

CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED
SEPTEMBER 30, 2015

Issued by the
City of San Marcos Finance Department

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C O N T E N T S

	<u>PAGE NUMBER</u>
<u>INTRODUCTORY SECTION</u>	
Principal Public Officials	i
GFOA Certificate of Achievement	iii
Letter of Transmittal	v
Organization Chart	xiii
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to Basic Financial Statements	21
Required Supplementary Information	
Required Supplementary Information – Schedule of Funding Progress for Retiree Health Plans for the Employees of the City of San Marcos, Texas	50

C O N T E N T S

	<u>PAGE NUMBER</u>
<u>FINANCIAL SECTION (CONTINUED)</u>	
Required Supplementary Information – Texas Municipal Retirement System – Schedule of Changes in Net Pension Liability and Related Ratios	51
Required Supplementary Information – Texas Municipal Retirement System – Schedule of Contributions	52
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	57
Nonmajor Governmental Funds	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Block Grant	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Public Education	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Public Safety Grants	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – WIC Project	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel Occupancy	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Court Technology	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Seized Assets	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Court Security Fee	83

C O N T E N T S

	<u>TABLE</u>	<u>PAGE NUMBER</u>
<u>FINANCIAL SECTION (CONTINUED)</u>		
Nonmajor Governmental Funds (Continued)		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Juvenile Case Manager Fee		84
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ #2		85
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ #3		86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ #5		87
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ Loop 110		88
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ Lone Star Rain		89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Judicial Efficiency		90
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Miscellaneous Grants		91
Nonmajor Enterprise Funds		
Combining Statement of Net Position		94
Combining Statement of Revenues, Expenses and Changes in Fund Net Position		95
Combining Statement of Cash Flows		96
<u>STATISTICAL SECTION (UNAUDITED)</u>		
Net Position, by Component	1	99
Changes in Net Position	2	100
Fund Balances, Governmental Funds	3	102
Changes in Fund Balance, Governmental Funds	4	103
Assessed Value and Estimated Actual Value of Taxable Property	5	105
Electric Utility Rate Comparison	6	106
Total Average kWh Per Year Comparison	7	107

C O N T E N T S

	<u>TABLE</u>	<u>PAGE NUMBER</u>
<u>STATISTICAL SECTION (UNAUDITED) (CONTINUED)</u>		
Total kWh Per Year Comparison	8	108
Ten Largest Electric Customers	9	109
Direct and Overlapping Property Tax Rates	10	110
Principal Property Taxpayers	11	111
Property Tax Levies and Collections	12	112
Top Ten Water Customers	13	113
Water/Wastewater Customer Counts	14	114
Water and Sewer Rates	15	115
Ratios of Outstanding Debt by Type	16	117
Ratios of Net General Bonded Debt Outstanding	17	119
Direct and Overlapping Governmental Activities Debt	18	120
Legal Debt Margin Information	19	122
Pledged Revenue Coverage	20	124
Demographic and Economic Statistics	21	125
Principal Employers	22	126
Full-Time Equivalent City Government Employees	23	127
Operating Indicators by Function/Program	24	128
Capital Asset Statistics by Function/Program	25	129

INTRODUCTORY SECTION

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CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

CITY COUNCIL

Daniel Guerrero – Mayor

Lisa Prewitt – Place 1

Jude Prather – Place 2

John Thomaidis – Place 3

Jane Hughson – Place 4

Ryan Thomason – Place 5

Shane Scott – Place 6

ADMINISTRATION

Jared Miller – City Manager
Collette Jamison – Assistant City Manager
Steve Parker – Assistant City Manager/CFO

Heather Hurlbert – Director of Finance
Ismael Garcia – Accounting Manager

Presented by
The Finance Department

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Marcos
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

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Transmittal Letter

For the Fiscal Year
Ended
September 30,
2015

City of San Marcos
San Marcos,
Texas

March 15, 2016

To the Honorable Mayor, Members of the City Council,
And Citizens of the City of San Marcos, Texas:

The Finance Department and City Manager's office are pleased to submit the Comprehensive Annual Financial Report (the CAFR) of the City of San Marcos, Texas (the City) for the fiscal year ended September 30, 2015. This report is submitted in accordance with Section 3.16 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited by independent auditors in accordance with generally accepted auditing standards. ABIP, P.C., have issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

The CAFR includes all funds of the City. The City provides a full range of services, which include police and fire protection; construction and maintenance of streets and other infrastructure; recreational activities and cultural events. In addition to general government activities, the City also provides electric, water, wastewater, storm water drainage, resource recovery, WIC, transit, and airport services which are included in the reporting entity.

Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. The disclosures included in this report are intended to provide the reader a good understanding of the City's financial activities.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report.

CITY OF SAN MARCOS PROFILE

San Marcos is located on the IH-35 corridor 15 miles south of Austin and 30 miles north of San Antonio. The greater San Marcos region is situated between two of the fastest growing MSAs (Metropolitan Statistical Area) in the United States. The City has a 2010 census population of 44,894 but currently estimated at over 58,000 with a daytime service population of 80,000. The City covers a total of 32.21 square miles within its city limits.

The City operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected “at large” on a non-partisan ballot. All members of the City Council, except the Mayor, are elected to staggered three-year terms. The Mayor is elected for a two-year term. The City Council appoints the City Manager, City Clerk, City Attorney, and Municipal Court Judge. The City Council also appoints members to certain boards, committees and commissions, as it deems necessary for the operation of the City.

The City Manager is the chief executive officer for the City and has full responsibility for carrying out Council policies and administering City operations, including hiring department Directors and all other City employees. City service departments provide a full range of services including police and fire protection, health and social services, sanitation services, construction and maintenance of highways, streets and infrastructure, planning and zoning, recreational activities and cultural events, and general administrative services.

The City is the home of Texas State University which has over 38,000 enrolled students and is the 4th largest university in the state of Texas and 31st in the United States in comparison to public university size. Academically, it is composed of 10 colleges and about 50 schools and departments across multiple disciplines, including nationally recognized programs in Geography, Criminal Justice and Music and offering 97 bachelor’s, 88 master’s and 12 doctoral degrees. In 2011, Texas State was granted the designation of Emerging Research University with over 400 doctoral students and \$33.5 million in research spending. The university became the first in the country to offer a PhD in Materials Science, Engineering, and Commercialization and the City is home to the new Science, Technology and Advanced Research (STAR) Park which opened in 2012. This partnership between Texas State University and the City is made possible through a \$1.85 million award from the U.S. Economic Development Administration. This grant funded the construction of a state-of-the-art research and commercialization center that will serve as a technology accelerator for start-up and early-stage businesses with green and bio-technology focus. The second phase of this project is currently under construction due to the enormous success of the first phase.

The San Marcos River originates at San Marcos Springs, where approximately 200 springs emerge from the Edwards Aquifer, to fill Spring Lake. Archaeological research indicates that the area surrounding the springs has been inhabited for some 12,000 years. The springs provide an environment for eight federally listed endangered or threatened species. The river is a constant 72 degrees F and is used year round for recreational activities.

Economic Outlook and Financial Condition

San Marcos has been ranked as the fastest growing city in the U.S. with a population over 50,000 for three years in a row as the Greater San Marcos Region continues to be one of the fastest growing areas in the country. The Texas unemployment rate has been at or below the national rate for 9 consecutive years.

Founded on the banks of the San Marcos River, San Marcos is thought to be among the oldest continually inhabited locations in North America with more parkland per capita than any other city in Central Texas. Other accolades the city has received include:

- Top 4 “Charming” College Town by Better Homes and Gardens Magazine;
- 9th Most Exciting Small City in America by movoto.com;
- One of ten Most Beautiful Cities in the Country by Travel + Leisure Magazine;
- One of the top ten cities in America for raising kids by BusinessWeek; and
- One of the top Cities in America to retire by Forbes.

Tourism, retail and construction activities have continued to show sign of growth and prosperity. The City continues to benefit from other favorable conditions associated with San Marcos, including a stable, diversified economic base and a desirable location for work, destination, and living.

Property Values

The continued low mortgage interest rates and new residential developments within San Marcos continue to bring in residential growth and commercial development. This continuing growth contributed to the increase of taxable value on new improvements of \$98 million, on existing properties of \$175 million for a total valuation of \$ 3.67 billion for the 2015 tax year. The City expects this trend to continue as a result of the City's commitment to targeted economic development efforts that focus on industry segments that complement the existing business mix. In late 2015, the on-line retail giant, Amazon, announced the construction of a \$191 million facility in San Marcos which will bring 1000 new jobs to the region. Construction is expected to be complete in the summer of 2016.

Retail Sales

The City's largest General Fund revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. The City of San Marcos recognized a 8.3% increase in sales tax collections estimated at over \$26 million in FY 2015.

The City has seen a steady growth in sales tax revenues in recent years. The City is perhaps best known for its Outlet Malls – Premium and Tanger – which have made San Marcos a popular tourist destination in Texas. The Outlet Malls provide access to hundreds of stores in the 1.2 million square feet complex and attracts shoppers from all over the United States and internationally. The sales from the outlet mall make up 38% of the total sales tax revenue received by the City.

Employment

San Marcos enjoyed a relatively low unemployment rate in 2015 of 3%. This rate was lower than the state rate of 4.2% and the national rate of 5%. As a result of this low rate, San Marcos residents have greater job opportunities locally. Along with Amazon mentioned above, San Marcos recently landed the largest pipe manufacturer in the world and is expected to add over 350 new employees to the San Marcos workforce.

Tourism

Tourism is one of San Marcos' largest industries and contributes significantly to the City's economy. The City offers numerous tourist attractions, including the beautiful San Marcos River and the San Marcos Outlets which is one of Texas' most visited destinations. San Marcos is known as a great destination for outdoor enthusiasts who like to kayak, tube, standup paddle, surf the falls, bird watch or hike and bike in town trails. The City of San Marcos Conference Center hosts more than 112,000 guests per year. The City's soccer, softball, baseball and tennis facilities host 100,000 youth and adult participants, coaches, family and fans. In addition to traditional sport fans, our well-kept natural area trails and rolling hills draw runners to the variety of races from 5K to half marathons. Hotels and bed and breakfasts in the area provide more than 2,100 guest rooms with an average annual occupancy of 63%. More than 1,200 retail shops and boutiques are located throughout the City and a selection of over 175 restaurants is available. These services and facilities, complemented by the mild winter, have made San Marcos a popular vacation spot for more than 14 million tourists.

Hotel/motel occupancy tax receipts increased 14.78% in FY2015 over the previous year – reflecting consistent growth trend. The current forecast is that tourism will continue to experience positive gains, reflected by continued increases in occupancy, available rooms and room rates. The City expects to add 400 hotel rooms over the next two years with the construction of four planned hotels.

CITY INITIATIVES

In June 2015, the San Marcos City Council held a Visioning Workshop to explore important visioning goals. The following strategic initiatives were developed that became City Management's guiding principles and direction to the City staff to make the City fully sustainable long into the future:

- ✓ Assess, present a plan for, and begin the update of City facilities
- ✓ Beautify and Enhance the Quality of Place for San Marcos
- ✓ Continue Downtown redevelopment
- ✓ Recruit employers that will provide job opportunities for knowledge and skilled manufacturing workers
- ✓ Maintain and improve the City's infrastructure
- ✓ Continue to build on positive working relationships between Council and staff to enhance communication, decision making and execution
- ✓ Sound Finances

Responsible Finances

Responsible Finances has been a top priority and the main focus for the past several fiscal years. During this time the City has put policies in place to ensure the City continues being financially responsible and sound.

- Creation of Self-Financed Capital Funds through various funding sources to provide a cash funding source for improvements to streets, parks, city facilities, and technology infrastructure.
- Reduction in the General Fund's reliance on the Enterprise Funds' franchise fee revenue by lowering the fee from 9% of gross revenues to 7% over a period of four years. This reduction also lessens pressure on the utility rates.
- Transition of Engineering/Capital Improvements Departmental operating expenses from bond proceeds to General Fund appropriations over a six-year period. This department has also moved to using City engineers instead of consultants to manage projects.
- Creation of rate stabilization funds in both the Water/Wastewater and Electric Utility Funds. These funds will help the City alleviate future rate increases that are needed due to fluctuations in seasonal weather patterns.
- Adopted an increase in fees of 1.5% which is the average Consumer Price Index (CPI) for calendar year 2014. Staff has recommended to the City Council that fees be adjusted annually for positive increases in the CPI to ensure fees for services are keeping pace with the cost of providing these services.

Water/Wastewater Rates

A Water / Wastewater rate study has been conducted every year for the last several years including 2015. For the 2016 budget, the Citizens Utility Advisory Board (CUAB) recommends a 5% rate adjustment in water and 1% rate adjustment in wastewater. The CUAB spent several months looking at the updated rate study modeling, The impacts of the newly implemented rate structure and the long range plans on the water/wastewater utility including the effect of the Hays County Public Utility Agency (HCPUA).

The City is continuing to explore future water supplies through the Hays County Public Utility Agency (HCPUA). This is a joint venture between San Marcos, Kyle, Buda, and some regional water corporations to firm up future water supplies through the year 2060. The HCPUA reached a major milestone in developing a sustainable long-term water supply, A small project related to Phase I is scheduled for 2016 to construct a pipeline between San Marcos, Kyle and Buda. The City of San Marcos' share of the total construction cost related to Phase 1 of the project is approximately \$70 Million and is anticipated for the year 2019. The City is still exploring water supply alternatives in hopes that this future expense can be reduced as much as possible.

Long Range Planning

The City's Comprehensive Master Plan was completed in 2013. The purpose of that plan was to guide the growth and development in appropriate areas of the city and identify land for preservation. The plan is divided into six focus areas which are linked to the Vision Statements for Economic Development; Environment and Resource Protection; Land Use; Neighborhoods and Housing; Parks, Public Spaces and Facilities and Transportation. A Citizens Advisory Subcommittee has been assigned for each topic throughout the process.

Changes presented in this plan ultimately resulted in a necessary revision to the Land Development Code (LDC) in order to ensure development aligns with the intent of the plan. The Code Development Rewrite currently referred to as CODE SMTX has been underway for the past year and is anticipated for completion in the summer of 2016. The City's Planning and Development Services Team is working with the consultant team of Dover Kohl and a Think Tank group of community volunteers to update the code. A preferred scenario map was created during the design rodeo that illustrates locations where residents of San Marcos wish to see growth and development. The Land Use Intensity Matrix outlines general uses for the various development areas and will be utilized as a guide in updating the LDC.

Congruent to the CODE SMTX project, city staff is currently updating the Transportation Master Plan along with the Drainage Master Plan. These four items will be key elements toward the creation of the City's 10 year Capital Improvements Plan.

FINANCIAL INFORMATION

Financial policies approved by the City Council guide the City's financial management in planning for the future. Sufficient resources and adequate reserve levels will protect the City in the event of revenue shortfalls or increased expenditure needs. Fiscal integrity is the cornerstone upon which the City plans, monitors, and reports its financial activities. Particular emphasis is placed on maintaining the financial stability of the City. Each fiscal year, the budget is developed with this objective. Goals for financial stability enable the City to manage revenue shortfalls and cash flows to ensure continued operations, and to provide for unforeseen contingencies without impairing the level of quality service needed to respond to the community.

Internal Controls

The Finance Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by GASB and the American Institute of Certified Public Accountants (AICPA). The internal controls structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Financial Rating

The City of San Marcos had its underlying credit rating confirmed from Standard & Poor's in May 2015. The City's bond rating for Moody's Investor Service and Standard & Poor's is as follows:

	<u>Moody's Investor Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds and Certificates of Obligation	A1	AA
Revenue Bonds	A1	AA

Financial Reporting

The City utilizes a computerized financial accounting system to capture all financial transactions and provide data for the preparation of this CAFR, including the audited financial statements. These statements present information on the financial position of the City and whether resources were adequate to cover the costs of providing services during the reporting period. The City's award-winning CAFR is distributed to the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as others throughout the general public.

Budgeting Process

The annual budget serves as the foundation for the City's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following October 1st. The budget includes proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Expenditure appropriations may be amended during the year. Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; (2) transfers from fund balance accounts to departments or capital improvement program accounts; and (3) transfers from capital improvement program accounts to departments. Management control of budgets is further maintained through the use of an encumbrance accounting system. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

Single Audit

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2015, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit of the books, accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the independent auditor's report by ABIP, PC, Certified Public Accountants, has been included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. That report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. This report will once again be submitted to the GFOA for this annual award.

We are also proud to report that the GFOA has presented the Distinguished Budget Presentation Award to the City of San Marcos for each of the past 31 years.

The City was awarded the Texas Comptroller Leadership Circle Award. This program was launched in December 2009 to recognize local governments across Texas that are striving to meet a high standard for financial transparency online. This award spotlights local governments that are opening their books to the public, providing clear, consistent pictures of spending, and sharing information in a user friendly format that lets taxpayers easily drill down for more information. The City earned the designation of Gold.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the City Council and the citizens of the City of San Marcos for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

In conclusion, we would like to thank the City's auditing firm, ABIP, P.C., for their ongoing efforts, not only in the performance of the City's annual audit, but for their close working relationship in advising the City when questions arise throughout the year. They have been an excellent source of information for preparation of the report.

