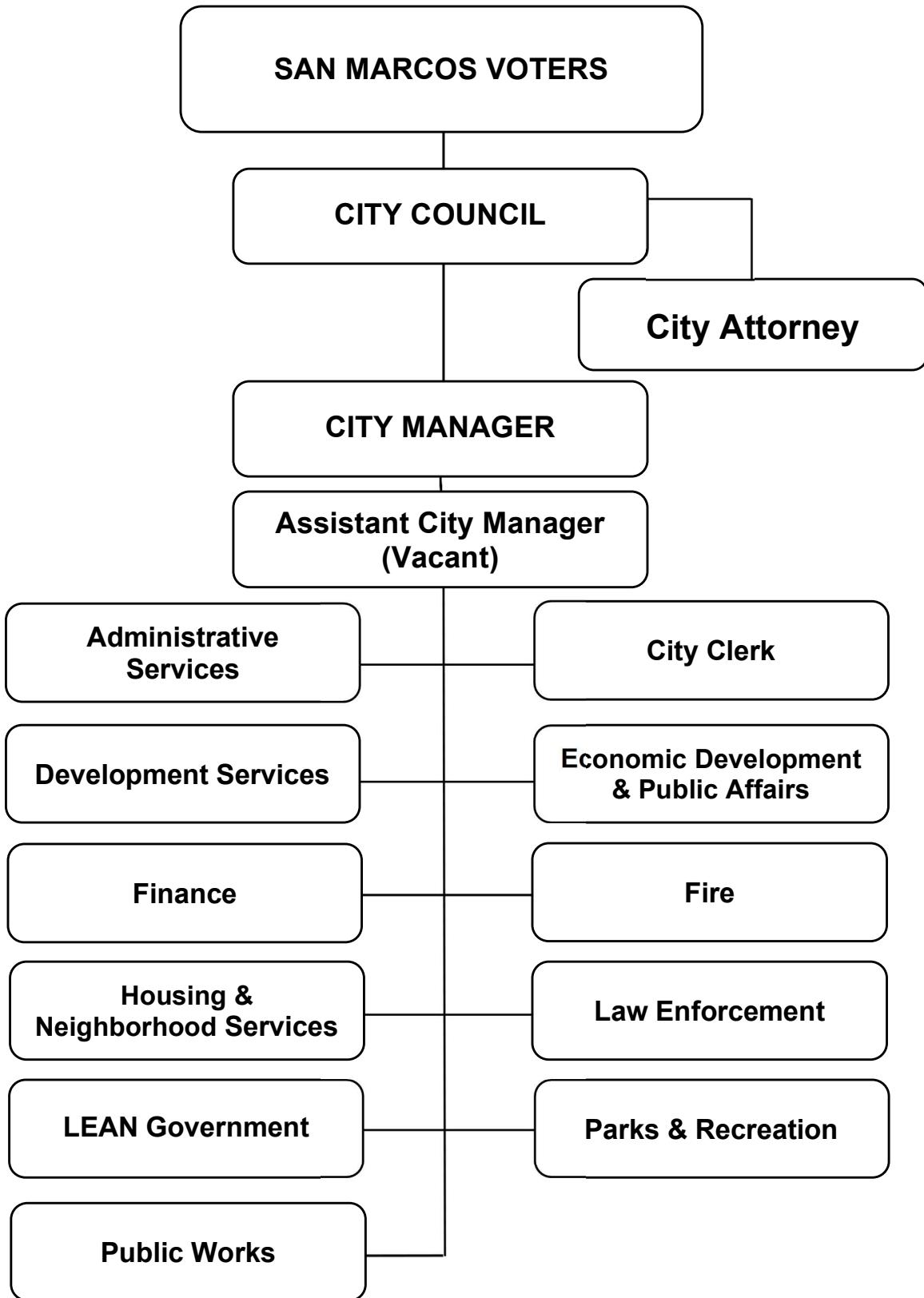


Michelle Bender
City Manager

City of San Marcos

Organizational Chart

June 30, 2025



City of San Marcos

List of Principal Officials

June 30, 2025

City Council

Mayor

Rebecca Jones

Deputy Mayor

Mike Sannella

Council Member

María Nuñez

Council Member

Ed Musgrove

Council Member

Danielle LeBlang

Administration

City Manager/Treasurer

Michelle Bender

Assistant City Manager

Vacant

City Attorney

Helen Holmes Peak

City Clerk

Phillip Scollick

Department/Division Heads

Administrative Services Director

Janelle Laughlin

Development Services Director

Isaac Etchamendy

Economic Development and Public Affairs Director

Tess Sangster

Finance Director

Donna Apar

Fire Chief and Public Safety Director

Daniel Barron

Housing and Neighborhood Services Director

Sylvia Daniels

LEAN Government Director

Kristina Ray

Parks and Recreation Director

Darren Chamow

Planning Division Director

Joseph Farace

Public Works Director

Tim Selke

Sheriff Station Captain

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, 2024

Christopher P. Morill

Executive Director/CEO

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Independent Auditor's Report

To the Honorable City Council
City of San Marcos, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Marcos, as of and for the year ended June 30, 2025, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for 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. 101, *Compensated Absences* and No. 102, *Certain Risk Disclosures*. 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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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 management's discussion and analysis and 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 GAAS, 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic 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 December 17, 2025, on our consideration of 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 the City's 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
December 17, 2025

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City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

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, 2025. 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 \$1,123,883,638 (net position). Of this amount, \$133,007,985 represents unrestricted net position, which represents the majority of investments in real estate and joint venture.
- The City's total net position increased \$30,696,513 from the prior fiscal year due to an increase in property taxes, operating contributions and grants and capital contributions and grants, and a loan repayment in the current year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$257,237,240, an increase of \$27,398,409 in comparison with the prior year. Approximately 8.3% of this amount or \$21,353,342 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 assigned, and unassigned components of fund balance) for the General Fund was \$44,717,034, or approximately 42.48% 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, 2025

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

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

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

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

The government-wide financial statements can be found on pages 16-18 of this report.

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

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

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

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, 2025

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 30-87 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 88-96 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 100-105 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 \$1,123,883,638, at the close of the most recent fiscal year.

City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2025**

City of San Marcos' Net Position

	As of June 30					
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 513,275,432	\$ 498,101,079	\$ 86,197,448	\$ 87,726,135	\$ 599,472,880	\$ 585,827,214
Capital assets, net	657,039,993	643,595,601	-	-	657,039,993	643,595,601
Total assets	1,170,315,425	1,141,696,680	86,197,448	87,726,135	1,256,512,873	1,229,422,815
Deferred outflows of resources	20,884,127	30,045,728	-	-	20,884,127	30,045,728
Non-current liabilities	95,620,764	98,679,846	-	-	95,620,764	98,679,846
Other liabilities	36,782,526	42,190,355	936,250	1,195,345	37,718,776	43,385,700
Total Liabilities	132,403,290	140,870,201	936,250	1,195,345	133,339,540	142,065,546
Deferred inflows of resources	20,173,822	24,215,872	-	-	20,173,822	24,215,872
Net position						
Net investment in capital assets	652,490,153	640,830,413	-	-	652,490,153	640,830,413
Restricted	338,385,500	320,575,291	-	-	338,385,500	320,575,291
Unrestricted	47,746,787	45,250,631	85,261,198	86,530,790	133,007,985	131,781,421
Total net position	\$ 1,038,622,440	\$ 1,006,656,335	\$ 85,261,198	\$ 86,530,790	\$ 1,123,883,638	\$ 1,093,187,125

By far, the largest portion of the City's net position (58.06%) 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 (30.11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$133,007,985 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 \$30,696,513 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, 2025**

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$31,966,105 from the prior fiscal year for an ending balance of \$1,38,622,440. The increase in the overall net position of governmental activities is the result of regular current year operating activities along with an increase miscellaneous revenues related to a large loan repayment in the current year.

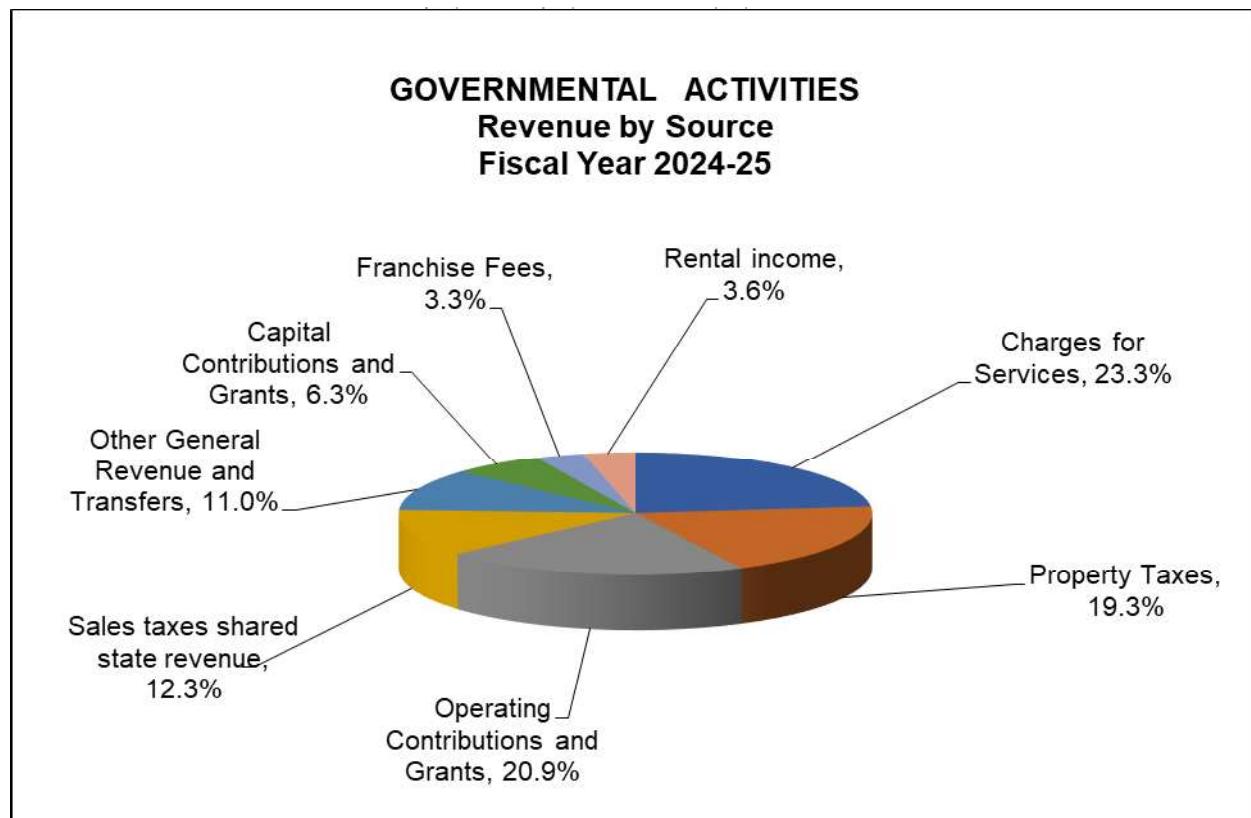
City of San Marcos' Changes in Net Position

	For the year ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 40,021,816	\$ 42,260,426	\$ 6,276,397	\$ 5,907,754	\$ 46,298,213	\$ 48,168,180
Operating contributions and grants	35,887,033	24,490,215	-	-	35,887,033	24,490,215
Capital contributions and grants	10,814,003	7,504,803	-	-	10,814,003	7,504,803
General revenues:						
Property taxes	33,211,869	31,183,549	-	-	33,211,869	31,183,549
Transient occupancy taxes	1,792,415	1,728,507	-	-	1,792,415	1,728,507
Business license tax	239,936	233,690	-	-	239,936	233,690
Motor vehicle license	151,361	119,411	-	-	151,361	119,411
Franchise fees	5,677,289	5,825,364	-	-	5,677,289	5,825,364
Rental income	6,244,699	6,084,709	-	-	6,244,699	6,084,709
Sales taxes shared state revenue, unrestricted	21,081,416	21,567,605	-	-	21,081,416	21,567,605
Investment income, restricted	129,458	129,061	-	-	129,458	129,061
Investment income, unrestricted	5,103,892	5,999,119	94,413	(5,543,590)	5,198,305	455,529
Gain (loss) on disposal of capital assets	9,129	373,652	-	-	9,129	373,652
Miscellaneous	9,012,182	732,805	1,601	16,772	9,013,783	749,577
Total Revenues	169,376,498	148,232,916	6,372,411	380,936	175,748,909	148,613,852
Expenses						
General government	35,505,664	31,242,559	-	-	35,505,664	31,242,559
Community development	15,196,731	13,171,260	-	-	15,196,731	13,171,260
Public safety	52,134,589	48,504,380	-	-	52,134,589	48,504,380
Highways, streets and parks	31,941,782	32,345,449	-	-	31,941,782	32,345,449
Culture and recreation	4,948,708	5,486,692	-	-	4,948,708	5,486,692
Interest on long-term debt	182,919	118,939	-	-	182,919	118,939
Creekside Marketplace	-	-	5,142,003	5,725,820	5,142,003	5,725,820
Total Expenses	139,910,393	130,869,279	5,142,003	5,725,820	145,052,396	136,595,099
Increase in Net Position						
Before Transfers	29,466,105	17,363,637	1,230,408	(5,344,884)	30,696,513	12,018,753
Transfers	2,500,000	2,500,000	(2,500,000)	(2,500,000)	-	-
Change in Net Position	31,966,105	19,863,637	(1,269,592)	(7,844,884)	30,696,513	12,018,753
Net Position, Beginning	1,006,656,335	986,792,698	86,530,790	94,375,674	1,093,187,125	1,081,168,372
Net Position, Ending	\$ 1,038,622,440	\$ 1,006,656,335	\$ 85,261,198	\$ 86,530,790	\$ 1,123,883,638	\$ 1,093,187,125

City of San Marcos

Management's Discussion and Analysis **For the Year Ended June 30, 2025**

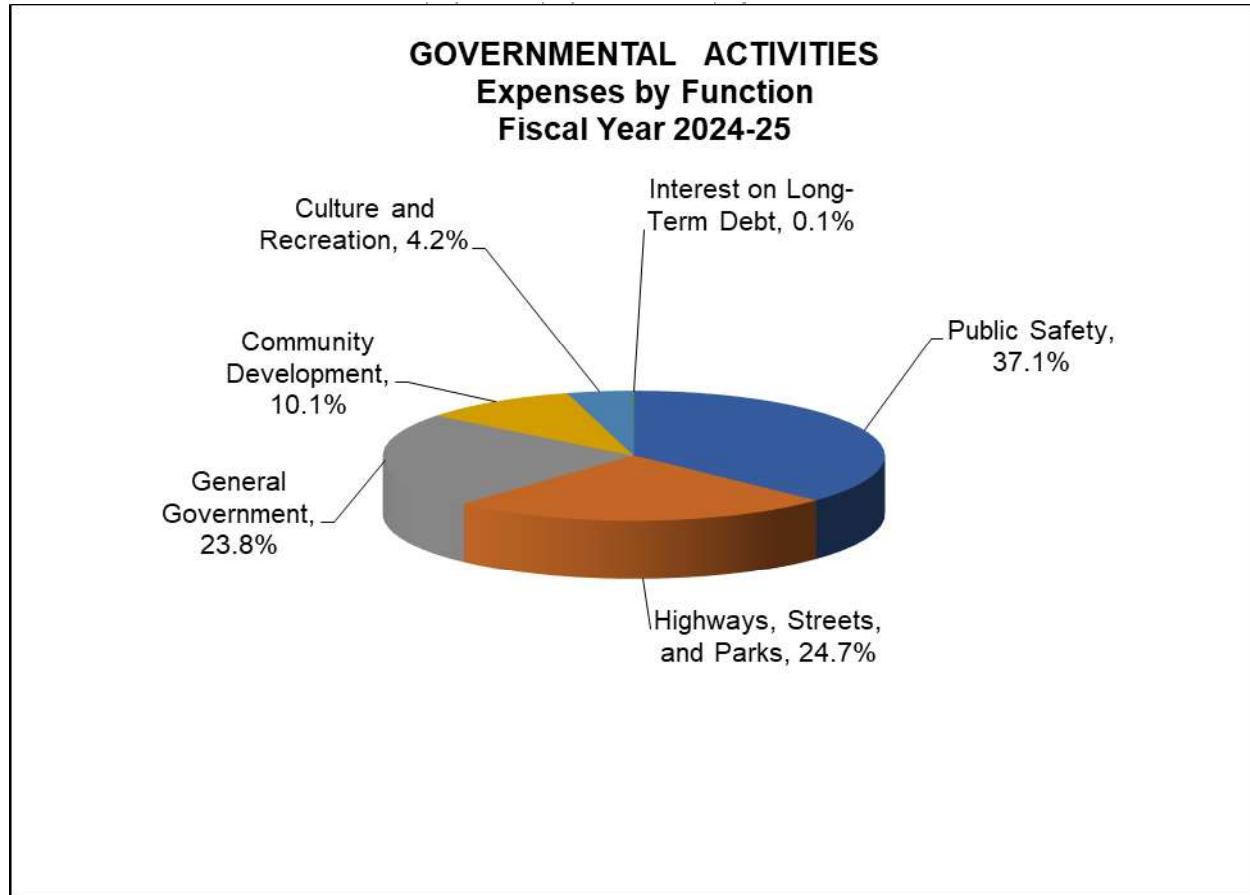
Revenue Source	2025	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
			From 2024	
Charges for services	\$ 40,021,816	23.3%	\$ (2,238,610)	-5.6%
Operating contributions and grants	35,887,033	20.9%	11,396,818	31.8%
Capital contributions and grants	10,814,003	6.3%	3,309,200	30.6%
Property taxes	33,211,869	19.3%	2,028,320	6.1%
Franchise fees	5,677,289	3.3%	(148,075)	-2.6%
Rental income	6,244,699	3.6%	159,990	2.6%
Sales taxes shared state revenue	21,081,416	12.3%	(486,189)	-2.3%
Other general revenue and transfers	18,938,373	11.0%	7,122,128	37.6%
Total revenue	\$ 171,876,498	100.0%	\$ 21,143,582	12.3%



City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

Function	2025	Percent of Total	Increase (Decrease) From 2024	Percent Increase (Decrease)
General government	\$ 35,505,664	25.4%	\$ 4,263,105	12.0%
Community development	15,196,731	10.9%	2,025,471	13.3%
Public safety	52,134,589	37.3%	3,630,209	7.0%
Highways, streets and parks	31,941,782	22.8%	(403,667)	-1.3%
Culture and recreation	4,948,708	3.5%	(537,984)	-10.9%
Interest on long-term debt	182,919	0.1%	63,980	35.0%
Total expenses	\$ 139,910,393	100.0%	\$ 9,041,114	6.5%



Business-type Activities. For the City's business-type activities, the results for the current fiscal year were negative. Overall net position decreased to an ending balance of \$85,261,198. The Creekside Marketplace Enterprise Fund accounts for the activity of a City-owned shopping center. The total decrease in net position for business-type activities was \$1,269,592 or 1.5% from the prior fiscal year, mainly due to an increase in investment income resulting from appraisals in the prior fiscal year which included a vacant ground lease, offset by a transfer to the General Fund for funding of operational costs.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

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, 2025, the City's governmental funds reported combined fund balances of \$257,237,240, an increase of \$27,398,409 in comparison to the prior year. Approximately 8.3% or \$21,353,342 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 \$85,085,036, 2) restricted for particular purposes \$141,684,092, or 3) assigned for particular purposes \$9,114,770.