Respectfully submitted,

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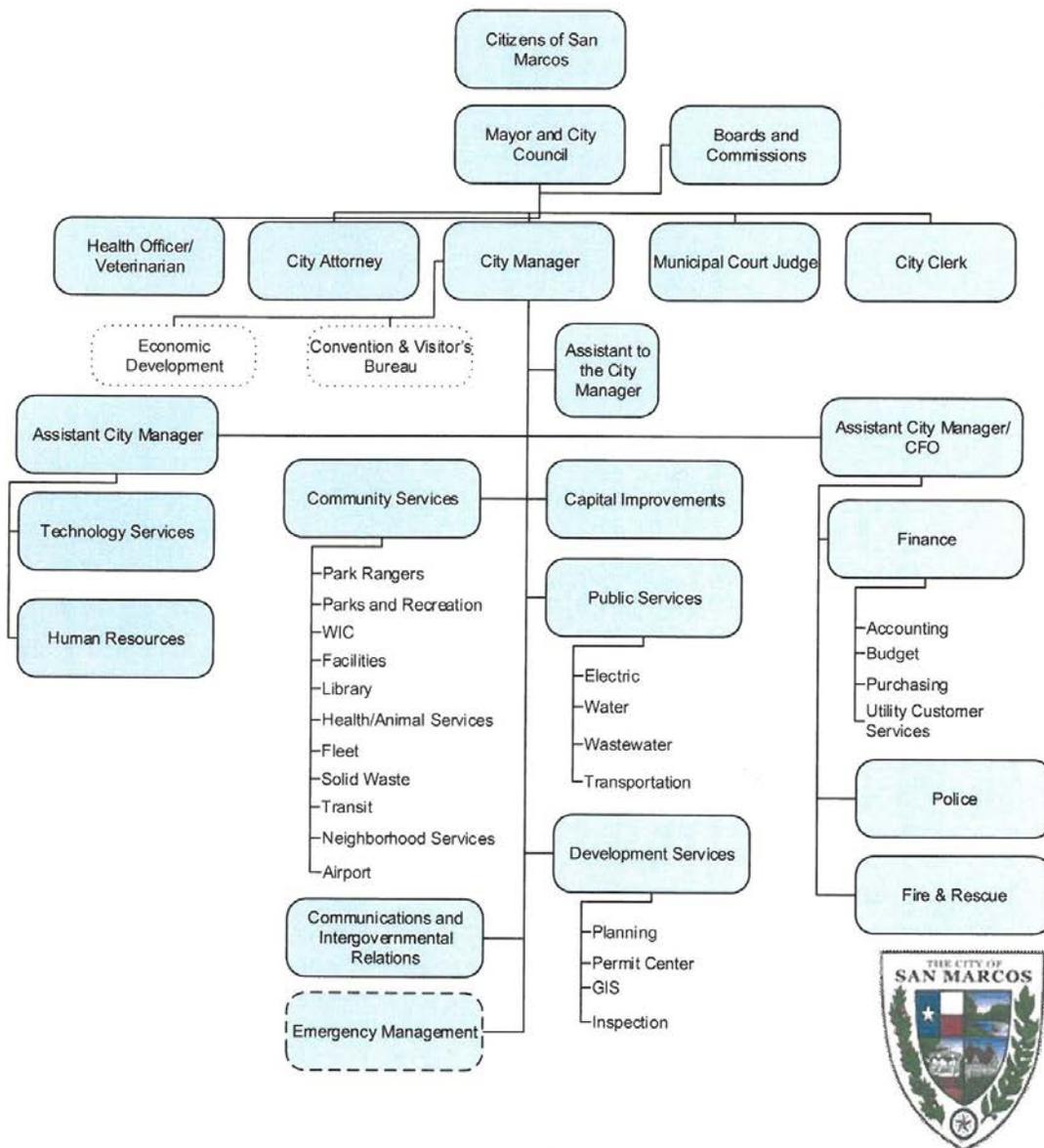
Jared Miller
City Manager

//signature on file//

Steve Parker
Asst. City Manager/CFO

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City of San Marcos 2014-15 ANNUAL BUDGET ORGANIZATION CHART



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FINANCIAL SECTION

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Independent Auditor's Report

To Honorable Mayor and
Members of the City Council
San Marcos, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of San Marcos, Texas (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance; Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 3J, schedule of funding progress, schedule of changes in net pension liability and related ratios, and schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the City of San Marcos, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas
March 15, 2016

CITY OF SAN MARCOS, TEXAS
Management's Discussion and Analysis (MD & A)

As management of the City of San Marcos, we offer readers of the City of San Marcos' financial statements this narrative overview and analysis of the financial activities for the City of San Marcos for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report.

Financial Highlights

- The assets of the City of San Marcos exceeded its liabilities at the close of the fiscal year ending September 30, 2015, by \$249.8 million (net position). Of this amount, \$64.1 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2015, the City of San Marcos' governmental funds reported combined ending fund balances of \$51.6 million, an increase of \$1.1 million in comparison with the prior fiscal year. Funds were used in the capital projects fund for the 2015 flood disaster repairs; also use of capital project funds in ongoing project construction.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17.3 million, or 34.5% of total general fund expenditures.
- The City's total debt increased by \$2.3 million during the current fiscal year. The City issued \$46.9 million in general obligation refunding bonds and \$18.1 in combination tax and revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of San Marcos' basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The comprehensive annual financial report (CAFR) also contains other supplementary information in addition to 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, using accounting methods similar to a private-sector business.

The *statement of net position* presents information on all of the City of San Marcos' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of San Marcos is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

The *statement of net position* and the *statement of activities* are prepared utilizing the accrual basis of accounting.

In the *statement of net position* and the *statement of activities*, the City's operations are divided into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including the police, fire, libraries, planning and development, transportation, parks and recreation, and general administration. Property tax, sales tax and franchise fee revenues finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water and wastewater, airport, transit, drainage and waste collection funds are reported here.

The government-wide financial statements can be found on pages 7 - 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of San Marcos, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds are more narrow 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 government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of San Marcos maintains 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

The basic governmental fund financial statements can be found on pages 10 – 14 of this report.

Proprietary funds. The City charges customers for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

The City of San Marcos maintains six individual enterprise funds: Electric, Water and Wastewater, Airport, Transit, Drainage, and Waste Collection. The fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Wastewater, and Stormwater Drainage Funds, all of which are considered to be major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in the CAFR.

The basic proprietary funds financial statements can be found on pages 15 – 18 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 48 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents the combining statements referred to earlier in connection with nonmajor governmental and enterprise funds, comparative information for the General Fund and budgetary information to demonstrate the City's budgetary compliance. Combining and individual fund statements and schedules can be found on pages 57 – 96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$249.8 million as of September 30, 2015. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$146.7 million. This analysis focuses on the net position (Table 1) and changes in net position of the City's governmental and business-type activities (Table 2).

By far, the largest portion of the City's net position (69.16%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$64.1 million may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of San Marcos is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TABLE 1
CITY OF SAN MARCOS' NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$ 62,009,698	\$ 66,694,877	\$ 108,227,881	\$ 94,093,637	\$ 170,237,579	\$ 160,788,514
Capital Assets	<u>202,974,842</u>	<u>198,473,503</u>	<u>212,369,825</u>	<u>206,690,832</u>	<u>415,344,667</u>	<u>405,164,335</u>
Total Assets	<u>264,984,540</u>	<u>265,168,380</u>	<u>320,597,706</u>	<u>300,784,469</u>	<u>585,582,246</u>	<u>565,952,849</u>
Deferred Outflows	<u>11,839,895</u>	<u>-</u>	<u>6,598,047</u>	<u>-</u>	<u>18,437,942</u>	<u>-</u>
Liabilities						
Long-Term Liabilities	152,726,219	126,941,945	157,729,681	146,175,771	310,455,900	273,117,716
Other Liabilities	<u>20,322,573</u>	<u>18,374,822</u>	<u>22,639,948</u>	<u>19,598,103</u>	<u>42,962,521</u>	<u>37,972,925</u>
Total Liabilities	<u>173,048,792</u>	<u>145,316,767</u>	<u>180,369,629</u>	<u>165,773,874</u>	<u>353,418,421</u>	<u>311,090,641</u>
Deferred Inflows	<u>666,973</u>	<u>-</u>	<u>146,408</u>	<u>-</u>	<u>813,381</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	84,584,182	94,693,282	88,165,145	88,667,413	172,749,327	183,360,695
Restricted	12,689,714	10,636,613	221,981	-	12,911,695	10,636,613
Unrestricted	<u>5,834,774</u>	<u>14,521,718</u>	<u>58,292,590</u>	<u>46,343,182</u>	<u>64,127,364</u>	<u>60,864,900</u>
Total Net Position	<u>\$ 103,108,670</u>	<u>\$ 119,851,613</u>	<u>\$ 146,679,716</u>	<u>\$ 135,010,595</u>	<u>\$ 249,788,386</u>	<u>\$ 254,862,208</u>

Governmental activities. The City's governmental revenues increased when compared to the prior year by 4.9% or \$3,701,504. This increase is due to several factors including increases in sales tax revenue and building permit revenues.

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$27.8 million. The public safety expense increase was primarily due to the funding of the third year of the meet and agreement entered into in 2012, routine step and merit increases, and additional staff.

Business-type activities. Revenues of the City's business-type activities were \$109.8 million for the fiscal year ending September 30, 2015. Expenses for the City's business-type activities were \$92.7 million for the year, resulting in a net increase in net position of \$17.3 million. The net revenues are the result of several factors, including the following:

- The City's Water and Wastewater System recorded charges for services of \$35.2 million, which exceeded expenses of \$32.8 million. The most significant expenses of the Water and Wastewater Fund are \$8.5 million for contracted services for the operation of the surface water treatment plant, and \$3.7 million in salaries and benefits.
- The City's electric distribution system recorded charges for services of \$66.5 million, which exceeded expenses of \$53.8 million. The most significant expense of the electric fund was \$39.0 million for the purchase of power.
- The increase in net position from business-type activities was primarily due to increased revenue from water, sewer, and electric sales due to the unseasonably hot and dry spring and summer weather and capital contributions of water and sewer infrastructure as new construction activity continues in the City.

Governmental and business-type activities increased the City's net position (Table 2) by \$21.6 million.

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TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET POSITION

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues						
Charges for Services	\$ 15,737,527	\$ 13,305,723	\$ 108,210,442	\$ 93,968,005	\$ 123,947,969	\$ 107,273,728
Operating Grants and Contributions	7,515,298	8,738,278	-	-	7,515,298	8,738,278
Capital Grants and Contributions	680,726	1,054,196	1,400,371	1,117,888	2,081,097	2,172,084
General Revenues						
Property Taxes, Levied for General Purposes	17,074,411	17,493,449	-	-	17,074,411	17,493,449
Sales Taxes	25,876,303	24,020,619	-	-	25,876,303	24,020,619
Franchise Taxes	8,177,576	6,891,270	-	-	8,177,576	6,891,270
Hotel/Motel Taxes	3,373,681	2,939,387	-	-	3,373,681	2,939,387
Investment Earnings	129,205	95,989	202,049	187,380	331,254	283,369
Other	404,366	728,678	-	46,822	404,366	775,500
Total Revenues	<u>78,969,093</u>	<u>75,267,589</u>	<u>109,812,862</u>	<u>95,320,095</u>	<u>188,781,955</u>	<u>170,587,684</u>
EXPENSES						
General Government	26,503,022	26,744,625	-	-	26,503,022	26,744,625
Public Safety	27,779,641	26,179,672	-	-	27,779,641	26,179,672
Community Service	14,822,198	14,192,299	-	-	14,822,198	14,192,299
Interest and Fiscal Charges	5,359,852	5,433,836	-	-	5,359,852	5,433,836
Electric	-	-	53,751,942	48,780,157	53,751,942	48,780,157
Water and Sewer	-	-	32,839,079	28,549,309	32,839,079	28,549,309
Airport	-	-	569,932	647,653	569,932	647,653
Drainage	-	-	2,549,146	2,398,250	2,549,146	2,398,250
Transit	-	-	387,448	300,791	387,448	300,791
Waste Collection	-	-	2,616,527	2,624,743	2,616,527	2,624,743
Total Expenses	<u>74,464,713</u>	<u>72,550,432</u>	<u>92,714,074</u>	<u>83,300,903</u>	<u>167,178,787</u>	<u>155,851,335</u>
Increases (Decreases) in Net Position before Transfers	4,504,380	2,717,157	17,098,788	12,019,192	21,603,168	14,736,349
Transfers	<u>(156,698)</u>	<u>-</u>	<u>156,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Net Position	4,347,682	2,717,157	17,255,486	12,019,192	21,603,168	14,736,349
NET POSITION - BEGINNING, AS RESTATED	<u>98,760,988</u>	<u>117,134,456</u>	<u>129,424,230</u>	<u>128,256,596</u>	<u>228,185,218</u>	<u>245,391,052</u>
NET POSITION - ENDING	<u>\$ 103,108,670</u>	<u>\$ 119,851,613</u>	<u>\$ 146,679,716</u>	<u>\$ 140,275,788</u>	<u>\$ 249,788,386</u>	<u>\$ 260,127,401</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of San Marcos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of San Marcos' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of San Marcos's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$51.6 million, an increase of \$1.1 million in comparison with the prior year. Approximately 32.91% of this total amount constitutes unassigned fund balance, which is available for use within the City's fund designation and fiscal policies. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase prepaid expenses of the prior period, 2) to pay debt service, 3) for capital projects, 4) to generate income to pay for the perpetual care of the municipal cemetery, 5) to be used for general government, or 6) to be used for community services.

The general fund is the main operating fund of the City of San Marcos. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17.3 million, while total fund balance reached \$17.9 million. 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 fund expenditures. Unassigned fund balance represents 34.5% of total general fund expenditures.

In the general fund, the City budgeted for a fund balance decrease in the current year of \$2,996,693. It is one of the City's financial policies to maintain fund balance in the general fund equal to 90 days' expenditures or 25%. Use of fund balance of \$2,996,693 was budgeted, and \$1,978,273 was added to fund balance at year-end. This is primarily attributable to actual expenditures being less than originally budgeted. The debt service fund balance increased by \$1,144,561 from 2014 to 2015. The increase was primarily due to cost savings from several debt refundings. Increases in the general fund, and other governmental fund balances offset by the decrease in capital projects funds of \$2.3 million due to progress on construction contributed to the net change in fund balances of \$1,456,974.

TABLE 3
GOVERNMENTAL TAX REVENUES

	2015	2014	INCREASE (DECREASE)
Property	\$ 18,591,333	\$ 16,748,644	\$ 1,842,689
Sales	25,876,303	24,020,619	1,855,684
Franchise	8,177,576	6,891,270	1,286,306
Hotel/Motel	3,373,681	2,939,387	434,294
Mixed Drink	364,092	360,903	3,189
	\$ 56,382,985	\$ 50,960,823	\$ 5,422,162

Other factors concerning the finances of governmental funds have already been addressed in the discussion of the City's governmental activities in the government-wide financial statements.

Proprietary funds. The City of San Marcos' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of Water and Wastewater Fund at the end of the year amounted to \$34.1 million, and those for the Electric Fund amounted to \$21.0 million. Other factors concerning the finances of these two funds have already been discussed in the discussion of the City of San Marcos' business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY2015, actual expenditures on a budgetary basis were \$50.2 million compared to the budget amount of \$52.8 million. The \$2.6 million positive variance was due to savings achieved through salary vacancy savings and conservative spending.

For FY2015, actual revenues on a budgetary basis were \$55.9 million as compared to the budget amount of \$53.5 million.

The City of San Marcos has a General Fund balance of \$17.9 million as of the fiscal year-end, compared to the budgeted fund balance of \$13.0 million. The variance in fund balance is primarily due to cost containment measures implemented by management and conservative budgetary practices and increased sales tax revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year 2015, the City had \$415.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater lines (See Table 4). For more detailed information on capital assets, please refer to the accompanying notes pages 33 – 34.

TABLE 4
CITY OF SAN MARCOS' CAPITAL ASSETS AT YEAR-END
(Net of Accumulated Depreciation)

	<u>CAPITAL ASSETS</u> (Net of Depreciation)					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Land	\$ 15,960,524	\$ 14,438,124	\$ 3,096,977	\$ 3,096,977	\$ 19,057,501	\$ 17,535,101
Buildings	27,454,723	28,207,067	2,592,031	2,709,599	30,046,754	30,916,666
Improvements Other than Buildings	63,345,175	69,365,474	81,786,904	90,612,383	145,132,079	159,977,857
Equipment	6,551,024	7,105,216	3,448,361	2,878,312	9,999,385	9,983,528
Construction in Progress	66,549,998	55,566,786	121,445,552	107,393,561	187,995,550	162,960,347
Infrastructure	23,113,398	23,790,836	-	-	23,113,398	23,790,836
TOTAL CAPITAL ASSETS	\$ 202,974,842	\$ 198,473,503	\$ 212,369,825	\$ 206,690,832	\$ 415,344,667	\$ 405,164,335

Long-term Debt. At year-end, the City had \$276.9 million in general obligation bonds, combination tax and revenue certificates of obligations capital leases, and revenue bonds outstanding as compared to \$270.8 million at the end of the prior fiscal year, an increase of 2.8%. For more detailed information on long term debt, please refer to the accompanying notes on pages 35-38.

TABLE 5
CITY OF SAN MARCOS' OUTSTANDING DEBT AT YEAR-END

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 83,690,000	\$ 49,940,000	\$ -	\$ -	\$ 83,690,000	\$ 49,940,000
Discount on Bonds	(92,080)	(477,366)	(164,129)	(234,415)	(256,209)	(711,781)
Premium on Bonds	8,159,237	4,845,270	6,622,169	3,799,543	14,781,406	8,644,813
Deferred Amounts on Refundings	(7,125,853)	(3,821,649)	(5,563,257)	(4,537,678)	(12,689,110)	(8,359,327)
Certificates of Obligations	35,525,000	70,740,000	-	-	35,525,000	70,740,000
Capital Leases	1,170,282	468,225	1,304,037	359,196	2,474,319	827,421
Revenue Bonds	-	-	<u>153,390,000</u>	<u>149,670,000</u>	<u>153,390,000</u>	<u>149,670,000</u>
TOTAL DEBT	\$ 121,326,586	\$ 121,694,480	\$ 155,588,820	\$ 149,056,646	\$ 276,915,406	\$ 270,751,126

During this fiscal year, general obligation refunding totaling \$46.6 was issued to refund some previous debt issues.

The City has been upgraded to AA rating from Standard & Poor's Corporation, and its A1 rating from Moody's Investor Services on its tax supported debt. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 2.85%.

The City sponsors an employee benefit plan that provides partially self-insured medical and self-insured dental coverage to employees and voluntary coverage to their participating dependents. The plan is designed to provide a specified level of coverage, with excess insurance coverage provided by specific and aggregate reinsurance. The City's maximum medical claim exposure is limited to \$150,000 in claims per covered person and a dental benefit of \$1,250 per covered person per year. Aggregate coverage based on a monthly enrollment limits the medical claims exposure. Claim liability was \$605,834 at September 30, 2015, compared to \$709,853 at September 30, 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic projections remain strong for San Marcos and the region. San Marcos was recognized as the fastest growing city in the United States for the third year in a row. Property tax appraisals are up 8 percent for Fiscal Year 2016 and the City is seeing indications of continued new growth for the future. General Fund revenue has increased \$20 million over the past 5 years due to strong retail and commercial growth in the City. The increases in permit and development activity, generated by new construction combined with sound financial policies, have put San Marcos in a strong financial position.

The FY2015-16 adopted budget of \$187,054,821 is an increase of \$14 million or 8.12% from the adopted fiscal year 2015 budget. Increases in recurring expenses are attributable to

numerous issues related to contract obligations in water and electric supply agreements, CPI adjustments to existing contracts, commitments to adopted merit increases increased health insurance costs, and additional adopted personnel as well as debt service increases.

The budget provides for additional positions to support the City's growth and City Council goals including two new detectives, a police records specialist, three additional part time park rangers, an arborist, as well as key administrative support in fleet, animal services, and parks and recreation. In addition to personnel, the budget provides for appropriations to the Police and Fire meet and confer agreements presented to Council in August.

The adopted property tax rate for 2016 is at 53.02 cents per \$100 valuation, the same as the current rate. The taxable property base increased by 8%, or \$3.67 billion, for 2016 budget. This budget will raise more total property tax revenue than last year's budget by \$1,449,110. The operations and maintenance tax rate will pay operations and maintenance (O&M) costs in the General Fund, producing revenues of \$11,894,359. The debt service rate is allocated to repay tax supported debt in the Debt Service Fund. The debt service revenue of \$7,549,977 will be used to pay long-term debt.

Sales taxes represent 45.8% of total General Fund revenue projected for fiscal year 2016. Sales tax receipts are the largest single revenue source supporting general governmental services in San Marcos. Consistent retail sales have kept this revenue stream steady for the past several years. Per the budget policy statement that was adopted by City Council, a conservative estimate of 3% was used to estimate the \$27,318,627 in 2016.