Intergovernmental revenues increased \$6,090,608, or 13.8% from the prior year, largely due to the receipt of Measure Q Funds.

Revenue from developer fees increased \$10,746,933, or 412.3% from the prior year, due to large developments in affordable housing, parks and trails, the highway 78 widening and the circulation element streets.

General government expenditures increased by \$3,274,683, or 11.0% from the prior year, primarily due to increases in personnel costs, contractual service costs and increased software costs.

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 \$35,602,264, while the total fund balance increased by \$9,557,675 or 7.8% to \$132,779,824 largely resulting from a large loan repayment in the current year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 33.8% of total General Fund expenditures, while total fund balance represents approximately 126.1% of that same amount.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

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 \$49,247,461. To assist with the construction of affordable housing projects, an additional \$6,693,907 was loaned to housing developers during the fiscal year. The additional loaned amounts are offset by a large developer receipt in the current year.

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 (\$12,279,724). The primary decrease is related to an overall decrease of grant reimbursements due to significant bridge projects near completion.

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 five funds including the General Operating Fund, and the Infrastructure Replacement/Rehabilitation Fund, Facilities Replacement/Rehabilitation Fund, the Vehicle & Equipment Acquisition/ Replacement Fund (Rehabilitation and Replacement Funds) and the Measure Q Fund. 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. Due to continuing post-pandemic economic volatility, the City adopted a budget for FY 2024-2025 that was balanced as a result of utilizing one-time revenues. At the time of approval of the mid- year budget adjustments, departments continued to find efficiencies in operations and certain revenue categories were exhibiting better than anticipated performance, maintaining the projected balanced budget. Ultimately, 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 charges for services resulting from updated user fees and new developments, producing in a modest surplus at the end of the Fiscal Year.

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, 2025, amounts to \$657,039,993 (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 \$13,444,392 or approximately 2.09% due to an increase in infrastructure and land received resulting from a loan renegotiation retuning properties as a loan repayment.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and Improvements	\$ 305,263,604	\$ 300,489,984	\$ -	\$ -	\$ 305,263,604	\$ 300,489,984
Construction in progress	68,056,847	154,776,305	-	-	68,056,847	154,776,305
Buildings	33,354,452	34,499,560	-	-	33,354,452	34,499,560
Furniture and Equipment	5,417,521	5,154,193	-	-	5,417,521	5,154,193
Infrastructure	240,850,250	146,549,097	-	-	240,850,250	146,549,097
Right-to-use equipment	3,865,928	1,943,746	-	-	3,865,928	1,943,746
Right-to-use subscription assets	231,391	182,716	-	-	231,391	182,716
Total	\$ 657,039,993	\$ 643,595,601	\$ -	\$ -	\$ 657,039,993	\$ 643,595,601

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

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

Non-Current Liabilities. At the end of the current fiscal year, the City had total non-current outstanding liabilities of \$95,620,764. Of this amount, \$1,215,000 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		
	2025	2024	Net Change
Loans payable - CEC	\$ 238,822	\$ 332,696	\$ (93,874)
Loans payable - Safety Center	1,215,000	1,565,000	(350,000)
Compensated absences	5,336,001	5,071,693	264,308
Claims payable	1,273,756	1,100,778	172,978
Leases payable	2,962,847	757,123	2,205,724
Subscriptions payable	156,562	145,458	11,104
Net pension liability	78,568,413	82,314,508	(3,746,095)
Total OPEB liability	5,869,363	7,392,590	(1,523,227)
Total	\$ 95,620,764	\$ 98,679,846	\$ (3,059,082)

The City's total non-current liabilities decreased by \$3,059,082, or 3.1% during the current fiscal year. The decrease was due to change in net pension liability and total OPEB liability offset by an increase in leases. Additional information on the City's long-term liabilities can be found in Note 8, on pages 54-57 of this report and also at Notes 11 and 12.

City of San Marcos

Management's Discussion and Analysis For the Year Ended June 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The City Continues to practice fiscal prudence and emphasizes long-term strategic planning, which is reflected in the Fiscal Year 2025-26 budget. As General Fund revenues continue to grow at a modest pace with an overall increase of 5% compared to the prior year signaling local economic stability, the affordability of goods and services remains a challenge, with ongoing uncertainty surrounding these conditions and how they will impact future City budgets. Therefore, the City continues to be agile in its operations and fiscal planning to maximize service delivery to the Community. Already to date, several services have been shifted from contracted services to in-house and vice versa as a result of the City's best value analysis program, and these efforts continue within our City departments to maintain the fiscal health of the City. Therefore, the City budget for Fiscal Year 2025-26 represents a balanced budget, and staff continue to diligently monitor current economic conditions in order to ensure the budget remains balanced.

Other mitigation efforts to ensure long-term fiscal health include the passage of the Measure Q sales tax measure in November 2024, with initial revenue received in Quarter 4 of FY 2045-25. Measure Q also allows the City to resume critical investments into the City's infrastructure funds per policy. Infrastructure investments anticipated as a result of the Measure Q passage in the coming years include maintenance of storm drains and roads, purchase of fire vehicles for community safety, and playground replacements and restroom upgrades at City parks. The passage of Measure Q will ensure continued delivery of essential services, which will maintain and enhance the high quality of life for the City's residents, businesses, and visitors.

Further 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 2025-26 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, 2025

	Governmental Activities	Business-Type Activities	Total	Permanent Fund Community Foundation
ASSETS				
Cash and investments (note 2)	\$ 175,474,250	\$ 1,885,492	\$ 177,359,742	\$ 29,138
Cash and investments with fiscal agent (note 2)	903,969	-	903,969	-
Pension trust cash and investments (note 2)	2,977,754	-	2,977,754	-
Investments in real estate (note 2)	68,690,000	86,780,000	155,470,000	-
Investment in joint venture (note 14)	7,894,166	-	7,894,166	-
Receivables:				
Taxes and special assessments	7,675,609	-	7,675,609	-
Accounts	5,918,340	129,928	6,048,268	-
Interest	759,059	6,625	765,684	-
Notes (note 3)	202,618,834	-	202,618,834	-
Leases	15,827,218	-	15,827,218	-
Other (note 4)	1,119,641	583,167	1,702,808	-
Due from other governments	9,434,134	-	9,434,134	-
Internal balances	5,300,000	(5,300,000)	-	-
Deposits	8,060,276	2,112,236	10,172,512	1,377,028
Land held for resale	622,182	-	622,182	-
Capital assets, not depreciated (note 7)	373,320,451	-	373,320,451	-
Capital assets, net of depreciation (note 7)	283,719,542	-	283,719,542	-
Total Assets	1,170,315,425	86,197,448	1,256,512,873	1,406,166
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	19,602,884	-	19,602,884	-
Loss on defeasance of debt	23,391	-	23,391	-
OPEB related	1,257,852	-	1,257,852	-
Total Deferred Outflows of Resources	20,884,127	-	20,884,127	-
LIABILITIES				
Accounts payable	15,750,945	622,461	16,373,406	20,397
Accrued liabilities	3,774,109	8,798	3,782,907	-
Unearned revenue (note 6)	3,332,869	201,344	3,534,213	-
Deposits payable	13,924,603	103,647	14,028,250	-
Noncurrent liabilities:				
Due within one year (note 8)	3,263,132	-	3,263,132	-
Due in more than one year (note 8)	7,919,856	-	7,919,856	-
Net pension liability, due in more than one year	78,568,413	-	78,568,413	-
Total OPEB liability, due within one year	217,533	-	217,533	-
Total OPEB liability, due in more than one year	5,651,830	-	5,651,830	-
Total Liabilities	132,403,290	936,250	133,339,540	20,397
DEFERRED INFLOWS OF RESOURCES				
Lease related	14,672,881	-	14,672,881	-
Pension related	414,453	-	414,453	-
OPEB related	5,086,488	-	5,086,488	-
Total Deferred Inflows of Resources	20,173,822	-	20,173,822	-
NET POSITION (NOTE 10)				
Net investment in capital assets	652,490,153	-	652,490,153	-
Restricted for:				
Affordable housing	245,791,336	-	245,791,336	-
Transportation	19,839,560	-	19,839,560	-
Lighting and landscape	23,774,708	-	23,774,708	-
Public facilities	39,339,106	-	39,339,106	-
Other purposes	9,640,790	-	9,640,790	1,385,769
Unrestricted	47,746,787	85,261,198	133,007,985	-
Total Net Position	\$ 1,038,622,440	\$ 85,261,198	\$ 1,123,883,638	\$ 1,385,769

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

City of San Marcos

Statement of Activities **For the Year Ended June 30, 2025**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 35,505,664	\$ 2,445,986	\$ 5,529,460	\$ -
Community development	15,196,731	4,811,537	4,257,990	2,031,834
Public safety	52,134,589	17,023,577	630,731	176,905
Highways, streets, and parks	31,941,782	12,835,910	25,056,891	8,605,264
Culture and recreation	4,948,708	2,904,806	411,961	-
Interest on long-term debt	182,919	-	-	-
Total governmental activities	139,910,393	40,021,816	35,887,033	10,814,003
Business-type activities:				
Creekside Marketplace	5,142,003	6,276,397	-	-
Total Primary Government	\$ 145,052,396	\$ 46,298,213	\$ 35,887,033	\$ 10,814,003
Component Unit:				
Permanent Fund Community Foundation	\$ 83,314	\$ -	\$ 10,000	\$ -
Total Component Unit	\$ 83,314	\$ -	\$ 10,000	\$ -

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	\$ (27,530,218)	\$ -	\$ (27,530,218)	\$ -
Community development	(4,095,370)	-	(4,095,370)	-
Public safety	(34,303,376)	-	(34,303,376)	-
Highways, streets, and parks	14,556,283	-	14,556,283	-
Culture and recreation	(1,631,941)	-	(1,631,941)	-
Interest on long-term debt	(182,919)	-	(182,919)	-
Total governmental activities	(53,187,541)	-	(53,187,541)	-
Business-type activities:				
Creekside Marketplace	-	1,134,394	1,134,394	-
Total Primary Government	(53,187,541)	1,134,394	(52,053,147)	-
Component Unit:				
Permanent Fund Community Foundation	-	-	-	(73,314)
Total Component Unit	-	-	-	(73,314)
General revenues:				
Taxes:				
Property taxes	33,211,869	-	33,211,869	-
Transient occupancy taxes	1,792,415	-	1,792,415	-
Business license tax	239,936	-	239,936	-
Motor vehicle license tax	151,361	-	151,361	-
Franchise fees	5,677,289	-	5,677,289	-
Rental income	6,244,699	-	6,244,699	-
Sales taxes shared state revenue, unrestricted	21,081,416	-	21,081,416	-
Investment income, restricted	129,458	-	129,458	143,265
Investment income, unrestricted	5,103,892	94,413	5,198,305	-
Gain on disposal and sale of capital assets	9,129	-	9,129	-
Miscellaneous income	9,012,182	1,601	9,013,783	-
Transfers (note 5)	2,500,000	(2,500,000)	-	-
Total general revenues and transfers	85,153,646	(2,403,986)	82,749,660	143,265
Change in Net Position	31,966,105	(1,269,592)	30,696,513	69,951
Net Position				
Beginning	1,006,656,335	86,530,790	1,093,187,125	1,315,818
Ending	\$ 1,038,622,440	\$ 85,261,198	\$ 1,123,883,638	\$ 1,385,769

City of San Marcos

Balance Sheet Governmental Funds June 30, 2025

	Special Revenue			Total		
	San Marcos		Capital Improvements	Non-Major Governmental Funds	Total	
	General	Affordable Housing				
ASSETS						
Cash and investments (note 2)	\$ 42,081,370	\$ 46,864,958	\$ -	\$ 86,527,922	\$ 175,474,250	
Cash and investments with fiscal agents (note 2)	-	-	-	903,969	903,969	
Pension trust cash and investments (note 2)	2,977,754	-	-	-	2,977,754	
Investments in real estate (note 2)	68,690,000	-	-	-	68,690,000	
Investment in joint venture (note 14)	7,894,166	-	-	-	7,894,166	
Receivables:			-			
Taxes and special assessments	7,640,548	-	-	35,061	7,675,609	
Accounts	4,388,079	1,361,330	91,809	77,122	5,918,340	
Interest	275,497	159,737	12,711	311,114	759,059	
Notes, net (note 3)	3,144,728	197,601,078	-	1,873,028	202,618,834	
Leases	14,223,511	-	-	1,603,707	15,827,218	
Other, net (note 4)	999,125	-	-	120,516	1,119,641	
Due from other governments	7,709,286	-	579,716	1,145,132	9,434,134	
Deposits	8,060,276	-	-	-	8,060,276	
Due from other funds (note 5)	5,330,732	-	-	-	5,330,732	
Advances to other funds (note 5)	-	870,872	-	6,300,000	7,170,872	
Land held for resale	440,594	181,588	-	-	622,182	
Total Assets	\$ 173,855,666	\$ 247,039,563	\$ 684,236	\$ 98,897,571	\$ 520,477,036	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 8,029,951	\$ 100,623	\$ 6,329,258	\$ 1,291,113	\$ 15,750,945	
Accrued liabilities	3,021,608	45,590	32,789	668,800	3,768,787	
Due to other funds (note 5)	-	-	3,635,690	1,695,042	5,330,732	
Advances from other funds (note 5)	1,870,872	-	-	-	1,870,872	
Unearned revenue (note 6)	963,276	-	2,369,593	-	3,332,869	
Deposits payable	9,119,001	34,498	596,630	4,174,474	13,924,603	
Total Liabilities	23,004,708	180,711	12,963,960	7,829,429	43,978,808	
Deferred Inflows of Resources:						
Unavailable revenue (note 6)	4,946,154	197,611,391	-	2,030,562	204,588,107	
Lease related	13,124,980	-	-	1,547,901	14,672,881	
Total Deferred Inflows or Resources	18,071,134	197,611,391	-	3,578,463	219,260,988	
Fund Balances (note 9)(deficit):						
Nonspendable:						
Deposits	8,060,276	-	-	-	8,060,276	
Land held for resale	440,594	-	-	-	440,594	
Investments in real estate (note 2)	68,690,000	-	-	-	68,690,000	
Investment in joint venture (note 2)	7,894,166	-	-	-	7,894,166	
Restricted:						
Affordable housing	-	49,247,461	-	-	49,247,461	
Transportation	-	-	-	19,838,115	19,838,115	
Lighting and landscape	-	-	-	23,755,510	23,755,510	
Pension trust	2,977,754	-	-	-	2,977,754	
Capital improvements	-	-	-	1,123,587	1,123,587	
Public facilities	-	-	-	39,202,216	39,202,216	
Other purposes	-	-	-	5,539,449	5,539,449	
Assigned	9,114,770	-	-	-	9,114,770	
Unassigned	35,602,264	-	(12,279,724)	(1,969,198)	21,353,342	
Total Fund Balances	132,779,824	49,247,461	(12,279,724)	87,489,679	257,237,240	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 173,855,666	\$ 247,039,563	\$ 684,236	\$ 98,897,571	\$ 520,477,036	

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, 2025

Fund balances of governmental funds \$ 257,237,240

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	\$ 373,320,451
Capital assets, being depreciated/amortized	595,502,591
Less: accumulated depreciation/amortization	<u>(311,783,049)</u> 657,039,993

Deferred loss on defeasance of debt is deferred and amortized over the life of bonds in the Statement of Net Position. 23,391

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. (5,322)

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

Pension related deferred outflows of resources	19,602,884
Pension related deferred inflows of resources	<u>(414,453)</u> 19,188,431

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

OPEB related deferred outflows of resources	1,257,852
OPEB related deferred inflows of resources	<u>(5,086,488)</u> (3,828,636)

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

Compensated absences	(5,336,001)
Claims payable	(1,273,756)
Lease liability	(2,962,847)
Subscription liability	(156,562)
Loans payable	(1,453,822)
Net pension liability	(78,568,413)
Total OPEB liability	<u>(5,869,363)</u> (95,620,764)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 204,588,107

Net position of governmental activities \$1,038,622,440

City of San Marcos

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2025

	Special Revenue			Total	
	San Marcos		Capital	Non-Major	Governmental
	General	Affordable Housing			
REVENUES					
Taxes and special assessments	\$ 35,244,221	\$ -	\$ -	\$ 12,183,282	\$ 47,427,503
Licenses and permits	8,077,371	-	-	-	8,077,371
Intergovernmental	27,220,157	1,315,676	3,752,328	17,908,137	50,196,298
Charges for services	23,722,245	-	-	-	23,722,245
Developer fees	8,711	2,878,987	200,935	10,264,791	13,353,424
Fines and forfeitures	536,408	-	-	-	536,408
Investment and rental income	10,300,528	3,893,210	231,562	4,197,526	18,622,826
Miscellaneous	9,718,373	196,210	-	64,805	9,979,388
Total Revenues	114,828,014	8,284,083	4,184,825	44,618,541	171,915,463
EXPENDITURES					
Current:					
General government	32,106,827	965,057	-	-	33,071,884
Community development	7,988,343	6,851,356	-	225,934	15,065,633
Public safety	47,154,017	-	-	-	47,154,017
Highways, streets, and parks	8,904,813	-	-	11,392,699	20,297,512
Culture and recreation	4,312,549	-	-	477,569	4,790,118
Capital outlay	3,597,864	-	24,533,640	115,551	28,247,055
Debt service:					
Principal	1,057,553	-	-	443,874	1,501,427
Interest and fiscal charges	136,881	-	-	36,037	172,918
Total Expenditures	105,258,847	7,816,413	24,533,640	12,691,664	150,300,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,569,167	467,670	(20,348,815)	31,926,877	21,614,899
OTHER FINANCING SOURCES (USES)					
Lease/subscription acquisition	3,274,381	-	-	-	3,274,381
Proceeds from sale of capital assets	9,129	-	-	-	9,129
Transfers in (note 5)	2,524,000	-	19,595,236	831,000	22,950,236
Transfers out (note 5)	(5,819,002)	-	-	(14,631,234)	(20,450,236)
Total Other Financing Sources (Uses)	(11,492)	-	19,595,236	(13,800,234)	5,783,510
Net Change in Fund Balances	9,557,675	467,670	(753,579)	18,126,643	27,398,409
FUND BALANCES (DEFICIT)					
Beginning, as previously reported	122,319,587	49,682,353	(11,526,145)	69,363,036	229,838,831
Restatement - correction of an error	902,562	(902,562)	-	-	-
Beginning, as restated	123,222,149	48,779,791	(11,526,145)	69,363,036	229,838,831
Ending	\$ 132,779,824	\$ 49,247,461	\$ (12,279,724)	\$ 87,489,679	\$ 257,237,240

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, 2025

Net change in fund balances - total governmental funds \$ 27,398,409

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	\$ 25,929,099
Depreciation/amortization expense, net of deletions to capital assets	(13,338,526)
Contributed capital	1,012,186
Construction in progress projects deemed not viable	<u>(158,367)</u> 13,444,392

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

Long-term loans receivable	<u>(3,560,280)</u> (3,560,280)
----------------------------	--------------------------------

The issuance of long-term debt (i.e. bonds, 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	1,501,427
Subscription/lease acquisition	(3,274,381)
Changes in pension related items	(3,321,803)
Changes in OPEB related items	<u>225,628</u> (4,869,129)

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	(264,308)
Change in claims payable	(172,978)
Change in accrued interest	1,697
Amortization of deferred loss	<u>(11,698)</u> (447,287)

Change in net position of governmental activities	<u>\$ 31,966,105</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, 2025

	Enterprise Fund	
	Creekside	
	Marketplace	
ASSETS		
Current Assets:		
Cash and investments (note 2)	\$ 1,885,492	
Investments in real estate (note 2)	86,780,000	
Receivables:		
Accounts	129,928	
Interest	6,625	
Deposits	<u>2,112,236</u>	
Total Current Assets	<u>90,914,281</u>	
Noncurrent Assets:		
Other receivable (note 4)	<u>583,167</u>	
Total Noncurrent Assets	<u>583,167</u>	
Total Assets	<u>91,497,448</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	622,461	
Interest payable	8,798	
Unearned revenue	201,344	
Deposits payable	103,647	
Advances from other funds (note 5)	<u>5,300,000</u>	
Total Liabilities	<u>6,236,250</u>	
NET POSITION		
Unrestricted	<u>85,261,198</u>	
Total Net Position	<u>\$ 85,261,198</u>	

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

City of San Marcos

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2025

	Enterprise Fund Creekside Marketplace
OPERATING REVENUES	
Rental income	\$ 5,229,724
Common area maintenance charges	<u>1,046,673</u>
Total Operating Revenues	<u>6,276,397</u>
OPERATING EXPENSES	
Property management	788,550
Janitorial	238,755
Repairs and maintenance	<u>4,114,698</u>
Total Operating Expenses	<u>5,142,003</u>
Operating Income	1,134,394
NON-OPERATING REVENUES	
Investment income	94,413
Other revenues	<u>1,601</u>
Total Non-Operating Revenues	<u>96,014</u>
Income Before Transfers	1,230,408
TRANSFERS	
Transfers out (note 5)	<u>(2,500,000)</u>
Total Transfers	<u>(2,500,000)</u>
Change in Net Position	(1,269,592)
NET POSITION	
Beginning	<u>86,530,790</u>
Ending	<u>\$ 85,261,198</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, 2025

	Enterprise Fund
	Creekside
	Marketplace
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,250,308
Payments to suppliers for goods and services	<u>(5,142,003)</u>
Net cash provided by (used for) operating activities	<u>3,109,906</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from settlement agreement	19,493
Transfer to general fund	<u>(2,500,000)</u>
Net cash provided by (used for) noncapital financing activities	<u>(2,480,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>95,199</u>
Net cash provided by (used for) investing activities	<u>95,199</u>
Net increase in cash and cash equivalents	724,598
Cash and cash equivalents, beginning	<u>1,160,894</u>
Cash and cash equivalents, ending	<u>\$ 1,885,492</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,134,394
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other revenues	1,601
(Increase) decrease in operating receivables:	
Accounts receivable	(22,260)
Deposits	2,255,266
Increase (decrease) in operating liabilities:	
Accounts payable	(290,071)
Due to other funds	4,399
Deposits payable	7,590
Unearned revenue	<u>18,987</u>
Net cash provided by (used for) operating activities	<u>\$ 3,109,906</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, 2025

	Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ -	\$ 6,897
Receivables:		
Accounts	250,612	-
Special assessments	- 24,156	
Interest	- 305	
Direct financing lease	1,052,422	-
Due from other governments	26,250	-
Prepaid expenses	198,875	-
Restricted Assets:		
Cash and investments with fiscal agent	<u>37,650,824</u>	<u>10,101,661</u>
Total Assets	<u>39,178,983</u>	<u>10,133,019</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt	<u>6,269,754</u>	<u>-</u>
LIABILITIES		
Accounts payable	35,396	174,674
Accrued liabilities	7,621	-
Accrued interest payable	1,894,717	-
Due to other governments	7,004,792	6,156
Noncurrent Liabilities:		
Due within one year	<u>14,310,000</u>	<u>-</u>
Due in more than one year	<u>178,626,304</u>	<u>-</u>
Total Liabilities	<u>201,878,830</u>	<u>180,830</u>
NET POSITION (DEFICIT)		
Restricted for:		
Other taxing entities and other agencies	<u>\$ (156,430,093)</u>	<u>\$ 9,952,189</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, 2025

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Tax and special assessments	\$ 18,967,823	\$ 7,342,985
Income from property and investments	1,450,794	198,300
Other revenue	177,956	-
 Total Additions	 20,596,573	 7,541,285
DEDUCTIONS		
General and administrative	742,779	799,659
Interest expense and fees	8,043,336	-
Payments to fiscal agent on behalf of other agencies	-	4,952,139
 Total Deductions	 8,786,115	 5,751,798
 Change in Net Position	 11,810,458	 1,789,487
NET POSITION (DEFICIT)		
Beginning	<u>(168,240,551)</u>	8,162,702
 Ending	 <u>\$ (156,430,093)</u>	 <u>\$ 9,952,189</u>

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

City of San Marcos

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City of San Marcos

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

- 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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."

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

(7) Program Revenues

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

(8) Property Taxes

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

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

(9) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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 three 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.

	<u>Years</u>
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 as required per Governmental Accounting Board Statement No. 101, *Compensated Absences*.

(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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

(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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

Generally accepted accounting principles 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, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

(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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025, the City implemented the following GASB standards:

GASB Statement No. 101 – The Governmental Accounting Standards Board (GASB) has issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB Statement No. 102 – The Governmental Accounting Standards Board (GASB) has issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 177,359,742
Cash and investments with fiscal agents	903,969
Pension trust cash and investments	2,977,754
Investments in real estate	155,470,000
Investment in joint venture	7,894,166
Statement of fiduciary net position:	
Private-Purpose Trust Fund	
Cash and investments with fiscal agents	37,650,824
Custodial Funds	
Cash and investments	6,897
Cash and investments with fiscal agents	<u>10,101,661</u>
Total Cash and Investments	<u>\$ 392,365,013</u>

Cash and investments at June 30, 2025 consisted of the following:

Demand deposits	\$ 6,924,639
Joint Venture	<u>7,894,166</u>
Subtotal	<u>14,818,805</u>
Federal Agency Securities	4,184,850
U.S. Treasury Obligations	29,769,572
U.S. Corporate	17,831,206
Municipal Obligations	1,177,502
Asset-Backed Securities	6,599,430
Collateralized Mortgage Obligations	6,463,521
Supranational	2,747,180
Money Market Mutual Funds	52,105,020
Local Agency Investment Fund (LAIF)	53,791,619
California Asset Management Program (CAMP)	47,406,308
Real Estate	<u>155,470,000</u>
Total investments	<u>377,546,208</u>
Total Cash and Investments	<u>\$ 392,365,013</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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.

<u>Investment Type Authorized by State Law</u>	<u>Authorized By City Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2025

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.

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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	\$ 4,184,850	\$ 1,282,842	\$ 651,232	\$ 2,250,776	\$ -
U.S. Treasury Obligations	29,769,572	4,466,027	8,943,988	16,359,557	-
U.S. Corporate	17,831,206	749,845	4,890,717	12,190,644	-
Municipal Obligations	1,177,502	-	-	1,177,502	-
Asset-Backed Securities	6,599,430	21,062	1,839,226	4,739,142	-
Collateralized Mortgage Obligations	6,463,521	505,180	4,565,296	1,393,045	-
Supranational	2,747,180	633,537	-	2,113,643	-
Money Market Mutual Funds	502,574	502,574	-	-	-
LAIF	53,791,619	53,791,619	-	-	-
CAMP	47,406,308	47,406,308	-	-	-
Section 115 Trust					
Money Market Mutual Funds	2,977,754	2,977,754	-	-	-
Held by bond trustees:					
Money Market Mutual Funds	48,624,692	48,624,692	-	-	-
Real Estate	<u>155,470,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,470,000</u>
Total	<u>\$ 377,546,208</u>	<u>\$ 160,961,440</u>	<u>\$ 20,890,459</u>	<u>\$ 40,224,309</u>	<u>\$ 155,470,000</u>

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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	\$ 4,184,850	N/A	AA+
U.S. Treasury Obligations	29,769,572	N/A	A-1+/AA+
U.S. Corporate	17,831,206	N/A	A- to Aaa
Municipal Obligations	1,177,502	N/A	AA
Asset-Backed Securities	6,599,430	N/A	Aaa
Collateralized Mortgage Obligations	6,463,521	N/A	Aaa
Supranational	2,747,180	N/A	Aaa
Money Market Mutual Funds	502,574	N/A	Aaa
LAIF	53,791,619	N/A	Not Rated
CAMP	47,406,308	N/A	Aaa
Section 115 Trust			
Money Market Mutual Funds	2,977,754	N/A	Aaa
Held by bond trustees:			
Money Market Mutual Funds	48,624,692	A	Not Rated
Real Estate	<u>155,470,000</u>	N/A	Not Rated
Total	<u>\$ 377,546,208</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, 2025 that meet the above criteria.

Custodial Credit Risk

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025, 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, 2025

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, 2025.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Agency Securities	\$ 4,184,850	\$ -	\$ 4,184,850	\$ -
U.S. Treasury Obligations	29,769,572	-	29,769,572	-
U.S. Corporate	17,831,206	-	17,831,206	-
Municipal Obligations	1,177,502	-	1,177,502	-
Asset-Backed Securities	6,599,430	-	6,599,430	-
Collateralized Mortgage Obligations	6,463,521	-	6,463,521	-
Supranational	2,747,180	-	2,747,180	-
Money Market Mutual Funds	502,574	502,574	-	-
Real Estate	155,470,000	-	-	155,470,000
 Total Investments by Fair Value Level	224,745,835	\$ 502,574	\$ 68,773,261	\$ 155,470,000
 Not subject to the fair value hierarchy:				
LAIF	53,791,619			
CAMP	47,406,308			
Section 115 Trust				
Money Market Mutual Funds	2,977,754			
Held by bond trustees:				
Money Market Mutual Funds	48,624,692			
 Total	 \$ 377,546,208			

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

3) NOTES RECEIVABLE

At June 30, 2025, 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 was renegotiated during fiscal year 2025 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, 2025 includes accrued interest of \$421,412. The principal amount of \$6,222,500 along with accrued interest was paid off during fiscal year 2025.

\$ 3,144,728

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.

710,388

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.

190,869,606

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, 2025 includes accrued interest of \$670,667.

1,990,667

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025 includes accrued interest of \$135,722.

\$ 835,722

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, 2025 includes accrued interest of \$872,966.

2,718,591

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.

1,873,028

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.

476,104

Total notes receivable

\$ 202,618,834

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

4) OTHER RECEIVABLES

At June 30, 2025, 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

999,125

Total other receivables – governmental funds

\$ 1,119,641

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.

\$ 583,167

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. The leases have receipts that range from \$2,400 to \$826,160 and interest rates that range from 0.4750% to 3.7420%. As of June 30, 2025, the total combined value of the lease receivable is \$15,827,218, the total combined value of the short-term lease receivable is \$2,835,090, and the combined value of the deferred inflow of resources is \$14,672,881. For the fiscal year ended June 30, 2025, the City recognized \$2,729,106 in lease revenue and \$330,270 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
2026	\$ 2,835,090	\$ 284,990
2027	2,672,802	232,665
2028	2,209,444	185,235
2029	1,481,010	153,636
2029	1,438,786	126,789
2030-2034	3,884,879	330,242
2035-2039	1,114,290	88,164
2040-2044	86,686	17,396
2045-2049	41,506	11,553
2050-2055	52,174	5,218
2056	<u>10,551</u>	<u>145</u>
Totals	<u>\$ 15,827,218</u>	<u>\$ 1,436,033</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

5) INTERFUND RECEIVABLES AND TRANSFERS

Short term loans between funds (Due to/Due from) were as follows at June 30, 2025:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvements	\$ 3,635,690
General Fund	Non-Major Governmental Funds	<u>1,695,042</u>
Total		<u>\$ 5,330,732</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, 2025:

Receivable Fund	Payable Fund	Amount
San Marcos Affordable Housing	General Fund	\$ 870,872
Non-Major Governmental Funds	General Fund	1,000,000
Non-Major Governmental Funds	Creekside Marketplace Fund	<u>5,300,000</u>
Total		<u>\$ 7,170,872</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 Public 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.

Interfund transfers were as follows:

	Transfers In			
	General Fund	Capital Improvements	Non-Major Governmental Funds	Total Transfers Out
Transfers Out:				
General Fund	\$ -	\$ 4,988,002	\$ 831,000	\$ 5,819,002
Non-major Governmental Funds	24,000	14,607,234	-	14,631,234
Creekside Marketplace Enterprise Fund	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Total Transfers In:	<u>\$ 2,524,000</u>	<u>\$ 19,595,236</u>	<u>\$ 831,000</u>	<u>\$ 22,950,236</u>

All of the transfers were made as budgeted. The transfer of \$2,500,000 was transferred from the Creekside Marketplace Enterprise Fund to the General Fund to fund operations. \$4,988,002 from the General Fund to the Capital Improvements Fund was to fund Capital Improvement projects. The \$14,607,234 of 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, 2025

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	\$ -	\$ 963,276	\$ 963,276
Revenue received from developers prior to earning	- -	2,369,593	2,369,593
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	710,388	- -	710,388
Long-term loans to individuals under a mortgage assistance program	2,349,132	- -	2,349,132
Long-term loans to developers for the acquisition, construction or rehabilitation of affordable housing	198,545,298	- -	198,545,298
Long-term loan to a developer for the acquisition, development and construction of a commercial pad	1,990,667	- -	1,990,667
 Total unavailable/earned revenue for governmental funds	<u>\$ 204,588,107</u>	<u>\$ 3,332,869</u>	<u>\$207,920,976</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2025:

Governmental Activities:	Balance			Balance
	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>
Capital assets, not depreciated:				
Land	\$233,618,921	\$ 4,773,620	\$ -	\$ 238,392,541
Land improvements	66,871,063	-	-	66,871,063
Construction in progress	154,776,305	18,326,832	(105,046,290)	68,056,847
Total capital assets, not depreciated	455,266,289	23,100,452	(105,046,290)	373,320,451
Capital assets, being depreciated/amortized:				
Buildings	73,256,572	323,925	-	73,580,497
Furniture and equipment	22,367,387	1,993,591	(1,500,889)	22,860,089
Infrastructure	388,495,329	102,680,412	-	491,175,741
Right-to-use equipment	3,881,769	3,597,863	-	7,479,632
Right-to-use subscription assets	290,850	132,965	(17,183)	406,632
Total capital assets, being depreciated/amortized	488,291,907	108,728,756	(1,518,072)	595,502,591
Less accumulated depreciation/amortization for:				
Buildings	(38,757,012)	(1,469,033)	-	(40,226,045)
Furniture and equipment	(17,213,194)	(1,730,263)	1,500,889	(17,442,568)
Infrastructure	(241,946,232)	(8,379,259)	-	(250,325,491)
Right-to-use equipment	(1,938,023)	(1,675,681)	-	(3,613,704)
Right-to-use subscription assets	(108,134)	(84,290)	17,183	(175,241)
Total accumulated depreciation/amortization	(299,962,595)	(13,338,526)	1,518,072	(311,783,049)
Total capital assets, being depreciated/amortized, net	188,329,312	95,390,230	-	283,719,542
Total governmental activities	\$ 643,595,601	\$ 118,490,682	\$ (105,046,290)	\$ 657,039,993

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

Governmental Activities:		
General government		\$ 1,858,992
Public safety		2,315,124
Highways, streets and parks		9,034,366
Culture and recreation		130,044
Total depreciation/amortization expense – governmental activities		<u>\$ 13,338,526</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for Governmental Activities for the year ended June 30, 2025:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Governmental Activities:					
Long-term debt					
<i>Direct borrowing:</i>					
Loans payable	\$ 332,696	\$ -	\$ (93,874)	\$ 238,822	\$ 94,815
Safety center private placement financing	1,565,000	-	(350,000)	1,215,000	360,000
Subtotal long-term debt	1,897,696	-	(443,874)	1,453,822	454,815
Other long-term liabilities					
Compensated absences*	5,071,693	264,308	-	5,336,001	1,334,000
Claims payable	1,100,778	374,036	(201,058)	1,273,756	600,000
Leases payable	757,123	3,151,416	(945,692)	2,962,847	779,998
Subscriptions payable	145,458	122,965	(111,861)	156,562	94,319
Subtotal other long-term liabilities	7,075,052	3,912,725	(1,258,611)	9,729,166	2,808,317
Total long-term liabilities	\$ 8,972,748	\$ 3,912,725	\$ (1,702,485)	\$ 11,182,988	\$ 3,263,132

*net change is shown

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.

\$ 238,822

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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
2026	\$ 94,815	\$ 3,094	\$ 97,909
2027	95,765	2,153	97,918
2028	48,242	1,203	49,445
Total	<u>\$ 238,822</u>	<u>\$ 6,450</u>	<u>\$ 245,272</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.

\$1,215,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
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>\$ 1,215,000</u>	<u>\$ 63,040</u>	<u>\$ 1,278,040</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

8) LONG-TERM LIABILITIES, (continued)

Compensated Absences

GASB Statement No. 101 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 \$5,336,001 as of June 30, 2025.

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, 2025 was \$1,273,756.

Leases Payable

As of June 30, 2025, the City had 84 active leases. The leases have payments that range from \$1,649 to \$246,143 and interest rates that range from 0.3623% to 4.9500%. As of June 30, 2025, the total combined value of the lease liability is \$2,962,847, the total combined value of the short-term lease liability is \$779,998. The combined value of the right to use assets are included in the right-to-use equipment line item in Note 7.