A Water/Wastewater Rate Study has been conducted every year for the last several years including 2015. For the 2016 budget, the CUAB recommends a 5% rate adjustment in water and a 1% rate adjustment in wastewater. The CUAB spent several months looking at the updated rate study modeling, the impacts of the newly implemented rate structure, and the long range plans on the water/wastewater utility including the effect of the Hays County Public Utility Agency (HCPUA).

Historically, the Electric Utility paid a 9% franchise fee on Gross Electric Revenue to the General Fund. A reduction from 9% to 7% over 4 years began in fiscal year 2012 and is budgeted at 7% for fiscal year 2016. For the 2016 budget, the CUAB recommends no rate adjustment. The CUAB spent several months looking at the updated rate study modeling and the results indicated that no rate adjustment was necessary in fiscal year 2016.

The FY2015-16 adopted budget with a healthy fund balance represents sound fiscal management and measures our capacity to sustain current and future operations. Overall, the budget will bring our fund balances to a total of \$48.6 million, or 26% of total expenses. The percentage in 2015 was 29%. The change in Fund Balance is primarily due to increased budgeted expenses and use of general fund balance in this budget year. The budget continues our commitment of maintaining appropriate fund balances while meeting City Council priorities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of San Marcos, 630 East Hopkins, San Marcos, Texas 78666.

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BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 7,382,518	\$ 11,940,988	\$ 19,323,506
Investments	43,491,929	79,039,581	122,531,510
Receivables - Net of Allowances for Uncollectibles:			
Taxes	1,070,627	-	1,070,627
Accounts	9,235,729	14,706,879	23,942,608
Other	4,198	-	4,198
Due from Other Governments	1,358,586	-	1,358,586
Internal Balances	(999,896)	999,896	-
Inventories	348,056	1,466,566	1,814,622
Prepaid Items	117,951	73,971	191,922
Capital Assets			
Land	15,960,524	3,096,977	19,057,501
Construction in Progress	66,549,998	121,445,552	187,995,550
Buildings	36,554,153	6,369,767	42,923,920
Improvements Other than Buildings	102,635,403	187,773,724	290,409,127
Equipment	28,170,911	10,899,523	39,070,434
Infrastructure	36,286,358	-	36,286,358
Less: Accumulated Depreciation	<u>(83,182,505)</u>	<u>(117,215,718)</u>	<u>(200,398,223)</u>
Total Assets	<u>264,984,540</u>	<u>320,597,706</u>	<u>585,582,246</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pension	4,714,042	1,034,790	5,748,832
Deferred Charge on Bond Refunding	<u>7,125,853</u>	<u>5,563,257</u>	<u>12,689,110</u>
Total Deferred Outflows of Resources	<u>11,839,895</u>	<u>6,598,047</u>	<u>18,437,942</u>
<u>LIABILITIES</u>			
Accounts Payable	3,655,142	7,390,497	11,045,639
Accrued Liabilities	3,183,084	425,791	3,608,875
Unearned Revenues	2,741,532	-	2,741,532
Customer Deposits	-	3,790,738	3,790,738
Accrued Interest Payable	597,753	969,736	1,567,489
Noncurrent Liabilities			
Due Within One Year	10,145,062	10,063,186	20,208,248
Due in More than One Year	125,338,405	151,717,723	277,056,128
Net Pension Liability	<u>27,387,814</u>	<u>6,011,958</u>	<u>33,399,772</u>
Total Liabilities	<u>173,048,792</u>	<u>180,369,629</u>	<u>353,418,421</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pension	<u>666,973</u>	<u>146,408</u>	<u>813,381</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	84,584,182	88,165,145	172,749,327
Restricted for:			
Community Services	2,586,162	-	2,586,162
Public Safety	477,905	-	477,905
Debt Service	8,085,061	-	8,085,061
Tourism Programs	477,357	-	477,357
Park and Cemetery Trust	1,063,229	-	1,063,229
Energy Incentive Programs	-	221,981	221,981
Unrestricted	<u>5,834,774</u>	<u>58,292,590</u>	<u>64,127,364</u>
Total Net Position	<u>\$ 103,108,670</u>	<u>\$ 146,679,716</u>	<u>\$ 249,788,386</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<u>Primary Government</u>				
Governmental Activities				
General Government	\$ 26,503,022	\$ 13,209,783	\$ 4,027,807	\$ 680,726
Public Safety	27,779,641	1,667,317	1,186,736	-
Community Service	14,822,198	860,427	2,300,755	-
Interest and Other Fees	5,359,852	-	-	-
Total Governmental Activities	<u>74,464,713</u>	<u>15,737,527</u>	<u>7,515,298</u>	<u>680,726</u>
Business-Type Activities				
Electric	53,751,942	66,548,588	-	1,400,371
Water and Wastewater	32,839,079	35,231,959	-	-
Airport	569,932	296,241	-	-
Drainage	2,549,146	3,163,498	-	-
Transit	387,448	-	-	-
Waste Collection	<u>2,616,527</u>	<u>2,970,156</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>92,714,074</u>	<u>108,210,442</u>	<u>-</u>	<u>1,400,371</u>
TOTAL GOVERNMENT	<u>\$167,178,787</u>	<u>\$123,947,969</u>	<u>\$ 7,515,298</u>	<u>\$ 2,081,097</u>

General Revenues

Taxes:

Property Taxes
Sales Taxes
Franchise Taxes
Hotel/Motel Taxes
Other Taxes
Investment Earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

NET POSITION - BEGINNING, AS RESTATED (see note 4 L)

NET POSITION - ENDING

(The Accompanying Notes are an Integral part of these Financial Statements)

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (8,584,706)	\$ -	\$ (8,584,706)
(24,925,588)	-	(24,925,588)
(11,661,016)	-	(11,661,016)
<u>(5,359,852)</u>	<u>-</u>	<u>(5,359,852)</u>
<u>(50,531,162)</u>	<u>-</u>	<u>(50,531,162)</u>
-	14,197,017	14,197,017
-	2,392,880	2,392,880
-	(273,691)	(273,691)
-	614,352	614,352
-	(387,448)	
<u>-</u>	<u>353,629</u>	<u>353,629</u>
<u>-</u>	<u>16,896,739</u>	<u>17,284,187</u>
<u>(50,531,162)</u>	<u>16,896,739</u>	<u>(33,246,975)</u>
17,074,411	-	17,074,411
25,876,303	-	25,876,303
8,177,576	-	8,177,576
3,373,681	-	3,373,681
364,092	-	364,092
129,205	202,049	331,254
40,274	-	40,274
<u>(156,698)</u>	<u>156,698</u>	<u>-</u>
<u>54,878,844</u>	<u>358,747</u>	<u>55,237,591</u>
4,347,682	17,255,486	21,603,168
<u>98,760,988</u>	<u>129,424,230</u>	<u>228,185,218</u>
<u>\$ 103,108,670</u>	<u>\$ 146,679,716</u>	<u>\$ 249,788,386</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,482,782	\$ 1,547,683	\$ -	\$ 2,724,309	\$ 6,754,774
Investments	14,163,241	20,411,316	7,381,697	1,535,675	43,491,929
Receivables - Net of Allowances for Uncollectibles					
Taxes, Net	403,421	-	410,701	256,505	1,070,627
Accounts	4,403,256	1,158,492	780,862	2,822,196	9,164,806
Loans	-	-	-	4,198	4,198
Due from Other Funds	2,429,948	933,046	3,972	-	3,366,966
Due from Other Governments	-	-	-	1,358,586	1,358,586
Inventories	348,056	-	-	-	348,056
Prepays	117,951	-	-	-	117,951
TOTAL ASSETS	<u>\$ 24,348,655</u>	<u>\$ 24,050,537</u>	<u>\$ 8,577,232</u>	<u>\$ 8,701,469</u>	<u>\$ 65,677,893</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,531,906	\$ 1,611,702	\$ -	\$ 437,144	\$ 3,580,752
Accrued Liabilities	2,488,425	29,086	-	59,739	2,577,250
Unearned Revenue	1,939,112	-	-	802,420	2,741,532
Customer Deposits	-	-	-	2,131	2,131
Due to Other Funds	-	1,000,261	93,862	3,272,739	4,366,862
Total Liabilities	<u>5,959,443</u>	<u>2,641,049</u>	<u>93,862</u>	<u>4,574,173</u>	<u>13,268,527</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Property Taxes	389,725	-	398,309	-	788,034
<u>FUND BALANCES</u>					
Nonspendable:					
Inventories	348,056	-	-	-	348,056
Prepays	117,951	-	-	-	117,951
Restricted for:					
Public Safety	-	-	-	477,905	477,905
Community Services	-	-	-	2,586,162	2,586,162
Cemetery Memorial	-	-	-	1,063,229	1,063,229
Capital Projects	-	21,409,488	-	-	21,409,488
Debt Service	-	-	8,085,061	-	8,085,061
Assigned	238,569	-	-	-	238,569
Unassigned	17,294,911	-	-	-	17,294,911
Total Fund Balances	<u>17,999,487</u>	<u>21,409,488</u>	<u>8,085,061</u>	<u>4,127,296</u>	<u>51,621,332</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 24,348,655</u>	<u>\$ 24,050,537</u>	<u>\$ 8,577,232</u>	<u>\$ 8,701,469</u>	<u>\$ 65,677,893</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
RECONCILIATION OF BALANCE SHEET –
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 51,621,332

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 202,974,842

Certain other long-term assets are not available to pay for current-period expenditures and, therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 790,165

The assets and liabilities of the internal service fund are not included in the fund financial statement, but is included in the governmental activities of the statement of net position. 18,443

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (152,296,112)

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$103,108,670

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Taxes	\$ 44,415,571	\$ -	\$ 8,180,541	\$ 3,786,873	\$ 56,382,985
Licenses and Permits	2,456,668	-	-	-	2,456,668
Fees and Penalties	1,474,477	-	-	139,538	1,614,015
Charges for Services	5,338,366	-	-	242,548	5,580,914
Intergovernmental	490,215	-	3,124,486	7,455,298	11,069,999
Interest on Investments	85,346	8,131	30,571	4,215	128,263
Contributions and Donations	60,000	-	-	-	60,000
Miscellaneous	<u>1,606,925</u>	<u>680,163</u>	<u>138,484</u>	<u>85,931</u>	<u>2,511,503</u>
Total Revenues	<u>55,927,568</u>	<u>688,294</u>	<u>11,474,082</u>	<u>11,714,403</u>	<u>79,804,347</u>
<u>EXPENDITURES</u>					
Current					
General Government	15,338,671	372,333	-	1,554,114	17,265,118
Public Safety	25,300,121	-	-	1,237,450	26,537,571
Community Service	9,464,194	-	-	4,431,648	13,895,842
Capital Outlay	-	10,991,019	-	2,795,189	13,786,208
Debt Service					
Principal	82,512	-	7,370,000	-	7,452,512
Interest and Fiscal Charges	24,260	-	4,600,112	-	4,624,372
Bond Issuance Cost	<u>-</u>	<u>73,784</u>	<u>400,191</u>	<u>-</u>	<u>473,975</u>
Total Expenditures	<u>50,209,758</u>	<u>11,437,136</u>	<u>12,370,303</u>	<u>10,018,401</u>	<u>84,035,598</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,717,810</u>	<u>(10,748,842)</u>	<u>(896,221)</u>	<u>1,696,002</u>	<u>(4,231,251)</u>
<u>OTHER FINANCING SOURCES</u>					
Transfers In	34,416	2,216,750	2,675,165	749,974	5,676,305
Transfers Out	(3,773,953)	-	(383,522)	(2,125,528)	(6,283,003)
Issuance of Debt	-	5,665,000	32,020,000	-	37,685,000
Payment to Refunded Bond Escrow Agent	-	-	(35,614,546)	-	(35,614,546)
Premium on Debt Issued	<u>-</u>	<u>547,784</u>	<u>3,343,685</u>	<u>-</u>	<u>3,891,469</u>
Total Other Financing Sources	<u>(3,739,537)</u>	<u>8,429,534</u>	<u>2,040,782</u>	<u>(1,375,554)</u>	<u>5,355,225</u>
Net Change in Fund Balances	1,978,273	(2,319,308)	1,144,561	320,448	1,123,974
<u>FUND BALANCES - BEGINNING</u>	<u>16,021,214</u>	<u>23,728,796</u>	<u>6,940,500</u>	<u>3,806,848</u>	<u>50,497,358</u>
FUND BALANCES - ENDING	<u>\$ 17,999,487</u>	<u>\$ 21,409,488</u>	<u>\$ 8,085,061</u>	<u>\$ 4,127,296</u>	<u>\$ 51,621,332</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS</u>	\$ 1,123,974
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 capital capital outlay exceeded depreciation expense.</p>	3,846,834
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(836,196)
<p>The issuance of long-term debt (e.g. 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.</p>	1,538,046
<p>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.</p>	(1,450,811)
<p>The change in the liability for net pension liability does not consume a current financial resource and is therefore not reported as an expenditure in the governmental funds.</p>	557,482
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with governmental activities.</p>	<u>(431,647)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,347,682</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 42,513,848	\$ 42,513,847	\$ 44,415,571	\$ 1,901,724
Licenses and Permits	2,495,556	2,494,754	2,456,668	(38,086)
Fines and Penalties	1,600,540	1,600,542	1,474,477	(126,065)
Charges for Services	5,422,910	5,390,114	5,338,366	(51,748)
Intergovernmental	442,330	439,830	490,215	50,385
Interest on Investments	61,000	61,000	85,346	24,346
Miscellaneous	1,005,924	1,009,224	1,666,925	657,701
Total Revenues	<u>53,542,108</u>	<u>53,509,311</u>	<u>55,927,568</u>	<u>2,418,257</u>
<u>EXPENDITURES</u>				
Current				
General Government	19,552,614	17,235,428	15,338,671	1,896,757
Public Safety	25,546,063	25,627,729	25,300,121	327,608
Community Service	9,802,919	9,979,430	9,464,194	515,236
Debt Service				
Principal	-	-	82,512	(82,512)
Interest	-	-	24,260	(24,260)
Total Expenditures	<u>54,901,596</u>	<u>52,842,587</u>	<u>50,209,758</u>	<u>2,632,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,359,488)</u>	<u>666,724</u>	<u>5,717,810</u>	<u>5,051,086</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	34,416	34,416	-
Transfers Out	<u>(1,804,324)</u>	<u>(3,697,833)</u>	<u>(3,773,953)</u>	<u>(76,120)</u>
Total Other Financing Sources (Uses)	<u>(1,804,324)</u>	<u>(3,663,417)</u>	<u>(3,739,537)</u>	<u>(76,120)</u>
Net Change in Fund Balances	(3,163,812)	(2,996,693)	1,978,273	4,974,966
<u>FUND BALANCES - BEGINNING</u>	<u>16,021,214</u>	<u>16,021,214</u>	<u>16,021,214</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 12,857,402</u>	<u>\$ 13,024,521</u>	<u>\$ 17,999,487</u>	<u>\$ 4,974,966</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	INTERNAL SERVICE
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 6,676,801	\$ 2,378,191	\$ 2,210,115	\$ 675,881	\$ 11,940,988	\$ 627,744
Investments	21,530,999	51,430,939	5,039,535	1,038,108	79,039,581	-
Receivables - Net of Allowances for Uncollectibles	9,355,742	4,483,184	334,824	533,129	14,706,879	70,923
Due from Other Funds	1,000,261	2,768	839	141,580	1,145,448	-
Inventories	996,018	470,548	-	-	1,466,566	-
Prepaid Items	30,925	11,190	-	31,856	73,971	-
Total Current Assets	<u>39,590,746</u>	<u>58,776,820</u>	<u>7,585,313</u>	<u>2,420,554</u>	<u>108,373,433</u>	<u>698,667</u>
NONCURRENT ASSETS						
Capital Assets:						
Land	31,695	2,377,298	34,844	653,140	3,096,977	-
Buildings	472,092	1,557,930	-	4,339,745	6,369,767	-
Improvements Other than Buildings	19,112,938	151,773,395	8,545,321	8,342,070	187,773,724	-
Furnishings and Equipment	3,757,091	6,648,484	456,126	37,822	10,899,523	-
Construction in Progress	49,378,198	56,892,964	13,720,401	1,453,989	121,445,552	-
Totals	72,752,014	219,250,071	22,756,692	14,826,766	329,585,543	-
Less: Accumulated Depreciation	(15,828,512)	(87,939,313)	(3,482,662)	(9,965,231)	(117,215,718)	-
Total Capital Assets - Net of Accumulated Depreciation	<u>56,923,502</u>	<u>131,310,758</u>	<u>19,274,030</u>	<u>4,861,535</u>	<u>212,369,825</u>	<u>-</u>
Total Noncurrent Assets	<u>56,923,502</u>	<u>131,310,758</u>	<u>19,274,030</u>	<u>4,861,535</u>	<u>212,369,825</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - Pension	527,743	444,960	41,392	20,695	1,034,790	-
Deferred Charge on Refunding	432,190	4,539,662	591,405	-	5,563,257	-
Total Deferred Outflows of Resources	<u>959,933</u>	<u>4,984,622</u>	<u>632,797</u>	<u>20,695</u>	<u>6,598,047</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 97,474,181</u>	<u>\$ 195,072,200</u>	<u>\$ 27,492,140</u>	<u>\$ 7,302,784</u>	<u>\$ 327,341,305</u>	<u>\$ 698,667</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	\$ 4,043,854	2,024,276	757,876	\$ 564,491	\$ 7,390,497	\$ 74,390
Accrued Liabilities	212,194	182,003	17,511	14,083	425,791	-
Due to Other Funds	-	3,972	-	141,580	145,552	-
Claims Payable	-	-	-	-	-	605,834
Customer Deposits	2,782,563	846,019	1,179	160,977	3,790,738	-
Accrued Interest Payable	438,238	433,304	98,194	-	969,736	-
Compensated Absences	148,969	118,138	14,711	-	281,818	-
Current Maturities of Long-term Debt	1,387,922	7,290,977	1,102,469	-	9,781,368	-
Total Current Liabilities	<u>9,013,740</u>	<u>10,898,689</u>	<u>1,991,940</u>	<u>881,131</u>	<u>22,785,500</u>	<u>680,224</u>
NONCURRENT LIABILITIES						
Net Pension Liability	3,066,099	2,585,142	240,478	120,239	6,011,958	-
Net OPEB Liability	135,556	119,297	7,121	3,202	265,176	-
Compensated Absences	43,272	34,272	4,294	-	81,838	-
Long-Term Debt	39,541,008	93,209,998	18,619,703	-	151,370,709	-
Total Noncurrent Liabilities	<u>42,785,935</u>	<u>95,948,709</u>	<u>18,871,596</u>	<u>123,441</u>	<u>157,729,681</u>	<u>-</u>
Total Liabilities	<u>51,799,675</u>	<u>106,847,398</u>	<u>20,863,536</u>	<u>1,004,572</u>	<u>180,515,181</u>	<u>680,224</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - Pension	74,668	62,956	5,856	2,928	146,408	-
NET POSITION						
Net Investment in Capital Assets	24,613,882	54,098,416	4,591,312	4,861,535	88,165,145	-
Restricted - Energy Incentive Programs	84,929	137,052	-	-	221,981	-
Unrestricted	20,901,027	33,926,378	2,031,436	1,433,749	58,292,590	18,443
Total Net Position	<u>45,599,838</u>	<u>88,161,846</u>	<u>6,622,748</u>	<u>6,295,284</u>	<u>146,679,716</u>	<u>18,443</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 97,474,181</u>	<u>\$ 195,072,200</u>	<u>\$ 27,492,140</u>	<u>\$ 7,302,784</u>	<u>\$ 327,341,305</u>	<u>\$ 698,667</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTAL	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE		INTERNAL SERVICE
OPERATING REVENUES						
Charges for Services	\$ 65,416,628	\$ 33,879,544	\$ 3,120,243	\$ 3,218,578	\$ 105,634,993	\$ -
Intergovernmental	-	30,728	-	44,659	75,387	-
Employer Contributions	-	-	-	-	-	4,610,235
Employee Contributions	-	-	-	-	-	1,417,787
Retiree Contributions	-	-	-	-	-	-
Pharmacy Rebates	-	-	-	-	-	90,119
Miscellaneous	<u>1,131,960</u>	<u>1,321,687</u>	<u>43,255</u>	<u>3,160</u>	<u>2,500,062</u>	<u>-</u>
Total Operating Revenues	<u>66,548,588</u>	<u>35,231,959</u>	<u>3,163,498</u>	<u>3,266,397</u>	<u>108,210,442</u>	<u>6,118,141</u>
OPERATING EXPENSES						
Purchased Power	38,958,899	-	-	-	38,958,899	-
Personnel Services	4,252,322	3,655,026	365,190	156,038	8,428,576	-
Contracted Services	1,684,908	8,534,197	724,690	3,164,831	14,108,626	-
Materials and Supplies	1,219,895	972,776	36,033	32,404	2,261,108	-
Indirect Costs	45,785	3,905,569	137,021	-	4,088,375	-
Claims	-	-	-	-	-	6,035,121
Other Charges	5,401,107	2,963,876	36,119	50,845	8,451,947	965,608
Depreciation	<u>618,403</u>	<u>8,896,401</u>	<u>573,480</u>	<u>169,789</u>	<u>10,258,073</u>	<u>-</u>
Total Operating Expenses	<u>52,181,319</u>	<u>28,927,845</u>	<u>1,872,533</u>	<u>3,573,907</u>	<u>86,555,604</u>	<u>7,000,729</u>
Operating Income	<u>14,367,269</u>	<u>6,304,114</u>	<u>1,290,965</u>	<u>(307,510)</u>	<u>21,654,838</u>	<u>(882,588)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment Earnings (Loss)	85,218	116,604	6,571	(6,344)	202,049	941
Interest and Fiscal Charges	(1,570,623)	(3,911,234)	(676,613)	-	(6,158,470)	-
Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(1,485,405)</u>	<u>(3,794,630)</u>	<u>(670,042)</u>	<u>(6,344)</u>	<u>(5,956,421)</u>	<u>941</u>
Income (Loss) before Transfers	12,881,864	2,509,484	620,923	(313,854)	15,698,417	(881,647)
Capital Contributions	1,400,371	-	-	-	1,400,371	-
Transfers In	-	-	-	516,114	516,114	450,000
Transfers Out	<u>(150,000)</u>	<u>(209,416)</u>	<u>-</u>	<u>-</u>	<u>(359,416)</u>	<u>-</u>
Change in Net Position	14,132,235	2,300,068	620,923	202,260	17,255,486	(431,647)
TOTAL NET POSITION - BEGINNING, AS RESTATED	<u>31,467,603</u>	<u>85,861,778</u>	<u>6,001,825</u>	<u>6,093,024</u>	<u>129,424,230</u>	<u>450,090</u>
TOTAL NET POSITION - ENDING	<u>\$ 45,599,838</u>	<u>\$ 88,161,846</u>	<u>\$ 6,622,748</u>	<u>\$ 6,295,284</u>	<u>\$ 146,679,716</u>	<u>\$ 18,443</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTALS	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS		INTERNAL SERVICE
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash Received from Customers	\$ 66,154,225	\$ 34,474,688	\$ 3,183,997	\$ 3,192,566	\$ 107,005,476	\$ 6,067,277
Cash Paid to Suppliers	(46,232,674)	(6,534,780)	142,083	(3,026,358)	(55,651,729)	(7,077,317)
Cash Paid to Employees	(5,973,291)	(12,229,112)	(1,085,456)	(158,062)	(19,445,921)	-
Receipts from Other Funds	-	-	-	-	-	201,051
Net Cash Provided by (Used in) Operating Activities	<u>13,948,260</u>	<u>15,710,796</u>	<u>2,240,624</u>	<u>8,146</u>	<u>31,907,826</u>	<u>(808,989)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Transfers from Other Funds	-	286,871	20,996	595,920	903,787	450,000
Transfers to Other Funds	(2,375,091)	(6,701,004)	(15,007)	(25,181)	(9,116,283)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(2,375,091)</u>	<u>(6,414,133)</u>	<u>5,989</u>	<u>570,739</u>	<u>(8,212,496)</u>	<u>450,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Proceeds from Capital Debt	3,705,000	18,760,000	4,805,000	-	27,270,000	-
Capital Contributions	1,400,371	-	-	-	1,400,371	-
Principal Paid on Debt	(824,594)	(18,324,782)	(4,510,000)	-	(23,659,376)	-
Interest and Fiscal Charges Paid on Debt	(1,183,438)	(2,718,084)	(452,922)	-	(4,354,444)	-
Acquisition of Capital Assets	(5,686,625)	(6,562,468)	(3,624,958)	(63,017)	(15,937,068)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,589,286)</u>	<u>(8,845,334)</u>	<u>(3,782,880)</u>	<u>(63,017)</u>	<u>(15,280,517)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Sale (Purchase) of Investment Securities	(4,329,268)	(9,440,831)	(1,620,711)	(1,046,639)	(16,437,449)	-
Interest Received	121,803	116,604	6,571	2,188	247,166	941
Net Cash Provided by (Used in) Investing Activities	<u>(4,207,465)</u>	<u>(9,324,227)</u>	<u>(1,614,140)</u>	<u>(1,044,451)</u>	<u>(16,190,283)</u>	<u>941</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,776,418	(8,872,898)	(3,150,407)	(528,583)	(7,775,470)	(358,048)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,900,383</u>	<u>11,251,089</u>	<u>5,360,522</u>	<u>1,204,464</u>	<u>19,716,458</u>	<u>985,792</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 6,676,801</u>	<u>\$ 2,378,191</u>	<u>\$ 2,210,115</u>	<u>\$ 675,881</u>	<u>\$ 11,940,988</u>	<u>\$ 627,744</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTALS	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS		INTERNAL SERVICE
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>						
<u>PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ 14,367,269	\$ 6,304,114	\$ 1,290,965	\$ (307,510)	\$ 21,654,838	\$ (882,588)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	618,403	8,896,401	573,480	169,789	10,258,073	-
Changes in Assets and Liabilities						
Decrease (Increase) in Assets						
Accounts Receivable	(714,299)	(814,637)	20,499	(111,953)	(1,620,390)	(50,864)
Due from Other Funds	-	-	-	-	-	2,518,250
Due from Other Governments	-	-	-	30,714	30,714	-
Inventories	(74,217)	(25,555)	-	(31,856)	(131,628)	-
Prepaid Items	22,216	13,225	-	-	35,441	-
Increase (Decrease) in Liabilities						
Accounts Payable	(569,305)	1,301,655	341,513	250,317	1,324,180	27,431
Accrued Liabilities	14,319	18,116	9,743	3,261	45,439	-
Due to Other Funds	-	-	-	-	-	(2,317,199)
Claims Payable	-	-	-	-	-	(104,019)
Net Pension Liability	(62,413)	(52,621)	(4,896)	(2,447)	(122,377)	-
OPEB Liability	11,810	9,907	954	422	23,093	-
Compensated Absences	14,542	2,825	8,366	-	25,733	-
Customer Deposits	319,935	57,366	-	7,409	384,710	-
NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>\$ 13,948,260</u>	<u>\$ 15,710,796</u>	<u>\$ 2,240,624</u>	<u>\$ 8,146</u>	<u>\$ 31,907,826</u>	<u>\$ (808,989)</u>