Future lease payments under the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 779,998	\$ 94,286	\$ 874,284
2027	808,447	64,565	873,012
2028	639,250	41,124	680,374
2029	478,401	22,717	501,118
2030	256,751	8,912	265,663
Total	<u>\$ 2,962,847</u>	<u>\$ 231,604</u>	<u>\$ 3,194,451</u>

Subscriptions Payable

As of June 30, 2025, the City had 7 active subscriptions. The subscriptions have payments that range from \$15,000 to \$34,248 and interest rates that range from 2.0240% to 3.1100%. As of June 30, 2025, the total combined value of the subscription liability is \$156,562, and the total combined value of the short-term subscription liability is \$94,319. The combined value of the right to use assets is included in the right-to-use subscriptions line item in Note 7.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

8) LONG-TERM LIABILITIES, (continued)

Future subscription payments under the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 94,319	\$ 3,816	\$ 98,135
2027	62,243	1,530	63,773
Total	<u>\$ 156,562</u>	<u>\$ 5,346</u>	<u>\$ 161,908</u>

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, 2025 are presented below:

	General	San Marcos Affordable Housing	Capital Improvements	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Land held for resale	\$ 440,594	\$ -	\$ -	\$ -	\$ 440,594
Deposits	8,060,276	-	-	-	8,060,276
Investments in real estate	68,690,000	-	-	-	68,690,000
Investment in joint venture	7,894,166	-	-	-	7,894,166
Subtotal	85,085,036	-	-	-	85,085,036
Restricted for:					
Affordable housing	-	49,247,461	-	-	49,247,461
Transportation	-	-	-	19,838,115	19,838,115
Lighting and landscape	-	-	-	23,755,510	23,755,510
Pension trust	2,977,754	-	-	-	2,977,754
Capital improvements	-	-	-	1,123,587	1,123,587
Public facilities	-	-	-	39,202,216	39,202,216
Other purposes	-	-	-	5,539,449	5,539,449
Subtotal	2,977,754	49,247,461	-	89,458,877	141,684,092
Assigned to:					
City facilities replacement/ rehabilitation	4,925,404	-	-	-	4,925,404
City infrastructure replacement/ rehabilitation	4,189,366	-	-	-	4,189,366
Subtotal	9,114,770	-	-	-	9,114,770
Unassigned (deficit)	35,602,264	-	(12,279,724)	(1,969,198)	21,353,342
Total	\$ 132,779,824	\$ 49,247,461	\$ (12,279,724)	\$ 87,489,679	\$ 257,237,240

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025 are presented below:

	Governmental Activities	Business-Type Activities	Total	Permanent Fund
				Community Foundation
Net Investment in Capital Assets:				
Capital assets, net of accumulated depreciation	\$ 657,039,993	\$ -	\$ 657,039,993	\$ -
Loss on defeasance of debt	23,391	-	23,391	-
Less capital related debt balances:				
Private placement financing	(1,215,000)	-	(1,215,000)	-
Leases payable	(2,962,847)	-	(2,962,847)	-
Subscriptions payable	(156,562)	-	(156,562)	-
Loans payable	(238,822)	-	(238,822)	-
Total Net Investment in Capital Assets	652,490,153	-	652,490,153	-
Restricted for:				
Permanent fund - not expendable	-	-	-	1,000,000
Permanent fund - expendable	-	-	-	385,769
Affordable housing	245,791,336	-	245,791,336	-
Transportation	19,839,560	-	19,839,560	-
Lighting and landscape	23,774,708	-	23,774,708	-
Public facilities	39,339,106	-	39,339,106	-
Pension trust	2,977,754	-	2,977,754	-
Capital improvements	1,123,587	-	1,123,587	-
Other purposes	5,539,449	-	5,539,449	-
Total Restricted	338,385,500	-	338,385,500	1,385,769
Unrestricted	47,746,787	85,261,198	133,007,985	-
Total	\$ 1,038,622,440	\$ 85,261,198	\$ 1,123,883,638	\$ 1,385,769

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION 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, 2023 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 PERC 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 participates in 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, 2025

11) DEFINED BENEFIT PENSION 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, 2025, are summarized as follows:

	Miscellaneous Plan		
	Prior to May 15, 2012	On or After May 15, 2012	On or After January 1, 2013
Hire date			
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%	8.00%
Required employer contribution rates	11.390%	11.390%	11.390%

	Safety Plan		
	Prior to May 15, 2012	On or After May 15, 2012	On or After January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 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%	14.50%
Required employer contribution rates	29.300%	24.960%	14.720%

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION PLAN, (continued)

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

Employees Covered

At June 30, 2023 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous Plan</u>
Inactive employees or beneficiaries currently receiving benefits	237
Inactive employees entitled to but not yet receiving benefits	373
Active employees	<u>186</u>
 Total	 <u>796</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, 2025 were \$6,663,813.

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, 2025 were \$3,906,818.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION PLAN, (continued)

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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 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, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
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 2021 experience study report from November 2021 that can be found on the CalPERS website.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION 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:

Asset Class¹	Current Target Allocation	Real Return^{1,2}
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.85%
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%	

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

² Figures are based on the 2021 Asset Liability Management study

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION 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

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

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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION PLAN, (continued)

C) Changes in Net Pension Liability

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2023 (VD)	\$ 174,895,623	\$ 121,303,459	\$ 53,592,164
Changes Recognized for the Measurement Period:			
• Service Cost	2,704,732	-	2,704,732
• Interest on the Total Pension Liability	11,905,249	-	11,905,249
• Differences between Expected and Actual Experience	1,298,099	-	1,298,099
• Contributions from Employers	-	5,966,773	(5,966,773)
• Contributions from Employees	-	1,615,780	(1,615,780)
• Net Investment Income	-	11,741,594	(11,741,594)
• Benefit Payments, including Refunds of Employee Contributions	(10,012,482)	(10,012,482)	-
• Administrative Expense	-	(98,705)	98,705
Net Changes during 2023-24	5,895,598	9,212,960	(3,317,362)
Balance at: 6/30/2024 (MD)	\$ 180,791,221	\$ 130,516,419	\$ 50,274,802

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 (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2023 (VD)	\$ 106,800,707	\$ 78,078,363	\$ 28,722,344
Balance at: 6/30/2024 (MD)	\$ 113,865,377	\$ 85,571,766	\$ 28,293,611
Net changes during 2023-24	\$ 7,064,670	\$ 7,493,403	\$ (428,733)

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

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION 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, 2023 and 2024 measurement dates was as follows:

	Safety Plan
Proportion - June 30, 2023	0.38425%
Proportion - June 30, 2024	0.38807%
Change - Increase (Decrease)	<u>0.00382%</u>

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	<u>\$ 74,364,772</u>	<u>\$ 50,274,802</u>	<u>\$ 30,491,423</u>
Safety Plans' Net Pension Liability	<u>\$ 43,847,512</u>	<u>\$ 28,293,611</u>	<u>\$ 15,572,706</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION PLAN, (continued)

C) Changes in Net Pension Liability, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION 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, 2023), the City's net pension liability was \$53,592,164. For the measurement period ending June 30, 2024 (the measurement date), the City incurred a pension expense of \$8,490,282 for the Plan.

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

As of the start of the measurement period (July 1, 2023), the City's net pension liability for the safety plans was \$28,722,344. For the measurement period ending June 30, 2024 (the measurement date), the City incurred a pension expense of \$6,370,122 for the Plan.

The aggregate amount of pension expenses for the Miscellaneous and Safety plans for the measurement period ending June 30, 2024 is \$14,860,404.

As of June 30, 2025, 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	\$ 1,907,352	\$ -	\$ 2,309,010	\$ (75,076)
Changes of Assumptions	-	-	697,096	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,724,228	-	1,367,584	-
Change in Employer's Proportion	-	-	700,366	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	326,617	(339,377)
Pension Contributions Subsequent to Measurement Date	6,663,813	-	3,906,818	-
	\$ 10,295,393	\$ -	\$ 9,307,491	\$ (414,453)

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

11) DEFINED BENEFIT PENSION PLAN, (continued)

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

These amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense. Contributions subsequent to the measurement date of \$6,663,813 and \$3,906,818 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
2026	\$ 1,365,887	\$ 2,056,200
2027	3,511,137	3,344,365
2028	(552,914)	53,580
2029	(692,530)	(467,925)
2030	-	-
Thereafter	-	-

E) Payable to the Pension Plan

At June 30, 2025, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended.

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, 2025, the City's total payroll and covered payroll for part-time employees was \$1,893,429. The City made employer contributions of \$35,975 (1.9% of current covered payroll), and employees contributed \$106,032 (5.6% of current covered payroll).

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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 \$158 per month in 2025.

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, 2024 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	229
Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to, but not yet receiving benefits	23
Total	279

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025, the City paid \$232,942 for other postemployment benefits.

B) Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2024 to determine the June 30, 2025 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2024 Measurement Date
Actuarial Valuation Date	June 30, 2024
Contribution Policy	No pre-funding
Discount Rate	3.93% at June 30, 2024 (Bond Buyer 20-Bond Index) 3.65% at June 30, 2023 (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 – 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) – 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) – 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increase	3.50%
Healthcare Participation	<i>Current Actives:</i> Miscellaneous - 60% Safety - 60% <i>Current Retirees:</i> 100% if covered, 5% re-elect PEMHCA at 65, if waived

Discount Rate

A discount rate of 3.93 percent was used in the valuation for measurement date June 30, 2024.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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:

	<u>Total OPEB Liability</u>
Balance at June 30, 2024 (6/30/23 measurement date)	<u>\$ 7,392,590</u>
Changes recognized for the measurement period:	
Service cost	422,486
Interest	281,000
Differences between expected and actual experience	(1,549,852)
Changes of assumptions	(443,919)
Benefit payments	(232,942)
Net changes	<u>(1,523,227)</u>
Balance at June 30, 2025 (6/30/24 measurement date)	<u>\$ 5,869,363</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, 2024:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB Liability	\$ 6,644,712	\$ 5,869,363	\$ 5,226,817

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, 2024:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 5,077,278	\$ 5,869,363	\$ 6,863,452

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2024 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 (EARSL) of plan participants.

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

For the fiscal year ended June 30, 2025, the City recognized OPEB income of \$10,806. As of fiscal year ended June 30, 2025, 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	\$ 190,954	\$ (3,304,899)
Changes of assumptions	852,076	(1,781,589)
Contributions to OPEB plan subsequent to the measurement date	<u>214,822</u>	-
Total	\$ 1,257,852	\$ (5,086,488)

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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

B) Total OPEB Liability, (continued)

The \$214,822 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2026. 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>
2026	\$ (665,998)
2027	(618,998)
2028	(538,052)
2029	(431,271)
2030	(571,916)
Thereafter	(1,217,223)

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

(2) Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. 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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

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://cjpi.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.

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 \$281,230,009. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

13) INSURANCE, (continued)

A) California Joint Powers Insurance Authority, (continued)

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 \$192,997,613. 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 2024-25.

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025, the City had \$412,599 on deposit with PASIS and claims payable of \$1,273,756.

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, 2025

14) JOINT VENTURES, (continued)

North County Dispatch Joint Powers Authority, (continued)

Summarized audited information of the JPA for the fiscal year ended June 30, 2025, the most current available information, is as follows:

Assets	\$ 13,293,203
Deferred outflows	1,128,319
Liabilities	(2,657,626)
Deferred inflows	(397,506)
 Net position	 <u>\$ 11,366,390</u>
 Revenues	 \$ 8,024,936
Expenses	(7,448,481)
 Change in net position	 <u>\$ 576,455</u>

The City's share of the JPA's assets, liabilities, equity, and changes therein during the year is not available and is not material to the City's financial statements. Separate financial statements of the JPA are available at 16936 El Fuego Drive (P.O. Box 410), Rancho Santa Fe, CA 92067.

Rancheros Commercial Park

The former City of San Marcos Redevelopment Agency (the Agency) entered into a Disposition and Development Agreement with LBP Partnership on March 6, 1989. In accordance with that Agreement, the Agency and LBP Partnership formed a Limited Partnership known as Rancheros Commercial Park, a Limited Partnership. The purpose of this Limited Partnership was to engage in the business of leasing, developing, constructing, maintaining and operating certain commercial/industrial property. Each of the Partners leased to the Partnership certain real property owned by the General and Limited Partners. The capital contributions to be made by Partners were to be adjusted to match, on a percentage basis, the proportionate land areas leased by the Partners to the Partnership. The net profits of the Partnership are allocated to, and net losses suffered by the Partnership are borne by, the Partners in proportion to their respective contributions of capital and real estate. On March 26, 2010, the Agency's interest in this partnership was transferred to the City. The City's equity interest in this Limited Partnership is \$7,894,166 as of June 30, 2025. 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, 2025

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, 2025
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	\$ 3,600,000
City of San Marcos Community Facilities District No. 99-01, Special Tax Refunding Bonds, Series 2021 (Improvement Area C2B, I1, I2)	9,720,000	7,500,000
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	7,985,000
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	12,620,000
City of San Marcos Community Facilities District No. 99-01, 2024 Special Tax Refunding Bonds (Improvement Area A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, V1A)	17,595,000	17,595,000
Total	\$ 77,270,000	\$ 49,300,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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.

Type of Debt	Outstanding June 30, 2025
\$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>\$ 32,240,000</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.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025

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, 2025.

The following lists the components of the net investment in the direct financing lease as of June 30, 2025:

Total minimum lease payments to be received	\$ 2,828,982
Less unearned income	<u>(1,776,560)</u>
Net investment in direct financing lease	<u>\$ 1,052,422</u>

At June 30, 2025, the future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30,</u>	
2026	\$ 137,802
2027	146,010
2028	154,706
2029	163,921
2030	173,685
2031-2032	<u>276,298</u>
Total	<u>\$ 1,052,422</u>

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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, 2025:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Bonds payable	\$177,795,000	\$ -	\$ (13,765,000)	\$164,030,000	\$ 14,310,000
Plus (less) deferred amounts:					
Issuance premium	7,081,486	-	(505,821)	6,575,665	-
Issuance discount	(1,102,099)	157,442	-	(944,657)	-
Total bonds payable	183,774,387	157,442	(14,270,821)	169,661,008	14,310,000
Cooperation agreement	23,275,296	-	-	23,275,296	-
Total	\$207,049,683	\$ 157,442	\$ (14,270,821)	\$192,936,304	\$ 14,310,000

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City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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.

\$ 23,300,000

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.

51,345,000

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.

89,385,000

Total bonds payable

\$ 164,030,000

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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
2026	\$ 14,310,000	\$ 9,291,522	\$ 23,601,522	
2027	15,210,000	8,604,097	23,814,097	
2028	15,825,000	7,848,897	23,673,897	
2029	15,955,000	7,058,497	23,013,497	
2030	16,215,000	6,220,411	22,435,411	
2031-2035	60,995,000	15,537,496	76,532,496	
2036-2040	25,520,000	2,830,634	28,350,634	
Total	\$ 164,030,000	\$ 57,391,554	\$ 221,421,554	

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

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

Subsequent Event

On July 10, 2025, the Successor Agency issued Tax Allocation Refunding Bonds, Series 2025A to refund the Tax Allocation Refunding Bonds, Series 2015A for a total of \$43,360,000, with an issue premium of \$4,248,446. The Successor Agency used \$5,095,825 of funds held in the fiscal agent accounts to refund the total outstanding bonds. The Department of Finance issued a letter approving the issuance of the 2025A bonds on June 6, 2025.

City of San Marcos

Notes to Basic Financial Statements For the Year Ended June 30, 2025

18) OTHER REQUIRED NOTE DISCLOSURES

Deficit Fund Balances

As of June 30, 2025, the following funds presented a deficit fund balance.

<u>Governmental Funds - Major Funds</u>	<u>Amount</u>
Capital Improvements Fund	\$ (12,279,724)
<hr/>	
<u>Governmental Funds - Non-Major</u>	
Special Revenue Funds	
Street Lighting District	\$ (1,694,754)
Senior Nutrition Grant	(274,444)

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, 2025 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:			
Street Lighting District	\$ 1,788,679	\$ 1,909,326	\$ (120,647)
Congestion Management CFD	171,000	178,086	(7,086)

19) PRIOR PERIOD RESTATEMENT

As of the fiscal year ended June 30, 2025, the City identified an error that caused them to restate the beginning fund balance for the General Fund and San Marcos Affordable Housing Fund. The error was a result of an outstanding interfund payment between these two funds that was repaid in previous years and not recorded. There was no net effect to fund balance as the interfund asset/liability net to each other. See below for the changes.

	<u>San Marcos</u>	<u>Affordable</u>	<u>Housing</u>
	<u>General Fund</u>		
Fund balance - beginning, as previously reported	\$ 122,319,587	\$ 49,682,353	
Correction of an error	902,562	(902,562)	
Fund balance - beginning, as restated	<u>\$ 123,222,149</u>	<u>\$ 48,779,791</u>	

**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 6/30/2015	Measurement Period 6/30/2016	Measurement Period 6/30/2017	Measurement Period 6/30/2018
TOTAL PENSION LIABILITY				
Service Cost	\$ 2,559,947	\$ 2,553,229	\$ 2,805,674	\$ 2,898,829
Interest	8,083,219	8,584,986	8,918,976	9,287,287
Changes of Benefit Terms	-	-	-	-
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	(4,587,163)	(5,372,003)	(5,737,609)	(6,202,870)
Net Change in Total Pension Liability	1,338,428	6,665,021	12,796,310	5,333,446
Total Pension Liability - Beginning	111,394,182	112,732,610	119,397,631	132,193,941
Total Pension Liability - Ending (a)	\$ 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	4,558,184	4,385,959	9,542,711	4,278,656
Contributions - Employee	1,302,378	1,348,496	1,169,316	1,126,769
Net Investment Income	1,709,531	438,181	8,627,538	7,721,226
Benefit Payments, Including Refunds of Employee Contributions	(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	2,897,242	754,251	13,488,477	6,515,410
Plan Fiduciary Net Position - Beginning	73,208,466	76,105,708	76,859,959	90,348,436
Plan Fiduciary Net Position - Ending (b)	\$ 76,105,708	\$ 76,859,959	\$ 90,348,436	\$ 96,863,846
Plan Net Pension Liability - Ending (a) - (b)	\$ 36,626,902	\$ 42,537,672	\$ 41,845,505	\$ 40,663,541
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.51%	64.37%	68.35%	70.43%
Covered Payroll	\$ 14,085,514	\$ 14,012,521	\$ 14,219,367	\$ 14,197,035
Plan Net Pension Liability as a Percentage of Covered Payroll	260.03%	303.57%	294.29%	286.42%

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.