(The Accompanying Notes are an Integral part of these Financial Statements)

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Marcos, Texas (the City) was incorporated July 11, 1877, while the City's home rule charter was adopted by election in 1967. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, electric, water and wastewater services.

The accompanying financial statements comply with the provisions of the GASB Statement No. 14, 39, and 61, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

B. Government-Wide and Fund 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 activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely, to a significant extent, on 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 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 properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period. Property taxes availability period is considered to be 60 days. 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.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by other funds.

The Debt Service Fund accounts for the accumulation of resources for the payment of long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The Electric Fund accounts for the activities necessary for the provision of electric services.

The Water and Wastewater Fund accounts for the activities necessary for the provision of water and sewer services.

The Stormwater Drainage Fund was created to address the need for improvements in drainage channels throughout the City. The fund obtains revenue through the assessment of a monthly drainage utility fee to both residential and commercial customers.

Additionally, the City reports the following fund type:

Internal Service Fund accounts for benefits provided to other departments or agencies of the City on a cost-reimbursement basis.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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 are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Fund Balance, and Net Position

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, investment securities with a maturity of three months or less from the date of purchase.

Statutes authorize the City to invest in obligations of U. S. Treasury or its agencies and instrumentalities, obligations of the state or its agencies, other investments guaranteed by the U.S. Treasury or the State of Texas, or investments rated by a national rating company at "A" or better. The City is also authorized to invest in fully collateralized repurchase agreements, local government investment pools, and in certificates of deposit issued by banks domiciled in Texas that are FDIC insured or have securities (of aforementioned quality) pledged to secure these deposits. The investment of idle funds has been restricted to U. S. Government Treasury and agency securities and time deposits with the City's depository banks.

Investments for the City 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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

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 "due to/from other funds" (i.e., the 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."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 15 percent of outstanding property taxes at September 30, 2015.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Inventories and Prepaid Items

Inventory is valued at cost using the average cost method of accounting. Inventory in the general fund consists of expendable supplies held for consumption. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method). Inventory reported in the general fund is offset by a fund balance reserve which indicates that it does not represent "available spendable resources" even though it is a component of net current assets. Inventory in the water and wastewater and electric funds consists of parts and maintenance items.

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

Capital Assets

Capital assets, which include property, plant, 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. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

Capital Assets (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings	20 - 50 Years
Improvements Other than Buildings	10 - 40 Years
Infrastructure (Streets and Drainage)	35-125 Years
Equipment	5 - 10 Years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these amounts is reported in the applicable governmental funds and business-type funds as it is due to the employees at the time of resignation or retirement. The liability is recorded as follows: All employees are entitled to be paid up to 30 days (90 days with 20 years of continuous service) of accumulated vacation; in addition Civil Service-Police are entitled to be paid up to 90 days of sick and Civil Service-Fire are entitled to 90 days of sick at 1,080 hours for 12-hour days.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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.

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.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

Fund Balance Classification (Continued)

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the City Council, the City's highest level of decision making authority. These 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 was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- **Unassigned:** This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Change in Accounting Policy

During fiscal year 2015, the City changed accounting policies related to reporting of net pension liability, deferred outflows of resources, and deferred inflows of resources in a statement of net financial position by adopting GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." Accordingly, the effect of the accounting change is reported on the statement of net position, and the statement of activities for the current year.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(152,296,112) difference are as follows:

General Obligation Bonds	\$(119,215,000)
Capital Lease	(1,170,282)
Discounts on Bonds	92,080
Premiums on Bonds	(8,159,237)
Accrued Interest Payable	(597,753)
Compensated Absences	(5,800,476)
Deferred Loss on Refunding	7,125,853
Net Pension Liability	(23,340,745)
OPEB Net Pension Obligation	<u>(1,230,552)</u>
NET ADJUSTMENT TO REDUCE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET POSITION – GOVERNMENTAL ACTIVITIES	<u>\$(152,296,112)</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The detail of this \$3,846,834 difference is as follows:

Capital Outlay	\$13,786,208
Depreciation Expense	<u>(9,939,374)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 3,846,834</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.” The detail of this \$(836,196) difference is as follows:

Capital Contribution	\$ 680,726
Property Taxes	<u>(1,516,922)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ (836,196)</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government 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.” The details of this \$1,538,046 difference are as follows:

Debt Issued or Incurred:	
Issuance of General Obligation Bonds	\$ (37,685,000)
Premium on Bond Issuance	(3,891,469)
Principal Repayments:	
General Obligation Bonds Refunded	31,780,000
Capital Lease	129,969
Deferred Loss on Refunding	3,834,546
General Obligation Debt	<u>7,370,000</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 1,538,046</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states, "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." The details of this \$(1,450,811) difference are as follows:

Compensated Absence/OPEB Net Pension Obligation	\$ (1,163,085)
Loss on Capital Asset Disposal	(26,220)
Accrued Interest	76,621
Amortization of Deferred Charge on Refunding	(530,343)
Amortization of Bond Discounts	(385,286)
Amortization of Bond Premiums	<u>577,502</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES –	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES	
IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ (1,450,811)</u>

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Charter prescribes certain requirements for adoption of an annual operating budget by the City Council. The Council must have a public hearing on the budget and may not adopt the budget until 14 days after the hearing. The budget is to be adopted at least 15 days before the beginning of the fiscal year to which it applies.

The amounts of proposed expenditures become appropriated to the objects and purposes named in the budget upon the effective date after adoption. The total estimated expenditures of the general fund shall not exceed the total estimated resources of the fund (prospective income plus cash on hand).

The City budget may be amended and appropriations may be altered in cases of public necessity, as declared by the City Council. The City Manager has the ability to reallocate funds from one line item to another within the various budget categories within departments in the same fund (i.e., personnel services, other charges, contracted services, etc.), but City Council approval is required for budget adjustments between funds.

The budget ordinance states that expenditures should not exceed the budget in the various departments (general government, human resources, finance, etc.) within an individual fund. The City's appropriation ordinance approves items as detailed in the approved budget. Budgeted amounts reported are based on the budget ordinance originally adopted and as amended by the City Council throughout the year.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Formal budgetary accounting is employed for all funds of the City, excluding Grants and Special Entitlements, PARD Recreation Programs, Library Memorial, Parks and Recreation, Capital Projects and the Cemetery Perpetual Permanent Fund. Annual operating budgets are prepared and presented for the general fund, debt service fund, and all other special revenue funds. All annual appropriations lapse at fiscal year-end.

Budgets for the governmental fund types are prepared and adopted on the GAAP basis. Budgets for expenses used for managerial control have been prepared for the enterprise funds on a non-GAAP basis, which excludes depreciation, but includes capital outlay and total debt service.

The City Council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations were not considered material.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable investments, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local parties.

In compliance with the Public Fund Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

1. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, the City's bank balance was fully collateralized with securities held by independent third party financial institutions.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

2. Credit Risk – It is the City’s policy to limit investments to investment types with an investment quality rating no lower than AAA (regular funds) and A (reserved funds) or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 360 days for regular funds and 18 months for reserved funds. The City’s investment pool was rated AAAM by Standard & Poor’s Investors Services.

3. Interest Rate Risk: In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 360 days or less for regular funds and 18 months for reserved funds, dependent on market conditions.

4. Concentration of Credit Risk: The government’s investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

The City’s cash and investments at September 30, 2015, are shown below:

DESCRIPTION	RATING	RATING ORGANIZATION	FAIR VALUE	WEIGHTED AVERAGE MATURITY (DAYS)
Well Fargo Cash and Cash on Hand	NR	N/A	\$ 13,224,298	-
TexStar	AAAm	Standard & Poor's	1,143,746	-
Texas CLASS	AAAm	Standard & Poor's	44,454,795	-
TexasTERM	AAAm	Standard & Poor's	6,982,107	-
TexPOOL			507,446	
Lonestar	AAAm	Standard & Poor's	13,924,477	-
LOGIC	AAAm	Standard & Poor's	9,400,462	-
Wells Fargo Money Market Mutual Funds	AAAm	Standard & Poor's	24,369,002	-
FHLMC	AA+	Standard & Poor's	10,111,539	795
United States Treasuries	AA+	Standard & Poor's	<u>17,737,144</u>	487
TOTAL FAIR VALUE			<u>\$ 141,855,016</u>	
Portfolio Weighted Average Maturity (Days)				118

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL	DEBT SERVICE	ELECTRIC	WATER/ WASTEWATER	STORMWATER DRAINAGE	NONMAJOR ENTERPRISE	INTERNAL SERVICE	TOTAL
Receivables										
Taxes	\$ 432,768	\$ -	\$ 256,505	\$ 442,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,132,272
Accounts	4,403,256	1,158,492	2,822,196	780,862	9,924,205	4,796,744	377,657	590,864	70,923	26,083,691
Due from Other Governments	-	-	1,358,586	-	-	-	-	30,714	-	1,389,300
Loans	-	-	4,198	-	-	-	-	-	-	4,198
Gross Receivables	4,836,024	1,158,492	4,441,485	1,223,861	9,924,205	4,796,744	377,657	621,578	70,923	28,609,461
Less: Allowance for Uncollectibles	(29,347)	-	-	(32,298)	(568,463)	(313,560)	(42,833)	(88,449)	-	(1,074,950)
NET TOTAL RECEIVABLES	\$ 4,806,677	\$ 1,158,492	\$ 4,441,485	\$1,191,563	\$ 9,355,742	\$ 4,483,184	\$ 334,824	\$533,129	\$ 70,923	\$ 27,534,511

Governmental funds report deferred inflows of revenue in connection with receivables for revenue that is 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 deferred inflows of revenue and unearned revenue reported in the governmental funds were as follows:

	DEFERRED INFLOWS	UNEARNED
Delinquent Property Taxes Receivable (General Fund)	\$ 389,725	\$ -
Activity Center (General Fund)	-	165,680
Grant Drawdown (General Fund)	-	1,773,432
Delinquent Property Taxes Receivable (Debt Service)	398,309	-
Hotel Occupancy (Nonmajor Governmental)	-	98
Grant Drawdowns (Nonmajor Governmental)	-	802,322
TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	\$ 788,034	\$2,741,532

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 14,438,124	\$ 1,522,400	\$ -	\$ 15,960,524
Construction in Progress	<u>55,566,786</u>	<u>11,972,977</u>	<u>(989,765)</u>	<u>66,549,998</u>
Total Capital Asset not being Depreciated	<u>70,004,910</u>	<u>13,495,377</u>	<u>(989,765)</u>	<u>82,510,522</u>
Capital Assets being Depreciated				
Buildings	36,554,153	-	-	36,554,153
Machinery and Equipment	27,370,655	1,023,220	(222,964)	28,170,911
Improvements other than Buildings	102,378,027	257,376	-	102,635,403
Infrastructure	<u>35,605,632</u>	<u>680,726</u>	<u>-</u>	<u>36,286,358</u>
Total Capital Asset being Depreciated	<u>201,908,467</u>	<u>1,961,322</u>	<u>(222,964)</u>	<u>203,646,825</u>
Less Accumulated Depreciation:				
Buildings	(8,347,086)	(752,344)	-	(9,099,430)
Machinery and Equipment	(20,265,439)	(1,551,191)	196,743	(21,619,887)
Improvements Other than Buildings	(33,012,553)	(6,277,675)	-	(39,290,228)
Infrastructure	<u>(11,814,796)</u>	<u>(1,358,164)</u>	<u>-</u>	<u>(13,172,960)</u>
Total Accumulated Depreciation	<u>(73,439,874)</u>	<u>(9,939,374)</u>	<u>196,743</u>	<u>(83,182,505)</u>
Total Capital Assets being Depreciated - Net	<u>128,468,593</u>	<u>(7,978,052)</u>	<u>(26,221)</u>	<u>120,464,320</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	 <u>\$ 198,473,503</u>	 <u>\$ 5,517,325</u>	 <u>\$ (1,015,986)</u>	 <u>\$ 202,974,842</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 3,096,977	\$ -	\$ -	\$ 3,096,977
Construction in Progress	<u>107,393,561</u>	<u>14,915,604</u>	<u>(863,613)</u>	<u>121,445,552</u>
Total Assets not being Depreciated	<u>110,490,538</u>	<u>14,915,604</u>	<u>(863,613)</u>	<u>124,542,529</u>
Capital Assets being Depreciated				
Buildings	6,369,767	-	-	6,369,767
Machinery and Equipment	9,759,585	1,139,938	-	10,899,523
Improvements other than Buildings	<u>187,028,588</u>	<u>745,136</u>	<u>-</u>	<u>187,773,724</u>
Total Capital Assets being Depreciated	<u>203,157,940</u>	<u>1,885,074</u>	<u>-</u>	<u>205,043,014</u>
Less Accumulated Depreciation:				
Buildings	(3,660,168)	(117,568)	-	(3,777,736)
Machinery and Equipment	(6,881,273)	(569,889)	-	(7,451,162)
Improvements other than Buildings	<u>(96,416,205)</u>	<u>(9,570,615)</u>	<u>-</u>	<u>(105,986,820)</u>
Total Accumulated Depreciation	<u>(106,957,646)</u>	<u>(10,258,072)</u>	<u>-</u>	<u>(117,215,718)</u>
Total Capital Assets being Depreciated - Net	<u>96,200,294</u>	<u>(8,372,998)</u>	<u>-</u>	<u>87,827,296</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	 <u>\$ 206,690,832</u>	 <u>\$ 6,542,606</u>	 <u>\$ (863,613)</u>	 <u>\$ 212,369,825</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

<u>Governmental Activities</u>		
General Government		\$ 7,957,841
Public Safety		1,117,376
Community Services		<u>864,157</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		<u>\$ 9,939,374</u>
 <u>Business-Type Activities</u>		
Electric		\$ 618,403
Water and Wastewater		8,896,400
Airport		169,789
Stormwater Drainage		<u>573,480</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES		<u>\$10,258,072</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from Other Funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
General	Debt Service	\$ 90,255
General	Other Governmental	2,339,693
Debt Service	Water Wastewater Utility	3,972
Capital Projects	Other Governmental	933,046
Drainage Utility	Debt Service	839
Water Wastewater Utility	Debt Service	2,768
Electric Utility	Capital Project	1,000,261
Transit	Airport	<u>141,580</u>
		<u>\$ 4,512,414</u>

Balances resulted from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers

	TRANSFERS IN						TOTAL
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVERNMENTAL	INTERNAL SERVICE	NONMAJOR ENTERPRISE	
<u>Transfers Out</u>							
General	\$ -	\$ 2,216,750	\$ 617,137	\$ 298,952	\$ 150,000	\$ 491,114	\$ 3,773,953
Debt Service	-	-	-	383,522	-	-	383,522
Nonmajor Governmental	-	-	2,058,028	67,500	-	-	2,125,528
Electric	-	-	-	-	150,000	-	150,000
Water and Wastewater	34,416	-	-	-	150,000	25,000	209,416
TOTALS	<u>\$ 34,416</u>	<u>\$ 2,216,750</u>	<u>\$ 2,675,165</u>	<u>\$ 749,974</u>	<u>\$ 450,000</u>	<u>\$ 516,114</u>	<u>\$ 6,642,419</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Capital Leases

The City has various capital leases for equipment in the capital projects fund and the water/wastewater funds.

Principal and interest requirements to maturity as of September 30, 2015 are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2016	\$ 133,712	\$ 31,879	\$ 165,591	\$ 162,780	\$ 36,848	\$ 199,628
2017	137,663	28,017	165,680	157,133	32,082	189,215
2018	141,576	24,104	165,680	151,184	27,619	178,803
2019	145,602	20,079	165,681	155,714	23,089	178,803
2020	149,712	15,969	165,681	160,338	18,466	178,804
2021 - 2025	462,017	21,935	483,952	516,888	26,127	543,015
	<u>\$1,170,282</u>	<u>\$ 141,983</u>	<u>\$1,312,265</u>	<u>\$1,304,037</u>	<u>\$ 164,231</u>	<u>\$1,468,268</u>

F. Long-Term Debt

General Obligation Bonds and Combination Tax and Revenue Bonds

The government issues general obligation bonds and combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. These debt issues have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. During the year, the City issued \$17,645,000 of Combination Tax and Revenue Certificates of Obligation, Series 2015 with a 1.0-5.0% interest rate that mature August 15, 2035.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Bond Refunding

On December 18, 2014, the City issued \$46,900,000 of General Obligation Refunding Bonds, Series 2014. The net proceeds from the issuance of the bonds were used to purchase U.S. Government Securities and those securities were deposited into an irrevocable trust with an escrow agent to provide future debt service payments. A deposit of \$52,599,735 was made to an escrow agent to provide the refunding of \$5,765,000 of Series 2007A Combination Tax and Revenue Certificates of Obligation, \$2,305,000 of Series 2008 General Obligation Bonds, \$7,335,000 of Series 2008 Combination Tax and Revenue Certificates of Obligation, \$19,950,000 of Series 2008 Pass Through Toll Revenue and Limited Tax Bonds, \$575,000 of Series 2007 Waterworks and Wastewater System Revenue Bonds, and \$11,215,000 of Series 2008 Waterworks and Wastewater System Revenue Bonds. As of September 30, 2015, the outstanding balance of these defeased bonds is \$47,145,000. The refunded bonds are considered legally defeased and the liability for these bonds has been removed. The City refunded these bonds to reduce its total debt service payments by \$5,274,968 and to obtain an economic gain of \$5,156,193 (present value).

General Obligation Bonds and Combination Tax and Revenue Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the government. Combination tax and revenue bonds constitute direct obligations of the City and are payable from a combination of the levy of ad valorem taxes and a limited pledge of surplus revenues of the City's water and wastewater system. Both bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Bonds currently outstanding are as follows:

<u>PURPOSE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Governmental Activities	3.50 - 4.61%	\$ 45,940,000
Governmental Activities - Refunding	2.00 - 5.375%	73,275,000
Business-Type Activities	3.50 - 5.00%	86,225,000
Business-Type Activities - Refunding	2.00 - 5.00%	<u>67,165,000</u>
		<u>\$ 272,605,000</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

General Obligation Bonds and Combination Tax and Revenue Bonds (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2016	\$ 8,230,000	\$ 4,921,914
2017	7,690,000	4,671,739
2018	7,815,000	4,392,666
2019	7,610,000	4,099,235
2020	7,890,000	3,811,386
2021-2025	38,300,000	14,080,510
2026-2030	33,000,000	5,824,799
2031-2035	<u>8,680,000</u>	<u>712,750</u>
	<u>\$ 119,215,000</u>	<u>\$ 42,514,999</u>

Revenue Bonds

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2016	\$ 9,220,000	\$ 5,703,331
2017	9,710,000	5,525,030
2018	10,040,000	5,200,057
2019	10,330,000	4,895,534
2020	10,660,000	4,595,007
2021-2025	44,510,000	18,239,498
2026-2030	39,415,000	8,927,067
2031-2035	18,825,000	2,390,620
2036	<u>680,000</u>	<u>35,300</u>
	<u>\$ 153,390,000</u>	<u>\$ 55,511,444</u>

Defeasance of Bonds

In prior years, the City placed the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2015, the outstanding balance of the defeased bonds is \$47,695,000.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2105, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 120,680,000	\$ 37,685,000	\$ (39,150,000)	\$ 119,215,000	\$ 8,230,000
Discount on Bonds	(477,366)	-	385,286	(92,080)	(7,510)
Premium on Bonds	4,845,270	3,891,469	(577,502)	8,159,237	577,502
Capital Leases	1,300,251	-	(129,969)	1,170,282	133,712
Compensated Absences	5,104,198	2,852,831	(2,156,553)	5,800,476	1,211,358
TMRS Net Pension Liability	3,639,628	27,387,814	(3,639,628)	27,387,814	-
OPEB Net Pension Obligation	1,125,345	105,207	-	1,230,552	-
	<u>\$ 136,217,326</u>	<u>\$ 71,922,321</u>	<u>\$ (45,268,366)</u>	<u>\$ 162,871,281</u>	<u>\$ 10,145,062</u>
<u>Business-Type Activities</u>					
Bonds Payable					
Revenue Bonds	\$ 149,670,000	\$ 27,270,000	\$ (23,550,000)	\$ 153,390,000	\$ 9,220,000
Premium on Bonds	3,799,543	3,333,963	(511,337)	6,622,169	410,312
Discount on Bonds	(234,415)	-	70,286	(164,129)	(11,724)
Capital Leases	1,462,114	-	(158,077)	1,304,037	162,780
Compensated Absences	337,923	579,400	(553,667)	363,656	281,818
TMRS Net Pension Liability	762,506	6,011,958	(762,506)	6,011,958	-
OPEB Net Pension Obligation	242,083	23,093	-	265,176	-
	<u>\$ 156,039,754</u>	<u>\$ 37,218,414</u>	<u>\$ (25,465,301)</u>	<u>\$ 167,792,867</u>	<u>\$ 10,063,186</u>

For governmental activities, TMRS net pension liability, OPEB liability, and compensated absences are, and were in prior years, generally liquidated by the general fund.

G. Other Information

Benefits Management

The City offers a medical and dental plan to eligible employees and qualified dependents. Plan benefits are designed to provide a competitive plan to attract and retain a qualified workforce.

The medical plan is funded by contributions of the City and employees. The City and our employees' contributions go into a fund which pays claims and associated plan costs such as the plan administrator, network expenses, insurance and programs and services to provide an effective program. Excess insurance is purchased to cover claims in excess of the \$150,000 attachment point as well as aggregate insurance. Excess insurance covers medical and pharmacy claims. Features of the medical plan include a preferred provider network, specialty networks and a pharmacy benefit which includes a tiered co-pay structure and various techniques to provide incentives to utilize lower cost drugs, over the counter alternatives and to manage utilization based on therapeutic equivalencies. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract. Funding levels are based on maximum plan exposure as calculated and recommended by an employee benefits specialty firm. Projected claim costs are based on claims experience, lag studies, industry trends, census, aggregate factors and insurance and other fixed costs. A liability for claims is established based on estimated incurred but not recorded claims outstanding and anticipated associated insurance and administrative costs.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Benefits Management (Continued)

Employees are given premium incentive to participate in annual health risk assessment. This informs employees about the state of their health and provides a roadmap for both employees and the City to develop programs and services to improve our health, mitigating future claims and developing a focus on early detection and prevention. An annual benefit and wellness fair is hosted to increase employee awareness.

The City continues to identify and implement features to look for best cost alternatives and minimize the need for healthcare to provide a sustainable benefit program.

A reconciliation of changes in the aggregate liabilities of the prior and current year is presented below:

<u>YEAR ENDED SEPTEMBER 30,</u>	<u>BEGINNING LIABILITY</u>	<u>CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATE</u>	<u>CLAIM PAYMENTS</u>	<u>ENDING LIABILITY</u>
2013	\$1,059,950	\$ 4,539,177	\$ 4,940,977	\$ 658,150
2014	658,150	4,755,194	4,703,491	709,853
2015	709,853	5,931,102	6,035,121	605,834

Risk and Safety Management

The City of San Marcos maintains a risk management program to prevent and mitigate financial loss. Components of the program include the identification of exposure to loss and the selection, implementation and monitoring of risk management techniques. Prevention measures include activities such as training, annual review of assets and exposures, driving and drug testing programs, safety awareness events and the "Safety Coach" Safety Leadership Development Program. Post incident measures designed to mitigate losses include incident investigation and management of all claims through final disposition. A cornerstone of our commitment to managing workers compensation claims is a return to work program. In rating a worker's compensation program, an underwriter begins at 100% which represents an average employer. This is 'modified' based on a specific employer's claims history. During this reporting period the City has achieved a .33% premium modifier.

The City participates in the National Safety Council Annual Awards Program which presents awards for occupational safety and health, safe worker and safe drivers. Fifteen departments were recognized for maintaining a perfect record or a reduction in frequency of lost time injuries.

Each October the City provides a Annual Benefits and Safety Expo. This educational event includes over 55 Health and Safety vendors including safety demonstrations. Over 350 employees participated in the Expo.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There are currently several claims and lawsuits pending against the City. It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City or that would exceed the contingency amounts set aside for such purpose.

Commitments

The City purchases electric power at wholesale rates from The Lower Colorado River Authority for its own use to resell to customers of its electric distribution system. The initial term of the purchased-power agreement ends in 2041, with successive renewal periods of 10 years.

Estimated costs to complete construction in progress at year-end totals approximately \$17,420,824 for governmental capital assets, \$19,209,754 for water and wastewater, \$8,187,120 for electric, and \$4,448,019 for drainage.

H. Pension Plans

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plans (Continued)

Benefits Provided (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	231
Inactive employees entitled to but not yet receiving benefits	216
Active employees	<u>555</u>
Total	1,002

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.75% and 18.19% for calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$6,101,539.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plans (Continued)

Net Pension Liability (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

H. Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$160,723,959	\$127,382,140	\$33,341,819
Changes for the year:			
Service Cost	5,118,797	-	5,118,797
Interest	11,242,134	-	11,242,134
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(1,010,160)	-	(1,010,160)
Changes of Assumptions	-	-	-
Contributions - Employer	-	5,799,742	(5,799,742)
Contributions - Employee	-	2,287,301	(2,287,301)
Net Investment Income	-	7,288,110	(7,288,110)
Benefit Payments, Including Refunds of Employee Contributions	(5,362,893)	(5,362,893)	-
Administrative Expense	-	(76,080)	76,080
Other Changes	-	(6,255)	6,255
Net Changes	<u>9,987,878</u>	<u>9,929,925</u>	<u>57,953</u>
Balance at December 31, 2014	<u>\$170,711,837</u>	<u>\$137,312,065</u>	<u>\$33,399,772</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

<u>1% Decrease in Discount Rate (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase in Discount Rate (8.0%)</u>
\$ 59,768,449	\$ 33,399,772	\$ 11,940,702

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

H. Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$5,368,165.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ -	\$ (813,381)
Changes in Actuarial Assumptions	-	-
Difference Between Projected and Actual Investment Earnings	1,302,912	-
Contributions Subsequent to the Measurement Date	<u>4,445,920</u>	<u>-</u>
Total	<u>\$ 5,748,832</u>	<u>\$ (813,381)</u>

The City reported \$4,445,920 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$	128,950
2017		128,950
2018		128,950
2019		128,950
2020		(26,269)
Thereafter		<u>-</u>
Total	\$	<u>489,531</u>

I. Other Postemployment Benefits

Post-Retirement Health Care Benefits

The City provides certain health care and life insurance benefits through a single employer defined benefit OPEB plan, under City ordinance, for all full time and part-time employees in an eligible class. Retired employees who have satisfied the requirement as defined by the Texas Municipal Retirement System and their dependents that were covered prior to retirement are in the eligible class. The requirement as defined by the Texas Municipal Retirement System is any age with 20 years of service or 5 years of service for age 60 and above. Currently, the City has 521 active employees and 38 retirees and beneficiaries eligible to participate in the plan.

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

Post-Retirement Health Care Benefits (Continued)

Retirees pay premiums for coverage in the OPEB programs. There is not a maximum employer paid premium amount (capped benefit). Active employees do not contribute to the retiree health care plan.

Retirees are eligible for medical, dental, prescription and life insurance benefits until death of employee in service. Once death of employee in service, spouse is eligible for dependents through COBRA only.

Retirees are eligible for benefits immediately upon retirement. If retiree opts out of coverage, retiree is not eligible for re-enrollment.

Annual OPEB Cost and Net OBEP Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ending September 30, 2015 is as follows:

Annual Required Contribution (ARC)	\$ 243,903
Interest on OPEB Obligation	61,534
Adjustment to ARC	<u>(57,011)</u>
OPEB Cost (Expense) End of Year	248,426
Net Estimated Employer Contributions	<u>(120,126)</u>
Increase in Net OPEB Obligation	128,300
Net OPEB Obligation, as of Beginning of Year	<u>1,367,428</u>
NET OPEB OBLIGATION, AS OF END OF YEAR	<u>\$1,495,728</u>

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2015 and the preceding two fiscal years were as follows:

FISCAL YEAR ENDED	ANNUAL OPEB COST	EMPLOYER CONTRIBUTION	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
9/30/2013	\$ 417,266	\$ 52,802	12.7%	\$ 998,571
9/30/2014	430,928	62,071	14.4%	1,367,428
9/30/2015	248,426	120,126	48.4%	1,495,728

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

Funding Status

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2014 is as follows:

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	ANNUAL COVERED PAYROLL (c)	RATIO OF UAAI TO ANNUAL COVERED PAYROLL (b-a)/c
12/31/2014	\$ -	\$ 2,333,504	\$ 2,333,504	0.0%	\$ 32,674,655	7.14%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$2,333,504 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 7.14%.

Actuarial Methods and Assumptions

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Actuarial Valuation Date	12/31/2014
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level as a Percentage of Employee Payroll
Amortization Period	30 Years; Open Amortization
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5% per annum, net of expenses
Payroll Growth Rate	3.0% per annum
Inflation Rate	3.0% per annum
Medical Trend Rate	Initial Rate of 7.5%, declining to an ultimate rate of 4.5% after 15 years

CITY OF SAN MARCOS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

J. Supplemental Death Benefits Plan (SDBF)

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

K. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SBDF for the years ended 2015, 2014 and 2013, were \$53,548, 49,963 and \$42,413, respectively, which equaled the required contributions each year.