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	Measurement Period 6/30/2023	Measurement Period 6/30/2024
\$ 2,938,266	\$ 2,703,721	\$ 2,546,641	\$ 2,529,711	\$ 2,703,714	\$ 2,704,732
9,846,868	10,335,678	10,782,695	10,925,107	11,496,728	11,905,249
-	-	-	-	154,718	-
2,125,402	1,290,024	1,095,442	(3,119,020)	3,456,996	1,298,099
-	-	-	5,709,463	-	-
(6,806,974)	(7,435,808)	(8,172,791)	(8,593,937)	(9,144,408)	(10,012,482)
<u>8,103,562</u>	<u>6,893,615</u>	<u>6,251,987</u>	<u>7,451,324</u>	<u>8,667,748</u>	<u>5,895,598</u>
<u>137,527,387</u>	<u>145,630,949</u>	<u>152,524,564</u>	<u>158,776,551</u>	<u>166,227,875</u>	<u>174,895,623</u>
<u>\$ 145,630,949</u>	<u>\$ 152,524,564</u>	<u>\$ 158,776,551</u>	<u>\$ 166,227,875</u>	<u>\$ 174,895,623</u>	<u>\$ 180,791,221</u>
 225	 -	 -	 -	 -	 -
4,615,503	5,080,583	4,969,430	5,497,659	5,888,165	5,966,773
1,104,152	1,102,880	946,753	1,303,526	1,460,599	1,615,780
6,421,470	5,149,684	24,035,409	(9,733,183)	7,234,270	11,741,594
(6,806,974)	(7,435,808)	(8,172,791)	(8,593,937)	(9,144,408)	(10,012,482)
(69,124)	(143,977)	(105,770)	(79,459)	(85,264)	(98,705)
<u>\$ 5,265,252</u>	<u>\$ 3,753,362</u>	<u>\$ 21,673,031</u>	<u>\$ (11,605,394)</u>	<u>\$ 5,353,362</u>	<u>\$ 9,212,960</u>
<u>\$ 96,863,846</u>	<u>\$ 102,129,098</u>	<u>\$ 105,882,460</u>	<u>\$ 127,555,491</u>	<u>\$ 115,950,097</u>	<u>\$ 121,303,459</u>
<u>\$ 102,129,098</u>	<u>\$ 105,882,460</u>	<u>\$ 127,555,491</u>	<u>\$ 115,950,097</u>	<u>\$ 121,303,459</u>	<u>\$ 130,516,419</u>
<u>\$ 43,501,851</u>	<u>\$ 46,642,104</u>	<u>\$ 31,221,060</u>	<u>\$ 50,277,778</u>	<u>\$ 53,592,164</u>	<u>\$ 50,274,802</u>
70.13%	69.42%	80.34%	69.75%	69.36%	72.19%
\$ 14,148,630	\$ 13,872,161	\$ 11,811,814	\$ 13,535,022	\$ 14,370,884	\$ 16,243,016
307.46%	336.23%	264.32%	371.46%	372.92%	309.52%

City of San Marcos

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

Miscellaneous Plan

Fiscal Year	Contributions in Relation to the					Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll		
6/30/2016	\$ 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%
6/30/2024	5,966,773	(5,966,773)	-	14,829,363		40.24%
6/30/2025	6,663,813	(6,663,813)	-	16,243,016		41.03%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2024-25 were from the June 30, 2022 Funding Valuation Report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/Period	For details, see June 30, 2022, 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
6/30/2015	0.166126%	\$ 11,402,729	\$ 6,725,963	169.53%	78.40%
6/30/2016	0.171957%	14,879,594	8,996,362	165.40%	74.06%
6/30/2017	0.175583%	17,413,036	6,816,670	255.45%	73.31%
6/30/2018	0.182753%	17,610,602	6,582,579	267.53%	75.26%
6/30/2019	0.190512%	19,521,871	6,690,455	291.79%	75.26%
6/30/2020	0.200112%	21,773,049	6,854,243	317.66%	75.10%
6/30/2021	0.222720%	12,045,303	6,838,996	176.13%	88.29%
6/30/2022	0.225200%	26,012,574	7,274,045	357.61%	76.68%
6/30/2023	0.384250%	28,722,344	7,428,741	386.64%	76.21%
6/30/2024	0.388070%	28,293,611	7,753,751	364.90%	78.08%

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.

City of San Marcos

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

Safety Plan

Fiscal Year	Contributions in Relation to the			Contributions	
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a Percentage of Covered Payroll
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%
6/30/2024	3,502,969	(3,502,969)	-	7,753,751	45.18%
6/30/2025	3,906,818	(3,906,818)	-	7,853,103	49.75%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Change in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 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. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

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	2018-19	2019-20	2020-21	2021-2022	2022-2023
	2016-17	2017-18	2018-19	2019-20	2020-2021	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 Measurement Period	2023-2024	2024-2025				
	2022-2023	2023-2024				
Total OPEB Liability						
Service cost	\$ 420,635	\$ 422,486				
Interest	260,144	281,000				
Differences between expected and actual experience	-	(1,549,852)				
Changes of assumptions	(99,929)	(443,919)				
Benefit payments	(232,696)	(232,942)				
Net change in total OPEB liability	348,154	(1,523,227)				
Total OPEB liability - beginning	7,044,436	7,392,590				
Net OPEB liability - ending	<u>\$ 7,392,590</u>	<u>\$ 5,869,363</u>				
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%				
Covered-employee payroll	\$ 23,721,844	\$ 26,432,421				
Total OPEB liability as a percentage of covered-employee payroll	31.2%	22.2%				

* Fiscal year 2017-18 (measurement date June 30, 2017) was the first year of implementation, therefore, only eight 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, 2025

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 34,004,093	\$ 35,590,145	\$ 35,244,221	\$ (345,924)
Licenses and permits	7,453,350	7,313,426	8,077,371	763,945
Intergovernmental	23,298,650	27,099,536	27,220,157	120,621
Charges for services	21,062,063	22,435,426	23,722,245	1,286,819
Developer fees	18,000	18,000	8,711	(9,289)
Fines and forfeitures	395,700	415,700	536,408	120,708
Investment and rental income	8,960,171	7,960,171	10,300,528	2,340,357
Miscellaneous	721,455	937,381	9,718,373	8,780,992
Total Revenues	95,913,482	101,769,785	114,828,014	13,058,229
EXPENDITURES				
Current:				
General government	29,612,405	33,752,687	32,106,827	1,645,860
Community development	8,372,582	9,845,462	7,988,343	1,857,119
Public safety	46,818,637	47,518,981	47,154,017	364,964
Highways, streets and parks	10,843,975	10,529,725	8,904,813	1,624,912
Culture and recreation	4,495,965	7,007,928	4,312,549	2,695,379
Capital outlay	300,000	2,961,670	3,597,864	(636,194)
Debt service:				
Principal	297,965	297,965	1,057,553	(759,588)
Interest and fiscal charges	51,522	217,232	136,881	80,351
Total Expenditures	100,793,051	112,131,650	105,258,847	6,872,803
Excess (Deficiency) of Revenues over Expenditures	(4,879,569)	(10,361,865)	9,569,167	19,931,032
OTHER FINANCING SOURCES (USES)				
Lease/subscription acquisition	-	-	3,274,381	3,274,381
Proceeds from sale of capital assets	-	-	9,129	9,129
Transfers in	3,804,800	3,732,800	2,524,000	(1,208,800)
Transfers out	(1,177,000)	(23,623,430)	(5,819,002)	17,804,428
Total Other Financing Sources (Uses)	2,627,800	(19,890,630)	(11,492)	19,879,138
Net Change in Fund Balance	(2,251,769)	(30,252,495)	9,557,675	39,810,170
FUND BALANCE				
Beginning, as restated	123,222,149	123,222,149	123,222,149	-
Ending	\$ 120,970,380	\$ 92,969,654	\$ 132,779,824	\$ 39,810,170

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, 2025

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ -	\$ 1,315,676	\$ 1,315,676	\$ -
Developer fees	1,300,000	1,300,000	2,878,987	1,578,987
Investment and rental income	1,541,000	1,541,000	3,893,210	2,352,210
Miscellaneous	235,000	235,000	196,210	(38,790)
Total Revenues	<u>3,076,000</u>	<u>4,391,676</u>	<u>8,284,083</u>	<u>3,892,407</u>
EXPENDITURES				
Current:				
General government	950,043	988,570	965,057	23,513
Community development	16,251,293	9,019,512	6,851,356	2,168,156
Total Expenditures	<u>17,201,336</u>	<u>10,008,082</u>	<u>7,816,413</u>	<u>2,191,669</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,125,336)</u>	<u>(5,616,406)</u>	<u>467,670</u>	<u>6,084,076</u>
OTHER FINANCING SOURCES				
Transfers out	-	(30,000)	-	30,000
Total Other Financing Sources	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balance	(14,125,336)	(5,646,406)	467,670	6,114,076
FUND BALANCE				
Beginning, as restated	<u>48,779,791</u>	<u>48,779,791</u>	<u>48,779,791</u>	<u>-</u>
Ending	<u>\$ 34,654,455</u>	<u>\$ 43,133,385</u>	<u>\$ 49,247,461</u>	<u>\$ 6,114,076</u>

City of San Marcos

Notes to Required Supplementary Information **June 30, 2025**

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.

City of San Marcos

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

The Community Development Block Grant Fund is used to account for transactions related to the Community Development Block Grant Program provided by the Federal Government. Funds are mostly utilized for capital improvement projects, 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, 2025

	Debt Service Fund			
	Total Special Revenue Funds	San Marcos Public Facilities Authority	Total Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 50,785,528	\$ 1,084,786	\$ 34,657,608	\$ 86,527,922
Cash and investments with fiscal agents (note 2)	-	107,768	796,201	903,969
Receivables:				
Taxes and special assessments	35,061	-	-	35,061
Accounts	59,788	960	16,374	77,122
Interest	176,112	39,357	95,645	311,114
Notes, net (note 3)	1,873,028	-	-	1,873,028
Leases	-	1,603,707	-	1,603,707
Other, net (note 4)	-	-	120,516	120,516
Due from other governments	1,145,132	-	-	1,145,132
Advances to other funds (note 5)	-	-	6,300,000	6,300,000
Total Assets	\$ 54,074,649	\$ 2,836,578	\$ 41,986,344	\$ 98,897,571
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,291,113	\$ -	\$ -	\$ 1,291,113
Accrued liabilities	650,717	-	18,083	668,800
Due to other funds (note 5)	1,695,042	-	-	1,695,042
Deposits payable	4,174,474	-	-	4,174,474
Total Liabilities	7,811,346	-	18,083	7,829,429
Deferred Inflows of Resources:				
Unavailable revenue (note 6)	1,893,672	-	136,890	2,030,562
Lease related	-	1,547,901	-	1,547,901
Total Deferred Inflows of Resources	1,893,672	1,547,901	136,890	3,578,463
Fund Balances (Deficit):				
Restricted:				
Transportation	18,332,547	-	1,505,568	19,838,115
Lighting and landscape	23,755,510	-	-	23,755,510
Capital improvements	-	-	1,123,587	1,123,587
Public facilities	-	-	39,202,216	39,202,216
Other purposes	4,250,772	1,288,677	-	5,539,449
Unassigned	(1,969,198)	-	-	(1,969,198)
Total Fund Balances	44,369,631	1,288,677	41,831,371	87,489,679
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 54,074,649	\$ 2,836,578	\$ 41,986,344	\$ 98,897,571

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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, 2025

	Debt Service Fund			Total Non-Major Governmental Funds
	Total Special Revenue Funds	San Marcos Public Facilities Authority	Total Capital Projects Funds	
REVENUES				
Taxes and special assessments	\$ 12,183,282	\$ -	\$ -	\$ 12,183,282
Intergovernmental	6,207,402	-	11,700,735	17,908,137
Developer fees	38,109	-	10,226,682	10,264,791
Investment and rental income	2,319,714	616,622	1,261,190	4,197,526
Miscellaneous	55,505	-	9,300	64,805
Total Revenues	20,804,012	616,622	23,197,907	44,618,541
EXPENDITURES				
Current:				
Community development	225,934	-	-	225,934
Highways, streets and parks	11,241,729	-	150,970	11,392,699
Culture and recreation	477,569	-	-	477,569
Capital outlay	-	-	115,551	115,551
Debt service:				
Principal	93,874	350,000	-	443,874
Interest and fiscal charges	3,094	32,943	-	36,037
Total Expenditures	12,042,200	382,943	266,521	12,691,664
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,761,812	233,679	22,931,386	31,926,877
OTHER FINANCING SOURCES (USES)				
Transfers in (note 5)	831,000	-	-	831,000
Transfers out (note 5)	(5,250,919)	-	(9,380,315)	(14,631,234)
Total Other Financing Sources (Uses)	(4,419,919)	-	(9,380,315)	(13,800,234)
Net Change in Fund Balances	4,341,893	233,679	13,551,071	18,126,643
FUND BALANCES				
Beginning	40,027,738	1,054,998	28,280,300	69,363,036
Ending	\$ 44,369,631	\$ 1,288,677	\$ 41,831,371	\$ 87,489,679

City of San Marcos

Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2025

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
ASSETS						
Cash and investments	\$ 8,013,366	\$ 1,218,728	\$ 24,663,809	\$ -	\$ -	\$ 127,099
Receivables:						
Taxes and special assessments	-	-	32,046	1,663	-	-
Accounts	-	-	24,991	360	-	-
Interest	29,347	4,305	86,265	-	-	-
Notes, net	-	-	-	-	-	-
Due from other governments	231,145	6,860	-	-	21,433	424,049
Total Assets	<u>\$ 8,273,858</u>	<u>\$ 1,229,893</u>	<u>\$ 24,807,111</u>	<u>\$ 2,023</u>	<u>\$ 21,433</u>	<u>\$ 551,148</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 60,899	\$ 28,322	\$ 877,028	\$ 240,614	\$ 17,493	\$ 22,541
Accrued liabilities	-	3,352	155,447	23,044	16,389	8,872
Due to other funds	-	-	-	1,433,047	261,995	-
Deposits payable	-	10,389	-	-	-	-
Total Liabilities	<u>60,899</u>	<u>42,063</u>	<u>1,032,475</u>	<u>1,696,705</u>	<u>295,877</u>	<u>31,413</u>
Deferred Inflows of Resources:						
Unavailable revenue	-	-	19,126	72	-	-
Fund Balances (Deficit):						
Restricted						
Transportation	8,212,959	1,187,830	-	-	-	-
Lighting and landscape	-	-	23,755,510	-	-	-
Other purposes	-	-	-	-	-	519,735
Unassigned	-	-	-	(1,694,754)	(274,444)	-
Total Fund Balances	<u>8,212,959</u>	<u>1,187,830</u>	<u>23,755,510</u>	<u>(1,694,754)</u>	<u>(274,444)</u>	<u>519,735</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,273,858</u>	<u>\$ 1,229,893</u>	<u>\$ 24,807,111</u>	<u>\$ 2,023</u>	<u>\$ 21,433</u>	<u>\$ 551,148</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
\$ 340,131	\$ 190,205	\$ 983,657	\$ 1,903,247	\$ 5,969,704	\$ 344,722	\$ 153,386	\$ 6,877,474	\$ 50,785,528
-	365	-	-	987	-	-	-	35,061
-	-	-	30,020	4,417	-	-	-	59,788
-	747	3,448	6,694	20,688	-	-	24,618	176,112
1,222,809	-	-	-	-	650,219	-	-	1,873,028
-	-	-	-	-	-	-	461,645	1,145,132
<u>\$ 1,562,940</u>	<u>\$ 191,317</u>	<u>\$ 987,105</u>	<u>\$ 1,939,961</u>	<u>\$ 5,995,796</u>	<u>\$ 994,941</u>	<u>\$ 153,386</u>	<u>\$ 7,363,737</u>	<u>\$ 54,074,649</u>
\$ -	\$ 2,107	\$ -	\$ 33,690	\$ 7,841	\$ -	\$ 578	\$ -	\$ 1,291,113
-	-	-	-	443,613	-	-	-	650,717
-	-	-	-	-	-	-	-	1,695,042
-	-	-	-	4,164,085	-	-	-	4,174,474
-	2,107	-	33,690	4,615,539	-	578	-	7,811,346
<u>1,222,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,446</u>	<u>650,219</u>	<u>-</u>	<u>-</u>	<u>1,893,672</u>
-	189,210	-	-	1,378,811	-	-	7,363,737	18,332,547
-	-	-	-	-	-	-	-	23,755,510
340,131	-	987,105	1,906,271	-	344,722	152,808	-	4,250,772
-	-	-	-	-	-	-	-	(1,969,198)
340,131	189,210	987,105	1,906,271	1,378,811	344,722	152,808	7,363,737	44,369,631
<u>\$ 1,562,940</u>	<u>\$ 191,317</u>	<u>\$ 987,105</u>	<u>\$ 1,939,961</u>	<u>\$ 5,995,796</u>	<u>\$ 994,941</u>	<u>\$ 153,386</u>	<u>\$ 7,363,737</u>	<u>\$ 54,074,649</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, 2025

	Gas Tax	Traffic Safety	Community Facilities District 98-02	Street Lighting District	Senior Nutrition Grant	Community Development Block Grant
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ 10,322,329	\$ 530,928	\$ -	\$ -
Intergovernmental	2,710,630	49,931	-	-	131,903	695,239
Developer fees	-	-	-	-	-	-
Investment and rental income	377,397	60,808	1,092,761	-	-	-
Miscellaneous	-	-	-	-	25,907	-
Total Revenues	3,088,027	110,739	11,415,090	530,928	157,810	695,239
EXPENDITURES						
Current:						
Community development	-	-	-	-	-	225,934
Highways, streets and parks	243,341	142,394	8,714,932	1,883,823	-	-
Culture and recreation	-	-	-	-	394,942	-
Debt Service:						
Principal	-	-	69,185	24,689	-	-
Interest and fiscal charges	-	-	2,280	814	-	-
Total Expenditures	243,341	142,394	8,786,397	1,909,326	394,942	225,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,844,686	(31,655)	2,628,693	(1,378,398)	(237,132)	469,305
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	660,000	171,000	-
Transfers out	(1,564,582)	(3,243)	-	-	-	(465,208)
Total Other Financing Sources (Uses)	(1,564,582)	(3,243)	-	660,000	171,000	(465,208)
Net Change in Fund Balances	1,280,104	(34,898)	2,628,693	(718,398)	(66,132)	4,097
FUND BALANCES (DEFICIT)						
Beginning	6,932,855	1,222,728	21,126,817	(976,356)	(208,312)	515,638
Ending	\$ 8,212,959	\$ 1,187,830	\$ 23,755,510	\$ (1,694,754)	\$ (274,444)	\$ 519,735

HOME Grant	Center Drive Maintenance District	Art in Public Places	Public, Education and Government	Congestion Management CFD	CalHOME Grant	State CASp Fee	Gas Tax RMRA	Total
\$ -	\$ 25,417	\$ -	\$ 132,357	\$ 1,172,251	\$ -	\$ -	\$ -	\$ 12,183,282
-	-	-	-	-	-	-	2,619,699	6,207,402
-	-	17,200	-	-	-	20,909	-	38,109
16,110	9,614	49,909	90,903	250,189	1,000	-	371,023	2,319,714
29,598	-	-	-	-	-	-	-	55,505
45,708	35,031	67,109	223,260	1,422,440	1,000	20,909	2,990,722	20,804,012
-	-	-	-	-	-	-	-	225,934
-	4,231	-	72,170	178,086	-	2,752	-	11,241,729
-	-	82,627	-	-	-	-	-	477,569
-	-	-	-	-	-	-	-	93,874
-	-	-	-	-	-	-	-	3,094
-	4,231	82,627	72,170	178,086	-	2,752	-	12,042,200
45,708	30,800	(15,518)	151,090	1,244,354	1,000	18,157	2,990,722	8,761,812
-	-	-	-	-	-	-	-	831,000
-	(24,000)	-	-	-	-	-	(3,193,886)	(5,250,919)
-	(24,000)	-	-	-	-	-	(3,193,886)	(4,419,919)
45,708	6,800	(15,518)	151,090	1,244,354	1,000	18,157	(203,164)	4,341,893
294,423	182,410	1,002,623	1,755,181	134,457	343,722	134,651	7,566,901	40,027,738
\$ 340,131	\$ 189,210	\$ 987,105	\$ 1,906,271	\$ 1,378,811	\$ 344,722	\$ 152,808	\$ 7,363,737	\$ 44,369,631