SCHEDULE OF CONTRIBUTION RATES
(Retiree-only portion of the rate)

<u>PLAN/ CALENDAR YEAR</u>	<u>ANNUAL REQUIRED CONTRIBUTION (RATE)</u>	<u>ACTUAL CONTRIBUTION MADE (RATE)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>
2010	0.02%	0.02%	100.00%
2011	0.02%	0.02%	100.00%
2012	0.02%	0.02%	100.00%
2013	0.02%	0.02%	100.00%
2014	0.02%	0.02%	100.00%
2015	0.02%	0.02%	100.00%

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

L. Restatement of Net Position

During the fiscal year the City noted that funds received in prior years classified as revenue should have been recorded as a loan. In addition, the adoption of GASB Statement of #68 required a retroactive adjustment on the statement of activities and the statement of revenues, expenses and changes in fund net position, to recognize the costs associated with bond issuances that were previously amortized using the straight line method over the life of the bonds. The table below reflects the changes that were made.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	ELECTRIC FUND	WATER WASTEWATER FUND	STORMWATER DRAINAGE FUND
Net Position, beginning, as previously reported	\$ 119,851,613	\$ 135,010,595	\$ 33,830,309	\$ 88,797,872	\$ 6,197,597
SECO Loan	(832,026)	(1,102,918)	(96,747)	(1,006,171)	-
Net Pension Liability	<u>(20,258,599)</u>	<u>(4,483,447)</u>	<u>(2,265,959)</u>	<u>(1,929,923)</u>	<u>(195,772)</u>
Net Position, beginning, as restated	<u>\$ 98,760,988</u>	<u>\$ 129,424,230</u>	<u>\$ 31,467,603</u>	<u>\$ 85,861,778</u>	<u>\$ 6,001,825</u>

M. Subsequent Event

Subsequent to fiscal yearend, the City issued \$19,345,000 General Obligation Refunding Bonds, Series 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLANS
FOR THE EMPLOYEES OF THE CITY OF SAN MARCOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/2014	\$ -	\$ 2,333,504	\$ 2,333,504	0.0%	\$ 32,674,655	7.14%
12/31/2012	-	4,418,979	4,418,979	0.0%	29,096,429	15.2%
12/31/2010	-	3,420,429	3,420,429	0.0%	26,691,575	12.8%

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2015

	2015
Total Pension Liability	
Service Cost	\$ 5,118,797
Interest (on the Total Pension Liability)	11,242,134
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	(1,010,160)
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(5,362,893)</u>
Net Change in Total Pension Liability	9,987,878
Total Pension Liability - Beginning	<u>160,723,959</u>
Total Pension Liability - Ending (a)	<u>\$ 170,711,837</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 5,799,742
Contributions - Employee	2,287,301
Net Investment Income	7,288,110
Benefit Payments, Including Refunds of Employee Contributions	(5,362,893)
Administrative Expense	(76,080)
Other	<u>(6,255)</u>
Net Change in Plan Fiduciary Net Position	9,929,925
Plan Fiduciary Net Position - Beginning	<u>127,382,140</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 137,312,065</u>
Net Pension Liability (a) - (b)	<u>\$ 33,399,772</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.43%
Covered Employee Payroll	32,674,655
Net Pension Liability as a Percentage of Total Covered Employee Payroll	102.22%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 67. The City will develop the schedule prospectively.

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2015

	<u>2014</u>
Actuarially Determined Contributions	\$ 5,799,742
Contributions in Relation to the Actuarially Determined Contributions	<u>5,799,742</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Employee Payroll	<u>\$ 32,674,655</u>
Contributions as a Percentage of Covered Employee Payroll	17.75%

Note to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	3.00%
Salary Increases	3.5% to 12.00% Including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 67. The City will develop the schedule prospectively.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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GENERAL FUND

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CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2014 ACTUAL
	ORIGINAL	FINAL			
<u>REVENUES</u>					
Taxes					
Property Taxes					
Current Ad Valorem Taxes	\$ 9,822,875	\$ 9,822,875	9,937,101	\$ 114,226	\$ 8,108,898
Delinquent Ad Valorem Taxes	130,303	130,303	76,738	(53,565)	90,655
Penalty and Interest on Delinquent Taxes	70,163	70,163	80,422	10,259	51,750
Franchise	7,298,198	7,298,197	8,080,914	782,717	1,535,491
Sales	24,817,740	24,817,740	25,876,303	1,058,563	24,020,619
Mixed Drink	374,569	374,569	364,093	(10,476)	360,903
Total Taxes	<u>42,513,848</u>	<u>42,513,847</u>	<u>44,415,571</u>	<u>1,901,724</u>	<u>34,168,316</u>
Licenses and Permits					
Professional and Occupational	59,445	59,445	53,824	(5,621)	47,200
Building	1,376,392	1,376,392	1,252,684	(123,708)	1,151,365
Development	158,829	158,829	151,550	(7,279)	125,993
Plumbing	62,081	62,081	45,750	(16,331)	50,925
Food	207,428	207,427	190,362	(17,065)	183,274
Cemetery	71,600	70,800	45,152	(25,648)	61,270
Other	559,781	559,780	717,346	157,566	660,502
Total Licenses and Permits	<u>2,495,556</u>	<u>2,494,754</u>	<u>2,456,668</u>	<u>(38,086)</u>	<u>2,280,529</u>
Fines and Penalties					
Parking	111,058	111,058	192,882	81,824	129,699
Traffic	434,873	434,873	410,521	(24,352)	393,380
Complaints	312,402	312,402	290,528	(21,874)	272,523
Library	82,913	82,913	63,357	(19,556)	62,765
Other	659,294	659,296	517,189	(142,107)	465,185
Total Fines and Penalties	<u>1,600,540</u>	<u>1,600,542</u>	<u>1,474,477</u>	<u>(126,065)</u>	<u>1,323,552</u>
Charges for Services					
Vital Statistics	42,323	42,323	40,243	(2,080)	43,794
Pound Charges	91,012	91,012	88,180	(2,832)	87,979
Charges to Other Funds	4,502,868	4,470,071	4,440,598	(29,473)	4,423,238
Building Rental	153,899	166,720	164,951	(1,769)	145,604
Recreation Program	482,188	452,969	456,137	3,168	406,639
Other Services	150,620	167,019	148,257	(18,762)	112,050
Total Charges for Services	<u>5,422,910</u>	<u>5,390,114</u>	<u>5,338,366</u>	<u>(51,748)</u>	<u>5,219,304</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET -</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>	<u>2014</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>REVENUES (CONTINUED)</u>					
Intergovernmental	\$ 442,330	\$ 439,830	\$ 490,215	\$ 50,385	\$ 210,804
Investment Earnings	61,000	61,000	85,346	24,346	28,124
Other					
Donations	81,544	81,544	60,000	(21,544)	80,000
Miscellaneous	924,380	927,680	1,606,925	679,245	1,140,531
Total Other	1,005,924	1,009,224	1,666,925	657,701	1,220,531
Total Revenues	53,542,108	53,509,311	55,927,568	2,418,257	44,451,160
<u>EXPENDITURES</u>					
Current					
General Government					
Personnel Services	2,228,361	2,245,457	2,192,155	53,302	2,229,375
Contracted Services	161,840	178,448	148,908	29,540	163,023
Materials and Supplies	100,800	98,126	77,698	20,428	69,855
Other Charges	426,653	424,787	310,719	114,068	285,848
Total General Government	2,917,654	2,946,818	2,729,480	217,338	2,748,101
Human Resources					
Personnel Services	874,870	881,834	870,689	11,145	874,424
Contracted Services	110,950	100,435	70,226	30,209	62,989
Materials and Supplies	20,500	24,414	22,856	1,558	15,202
Other Charges	29,725	29,362	29,313	49	22,378
Total Human Resources	1,036,045	1,036,045	993,084	42,961	974,993
Finance					
Personnel Services	1,343,086	1,355,001	1,353,598	1,403	1,235,522
Contracted Services	50,800	123,186	107,991	15,195	66,245
Materials and Supplies	37,508	32,571	29,873	2,698	42,472
Other Charges	36,487	31,641	31,641	-	25,474
Total Finance	1,467,881	1,542,399	1,523,103	-	1,369,713

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2014 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Municipal Court					
Personnel Services	\$ 601,785	\$ 598,640	\$ 577,568	\$ 21,072	\$ 661,263
Contracted Services	59,480	62,625	57,359	5,266	55,161
Materials and Supplies	24,906	24,906	16,062	8,844	22,893
Other Charges	16,710	84,270	74,138	10,132	6,450
Total Municipal Court	<u>702,881</u>	<u>770,441</u>	<u>725,127</u>	<u>45,314</u>	<u>745,767</u>
Technology Services					
Personnel Services	1,335,889	1,305,876	1,258,737	47,139	1,098,718
Contracted Services	177,020	198,998	186,085	12,913	178,143
Materials and Supplies	34,592	40,341	35,369	4,972	37,330
Other Charges	65,274	-	-	-	75,236
Capital Outlay	-	-	-	-	-
Total Technology Services	<u>1,612,775</u>	<u>1,545,215</u>	<u>1,480,191</u>	<u>65,024</u>	<u>1,389,427</u>
Development Services					
Personnel Services	1,814,959	1,813,296	1,558,030	255,266	1,655,138
Contracted Services	199,240	203,982	183,084	20,898	158,936
Materials and Supplies	50,418	50,887	38,381	12,506	46,694
Other Charges	92,475	88,927	66,959	21,968	73,210
Total Development Services	<u>2,157,092</u>	<u>2,157,092</u>	<u>1,846,454</u>	<u>310,638</u>	<u>1,933,978</u>
Capital Improvements					
Personnel Services	930,233	973,978	973,978	-	392,152
Contracted Services	143,020	139,175	135,675	3,500	124,878
Materials and Supplies	55,484	45,540	45,540	-	42,211
Other Charges	64,500	44,886	44,886	-	20,922
Total Capital Improvements	<u>1,193,237</u>	<u>1,203,579</u>	<u>1,200,079</u>	<u>3,500</u>	<u>580,163</u>
Fire					
Personnel Services	6,873,579	6,957,818	6,943,739	14,079	6,761,369
Contracted Services	169,254	134,707	128,325	6,382	99,660
Materials and Supplies	339,734	354,889	354,889	-	320,133
Other Charges	110,741	127,561	127,561	-	89,405
Total Fire	<u>7,493,308</u>	<u>7,574,975</u>	<u>7,554,514</u>	<u>20,461</u>	<u>7,270,567</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2014 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Police					
Personnel Services	\$ 12,691,006	\$ 12,756,135	\$12,575,200	\$ 180,935	\$ 12,343,498
Contracted Services	456,348	406,411	379,368	27,043	381,447
Materials and Supplies	837,618	818,524	804,752	13,772	810,533
Other Charges	<u>102,782</u>	<u>106,683</u>	<u>103,621</u>	<u>3,062</u>	<u>81,484</u>
Total Police	<u>14,087,754</u>	<u>14,087,753</u>	<u>13,862,941</u>	<u>224,812</u>	<u>13,616,962</u>
Public Services					
Personnel Services	2,017,902	2,037,720	1,974,210	63,510	1,752,291
Contracted Services	192,627	176,803	169,397	7,406	163,527
Materials and Supplies	1,569,951	1,576,880	1,573,812	3,068	1,283,670
Other Charges	<u>184,521</u>	<u>173,598</u>	<u>165,247</u>	<u>8,351</u>	<u>156,200</u>
Total Public Services	<u>3,965,001</u>	<u>3,965,001</u>	<u>3,882,666</u>	<u>82,335</u>	<u>3,355,688</u>
Community Services					
Neighborhood Services					
Personnel Services	614,083	613,671	584,479	29,192	510,900
Contracted Services	68,894	76,099	74,606	1,493	79,515
Materials and Supplies	62,626	56,547	56,547	-	70,745
Other Charges	<u>10,586</u>	<u>9,871</u>	<u>9,871</u>	<u>-</u>	<u>9,517</u>
Total Neighborhood Services	<u>756,189</u>	<u>756,188</u>	<u>725,503</u>	<u>30,685</u>	<u>670,677</u>
Library					
Personnel Services	1,337,076	1,327,557	1,220,206	107,351	1,320,868
Contracted Services	41,669	50,188	50,130	58	47,182
Materials and Supplies	32,580	164,997	164,202	795	30,968
Other Charges	<u>18,654</u>	<u>17,845</u>	<u>17,845</u>	<u>-</u>	<u>143,968</u>
Total Library	<u>1,429,979</u>	<u>1,560,587</u>	<u>1,452,383</u>	<u>108,204</u>	<u>1,542,986</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2014 ACTUAL
	ORIGINAL	FINAL			
<u>EXPENDITURES (CONTINUED)</u>					
Parks and Recreation					
Personnel Services	\$ 3,068,752	\$ 3,141,919	\$ 3,021,458	\$ 120,461	\$ 2,712,794
Contracted Services	1,302,484	1,206,181	1,111,017	95,164	1,090,363
Materials and Supplies	547,350	600,839	626,581	(25,742)	706,799
Other Charges	34,474	27,795	24,295	3,500	29,316
Total Parks and Recreation	<u>4,953,060</u>	<u>4,976,734</u>	<u>4,783,351</u>	<u>193,383</u>	<u>4,539,272</u>
Environmental Health					
Personnel Services	399,586	409,564	409,564	-	392,284
Contracted Services	28,170	53,810	44,872	8,938	18,276
Materials and Supplies	20,676	44,430	43,809	621	16,674
Other Charges	4,685	2,792	2,792	-	2,043
Total Environmental Services	<u>453,117</u>	<u>510,596</u>	<u>501,037</u>	<u>9,559</u>	<u>429,277</u>
Animal Services					
Personnel Services	800,104	800,104	759,456	40,648	682,106
Contracted Services	97,159	85,817	60,791	25,026	78,969
Materials and Supplies	155,830	125,859	84,180	41,679	123,453
Other Charges	15,675	10,531	10,494	37	9,616
Capital Outlay	-	-	-	-	-
Total Animal Services	<u>1,068,768</u>	<u>1,022,311</u>	<u>914,921</u>	<u>107,390</u>	<u>894,144</u>
Fleet Services					
Personnel Services	440,822	440,822	393,903	46,919	349,530
Contracted Services	11,141	160	-	160	5,167
Materials and Supplies	47,369	47,329	41,925	5,404	35,231
Other Charges	15,387	15,387	1,855	13,532	1,134
Total Fleet Services	<u>514,719</u>	<u>503,698</u>	<u>437,683</u>	<u>66,015</u>	<u>391,062</u>
Administration					
Personnel Services	621,662	648,729	648,729	-	641,372
Contracted Services	900	-	-	-	850
Materials and Supplies	1,200	587	587	-	516
Other Charges	3,325	-	-	-	1,007
Total Administration	<u>627,087</u>	<u>649,316</u>	<u>649,316</u>	<u>-</u>	<u>643,745</u>
Total Community Services	<u>9,802,919</u>	<u>9,979,430</u>	<u>9,464,194</u>	<u>515,236</u>	<u>9,111,163</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2014 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
General Services					
Social Services					
Other Charges	\$ 411,100	\$ 411,100	\$ 411,100	\$ -	\$ 410,000
Total Social Services	<u>411,100</u>	<u>411,100</u>	<u>411,100</u>	<u>-</u>	<u>410,000</u>
Special Services					
Personnel Services	567,369	383,517	8,123	375,394	5,592
Contracted Services	2,461,837	2,446,892	2,312,013	134,879	1,986,998
Materials and Supplies	60,100	35,100	573	34,527	10,595
Other Charges	1,394,964	2,518,575	1,978,006	540,569	1,764,300
Economic Development Incentives	900,000	-	-	-	-
Capital Outlay and Maintenance	<u>2,431,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Special Services	<u>7,815,294</u>	<u>5,384,084</u>	<u>4,298,715</u>	<u>1,085,369</u>	<u>3,767,485</u>
Total General Services	<u>8,226,394</u>	<u>5,795,184</u>	<u>4,709,815</u>	<u>1,085,369</u>	<u>4,177,485</u>
Cemetery					
Contracted Services	236,655	236,655	128,881	107,774	135,726
Materials and Supplies	2,000	2,000	1,484	516	236
Other Charges	<u>-</u>	<u>-</u>	<u>973</u>	<u>(973)</u>	<u>-</u>
Total Cemetery	<u>238,655</u>	<u>238,655</u>	<u>131,338</u>	<u>107,317</u>	<u>135,962</u>
Debt Service					
Principal	-	-	82,512	(82,512)	-
Interest	<u>-</u>	<u>-</u>	<u>24,260</u>	<u>(24,260)</u>	<u>-</u>
Total Debt Service	<u>-</u>	<u>-</u>	<u>106,772</u>	<u>(106,772)</u>	<u>-</u>
Total Expenditures	<u>54,901,596</u>	<u>52,842,587</u>	<u>50,209,758</u>	<u>2,613,533</u>	<u>47,409,969</u>
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	<u>(1,359,488)</u>	<u>666,724</u>	<u>5,717,810</u>	<u>5,031,790</u>	<u>(2,958,809)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	34,416	34,416	-	6,025,591
Transfers Out	(1,804,324)	(3,697,833)	(3,773,953)	(76,120)	(4,051,548)
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,654</u>
Total Other Financing Sources (Uses)	<u>(1,804,324)</u>	<u>(3,663,417)</u>	<u>(3,739,537)</u>	<u>(76,120)</u>	<u>2,004,697</u>
Net Change in Fund Balance	(3,163,812)	(2,996,693)	1,978,273	4,955,670	(954,112)
<u>FUND BALANCE - BEGINNING</u>	<u>16,021,214</u>	<u>16,021,214</u>	<u>16,021,214</u>	<u>-</u>	<u>16,975,326</u>
FUND BALANCE - ENDING	<u>\$ 12,857,402</u>	<u>\$ 13,024,521</u>	<u>\$ 17,999,487</u>	<u>\$ 4,974,966</u>	<u>\$ 16,021,214</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, special assessments, or major capital projects) that are legally restricted to expenditures for specific purposes.