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City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 2,699,047	\$ 2,699,047	\$ 2,710,630	\$ 11,583
Investment and rental income	70,000	70,000	377,397	307,397
Total Revenues	<u>2,769,047</u>	<u>2,769,047</u>	<u>3,088,027</u>	<u>318,980</u>
EXPENDITURES				
Current:				
Highways, streets and parks	806,050	374,705	243,341	131,364
Total Expenditures	<u>806,050</u>	<u>374,705</u>	<u>243,341</u>	<u>131,364</u>
Excess (deficiency) of revenues over expenditures	<u>1,962,997</u>	<u>2,394,342</u>	<u>2,844,686</u>	<u>450,344</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(9,350,030)	(1,564,582)	7,785,448
Total other financing sources (uses)	-	<u>(9,350,030)</u>	<u>(1,564,582)</u>	<u>7,785,448</u>
Net Change in Fund Balance	1,962,997	(6,955,688)	1,280,104	8,235,792
FUND BALANCE				
Beginning	6,932,855	6,932,855	6,932,855	-
Ending	<u>\$ 8,895,852</u>	<u>\$ (22,833)</u>	<u>\$ 8,212,959</u>	<u>\$ 8,235,792</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the Year Ended June 30, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 49,931	\$ (75,069)
Investment and rental income	21,000	21,000	60,808	39,808
Total Revenues	146,000	146,000	110,739	(35,261)
EXPENDITURES				
Current:				
Highways, streets and parks	215,094	259,489	142,394	117,095
Total Expenditures	215,094	259,489	142,394	117,095
Excess (deficiency) of revenues over expenditures	(69,094)	(113,489)	(31,655)	81,834
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(69,671)	(3,243)	66,428
Total other financing sources (uses)	-	(69,671)	(3,243)	66,428
Net Change in Fund Balance	(69,094)	(183,160)	(34,898)	148,262
FUND BALANCE				
Beginning	1,222,728	1,222,728	1,222,728	-
Ending	\$ 1,153,634	\$ 1,039,568	\$ 1,187,830	\$ 148,262

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, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 9,478,000	\$ 10,250,000	\$ 10,322,329	\$ 72,329
Investment and rental income	300,000	300,000	1,092,761	792,761
Total Revenues	<u>9,778,000</u>	<u>10,550,000</u>	<u>11,415,090</u>	<u>865,090</u>
EXPENDITURES				
Current:				
Highways, streets and parks	8,470,757	9,061,486	8,714,932	346,554
Debt Service:				
Principal	65,166	69,185	69,185	-
Interest and fiscal charges	6,299	2,280	2,280	-
Total Expenditures	<u>8,542,222</u>	<u>9,132,951</u>	<u>8,786,397</u>	<u>346,554</u>
Excess (deficiency) of revenues over expenditures	<u>1,235,778</u>	<u>1,417,049</u>	<u>2,628,693</u>	<u>1,211,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(958,800)	(1,208,800)	-	1,208,800
Total Other Financing Sources (Uses)	<u>(958,800)</u>	<u>(1,208,800)</u>	<u>-</u>	<u>1,208,800</u>
Net Change in Fund Balance	276,978	208,249	2,628,693	2,420,444
FUND BALANCE				
Beginning	<u>21,126,817</u>	<u>21,126,817</u>	<u>21,126,817</u>	<u>-</u>
Ending	<u>\$ 21,403,795</u>	<u>\$ 21,335,066</u>	<u>\$ 23,755,510</u>	<u>\$ 2,420,444</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Street Lighting District Special Revenue Fund
For the Year Ended June 30, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 530,000	\$ 530,000	\$ 530,928	\$ 928
Total Revenues	530,000	530,000	530,928	928
EXPENDITURES				
Current:				
Highways, streets and parks	1,718,554	1,763,176	1,883,823	(120,647)
Debt Service:				
Principal	23,254	24,689	24,689	-
Interest and fiscal charges	2,248	814	814	-
Total Expenditures	1,744,056	1,788,679	1,909,326	(120,647)
Excess (deficiency) of revenues over expenditures	(1,214,056)	(1,258,679)	(1,378,398)	(119,719)
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	(554,056)	(598,679)	(718,398)	(119,719)
FUND BALANCE (DEFICIT)				
Beginning	(976,356)	(976,356)	(976,356)	-
Ending	\$ (1,530,412)	\$ (1,575,035)	\$ (1,694,754)	\$ (119,719)

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, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 114,061	\$ 134,061	\$ 131,903	\$ (2,158)
Miscellaneous	26,500	26,500	25,907	(593)
Total Revenues	140,561	160,561	157,810	(2,751)
EXPENDITURES				
Current:				
Culture and recreation	425,899	445,899	394,942	50,957
Total Expenditures	425,899	445,899	394,942	50,957
Excess (deficiency) of revenues over expenditures	(285,338)	(285,338)	(237,132)	48,206
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	(114,338)	(114,338)	(66,132)	48,206
FUND BALANCE (DEFICIT)				
Beginning	(208,312)	(208,312)	(208,312)	-
Ending	\$ (322,650)	\$ (322,650)	\$ (274,444)	\$ 48,206

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, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 710,208	\$ 662,806	\$ 695,239	\$ 32,433
Total Revenues	<u>710,208</u>	<u>662,806</u>	<u>695,239</u>	<u>32,433</u>
EXPENDITURES				
Current:				
Community development	335,764	233,482	225,934	7,548
Total Expenditures	<u>335,764</u>	<u>233,482</u>	<u>225,934</u>	<u>7,548</u>
Excess (deficiency) of revenues over expenditures	<u>374,444</u>	<u>429,324</u>	<u>469,305</u>	<u>39,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,397,732)	(465,208)	932,524
Total other financing sources (uses)	<u>-</u>	<u>(1,397,732)</u>	<u>(465,208)</u>	<u>932,524</u>
Net Change in Fund Balance	374,444	(968,408)	4,097	972,505
FUND BALANCE				
Beginning	515,638	515,638	515,638	-
Ending	<u>\$ 890,082</u>	<u>\$ (452,770)</u>	<u>\$ 519,735</u>	<u>\$ 972,505</u>

City of San Marcos

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
HOME Grant Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Investment and rental income	\$ -	\$ -	\$ 16,110	\$ 16,110	
Miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>29,598</u>	<u>(20,402)</u>	
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>45,708</u>	<u>(4,292)</u>	
EXPENDITURES					
Current:					
Community development	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	
Net Change in Fund Balance	<u>(50,000)</u>	<u>(50,000)</u>	<u>45,708</u>	<u>95,708</u>	
FUND BALANCE					
Beginning	<u>294,423</u>	<u>294,423</u>	<u>294,423</u>	<u>-</u>	
Ending	<u>\$ 244,423</u>	<u>\$ 244,423</u>	<u>\$ 340,131</u>	<u>\$ 95,708</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, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes and special assessments	\$ 25,000	\$ 25,000	\$ 25,417	\$ 417
Investment and rental income	2,000	2,000	9,614	7,614
Total Revenues	27,000	27,000	35,031	8,031
EXPENDITURES				
Current:				
Highways, streets and parks	26,020	26,020	4,231	21,789
Total Expenditures	26,020	26,020	4,231	21,789
Excess (deficiency) of revenues over expenditures	980	980	30,800	29,820
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(24,000)	(24,000)	-
Total Other Financing Sources (Uses)	-	(24,000)	(24,000)	-
Net Change in Fund Balance	980	(23,020)	6,800	29,820
FUND BALANCE				
Beginning	182,410	182,410	182,410	-
Ending	\$ 183,390	\$ 159,390	\$ 189,210	\$ 29,820

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, 2025**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Developer fees	\$ 50,000	\$ 50,000	\$ 17,200	\$ (32,800)	
Investment and rental income	18,000	18,000	49,909	31,909	
Total Revenues	68,000	68,000	67,109	(891)	
EXPENDITURES					
Current:					
Culture and recreation	185,000	185,000	82,627	102,373	
Total Expenditures	185,000	185,000	82,627	102,373	
Net Change in Fund Balance	(117,000)	(117,000)	(15,518)	101,482	
FUND BALANCE					
Beginning	1,002,623	1,002,623	1,002,623	-	
Ending	\$ 885,623	\$ 885,623	\$ 987,105	\$ 101,482	

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, 2025**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Taxes and special assessments	\$ 180,000	\$ 180,000	\$ 132,357	\$ (47,643)	
Investment and rental income	26,000	26,000	90,903	64,903	
Total Revenues	206,000	206,000	223,260	17,260	
EXPENDITURES					
Current:					
Highways, streets and parks	125,000	125,000	72,170	52,830	
Total Expenditures	125,000	155,000	72,170	82,830	
Net Change in Fund Balance	81,000	51,000	151,090	100,090	
FUND BALANCE					
Beginning	1,755,181	1,755,181	1,755,181	-	
Ending	\$ 1,836,181	\$ 1,806,181	\$ 1,906,271	\$ 100,090	

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, 2025**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Taxes and special assessments	\$ 965,000	\$ 1,203,000	\$ 1,172,251	\$ (30,749)	
Investment and rental income	61,000	61,000	250,189	189,189	
Total Revenues	<u>1,026,000</u>	<u>1,264,000</u>	<u>1,422,440</u>	<u>158,440</u>	
EXPENDITURES					
Current:					
Highway, streets and parks	4,000	171,000	178,086	(7,086)	
Total expenditures	<u>4,000</u>	<u>171,000</u>	<u>178,086</u>	<u>(7,086)</u>	
Net Change in Fund Balance	1,022,000	1,093,000	1,244,354	151,354	
FUND BALANCE					
Beginning	<u>134,457</u>	<u>134,457</u>	<u>134,457</u>	<u>-</u>	
Ending	<u>\$ 1,156,457</u>	<u>\$ 1,227,457</u>	<u>\$ 1,378,811</u>	<u>\$ 151,354</u>	

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
CalHOME Grant Special Revenue Fund
For the Year Ended June 30, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ 113,000	\$ 113,000	\$ 1,000	\$ (112,000)
Total Revenues	<u>113,000</u>	<u>113,000</u>	<u>1,000</u>	<u>(112,000)</u>
EXPENDITURES				
Current:				
Community development	200,000	200,000	-	200,000
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Net Change in Fund Balance	(87,000)	(87,000)	1,000	88,000
FUND BALANCE				
Beginning	<u>343,722</u>	<u>343,722</u>	<u>343,722</u>	<u>-</u>
Ending	<u>\$ 256,722</u>	<u>\$ 256,722</u>	<u>\$ 344,722</u>	<u>\$ 88,000</u>

City of San Marcos

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
State CASp Fee Special Revenue Fund
For the Year Ended June 30, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Developer fees	\$ 21,000	\$ 21,000	\$ 20,909	\$ (91)
Total Revenues	21,000	21,000	20,909	(91)
EXPENDITURES				
Current:				
Community development	2,150	2,150	2,752	(602)
Total Expenditures	2,150	2,150	2,752	(602)
Net Change in Fund Balance	18,850	18,850	18,157	(693)
FUND BALANCE				
Beginning	-	134,651	134,651	-
Ending	\$ 18,850	\$ 153,501	\$ 152,808	\$ (693)

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, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 2,448,285	\$ 2,448,285	\$ 2,619,699	\$ 171,414
Investment and rental income	70,000	70,000	371,023	301,023
Total Revenues	2,518,285	2,518,285	2,990,722	472,437
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(10,202,304)	(3,193,886)	7,008,418
Total other financing sources (uses)	-	(10,202,304)	(3,193,886)	7,008,418
Net Change in Fund Balance	2,518,285	(7,684,019)	(203,164)	7,480,855
FUND BALANCE				
Beginning	7,566,901	7,566,901	7,566,901	-
Ending	\$ 10,085,186	\$ (117,118)	\$ 7,363,737	\$ 7,480,855

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, 2025**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment and rental income	\$ 401,943	\$ 401,943	\$ 616,622	\$ 214,679
Total Revenues	<u>401,943</u>	<u>401,943</u>	<u>616,622</u>	<u>214,679</u>
EXPENDITURES				
Debt service:				
Principal	350,000	350,000	350,000	-
Interest and fiscal charges	<u>32,943</u>	<u>32,943</u>	<u>32,943</u>	<u>-</u>
Total Expenditures	<u>382,943</u>	<u>382,943</u>	<u>382,943</u>	<u>-</u>
Net Change in Fund Balance	19,000	19,000	233,679	214,679
FUND BALANCE				
Beginning	<u>1,054,998</u>	<u>1,054,998</u>	<u>1,054,998</u>	<u>-</u>
Ending	<u>\$ 1,073,998</u>	<u>\$ 1,073,998</u>	<u>\$ 1,288,677</u>	<u>\$ 214,679</u>

City of San Marcos

**Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2025**

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
ASSETS			
Cash and investments	\$ 32,816,315	\$ 6,025	\$ 1,418,577
Cash and investments with fiscal agents	-	796,201	-
Receivables:			
Accounts	16,374	-	-
Interest	94,156	21	-
Other, net	120,516	-	-
Advances to other funds	6,300,000	-	-
 Total Assets	 \$ 39,347,361	 \$ 802,247	 \$ 1,418,577
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 8,255	\$ -	\$ 9,828
Total Liabilities	8,255	-	9,828
Deferred Inflows of Resources:			
Unavailable revenue	136,890	-	-
Fund Balances (Deficit):			
Restricted:			
Transportation	-	-	1,408,749
Capital improvements	-	802,247	-
Public facilities	39,202,216	-	-
Total Fund Balances	39,202,216	802,247	1,408,749
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 39,347,361	 \$ 802,247	 \$ 1,418,577

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ 320,212	\$ 96,479	\$ 34,657,608
-	-	796,201
-	-	16,374
1,128	340	95,645
-	-	120,516
-	-	6,300,000
<u>\$ 321,340</u>	<u>\$ 96,819</u>	<u>\$ 41,986,344</u>

\$ -	\$ -	\$ 18,083
-	-	18,083
-	-	136,890

-	96,819	1,505,568
321,340	-	1,123,587
-	-	39,202,216
<u>321,340</u>	<u>96,819</u>	<u>41,831,371</u>

\$ 321,340 \$ 96,819 \$ 41,986,344

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, 2025

	Public Facility	Community Facilities District 99-1	Transportation Sales Tax
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 11,700,735
Developer fees	10,226,682	-	-
Investment and rental income	1,177,916	30,614	32,502
Miscellaneous	9,300	-	-
Total Revenues	11,413,898	30,614	11,733,237
EXPENDITURES			
Current:			
Highways, streets and parks	181	-	150,789
Capital outlay	115,551	-	-
Total Expenditures	115,732	-	150,789
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	11,298,166	30,614	11,582,448
OTHER FINANCING SOURCES			
Transfers out (note 5)	(2,075,498)	-	(7,304,817)
Total Other Financing Sources	(2,075,498)	-	(7,304,817)
Net Change in Fund Balances	9,222,668	30,614	4,277,631
FUND BALANCES (DEFICIT)			
Beginning	29,979,548	771,633	(2,868,882)
Ending	\$ 39,202,216	\$ 802,247	\$ 1,408,749

Community Facilities District 02-01	Transportation Impact Fee	Total
\$ -	\$ -	\$ 11,700,735
-	-	10,226,682
15,491	4,667	1,261,190
-	-	9,300
<u>15,491</u>	<u>4,667</u>	<u>23,197,907</u>
 - -	 - -	 150,970
<u>-</u>	<u>-</u>	<u>115,551</u>
<u>-</u>	<u>-</u>	<u>266,521</u>
 <u>15,491</u>	 <u>4,667</u>	 <u>22,931,386</u>
 - -	 - -	 (9,380,315)
<u>-</u>	<u>-</u>	<u>(9,380,315)</u>
 <u>15,491</u>	 <u>4,667</u>	 <u>13,551,071</u>
 <u>305,849</u>	 <u>92,152</u>	 <u>28,280,300</u>
<u>\$ 321,340</u>	<u>\$ 96,819</u>	<u>\$ 41,831,371</u>

City of San Marcos

Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	Custodial Funds					Total Custodial Funds
	Community Facilities District 88-1	Community Facilities District 99-1	Community Facilities District 02-01	Community Facilities District 11-01		
ASSETS						
Cash and investments (note 2)	\$ 5,813	\$ 1,084	\$ -	\$ -	\$ 6,897	
Receivables:						
Special assessments	2,675	18,350	3,131	-	24,156	
Interest	165	133	7	-	305	
Restricted Assets:						
Cash and investments with fiscal agents (note 2)	2,941,902	5,982,005	1,177,754	-	10,101,661	
Total Assets	2,950,555	6,001,572	1,180,892	-	10,133,019	
LIABILITIES						
Accounts payable	174,674	-	-	-	174,674	
Due to other governments	-	-	5,559	597	6,156	
Total Liabilities	174,674	-	5,559	597	180,830	
NET POSITION (DEFICIT)						
Restricted for:						
Other taxing entities and other agencies	\$ 2,775,881	\$ 6,001,572	\$ 1,175,333	\$ (597)	\$ 9,952,189	

City of San Marcos

**Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2025**

	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 and special assessments	\$ 1,568,785	\$ 4,900,905	\$ 873,295	\$ -	\$ 7,342,985
Income from property and investments	2,080	161,029	35,191	-	198,300
Total Additions	<u>1,570,865</u>	<u>5,061,934</u>	<u>908,486</u>	<u>-</u>	<u>7,541,285</u>
DEDUCTIONS					
Administrative expense	204,674	514,985	80,000	-	799,659
Payments to fiscal agent on behalf of other agencies	<u>1,253,019</u>	<u>2,859,446</u>	<u>839,674</u>	<u>-</u>	<u>4,952,139</u>
Total Deductions	<u>1,457,693</u>	<u>3,374,431</u>	<u>919,674</u>	<u>-</u>	<u>5,751,798</u>
Change in Net Position	113,172	1,687,503	(11,188)	-	1,789,487
NET POSITION (DEFICIT)					
Beginning	<u>2,662,709</u>	<u>4,314,069</u>	<u>1,186,521</u>	<u>(597)</u>	<u>8,162,702</u>
Ending	<u>\$ 2,775,881</u>	<u>\$ 6,001,572</u>	<u>\$ 1,175,333</u>	<u>\$ (597)</u>	<u>\$ 9,952,189</u>