Grants and Special Entitlements

Community Development Block Grant

Public Education

Public Safety Grants

WIC Project

PARD Recreation Programs

Hotel Occupancy

Municipal Court Technology

Seized Assets

Library Memorial

Municipal Court Security Fee

Juvenile Case Manager Fee

PARD Special Contributions

TIRZ #2

TIRZ #3

TIRZ #5

TIRZ Loop 110

TIRZ Lone Star Rain

Municipal Judicial Efficiency

Miscellaneous Grants

TOW Forfeiture

NONMAJOR PERMANENT FUNDS

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

Cemetery Perpetual

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	SPECIAL		
	GRANT AND SPECIAL ENTITLEMENTS	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 249,371	\$ 4,961	\$ 486,064
Investments			
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	61,011	24,012
Taxes	-	-	-
Loans	4,198	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
TOTAL ASSETS	<u>\$ 253,569</u>	<u>\$ 65,972</u>	<u>\$ 510,076</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ 41,952	\$ 3,079
Accrued Liabilities	-	4,520	-
Unearned Revenue	191,270	7,642	-
Customer Deposits	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>191,270</u>	<u>54,114</u>	<u>\$ 3,079</u>
Fund Balances			
Restricted for			
Public Safety	-	-	-
Community Services	62,299	11,858	506,997
Endowment	-	-	-
Total Fund Balances	<u>62,299</u>	<u>11,858</u>	<u>506,997</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 253,569</u>	<u>\$ 65,972</u>	<u>\$ 510,076</u>

REVENUE

<u>PUBLIC SAFETY GRANTS</u>	<u>WIC PROJECT</u>	<u>PARD RECREATION PROGRAMS</u>	<u>HOTEL OCCUPANCY</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>	<u>SEIZED ASSETS</u>	<u>LIBRARY MEMORIAL</u>
\$ -	\$ -	\$ 76,427	\$ 919,059	\$ 191,082	\$ 118,085	\$ 54,338
-	-	-	-	-	-	-
-	-	-	256,505	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,002,963	355,623	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,002,963</u>	<u>\$ 355,623</u>	<u>\$ 76,427</u>	<u>\$ 1,175,564</u>	<u>\$ 191,082</u>	<u>\$ 118,085</u>	<u>\$ 54,338</u>
\$ -	\$ 42,056	\$ 9,600	\$ 163,037	\$ -	\$ -	\$ -
-	48,464	-	6,755	-	-	-
59,715	-	-	98	-	-	-
-	-	-	-	-	-	-
933,046	265,103	-	-	-	-	-
<u>992,761</u>	<u>355,623</u>	<u>9,600</u>	<u>169,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,202	-	-	-	191,082	118,085	-
-	-	66,827	1,005,674	-	-	54,338
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,202</u>	<u>-</u>	<u>66,827</u>	<u>1,005,674</u>	<u>191,082</u>	<u>118,085</u>	<u>54,338</u>
<u>\$ 1,002,963</u>	<u>\$ 355,623</u>	<u>\$ 76,427</u>	<u>\$ 1,175,564</u>	<u>\$ 191,082</u>	<u>\$ 118,085</u>	<u>\$ 54,338</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2015

	<u>SPECIAL</u>		
	<u>MUNICIPAL COURT SECURITY FEE</u>	<u>JUVENILE CASE MANAGER FEE</u>	<u>PARD SPECIAL CONTRIBUTIONS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 141,788	\$ 18,077	\$ 7,067
Investments	-	-	-
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	-	-
Taxes	-	-	-
Loans	-	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 141,788</u>	<u>\$ 18,077</u>	<u>\$ 7,067</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ -	\$ 1,329	\$ -
Accrued Liabilities	-	-	-
Deferred Revenue	-	-	-
Customer Deposits	-	-	-
Due to Other Funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>1,329</u>	<u>-</u>
<u>Fund Balances</u>			
<u>Restricted for</u>			
Public Safety	141,788	16,748	-
Community Services	-	-	7,067
Endowment	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>141,788</u>	<u>16,748</u>	<u>7,067</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 141,788</u>	<u>\$ 18,077</u>	<u>\$ 7,067</u>

REVENUE

<u>TIRZ #2</u>	<u>TIRZ #3</u>	<u>TIRZ #5</u>	<u>TIRZ LOOP 110</u>	<u>TIRZ LONE STAR RAIN</u>	<u>MUNICIPAL JUDICIAL EFFICIENCY</u>
\$ -	\$ -	\$229,656	\$150,000	\$ 287	\$ 34,725
-	-	-	-	-	-
129,395	70,657	116,509	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 129,395</u>	<u>\$ 70,657</u>	<u>\$346,165</u>	<u>\$150,000</u>	<u>\$ 287</u>	<u>\$ 34,725</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,494
-	-	-	-	-	-
-	-	-	-	-	-
2,131	-	-	-	-	-
<u>127,264</u>	<u>67,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>129,395</u>	<u>67,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494</u>
-	-	-	-	-	-
-	3,000	346,165	150,000	287	33,231
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>3,000</u>	<u>346,165</u>	<u>150,000</u>	<u>287</u>	<u>33,231</u>
<u>\$ 129,395</u>	<u>\$ 70,657</u>	<u>\$346,165</u>	<u>\$150,000</u>	<u>\$ 287</u>	<u>\$ 34,725</u>

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>SPECIAL REVENUE</u>		<u>PERMANENT</u>	<u>TOTALS</u>
	<u>MISCELLANEOUS GRANTS</u>	<u>TOW FORFEITURE FUND</u>	<u>CEMETERY PERPETUAL</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ 1,880	\$ 41,442	\$ 2,724,309
Investments	521,981	-	1,013,694	1,535,675
Receivables - Net of Allowances for Uncollectibles				
Accounts	2,412,519	-	8,093	2,822,196
Taxes	-	-	-	256,505
Loans	-	-	-	4,198
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	1,358,586
Prepaid Items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,934,500</u>	<u>\$ 1,880</u>	<u>\$1,063,229</u>	<u>\$ 8,701,469</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts Payable	\$ 174,597	\$ -	\$ -	\$ 437,144
Accrued Liabilities	-	-	-	59,739
Deferred Revenue	543,695	-	-	802,420
Customer Deposits	-	-	-	2,131
Due to Other Funds	<u>1,879,669</u>	<u>-</u>	<u>-</u>	<u>3,272,739</u>
Total Liabilities	<u>2,597,961</u>	<u>-</u>	<u>-</u>	<u>4,574,173</u>
Fund Balances				
Restricted for				-
Public Safety	-	-	-	477,905
Community Services	336,539	1,880	-	2,586,162
Endowment	<u>-</u>	<u>-</u>	<u>1,063,229</u>	<u>1,063,229</u>
Total Fund Balances	<u>336,539</u>	<u>1,880</u>	<u>1,063,229</u>	<u>4,127,296</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,934,500</u>	<u>\$ 1,880</u>	<u>\$1,063,229</u>	<u>\$ 8,701,469</u>

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CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	SPECIAL		
	GRANT AND SPECIAL ENTITLEMENTS	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ 96,632
Fines and Penalties	-	-	-
Intergovernmental	-	584,472	-
Charges for Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	-
Total Revenues	-	584,472	96,632
<u>EXPENDITURES</u>			
Current			
General Government	-	-	10,160
Public Safety	-	-	-
Community Services	-	584,472	-
Capital Outlay	-	-	-
Total Expenditures	-	584,472	10,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	86,472
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	-	86,472
<u>FUND BALANCES - BEGINNING</u>	62,299	11,858	420,525
FUND BALANCES - ENDING	\$ 62,299	\$ 11,858	\$506,997

REVENUE

<u>PUBLIC SAFETY GRANTS</u>	<u>WIC PROJECT</u>	<u>PARD RECREATION PROGRAMS</u>	<u>HOTEL OCCUPANCY</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>	<u>SEIZED ASSETS</u>	<u>LIBRARY MEMORIAL</u>
\$ -	\$ -	\$ -	\$3,373,681	\$ -	\$ -	\$ -
-	-	-	-	27,169	47,892	-
1,186,736	1,656,283	-	-	-	-	-
-	-	240,668	-	-	-	-
-	-	-	941	-	-	-
<u>4,500</u>	<u>-</u>	<u>12,054</u>	<u>3,896</u>	<u>-</u>	<u>-</u>	<u>20,150</u>
<u>1,191,236</u>	<u>1,656,283</u>	<u>252,722</u>	<u>3,378,518</u>	<u>27,169</u>	<u>47,892</u>	<u>20,150</u>
-	-	-	-	-	-	-
1,187,275	-	-	-	-	1,500	-
-	1,656,283	258,998	1,931,895	-	-	-
-	-	-	-	6,395	-	-
<u>1,187,275</u>	<u>1,656,283</u>	<u>258,998</u>	<u>1,931,895</u>	<u>6,395</u>	<u>1,500</u>	<u>-</u>
<u>3,961</u>	<u>-</u>	<u>(6,276)</u>	<u>1,446,623</u>	<u>20,774</u>	<u>46,392</u>	<u>20,150</u>
-	-	-	52,810	-	-	-
-	-	-	(1,930,246)	-	-	-
-	-	-	(1,877,436)	-	-	-
3,961	-	(6,276)	(430,813)	20,774	46,392	20,150
<u>6,241</u>	<u>-</u>	<u>73,103</u>	<u>1,436,487</u>	<u>170,308</u>	<u>71,693</u>	<u>34,188</u>
<u>\$ 10,202</u>	<u>\$ -</u>	<u>\$ 66,827</u>	<u>\$1,005,674</u>	<u>\$ 191,082</u>	<u>\$118,085</u>	<u>\$ 54,338</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>SPECIAL</u>		
	<u>MUNICIPAL</u>	<u>JUVENILE</u>	
	<u>COURT</u>	<u>CASE</u>	
	<u>SECURITY</u>	<u>MANAGER</u>	<u>PARD SPECIAL</u>
	<u>FEE</u>	<u>FEE</u>	<u>CONTRIBUTIONS</u>
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ -
Fines and Penalties	21,392	39,826	
Intergovernmental	-	-	-
Charges for Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	798
Total Revenues	<u>21,392</u>	<u>39,826</u>	<u>798</u>
<u>EXPENDITURES</u>			
Current			
General Government	-	-	-
Public Safety	-	48,675	-
Community Services	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>48,675</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,392</u>	<u>(8,849)</u>	<u>798</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	21,392	(8,849)	798
<u>FUND BALANCES - BEGINNING</u>	<u>120,396</u>	<u>25,597</u>	<u>6,269</u>
FUND BALANCES - ENDING	<u>\$ 141,788</u>	<u>\$ 16,748</u>	<u>\$ 7,067</u>

REVENUE

<u>TIRZ #2</u>	<u>TIRZ #3</u>	<u>TIRZ #5</u>	<u>TIRZ LOOP 110</u>	<u>TIRZ LONE STAR RAIN</u>	<u>MUNICIPAL JUDICIAL EFFICIENCY</u>
\$ 129,394	\$ 70,657	\$ 116,509	\$ -	\$ -	\$ -
-	-	-	-	-	3,259
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,467</u>
<u>129,394</u>	<u>70,657</u>	<u>116,509</u>	<u>-</u>	<u>-</u>	<u>34,726</u>
410,831	-	-	-	-	1,495
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>410,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495</u>
<u>(281,437)</u>	<u>70,657</u>	<u>116,509</u>	<u>-</u>	<u>-</u>	<u>33,231</u>
281,467	124,625	140,785	150,000	287	-
-	(195,282)	-	-	-	-
<u>281,467</u>	<u>(70,657)</u>	<u>140,785</u>	<u>150,000</u>	<u>287</u>	<u>-</u>
30	-	257,294	150,000	287	33,231
<u>(30)</u>	<u>3,000</u>	<u>88,871</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 346,165</u>	<u>\$ 150,000</u>	<u>\$ 287</u>	<u>\$ 33,231</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>SPECIAL REVENUE</u>		<u>PERMANENT</u>	<u>TOTALS</u>
	<u>MISCELLANEOUS GRANTS</u>	<u>TOW FORFEITURE FUND</u>	<u>CEMETERY PERPETUAL</u>	
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ 3,786,873
Fines and Penalties	-	-	-	139,538
Intergovernmental	4,027,807	-	-	7,455,298
Charges for Services	-	1,880	-	242,548
Investment Earnings	1,586	-	1,688	4,215
Miscellaneous	11,000	-	2,066	85,931
Total Revenues	<u>4,040,393</u>	<u>1,880</u>	<u>3,754</u>	<u>11,714,403</u>
<u>EXPENDITURES</u>				
Current				
General Government	1,131,628	-	-	1,554,114
Public Safety	-	-	-	1,237,450
Community Services	-	-	-	4,431,648
Capital Outlay	2,788,794	-	-	2,795,189
Total Expenditures	<u>3,920,422</u>	<u>-</u>	<u>-</u>	<u>10,018,401</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,971</u>	<u>1,880</u>	<u>3,754</u>	<u>1,696,002</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	749,974
Transfers Out	-	-	-	(2,125,528)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,375,554)</u>
Net Change in Fund Balance	119,971	1,880	3,754	320,448
<u>FUND BALANCES - BEGINNING</u>	<u>216,568</u>	<u>-</u>	<u>1,059,475</u>	<u>3,806,848</u>
FUND BALANCES - ENDING	<u>\$ 336,539</u>	<u>\$ 1,880</u>	<u>\$ 1,063,229</u>	<u>\$ 4,127,296</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 8,098,192	\$ 8,098,192	\$ 8,180,541	\$ 82,349
Intergovernmental	3,030,000	3,030,000	3,124,486	94,486
Interest on Investments	26,000	26,000	30,571	4,571
Miscellaneous	115,618	115,618	138,484	22,866
Total Revenues	<u>11,269,810</u>	<u>11,269,810</u>	<u>11,474,082</u>	<u>204,272</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	7,330,000	7,370,000	7,370,000	-
Interest and Fiscal Charges	5,373,742	5,373,744	4,600,112	773,632
Bond Issuance Cost	-	-	400,191	(400,191)
Total Expenditures	<u>12,703,742</u>	<u>12,743,744</u>	<u>12,370,303</u>	<u>373,441</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,433,932)</u>	<u>(1,473,934)</u>	<u>(896,221)</u>	<u>577,713</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	2,213,614	2,213,614	2,675,165	461,551
Transfers Out	-	-	(383,522)	(383,522)
Payment to Refunded Bond Escrow Agent	-	-	(35,614,546)	(35,614,546)
Premium on Debt Issued	-	-	3,343,685	3,343,685
Refunding Bonds Issued	-	-	32,020,000	32,020,000
Total Other Financing Sources (Uses)	<u>2,213,614</u>	<u>2,213,614</u>	<u>2,040,782</u>	<u>(172,832)</u>
Net Change in Fund Balances	779,682	739,680	1,144,561	(404,881)
<u>FUND BALANCES - BEGINNING</u>	<u>6,940,500</u>	<u>6,940,500</u>	<u>6,940,500</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 7,720,182</u>	<u>\$ 7,680,180</u>	<u>\$ 8,085,061</u>	<u>\$ 404,881</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 491,929	\$ 561,277	\$ 584,472	\$ 23,195
<u>EXPENDITURES</u>				
Current				
Community Service	491,929	585,363	584,472	891
Capital Outlay	-	-	-	-
Total Expenditures	<u>491,929</u>	<u>585,363</u>	<u>584,472</u>	<u>891</u>
Net Change in Fund Balance	-	(24,086)	-	24,086
<u>FUND BALANCES - BEGINNING</u>	<u>11,858</u>	<u>11,858</u>	<u>11,858</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 11,858</u>	<u>\$ (12,228)</u>	<u>\$ 11,858</u>	<u>\$ 24,086</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
PUBLIC EDUCATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 96,632</u>	<u>\$ 6,632</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>200,000</u>	<u>200,000</u>	<u>10,160</u>	<u>189,840</u>
Net Change in Fund Balance	(110,000)	(110,000)	86,472	196,472
<u>FUND BALANCES - BEGINNING</u>	<u>420,525</u>	<u>420,525</u>	<u>420,525</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 310,525</u>	<u>\$ 310,525</u>	<u>\$ 506,997</u>	<u>\$ 196,472</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
PUBLIC SAFETY GRANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 330,188	\$ 1,186,736	\$ 1,186,736	\$ -
Miscellaneous	-	4,500	4,500	-
	<u>330,188</u>	<u>1,191,236</u>	<u>1,191,236</u>	<u>-</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>331,002</u>	<u>1,187,275</u>	<u>1,187,275</u>	<u>-</u>
Net Change in Fund Balance	(814)	(539)	3,961	-
<u>FUND BALANCES - BEGINNING</u>	<u>6,241</u>	<u>6,241</u>	<u>6,241</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 5,427</u>	<u>\$ 5,702</u>	<u>\$ 10,202</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
WIC PROJECT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Intergovernmental	<u>\$ 1,929,742</u>	<u>\$ 1,656,283</u>	<u>\$ 1,656,283</u>	<u>\$ -</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>1,929,742</u>	<u>1,656,283</u>	<u>1,656,283</u>	<u>-</u>
Total Expenditures	<u>1,929,742</u>	<u>1,656,283</u>	<u>1,656,283</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
HOTEL OCCUPANCY
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 3,170,117	\$ 3,170,118	\$ 3,373,681	\$ 203,563
Interest on Investments	1,000	1,000	941	(59)
Other	<u>22,500</u>	<u>22,500</u>	<u>3,896</u>	<u>(18,604)</u>
Total Revenues	<u>3,193,617</u>	<u>3,193,618</u>	<u>3,378,518</u>	<u>184,900</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>1,944,566</u>	<u>2,281,676</u>	<u>1,931,895</u>	<u>349,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,249,051</u>	<u>911,942</u>	<u>1,446,623</u>	<u>534,681</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	52,810	52,810	52,810	-
Transfers Out	<u>(1,439,593)</u>	<u>(1,930,246)</u>	<u>(1,930,246)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,386,783)</u>	<u>(1,877,436)</u>	<u>(1,877,436)</u>	<u>-</u>
Net Change in Fund Balance	(137,732)	(965,494)	(430,813)	534,681
<u>FUND BALANCES - BEGINNING</u>	<u>1,436,487</u>	<u>1,436,487</u>	<u>1,436,487</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,298,755</u>	<u>\$ 470,993</u>	<u>\$ 1,005,674</u>	<u>\$ 534,681</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	\$ 30,025	\$ 30,025	\$ 27,169	\$ (2,856)
<u>EXPENDITURES</u>				
Current				
Public Safety	5,000	5,000	-	5,000
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>6,395</u>	<u>18,605</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>6,395</u>	<u>23,605</u>
Net Change in Fund Balance	25	25	20,774	20,749
<u>FUND BALANCES - BEGINNING</u>	<u>170,308</u>	<u>170,308</u>	<u>170,308</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 170,333</u>	<u>\$ 170,333</u>	<u>\$ 191,082</u>	<u>\$ 20,749</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SEIZED ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	\$ 5,100	\$ 5,100	\$ 47,892	\$ 42,792
<u>EXPENDITURES</u>				
Current				
Public Safety	1,500	13,388	1,500	11,888
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,500</u>	<u>13,388</u>	<u>1,500</u>	<u>11,888</u>
Net Change in Fund Balance	3,600	(8,288)	46,392	54,680
<u>FUND BALANCES - BEGINNING</u>	<u>71,693</u>	<u>71,693</u>	<u>71,693</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 75,293</u>	<u>\$ 63,405</u>	<u>\$ 118,085</u>	<u>\$ 54,680</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MUNICIPAL COURT SECURITY FEE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	<u>\$ 24,012</u>	<u>\$ 24,012</u>	<u>\$ 21,392</u>	<u>\$ (2,620)</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>11,842</u>	<u>11,842</u>	<u>-</u>	<u>11,842</u>
Net Change in Fund Balance	<u>12,170</u>	<u>12,170</u>	<u>21,392</u>	<u>9,222</u>
<u>FUND BALANCES - BEGINNING</u>	<u>120,396</u>	<u>120,396</u>	<u>120,396</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 132,566</u></u>	<u><u>\$ 132,566</u></u>	<u><u>\$ 141,788</u></u>	<u><u>\$ 9,222</u></u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
JUVENILE CASE MANAGER FEE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 39,826</u>	<u>\$ (3,174)</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>50,571</u>	<u>50,571</u>	<u>48,675</u>	<u>1,896</u>
Net Change in Fund Balance	<u>(7,571)</u>	<u>(7,571)</u>	<u>(8,849)</u>	<u>(1,278)</u>
<u>FUND BALANCES - BEGINNING</u>	<u>25,597</u>	<u>25,597</u>	<u>25,597</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 18,026</u></u>	<u><u>\$ 18,026</u></u>	<u><u>\$ 16,748</u></u>	<u><u>\$ (1,278)</u></u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ #2
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	<u>\$ 367,487</u>	<u>\$ 118,029</u>	<u>\$ 129,394</u>	<u>\$ 11,365</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>367,487</u>	<u>367,487</u>	<u>410,831</u>	<u>(43,344)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(249,458)</u>	<u>(281,437)</u>	<u>(31,979)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>-</u>	<u>249,458</u>	<u>281,467</u>	<u>32,009</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
<u>FUND BALANCES - BEGINNING</u>	<u>(30)</u>	<u>(30)</u>	<u>(30)</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (30)</u>	<u>\$ (30)</u>	<u>\$ -</u>	<u>\$ 30</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ #3
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 224,384	\$ 78,579	\$ 70,657	\$ (7,922)
<u>EXPENDITURES</u>				
Current				
General Government	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	224,384	78,579	70,657	(7,922)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	-	145,805	124,625	(21,180)
Transfer Out	(224,384)	(224,384)	(195,282)	29,102
Total Other Financing Sources (Uses)	(224,384)	(78,579)	(70,657)	7,922
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>	3,000	3,000	3,000	-
FUND BALANCES - ENDING	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ #5
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 180,000	\$ 80,000	\$ 116,509	\$ 36,509
<u>EXPENDITURES</u>				
Current				
General Government	60,876	60,876	-	60,876
Excess (Deficiency) of Revenues Over (Under) Expenditures	119,124	19,124	116,509	97,385
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	-	100,000	140,785	40,785
Net Change in Fund Balance	119,124	119,124	257,294	138,170
<u>FUND BALANCES – BEGINNING</u>	<u>88,871</u>	<u>88,871</u>	<u>88,871</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 207,995</u>	<u>\$ 207,995</u>	<u>\$ 346,165</u>	<u>\$ 138,170</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ LOOP 110
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 25,000	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Current				
General Government	<u>25,000</u>	<u>25,000</u>	-	<u>25,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(25,000)	-	25,000
<u>OTHER FINANCIING SOURCES (USES)</u>				
Transfer In	-	<u>25,000</u>	<u>150,000</u>	<u>125,000</u>
Net Change in Fund Balance	-	-	150,000	150,000
<u>FUND BALANCES - BEGINNING</u>				
	-	-	-	-
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ LONE STAR RAIN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 25,000	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Current				
General Government	25,000	25,000	-	25,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(25,000)	-	25,000
<u>OTHER FINANCIING SOURCES (USES)</u>				
Transfer In	-	25,000	287	(24,713)
Net Change in Fund Balance	-	-	287	287
<u>FUND BALANCES - BEGINNING</u>				
	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ 287	\$ 287