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City of San Marcos

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		128
	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		138
	These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity		141
	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		147
	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		149
	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			
	2016	2017	2018	2019
Governmental Activities:				
Net investment in capital assets	\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	\$ 600,656,145
Restricted for:				
Affordable housing	182,174,655	192,984,712	197,267,954	204,874,361
Transportation	-	-	-	-
Lighting and landscape	12,073,491	12,410,105	12,833,499	14,734,771
Public facilities	32,111,994	36,384,666	3,186,646	1,008,537
Other purposes	2,187,164	2,461,175	44,845,897	42,359,172
Unrestricted	48,523,274	60,067,467	48,322,111	46,006,938
Total governmental activities net position	<u>\$ 900,258,338</u>	<u>\$ 912,103,287</u>	<u>\$ 906,195,372</u>	<u>\$ 909,639,924</u>
Business-type activities:				
Unrestricted	\$ 94,924,105	\$ 95,225,519	\$ 94,972,155	\$ 95,293,994
Total business-type activities net position	<u>\$ 94,924,105</u>	<u>\$ 95,225,519</u>	<u>\$ 94,972,155</u>	<u>\$ 95,293,994</u>
Component unit:				
Not expendable	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Expendable	157,923	230,885	258,593	250,742
Total component unit net position	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>
Primary Government:				
Net investment in capital assets	\$ 623,187,760	\$ 607,795,162	\$ 599,739,265	\$ 600,656,145
Restricted for:				
Affordable housing	182,174,655	192,984,712	197,267,954	204,874,361
Transportation	-	-	-	-
Lighting and landscape	12,073,491	12,410,105	12,833,499	14,734,771
Public facilities	32,111,994	36,384,666	3,186,646	1,008,537
Other purposes	2,187,164	2,461,175	44,845,897	42,359,172
Unrestricted	143,447,379	155,292,986	143,294,266	141,300,932
Total primary government net position	<u>\$ 995,182,443</u>	<u>\$ 1,007,328,806</u>	<u>\$ 1,001,167,527</u>	<u>\$ 1,004,933,918</u>
Component unit:				
Restricted	\$ 1,000,000	\$ 1,000,000	\$ 1,258,593	\$ 1,250,742
Total component unit net position	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,258,593</u>	<u>\$ 1,250,742</u>

Fiscal Year						
2020	2021	2022	2023	2024	2025	
\$ 594,590,985	\$ 591,038,322	\$ 596,923,771	\$ 625,379,612	\$ 640,830,413	\$ 652,490,153	
214,394,691	222,040,542	227,818,434	238,874,604	244,273,429	245,791,336	
-	-	-	-	16,132,948	19,839,560	
15,104,188	16,803,353	17,688,560	19,185,250	21,146,015	23,774,708	
1,004,808	1,005,625	43,506,990	40,430,216	30,116,438	39,339,106	
51,842,888	54,134,938	19,957,186	19,226,068	8,906,461	9,640,790	
35,895,754	35,934,735	46,052,370	43,696,948	45,250,631	47,746,787	
<u>\$ 912,833,314</u>	<u>\$ 920,957,515</u>	<u>\$ 951,947,311</u>	<u>\$ 986,792,698</u>	<u>\$ 1,006,656,335</u>	<u>\$ 1,038,622,440</u>	
<u>\$ 96,901,655</u>	<u>\$ 97,147,813</u>	<u>\$ 92,682,011</u>	<u>\$ 94,375,674</u>	<u>\$ 86,530,790</u>	<u>\$ 85,261,198</u>	
<u>\$ 96,901,655</u>	<u>\$ 97,147,813</u>	<u>\$ 92,682,011</u>	<u>\$ 94,375,674</u>	<u>\$ 86,530,790</u>	<u>\$ 85,261,198</u>	
<u>\$ 1,000,000</u>						
<u>219,405</u>	<u>475,316</u>	<u>216,026</u>	<u>258,781</u>	<u>315,818</u>	<u>385,769</u>	
<u><u>\$ 1,219,405</u></u>	<u><u>\$ 1,475,316</u></u>	<u><u>\$ 1,216,026</u></u>	<u><u>\$ 1,258,781</u></u>	<u><u>\$ 1,315,818</u></u>	<u><u>\$ 1,385,769</u></u>	
\$ 594,590,985	\$ 591,038,322	\$ 596,923,771	\$ 625,379,612	\$ 640,830,413	\$ 652,490,153	
214,394,691	222,040,542	227,818,434	238,874,604	244,273,429	245,791,336	
-	-	-	-	16,132,948	19,839,560	
15,104,188	16,803,353	17,688,560	19,185,250	21,146,015	23,774,708	
1,004,808	1,005,625	43,506,990	40,430,216	30,116,438	39,339,106	
51,842,888	54,134,938	19,957,186	19,226,068	8,906,461	9,640,790	
132,797,409	133,082,548	138,734,381	138,072,622	131,781,421	133,007,985	
<u>\$ 1,009,734,969</u>	<u>\$ 1,018,105,328</u>	<u>\$ 1,044,629,322</u>	<u>\$ 1,081,168,372</u>	<u>\$ 1,093,187,125</u>	<u>\$ 1,123,883,638</u>	
<u>\$ 1,219,405</u>	<u>\$ 1,475,316</u>	<u>\$ 1,216,026</u>	<u>\$ 1,258,781</u>	<u>\$ 1,315,818</u>	<u>\$ 1,385,769</u>	
<u>\$ 1,219,405</u>	<u>\$ 1,475,316</u>	<u>\$ 1,216,026</u>	<u>\$ 1,258,781</u>	<u>\$ 1,315,818</u>	<u>\$ 1,385,769</u>	

City of San Marcos

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

	Fiscal Year			
	2016	2017	2018	2019
Expenses:				
Governmental Activities:				
General government	\$ 18,256,401	\$ 15,819,492	\$ 19,444,881	\$ 24,545,665
Community development	12,890,498	1,679,942	6,368,611	5,036,267
Public safety	32,564,134	38,312,609	40,504,526	42,703,434
Highways, streets and parks	23,904,189	29,012,619	32,201,548	31,533,558
Culture and recreation	3,951,699	3,873,784	4,209,685	4,025,485
Interest on long-term debt	262,067	243,974	295,292	183,847
Total governmental activities expenses	<u>91,828,988</u>	<u>88,942,420</u>	<u>103,024,543</u>	<u>108,028,256</u>
Business-type activities:				
Creekside Marketplace	2,069,680	1,572,337	771,106	969,539
Total business-type activities expenses	<u>2,069,680</u>	<u>1,572,337</u>	<u>771,106</u>	<u>969,539</u>
Total primary government expenses	<u>93,898,668</u>	<u>90,514,757</u>	<u>103,795,649</u>	<u>108,997,795</u>
Component Unit:				
Permanent Fund Community Foundation	56,622	65,283	69,946	71,223
Total component unit expenses	<u>\$ 56,622</u>	<u>\$ 65,283</u>	<u>\$ 69,946</u>	<u>\$ 71,223</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government (2)	\$ 1,843,724	\$ 1,151,920	\$ 1,038,094	\$ 1,704,211
Community development (2)	2,252,007	4,554,470	6,363,423	2,485,165
Public safety	9,103,730	10,358,412	10,979,615	12,001,681
Highways, streets, and parks (1) (2)	8,196,772	7,931,273	8,605,163	7,860,930
Culture and recreation (2)	2,364,561	2,575,892	2,100,449	2,466,095
Operating grants and contributions	11,893,755	13,919,753	11,094,309	17,606,841
Capital contributions and grants	4,294,066	3,523,253	1,345,661	4,437,779
Total governmental activities program revenues	<u>39,948,615</u>	<u>44,014,973</u>	<u>41,526,714</u>	<u>48,562,702</u>
Business-type activities:				
Charges for services:				
Creekside Marketplace	3,335,509	4,924,764	5,188,034	5,510,983
Total business-type activities program revenues	<u>3,335,509</u>	<u>4,924,764</u>	<u>5,188,034</u>	<u>5,510,983</u>
Total primary government program revenues	<u>43,284,124</u>	<u>48,939,737</u>	<u>46,714,748</u>	<u>54,073,685</u>
Component Unit:				
Permanent Fund Community Foundation	-	-	-	-
Total component unit revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net (expenses) revenues:				
Governmental activities	(51,880,373)	(44,927,447)	(61,497,829)	(59,465,554)
Business-type activities	<u>1,265,829</u>	<u>3,352,427</u>	<u>4,416,928</u>	<u>4,541,444</u>
Total primary government net (expenses)/revenues	<u>\$(50,614,544)</u>	<u>\$(41,575,020)</u>	<u>\$(57,080,901)</u>	<u>\$(54,924,110)</u>
Component Unit:				
Permanent Fund Community Foundation	(56,622)	(65,283)	(69,946)	(71,223)
Total component unit net (expenses)/revenues	<u>(56,622)</u>	<u>(65,283)</u>	<u>(69,946)</u>	<u>(71,223)</u>

Notes:

(1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets,

Fiscal Year						
2020	2021	2022	2023	2024	2025	
\$ 26,598,227	\$24,133,604	\$32,589,843	\$34,816,393	\$31,242,559	\$35,505,664	
10,631,212	13,174,383	12,423,814	12,813,037	13,171,260	15,196,731	
42,461,674	45,837,054	42,170,941	44,417,299	48,504,380	52,134,589	
32,356,482	33,373,256	32,747,776	35,825,013	32,345,449	31,941,782	
3,982,454	3,557,335	4,119,671	5,060,347	5,486,692	4,948,708	
227,552	259,529	148,236	137,987	118,939	182,919	
<u>116,257,601</u>	<u>120,335,161</u>	<u>124,200,281</u>	<u>133,070,076</u>	<u>130,869,279</u>	<u>139,910,393</u>	
 1,339,226	974,272	2,391,450	4,392,110	5,725,820	5,142,003	
<u>1,339,226</u>	<u>974,272</u>	<u>2,391,450</u>	<u>4,392,110</u>	<u>5,725,820</u>	<u>5,142,003</u>	
 117,596,827	121,309,433	126,591,731	137,462,186	136,595,099	145,052,396	
 51,361	84,837	76,844	78,320	76,347	83,314	
<u>\$ 51,361</u>	<u>\$ 84,837</u>	<u>\$ 76,844</u>	<u>\$ 78,320</u>	<u>\$ 76,347</u>	<u>\$ 83,314</u>	
 \$ 1,580,692	\$ 1,447,664	\$ 1,384,202	\$ 4,990,742	\$ 8,212,662	\$ 2,445,986	
1,813,367	2,499,892	5,416,289	7,786,718	4,199,876	4,811,537	
11,883,120	13,464,941	14,862,440	13,752,035	14,901,259	17,023,577	
9,294,971	9,658,671	8,976,054	10,506,534	12,089,341	12,835,910	
1,543,846	946,994	2,466,721	2,561,230	2,857,288	2,904,806	
23,979,367	24,626,457	23,654,054	31,864,335	24,490,215	35,887,033	
7,053,470	22,305,574	23,424,439	23,338,882	7,504,803	10,814,003	
<u>57,148,833</u>	<u>74,950,193</u>	<u>80,184,199</u>	<u>94,800,476</u>	<u>74,255,444</u>	<u>86,722,852</u>	
 4,808,776	4,617,947	4,713,033	7,075,704	5,907,754	6,276,397	
<u>4,808,776</u>	<u>4,617,947</u>	<u>4,713,033</u>	<u>7,075,704</u>	<u>5,907,754</u>	<u>6,276,397</u>	
 61,957,609	79,568,140	84,897,232	101,876,180	80,163,198	92,999,249	
 -	-	-	-	-	-	10,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
 (59,108,768)	(45,384,968)	(44,016,082)	(38,269,600)	(56,613,835)	(53,187,541)	
<u>3,469,550</u>	<u>3,643,675</u>	<u>2,321,583</u>	<u>2,683,594</u>	<u>181,934</u>	<u>1,134,394</u>	
 <u>\$ (55,639,218)</u>	<u>\$ (41,741,293)</u>	<u>\$ (41,694,499)</u>	<u>\$ (35,586,006)</u>	<u>\$ (56,431,901)</u>	<u>\$ (52,053,147)</u>	
 (51,361)	(84,837)	(76,844)	(78,320)	(76,347)	(73,314)	
<u>(51,361)</u>	<u>(84,837)</u>	<u>(76,844)</u>	<u>(78,320)</u>	<u>(76,347)</u>	<u>(73,314)</u>	

City of San Marcos

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

	Fiscal Year			
	2016	2017	2018	2019
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 16,627,912	\$ 18,604,256	\$ 19,825,953	\$ 21,542,823
Transient occupancy taxes	829,724	873,863	978,498	1,303,446
Business license	213,173	228,040	231,933	232,733
Motor vehicle license tax	-	-	-	49,502
Franchise fees	3,907,803	4,031,275	3,897,771	4,042,123
Rental income	5,790,384	5,950,030	5,556,365	5,477,226
Sales tax shared state revenue and in lieu, unrestricted	16,209,302	16,868,051	16,418,302	17,274,843
Investment income	937,647	1,731,178	1,242,804	1,305,351
Gain/(Loss) on sale of capital assets	1,810,932	187,956	227,020	258,282
Miscellaneous income	982,947	529,653	96,331	223,593
Transfers	(3,850,425)	4,500,000	3,317,138	5,000,000
Total governmental activities	<u>43,459,399</u>	<u>53,504,302</u>	<u>51,792,115</u>	<u>56,709,922</u>
Business-type activities:				
Investment income	8,184	16,289	2,855	6,759
Other	-	-	-	-
Transfers	3,850,425	(4,500,000)	(3,317,138)	(5,000,000)
Total business-type activities	<u>3,858,609</u>	<u>(4,483,711)</u>	<u>(3,314,283)</u>	<u>(4,993,241)</u>
Total primary government	<u>47,318,008</u>	<u>49,020,591</u>	<u>48,477,832</u>	<u>51,716,681</u>
Component Unit:				
Investment income, restricted	-	(11,645)	138,220	97,654
Other	-	-	25	-
Total component unit	<u>-</u>	<u>(11,645)</u>	<u>138,245</u>	<u>97,654</u>
Change in Net Position:				
Governmental activities	(8,420,974)	8,576,855	(9,705,714)	(2,755,632)
Business-type activities	5,124,438	(1,131,284)	1,102,645	(451,797)
Total primary government	<u>\$ (3,296,536)</u>	<u>\$ 7,445,571</u>	<u>\$ (8,603,069)</u>	<u>\$ (3,207,429)</u>
Component Unit:				
Permanent Fund Community Foundation	\$ -	\$ -	\$ (81,591)	\$ 67,022
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81,591)</u>	<u>\$ 67,022</u>

Source: City of San Marcos, Finance Department

Fiscal Year						
2020	2021	2022	2023	2024	2025	
\$ 24,982,707	\$ 24,980,971	\$ 26,695,907	\$ 28,629,629	\$ 31,183,549	\$ 33,211,869	
1,068,175	871,393	1,416,495	1,615,411	1,728,507	1,792,415	
226,950	230,340	241,640	242,260	233,690	239,936	
79,818	72,985	111,588	96,966	119,411	151,361	
4,282,862	4,220,898	4,644,009	5,256,055	5,825,364	5,677,289	
5,140,403	7,290,221	5,626,286	5,866,922	6,084,709	6,244,699	
19,306,999	17,308,573	21,966,581	21,935,697	21,567,605	21,081,416	
10,303,109	2,031,411	10,062,092	3,684,135	6,128,180	5,233,350	
229,032	(74,079)	191,367	4,155,018	373,652	9,129	
982,103	1,026,771	549,913	632,894	732,805	9,012,182	
3,500,000	3,400,000	3,500,000	1,000,000	2,500,000	2,500,000	
70,102,158	61,359,484	75,005,878	73,114,987	76,477,472	85,153,646	
1,636,309	2,483	(3,287,385)	3,560	(5,543,590)	94,413	
1,802	-	-	6,509	16,772	1,601	
(3,500,000)	(3,400,000)	(3,500,000)	(1,000,000)	(2,500,000)	(2,500,000)	
(1,861,889)	(3,397,517)	(6,787,385)	(989,931)	(8,026,818)	(2,403,986)	
68,240,269	57,961,967	68,218,493	72,125,056	68,450,654	82,749,660	
19,998	340,748	(182,446)	121,075	133,384	143,265	
26	-	-	-	-	-	
20,024	340,748	(182,446)	121,075	133,384	143,265	
10,993,390	15,974,516	30,989,796	34,845,387	19,863,637	31,966,105	
1,607,661	246,158	(4,465,802)	1,693,663	(7,844,884)	(1,269,592)	
\$ 12,601,051	\$ 16,220,674	\$ 26,523,994	\$ 36,539,050	\$ 12,018,753	\$ 30,696,513	
\$ 46,293	\$ (64,813)	\$ 255,911	\$ 42,755	\$ 57,037	\$ 69,951	
\$ 46,293	\$ (64,813)	\$ 255,911	\$ 42,755	\$ 57,037	\$ 69,951	

City of San Marcos

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

	Fiscal Year			
	2016	2017	2018	2019
Nonspendable	\$ 10,031,405	\$ 66,369,312	\$ 65,059,911	\$ 64,997,746
Restricted	-	-	-	-
Assigned	5,984,790	11,653,634	11,313,621	11,059,665
Unassigned	82,608,491	27,053,317	28,500,274	30,443,892
Total General Fund	<u>98,624,686</u>	<u>105,076,263</u>	<u>104,873,806</u>	<u>106,501,303</u>
Restricted	82,451,468	87,132,962	98,836,674	99,243,047
Unassigned	(33,867)	-	(148,263)	(378,551)
Total all other governmental funds	<u>82,417,601</u>	<u>87,132,962</u>	<u>98,688,411</u>	<u>98,864,496</u>
Total governmental funds	<u><u>\$ 181,042,287</u></u>	<u><u>\$ 192,209,225</u></u>	<u><u>\$ 203,562,217</u></u>	<u><u>\$ 205,365,799</u></u>

Source: City of San Marcos, Finance Department

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 62,506,999	\$ 61,913,706	\$ 74,313,510	\$ 76,188,631	\$ 81,216,522	\$ 85,085,036
2,492,150	2,889,350	2,398,726	2,517,379	2,727,743	2,977,754
10,023,351	11,864,630	11,864,630	12,552,407	10,650,747	9,114,770
32,505,397	40,069,078	31,357,566	28,397,360	27,724,575	35,602,264
<u>107,527,897</u>	<u>116,736,764</u>	<u>119,934,432</u>	<u>119,655,777</u>	<u>122,319,587</u>	<u>132,779,824</u>
110,557,067	109,842,378	120,236,691	125,297,479	123,098,939	138,706,338
(5,099,687)	(11,385,046)	(9,175,364)	(18,388,355)	(15,579,695)	(14,248,922)
<u>105,457,380</u>	<u>98,457,332</u>	<u>111,061,327</u>	<u>106,909,124</u>	<u>107,519,244</u>	<u>124,457,416</u>
<u>\$ 212,985,277</u>	<u>\$ 215,194,096</u>	<u>\$ 230,995,759</u>	<u>\$ 226,564,901</u>	<u>\$ 229,838,831</u>	<u>\$ 257,237,240</u>

City of San Marcos

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

	Fiscal Year			
	2016	2017	2018	2019
Revenues:				
Taxes and special assessments (3)	\$ 43,388,689	\$ 28,386,492	\$ 30,734,448	\$ 37,396,482
Licenses and permits	5,190,125	5,184,798	5,567,081	4,829,046
Intergovernmental (3)	8,388,620	22,446,951	24,240,158	22,558,222
Charges for services	15,644,089	15,756,224	16,391,482	16,112,574
Developer fees	5,680,240	6,770,876	10,269,151	5,217,642
Fines and forfeitures	492,091	632,114	592,516	498,336
Investment and rental income	9,887,780	9,814,976	8,625,937	11,496,722
Miscellaneous	3,003,475	1,656,344	2,170,216	1,873,724
Total Revenues	<u>91,675,109</u>	<u>90,648,775</u>	<u>98,590,989</u>	<u>99,982,748</u>
Expenditures:				
Current:				
General government (2)	15,769,553	20,232,292	17,619,187	21,862,137
Community development (2)	9,218,570	9,224,684	6,419,708	4,795,779
Public safety	33,512,449	36,449,543	37,334,894	37,782,655
Highways, streets, and parks (1) (2)	16,739,415	19,258,048	18,924,332	18,575,680
Culture and recreation (1)	3,611,161	3,814,190	3,930,935	3,759,978
Capital outlay	11,115,705	10,255,091	6,235,184	19,258,698
Debt service:				
Principal retirement	677,198	970,360	1,474,503	860,105
Interest and fiscal charges	259,734	286,705	246,947	155,238
Cost of issuance	-	-	108,311	-
Total expenditures	<u>90,903,785</u>	<u>100,490,913</u>	<u>92,294,001</u>	<u>107,050,270</u>
Excess/(deficiency) of Revenues Over Expenditures	<u>771,324</u>	<u>(9,842,138)</u>	<u>6,296,988</u>	<u>(7,067,522)</u>
Other financing sources (uses):				
Issuance of debt	1,036,580	-	-	-
Subscription acquisition	-	-	-	-
Proceeds from sale of capital assets	-	-	-	4,521,104
Capital leases	432,248	2,018,392	-	-
Transfers in	6,441,564	5,470,561	9,820,141	11,859,523
Transfers out	(1,941,564)	(2,153,423)	(4,820,141)	(7,509,523)
Total other financing sources (uses)	<u>5,968,828</u>	<u>5,335,530</u>	<u>5,000,000</u>	<u>8,871,104</u>
Net Change in Fund Balances	<u>\$ 6,740,152</u>	<u>\$ (4,506,608)</u>	<u>\$ 11,296,988</u>	<u>\$ 1,803,582</u>
Debt service as a percentage of noncapital expenditures	1.05%	1.20%	2.28%	1.01%

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						
2020	2021	2022	2023	2024	2025	
\$ 35,074,453	\$ 35,336,432	\$ 38,014,722	\$ 40,963,794	\$ 44,408,575	\$ 47,427,503	
4,982,848	5,758,317	6,229,489	6,577,183	7,196,130	8,077,371	
30,208,872	50,774,854	50,768,628	54,411,026	44,105,690	50,196,298	
15,608,463	17,466,496	20,530,129	19,271,585	21,237,059	23,722,245	
7,775,654	7,826,185	12,959,166	13,654,904	2,606,491	13,353,424	
389,034	257,569	68,465	1,241,181	1,230,052	536,408	
19,363,307	8,782,267	15,259,941	12,021,546	18,433,726	18,622,826	
1,556,989	1,163,325	1,617,335	3,286,479	2,565,543	9,979,388	
<u>114,959,620</u>	<u>127,365,445</u>	<u>145,447,875</u>	<u>151,427,698</u>	<u>141,783,266</u>	<u>171,915,463</u>	
 24,474,209	22,215,742	31,048,583	33,833,175	29,797,201	33,071,884	
9,921,546	13,323,540	12,240,828	12,840,820	12,680,319	15,065,633	
39,103,687	42,204,560	42,816,495	43,091,788	44,563,590	47,154,017	
18,682,862	18,038,640	17,536,047	25,010,953	20,937,875	20,297,512	
3,416,437	3,248,975	4,084,656	4,472,130	5,019,593	4,790,118	
16,762,011	31,070,090	24,629,033	45,066,432	27,390,505	28,247,055	
 907,466	1,111,330	1,042,598	999,388	873,121	1,501,427	
219,983	225,850	144,339	134,128	120,785	172,918	
<u>113,488,201</u>	<u>131,438,727</u>	<u>133,542,579</u>	<u>165,448,814</u>	<u>141,382,989</u>	<u>150,300,564</u>	
 1,471,419	(4,073,282)	11,905,296	(14,021,116)	400,277	21,614,899	
 - - 1,138,302	2,427,572	396,367	257,840	-	3,274,381	
1,509,757	585,414	-	8,332,418	373,653	9,129	
14,722,108	17,515,183	11,302,783	20,819,402	24,148,802	22,950,236	
(11,222,108)	(14,115,183)	(7,802,783)	(19,819,402)	(21,648,802)	(20,450,236)	
<u>6,148,059</u>	<u>6,412,986</u>	<u>3,896,367</u>	<u>9,590,258</u>	<u>2,873,653</u>	<u>5,783,510</u>	
 <u>\$ 7,619,478</u>	<u>\$ 2,339,704</u>	<u>\$ 15,801,663</u>	<u>\$ (4,430,858)</u>	<u>\$ 3,273,930</u>	<u>\$ 27,398,409</u>	
1.11%	1.18%	1.12%	0.80%	0.87%	1.36%	

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)
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
2024	17,491,188,954	345,103,829	(1,013,865,302)	16,822,427,481	0.0883
2025	18,609,150,603	557,102,696	(1,210,436,365)	17,955,816,934	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	City of San Marcos	Overlapping Rates						Total Tax Rate (2)
		San Marcos Unified School District	San Marcos Fire Protection District	San Diego County	Others	Voter Approved Debt		
2016	0.0883	0.3805	0.0632	0.2481	0.2200	0.1180	1.1180	
2017	0.0883	0.3805	0.0632	0.2481	0.2200	0.1175	1.1175	
2018	0.0883	0.3805	0.0632	0.2481	0.2200	0.0910	1.0911	
2019	0.0883	0.3805	0.0632	0.2481	0.2200	0.0908	1.0908	
2020	0.0883	0.3805	0.0632	0.2481	0.2200	0.0970	1.0970	
2021	0.0883	0.3805	0.0632	0.2481	0.2200	0.0804	1.0804	
2022	0.0883	0.3805	0.0632	0.2481	0.2200	0.0777	1.0777	
2023	0.0883	0.3805	0.0632	0.2481	0.2200	0.0752	1.0753	
2024	0.0883	0.3805	0.0632	0.2481	0.2200	0.0723	1.0724	
2025	0.0883	0.3805	0.0632	0.2481	0.2200	0.0719	1.0719	

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
2016	\$ 6,875,051	\$ 6,704,823	97.52	\$ 71,299	\$ 6,776,122	98.56
2017	7,280,193	7,082,528	97.28	85,022	7,167,550	98.45
2018	7,584,842	7,402,491	97.60	83,773	7,486,264	98.70
2019	8,110,254	7,879,445	97.15	90,958	7,970,403	98.28
2020	8,257,634	7,990,099	96.76	125,751	8,115,850	98.28
2021	8,671,538	8,522,190	98.28	111,723	8,633,913	99.57
2022	9,291,999	8,889,705	95.67	113,330	9,003,035	96.89
2023	9,925,652	9,530,480	96.02	152,338	9,682,818	97.55
2024	10,278,653	9,918,155	96.49	132,086	9,918,155	96.49
2025	10,970,848	10,601,907	96.64	N/A	10,601,907	96.64

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

Governmental Activities (1)										
Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Lease Liabilities	SBITA Liabilities	Loans Payable (3)	Total Primary Government	Percentage of Personal Income	Per Capita	
2016	\$ -	\$ 4,390,999	\$ 274,934	\$ 633,034	\$ -	\$ 1,432,155	\$ 6,731,122	12.78%	73	
2017	-	4,118,332	141,146	2,250,022	-	1,271,983	7,781,483	14.14%	83	
2018 (2)	-	-	-	1,731,711	-	4,643,642	6,375,353	10.89%	66	
2019	-	-	-	1,334,885	-	4,158,664	5,493,549	8.95%	57	
2020	-	-	-	2,413,785	-	3,682,055	6,095,840	9.46%	63	
2021	-	-	-	2,376,171	-	3,193,753	5,569,924	7.96%	58	
2022	-	-	-	1,759,679	-	2,767,647	4,527,326	6.51%	48	
2023	-	-	-	1,260,227	200,526	2,335,627	3,796,380	5.08%	40	
2024	-	-	-	757,123	145,458	1,897,696	2,800,277	- (4)	30	
2025	-	-	-	2,962,847	156,562	1,453,822	4,573,231	- (5)	47	

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) At the time of publication, personal income and per capita personal income data for 2024 was not made available by the federal Bureau of Economic Analysis

(5) Personal income data for 2025 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

Fiscal Year	General Obligation Bonds	Revenue Bonds (1)	Total	Percent of Assessed Value (2)	Per Capita
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	-
2024	-	-	-	0.000	-
2025	-	-	-	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			
	2016	2017	2018	2019
Total assessed valuation	\$ 11,140,456,884	\$ 11,744,932,234	\$ 12,494,456,100	\$ 13,361,593,962
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,785,114,221	2,936,233,059	3,123,614,025	3,340,398,491
Debt limit percentage	15%	15%	15%	15%
Debt limit	417,767,133	440,434,959	468,542,104	501,059,774
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	\$ 417,767,133	\$ 440,434,959	\$ 468,542,104	\$ 501,059,774
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					
2020	2021	2022	2023	2024	2025
\$ 14,194,801,290	\$ 14,890,516,324	\$ 15,433,625,698	\$ 16,603,329,763	\$ 17,836,292,783	\$ 19,166,253,299
25%	25%	25%	25%	25%	25%
3,548,700,323	3,722,629,081	3,858,406,425	4,150,832,441	4,459,073,196	4,791,563,325
15%	15%	15%	15%	15%	15%
532,305,048	558,394,362	578,760,964	622,624,866	668,860,979	718,734,499
-	-	-	-	-	-
\$ 532,305,048	\$ 558,394,362	\$ 578,760,964	\$ 622,624,866	\$ 668,860,979	718,734,499
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of San Marcos

Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Revenue Bonds (1)					Coverage
	Revenue	Principal	Interest	Debt Service (2)		
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
2024	-	-	-			1.00
2025	-	-	-			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, 2025

2024-25 Assessed Valuation: (1)	\$18,049,376.134	Estimated		
		Percentage Applicable (2)	Outstanding Debt June 30, 2025 (3)	Share of Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:				
Metropolitan Water District	0.432%	\$17,155,000	\$ 74,110	
Palomar Community College District	10.585%	611,941,649	\$ 64,774,024	
San Marcos Unified School District	62.855%	426,751,637	\$ 268,234,741	
San Marcos Unified School District Community Facilities District No. 4	64.617%	10,020,000	\$ 6,474,623	
San Marcos Unified School District Community Facilities District No. 7	100.000%	6,605,000	\$ 6,605,000	
San Marcos Unified School District Community Facilities District No. 8	100.000%	3,010,000	\$ 3,010,000	
San Marcos Unified School District Community Facilities District No. 12	100.000%	5,310,000	\$ 5,310,000	
San Marcos Unified School District Community Facilities District No. 15, I.A. A	100.000%	3,465,000	\$ 3,465,000	
San Marcos Unified School District Community Facilities District No. 16	100.000%	2,230,000	\$ 2,230,000	
Other School Districts	Various	1,002,421,671	\$ 343,775	
Palomar Pomerado Hospital	11.884%	381,893,263	\$ 45,384,195	
City of San Marcos	100.000%	-	\$ -	-
City of San Marcos Community Facilities District No. 88-1	100.000%	3,706,797	\$ 3,706,797	
City of San Marcos Community Facilities District No. 99-01	100.000%	37,715,002	\$ 37,715,002	
City of San Marcos Community Facilities District No. 2002-1	100.000%	7,985,000	\$ 7,985,000	
California Statewide Communities Development Authority				
Assessment District No. 22-01	100.000%	3,245,000	\$ 3,245,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 458,557,267.00	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:				
San Diego County General Fund Obligations	2.435%	\$351,065,000	8,548,433	
San Diego County Pension Obligation Bonds	2.435%	140,370,000	3,418,010	
San Diego County Superintendent of Schools Obligations	2.435%	5,125,000	124,794	
Palomar Community College District General Fund Obligations	10.585%	1,030,000	109,026	
San Marcos Unified School District General Fund Obligations	62.855%	85,066,741	53,468,700	
Other School District Certificates of Participation	Various	129,791,150	91,593	
City of San Marcos General Fund Obligations	100.000%	4,573,231 (4)	4,573,231	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			70,333,787	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	\$ 196,270,000	196,270,000	
TOTAL DIRECT DEBT			4,573,231	
TOTAL OVERLAPPING DEBT			720,587,823	
COMBINED TOTAL DEBT (3) (4)			725,161,054	
Direct Debt			0.00%	
Total Direct and Overlapping Tax and Assessment Debt			2.54%	
Combined Direct Debt (\$2,787,975)			0.03%	
Combined Total Debt			4.02%	
Ratios to Redevelopment Incremental Valuation (\$12,305,939,964):				
Total Overlapping Tax Increment Debt			1.59%	

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 lease obligations.
- (4) Includes non-bonded 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
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	7,479,402,660	79,122	3.30
2024	33.07	94,188	-0.36	- (3)	- (3)	4.50
2025	33.07	97,123	3.12	- (4)	- (4)	4.90

Notes:

- (1) Data presented is for San Diego/Chula Vista/Carlsbad economic area. FY2023 data was updated.
- (2) Fiscal Year 2017 Population was revised by the State Department of Finance.
- (3) At the time of publication, personal income and per capita personal income data for 2024 was not made available by the federal Bureau of Economic Analysis.
- (4) Personal income and per capita personal income data for 2025 is unavailable.

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

City of San Marcos

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

Employer	2025			2016		
	Number of Employees	Rank	Percent of Total Employment (2)	Number of Employees	Rank	Percent of Total Employment (1)
San Marcos Unified School District	3,570	1	7.72%	2240	1	5.59%
California State University San Marcos	2,826	2	6.11%	1515	3	3.78%
Palomar Community College	2,307	3	4.99%	1627	2	4.06%
Hunter Industries, Inc.	776	4	1.68%	742	4	1.85%
United Parcel Service, Inc.	551	5	1.19%	501	6	1.25%
Costco Wholesale (3)	504	6	1.09%	350	10	0.87%
Southern California Permanente Medical Group	477	7	1.03%	403	8	1.00%
University of St Augustine for Health	339	8	0.73%			
Hughes Circuits Inc.	263	9	0.57%			
Hollandia Dairy, Inc.	250	10	0.54%			
Lusardi Construction Co.	250	11	0.54%			
TrueCare (2)	250	12	0.54%	700	5	1.75%
Fluid Components International	224	13	0.48%			
Wal-Mart Stores, Inc.	211	14	0.46%	350	9	0.87%
Veterinary Specialty Hospital	190	15	0.41%			
Home Depot	184	16	0.40%			
Sunset Distributing, LLC (4)	175	17	0.38%			
K-Tech Machine, Inc	165	18				
Southern Contracting	150	19				
Tri-State General Contractors, Inc.	150	20				
City of San Marcos	(5)			452	7	1.13%
Total	<u>13,812</u>		<u>28.85%</u>	<u>8,880</u>		<u>22.15%</u>

Notes:

(1) Total Employment as used above represents the total employment of all employers located within the City limits.

(2) Formerly the "North County Health Services"

(3) Represents 2 Costco's; Wholesale - Nordahl (370) and Business Center - Grand Ave (118)

(4) Formerly the "Stone Distributing Co., LLC"

(5) After FY 2019-2020, the principal employer list only includes non-City employers.

Sources: City of San Marcos, Business License Directory
City of San Marcos, Economic 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 (2)</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General government	56	52	43	67	40	48	60	56	59	58
Community development	26	29	33	40	25	34	41	38	42	34
Public safety (1)	105	108	104	129	108	121	114	119	119	134
Highways, streets and parks	84	88	92	97	82	65	71	65	63	73
Culture and recreation	181	177	158	200	73	121	121	135	178	177
Total	<u>452</u>	<u>454</u>	<u>430</u>	<u>533</u>	<u>328</u>	<u>389</u>	<u>407</u>	<u>413</u>	<u>461</u>	<u>476</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.

(3) FY 2025, the Building division was moved from Development Services (Community Development) to Fire (Public Safety).

Source: City of San Marcos, Finance Department

City of San Marcos

Operating Indicators by Function (1) Last Ten Years

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government:				
Number of business licenses issued	5,762	5,916	5,898	6,086
Number of requests for public information	355	346	353	379
Number of new hires including part-time	182	150	144	165
Number of invoices processed	12,813	12,287	12,123	12,123
Public Safety:				
Police:				
Contracts with the San Diego County Sheriff's Department for full service law enforcement				
Fire:				
Number of emergency calls	10,719	11,258	11,458	11,275
Number of fire inspections	2,419	2,431	3,168	2,748
Highways and Streets:				
Number of street lights added in current year	5	30	15	6
Number of traffic signals added in current year	3	1	-	4
Miles of streets swept	12,090	12,090	12,157	12,157
Miles of centerline streets added	-	-	-	-
Storm drain structures cleaned and repaired (2)	602	719	1,109	282
Culture and Recreation (3):				
Number of facility rentals	862	925	931	1,052
Number of swim program participants	40,711	38,105	33,955	21,338
Number of adult sports participants	50,814	55,809	59,361	64,025
Number of youth sports participants	26,415	27,013	32,092	33,603
Number of senior nutrition program meals served	10,813	10,997	12,024	11,450
Community Development:				
Number of building permits issued	2,390	2,198	2,326	2,337
Approximate number of building inspections conducted	12,150	10,641	16,829	11,999
Number of new business licenses issued	1,519	1,407	1,346	1,385

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					
2020	2021	2022	2023	2024	2025
5,808	5,450	5,660	5,706	5,639	5,840
492	693	714	686	797	781
83	117	163	185	136	127
12,290	10,624	10,423	12,179	11,617	11,688
10,838	11,603	12,464	12,062	12,094	12,425
1,745	1,482	6,957	2,414	2,333	3,077
6	-	8	19	-	2
3	-	-	5	-	6
12,354	12,354	12,219	12,220	12,219	12,219
-	-	-	-	1	-
487	448	750	478	638	467
641	107	393	429	479	530
11,634	3,705	1,581	1,230	1,295	1,921
59,056	1,470	6,886	7,103	7,988	7,906
21,256	4,112	6,333	8,303	8,452	8,526
11,642	12,846	9,112	12,174	13,643	13,760
2,200	2,409	2,763	4,266	2,020	1,743
9,127	10,669	14,726	19,544	13,638	11,240
1,166	1,138	1,264	1,216	974	1,179

City of San Marcos

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public Safety:				
Police (1)				
Fire				
Number of fire stations	4	4	4	4
Number of emergency vehicles	44	47	47	50
Highways and Streets:				
Miles of streets (2)	197	197	198	204
Number of street lights	2,713	2,743	2,758	2,760
Culture and Recreation:				
Parks (3)	35	36	36	36
Acres of park and trail land (3)	384	333	333	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					
2020	2021	2022	2023	2024	2025
4	4	4	4	4	4
50	50	50	56	56	56
204	204	204	204	205	205
2,789	2,789	2,797	2,816	2,816	2,816
37	39	39	41	44	44
287	256	256	294	298	308
2	2	2	2	2	2

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