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MUNICIPAL JUDICIAL EFFICIENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	\$ 3,000	\$ 3,000	\$ 3,259	\$ 259
Miscellaneous	<u>24,000</u>	<u>24,000</u>	<u>31,467</u>	<u>7,467</u>
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>34,726</u>	<u>7,726</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>5,000</u>	<u>5,000</u>	<u>1,495</u>	<u>3,505</u>
Net Change in Fund Balance	(2,000)	(2,000)	33,231	3,764
<u>FUND BALANCES - BEGINNING</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (2,000)</u>	<u>\$ (2,000)</u>	<u>\$ 33,231</u>	<u>\$ 3,764</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MISCELLANEOUS GRANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Intergovernmental	\$ -	\$ 4,027,807	\$ 4,027,807	\$ -
Investment Earnings	-	1,586	1,586	-
Miscellaneous	-	11,000	11,000	-
Total Revenues	-	<u>4,040,393</u>	<u>4,040,393</u>	-
<u>EXPENDITURES</u>				
Current				
General Government	-	1,769,688	1,131,628	638,060
Capital Outlay	-	3,178,648	2,788,794	389,854
Total Expenditures	-	<u>4,948,336</u>	<u>3,920,422</u>	<u>1,027,914</u>
Net Change in Fund Balance	-	(907,943)	119,971	1,027,914
<u>FUND BALANCES - BEGINNING</u>	<u>216,568</u>	<u>216,568</u>	<u>216,568</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 216,568</u>	<u>\$ (691,375)</u>	<u>\$ 336,539</u>	<u>\$ 1,027,914</u>

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NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operations and maintenance of a City's facilities and services which are entirely or predominantly supported by user charges of those for which the City had decided that periodic determination of the revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations and maintenance. Debt service is also included.

Airport Fund – This fund was established to account for all revenues and expenses of every nature derived by the City from its ownership and operation of the airport.

Transit Fund – This fund was created to account for all revenues and expenses related to the public transit system within the City.

Waste Collection Fund – This fund was created to account for waste collection and disposal services provided to residents of the City.

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2015

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	WASTE COLLECTION	
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ 53,662	\$ 622,219	\$ 675,881
Investments	-	-	1,038,108	1,038,108
Accounts Receivable - Net	90,782	-	442,347	533,129
Due from Other Funds	-	141,580	-	141,580
Prepaid Expenses	31,856	-	-	31,856
Total Current Assets	<u>122,638</u>	<u>195,242</u>	<u>2,102,674</u>	<u>2,420,554</u>
<u>NONCURRENT ASSETS</u>				
Capital Assets:				
Land	653,140	-	-	653,140
Buildings	4,339,745	-	-	4,339,745
Improvements Other than Buildings	8,342,070	-	-	8,342,070
Furnishings and Equipment	19,463	-	18,359	37,822
Construction in Progress	1,453,989	-	-	1,453,989
Totals	14,808,407	-	18,359	14,826,766
Less: Accumulated Depreciation	(9,961,559)	-	(3,672)	(9,965,231)
Total Capital Assets	<u>4,846,848</u>	<u>-</u>	<u>14,687</u>	<u>4,861,535</u>
Total Noncurrent Assets	<u>4,846,848</u>	<u>-</u>	<u>14,687</u>	<u>4,861,535</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows - Pension	-	5,173	15,522	20,695
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,969,486</u>	<u>\$ 200,415</u>	<u>\$ 2,132,883</u>	<u>\$ 7,302,784</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 32,228	\$ 59,186	473,077	\$ 564,491
Accrued Liabilities	-	2,012	12,071	14,083
Due to Other Funds	141,580	-	-	141,580
Customer Deposits	6,434	-	154,543	160,977
Total Current Liabilities	<u>180,242</u>	<u>61,198</u>	<u>639,691</u>	<u>881,131</u>
<u>NONCURRENT LIABILITIES</u>				
Net Pension Liability	-	30,060	90,179	120,239
Net OPEB Liability	723	458	2,021	3,202
Total Noncurrent Liabilities	<u>723</u>	<u>30,518</u>	<u>92,200</u>	<u>123,441</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows - Pension	-	732	2,196	2,928
<u>NET POSITION</u>				
Net Investment in Capital Assets	4,846,848	-	14,687	4,861,535
Unrestricted	(58,327)	107,967	1,384,109	1,433,749
Total Net Position	<u>4,788,521</u>	<u>107,967</u>	<u>1,398,796</u>	<u>6,295,284</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,969,486</u>	<u>\$ 200,415</u>	<u>\$ 2,132,883</u>	<u>\$ 7,302,784</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	WASTE COLLECTION	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 251,582	\$ -	\$ 2,966,996	\$ 3,218,578
Intergovernmental	44,659	-	-	44,659
Miscellaneous	-	-	3,160	3,160
Total Operating Revenues	<u>296,241</u>	<u>-</u>	<u>2,970,156</u>	<u>3,266,397</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	-	32,256	123,782	156,038
Contracted Services	371,976	352,596	2,440,259	3,164,831
Materials and Supplies	19,376	2,189	10,839	32,404
Other Charges	12,463	407	37,975	50,845
Depreciation	166,117	-	3,672	169,789
Total Operating Expenses	<u>569,932</u>	<u>387,448</u>	<u>2,616,527</u>	<u>3,573,907</u>
Operating Income (Loss)	<u>(273,691)</u>	<u>(387,448)</u>	<u>353,629</u>	<u>(307,510)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Investment Income (Loss)	-	-	(6,344)	(6,344)
Transfer In	40,000	451,114	25,000	516,114
Total Non-Operating Revenue (Expenses)	<u>40,000</u>	<u>451,114</u>	<u>18,656</u>	<u>509,770</u>
Change in Net Position	(233,691)	63,666	372,285	202,260
<u>TOTAL NET POSITION - BEGINNING, AS RESTATED</u>	<u>5,022,212</u>	<u>44,301</u>	<u>1,026,511</u>	<u>6,093,024</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,788,521</u>	<u>\$ 107,967</u>	<u>\$ 1,398,796</u>	<u>\$ 6,295,284</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	WASTE COLLECTION	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 282,864	\$ -	\$ 2,909,702	\$ 3,192,566
Cash Paid to Suppliers for Goods and Services	(439,296)	(318,994)	(2,268,068)	(3,026,358)
Cash Paid to Employees for Services	-	(32,773)	(125,289)	(158,062)
Net Cash Provided by (Used in) Operating Activities	<u>(156,432)</u>	<u>(351,767)</u>	<u>516,345</u>	<u>8,146</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers to Other Funds	72,931	(39,986)	(58,126)	(25,181)
Transfers from Other Funds	<u>96,439</u>	<u>445,415</u>	<u>54,066</u>	<u>595,920</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>169,370</u>	<u>405,429</u>	<u>(4,060)</u>	<u>570,739</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	<u>(44,658)</u>	<u>-</u>	<u>(18,359)</u>	<u>(63,017)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(44,658)</u>	<u>-</u>	<u>(18,359)</u>	<u>(63,017)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Sale (Purchase) of Investment Securities	-	-	(1,046,639)	(1,046,639)
Interest Received	<u>-</u>	<u>-</u>	<u>2,188</u>	<u>2,188</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(31,720)	53,662	(550,525)	(528,583)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>31,720</u>	<u>-</u>	<u>1,172,744</u>	<u>1,204,464</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ 53,662</u>	<u>\$ 622,219</u>	<u>\$ 675,881</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ (273,691)	\$(387,448)	\$ 353,629	\$ (307,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Depreciation	166,117	-	3,672	169,789
Changes in Assets and Liabilities				
Decrease (Increase) in Assets				
Accounts Receivable	(44,091)	-	(67,862)	(111,953)
Due from Other Governments	30,714	-	-	30,714
Prepaid Items	(31,856)	-	-	(31,856)
Increase (Decrease) in Liabilities				
Accounts Payable	(3,625)	34,186	219,756	250,317
Accrued Liabilities	-	2,012	1,249	3,261
Customer Deposits	-	-	7,409	7,409
OPEB Liability	-	94	328	422
Net Pension Liability	<u>-</u>	<u>(611)</u>	<u>(1,836)</u>	<u>(2,447)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (156,432)</u>	<u>\$ (351,767)</u>	<u>\$ 516,345</u>	<u>\$ 8,146</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of San Marcos, Texas' comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

Contents

Schedules

Financial Trends

1 through 4

These schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

5 through 15

These schedules contain trend information to help the reader assess the City's most significant local revenue sources. Although electric charges are the City's most significant local revenue source, information about revenue payers is confidential under Texas statutes. Trend information about electric charges is provided in Table 6. Additionally, information about property tax revenue is provided.

Debt Capacity

16 through 19

These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Indicators

20 through 22

These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.

Operating Information

23 through 25

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 City provides and the activities it performs.

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

CITY OF SAN MARCOS, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

TABLE 1

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>GOVERNMENTAL ACTIVITIES</u>										
Net Investment in Capital Assets	\$ 50,982,992	\$ 34,026,741	\$ 52,331,211	\$ 69,504,636	\$ 66,361,134	\$ 74,247,634	\$ 82,639,548	\$ 88,391,028	\$ 94,693,282	\$ 84,584,182
Restricted	4,096,953	7,178,953	13,656,718	11,771,448	11,086,463	9,972,700	20,848,878	19,474,094	10,636,613	12,689,714
Unrestricted	<u>14,345,393</u>	<u>38,892,946</u>	<u>21,549,724</u>	<u>19,093,354</u>	<u>22,795,807</u>	<u>18,807,912</u>	<u>8,808,763</u>	<u>11,236,165</u>	<u>14,521,718</u>	<u>5,834,774</u>
 TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	 <u>\$ 69,425,338</u>	 <u>\$ 80,098,640</u>	 <u>\$ 87,537,653</u>	 <u>\$ 100,369,438</u>	 <u>\$ 100,243,404</u>	 <u>\$ 103,028,246</u>	 <u>\$ 112,297,189</u>	 <u>\$ 119,101,287</u>	 <u>\$ 119,851,613</u>	 <u>\$ 103,108,670</u>
<u>BUSINESS-TYPE ACTIVITIES</u>										
Net Investment in Capital Assets	\$ 31,937,728	\$ 37,167,271	\$ 63,950,063	\$ 76,798,160	\$ 84,316,321	\$ 76,737,408	\$ 77,417,956	\$ 85,172,984	\$ 88,667,413	\$ 88,165,145
Restricted	-	-	-	-	-	-	-	-	-	221,981
Unrestricted	<u>65,067,633</u>	<u>71,918,198</u>	<u>55,197,775</u>	<u>45,845,181</u>	<u>36,486,413</u>	<u>46,484,731</u>	<u>50,448,724</u>	<u>45,632,481</u>	<u>46,343,182</u>	<u>58,292,590</u>
 TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	 <u>\$ 97,005,361</u>	 <u>\$ 109,085,469</u>	 <u>\$ 119,147,838</u>	 <u>\$ 122,643,341</u>	 <u>\$ 120,802,734</u>	 <u>\$ 123,222,139</u>	 <u>\$ 127,866,680</u>	 <u>\$ 130,805,465</u>	 <u>\$ 135,010,595</u>	 <u>\$ 146,679,716</u>
<u>PRIMARY GOVERNMENT</u>										
Net Investment in Capital Assets	\$ 82,920,720	\$ 71,194,012	\$ 116,281,274	\$ 146,302,796	\$ 150,677,455	\$ 150,985,042	\$ 160,057,504	\$ 173,564,012	\$ 183,360,695	\$ 172,749,327
Restricted	4,096,953	7,178,953	13,656,718	11,771,448	11,086,463	9,972,700	20,848,878	19,474,094	10,636,613	12,911,695
Unrestricted	<u>79,413,026</u>	<u>110,811,144</u>	<u>76,747,499</u>	<u>64,938,535</u>	<u>59,282,220</u>	<u>65,292,643</u>	<u>59,257,487</u>	<u>56,868,646</u>	<u>60,864,900</u>	<u>64,127,364</u>
 TOTAL PRIMARY GOVERNMENT NET POSITION	 <u>\$ 166,430,699</u>	 <u>\$ 189,184,109</u>	 <u>\$ 206,685,491</u>	 <u>\$ 223,012,779</u>	 <u>\$ 221,046,138</u>	 <u>\$ 226,250,385</u>	 <u>\$ 240,163,869</u>	 <u>\$ 249,906,752</u>	 <u>\$ 254,862,208</u>	 <u>\$ 249,788,386</u>

CITY OF SAN MARCOS, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

TABLE 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>EXPENSES</u>										
<u>Governmental Activities</u>										
General Government	\$ 9,416,555	\$13,769,853	\$ 12,565,540	\$ 11,789,804	\$ 14,811,677	\$ 15,419,706	\$ 17,452,471	\$ 17,295,573	\$ 26,744,625	\$ 26,503,022
Public Safety	12,896,427	13,537,545	16,406,242	18,223,349	22,337,053	18,040,389	19,367,969	24,117,348	26,179,672	27,779,641
Community Service	8,032,845	9,077,477	9,114,632	9,120,980	10,463,722	10,092,399	10,399,904	13,360,590	14,192,299	14,822,198
Interest and Fiscal Charges	1,887,770	2,769,146	4,784,896	7,008,392	6,525,172	6,412,611	6,255,072	5,932,338	5,433,836	5,359,852
Total Governmental Activities	32,233,597	39,154,021	42,871,310	46,142,525	54,137,624	49,965,105	53,475,416	60,705,849	72,550,432	74,464,713
<u>Business-Type Activities</u>										
Water/Wastewater	19,702,909	21,657,804	23,872,986	24,443,838	25,878,300	26,701,908	27,890,126	28,152,501	28,549,309	32,839,079
Electric	44,786,544	40,539,638	49,224,186	46,068,424	45,746,937	43,413,456	45,590,881	44,265,224	48,780,157	53,751,942
Airport	689,406	739,316	768,419	733,621	694,070	710,558	601,781	895,001	647,653	569,932
Drainage	374,013	577,461	811,057	1,482,765	1,959,180	1,897,978	2,491,018	2,355,020	2,398,250	2,549,146
Transit	-	-	-	-	-	-	-	-	300,791	387,448
Waste Collection	1,410,264	1,503,213	1,703,744	1,228,122	1,463,780	1,773,160	2,110,375	2,421,522	2,624,743	2,616,527
Total Business-Type Activities	66,963,136	65,017,432	76,380,392	73,956,770	75,742,267	74,497,060	78,684,181	78,089,268	83,300,903	92,714,074
Total Primary Government Expenses	99,196,733	104,171,453	119,251,702	120,099,295	129,879,891	124,462,165	132,159,597	138,795,117	155,851,335	167,178,787
<u>PROGRAM REVENUES</u>										
<u>Governmental Activities</u>										
<u>Charges for Services</u>										
General Government	1,299,438	901,028	1,252,334	1,076,738	1,010,309	1,283,941	1,246,616	6,724,853	10,432,734	13,209,783
Public Safety	1,339,698	1,401,176	1,455,835	1,716,212	1,807,346	1,653,099	1,682,378	1,739,043	1,846,293	1,667,317
Community Service	721,441	575,622	626,210	653,368	574,537	639,534	769,467	1,029,617	1,026,696	860,427
Operating Grants and Contributions	2,149,913	6,128,665	3,452,451	9,981,272	3,145,119	2,619,600	3,250,996	6,005,044	8,738,278	7,515,298
Capital Grants and Contributions	638,048	3,921,368	836,384	2,104,303	2,373,110	1,149,409	8,244,456	1,792,500	1,054,196	680,726
Total Governmental Activities	6,148,538	12,927,859	7,623,214	15,531,893	8,910,421	7,345,583	15,193,913	17,291,057	23,098,197	23,933,551
<u>Business-Type Activities</u>										
<u>Charges for Services</u>										
Electric	45,564,818	45,038,579	49,787,885	49,461,030	48,768,174	48,453,727	51,783,661	48,848,992	55,440,398	66,548,588
Water and Wastewater	26,318,349	24,138,588	28,352,029	26,279,549	25,241,695	26,986,572	28,139,268	29,743,387	32,720,309	35,231,959
Airport	209,512	210,224	203,780	273,788	178,432	256,710	580,554	913,152	292,432	296,241
Drainage	1,068,407	1,424,761	1,379,198	1,390,465	1,478,191	2,108,913	2,553,844	2,673,393	2,885,937	3,163,498
Waste Collection	1,180,485	1,272,014	1,307,481	1,392,717	1,595,550	1,909,152	2,298,847	2,516,548	2,628,929	2,970,156
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	1,122,112	309,307	1,649,020	1,214,327	852,403	1,085,830	1,274,418	1,599,863	1,117,888	1,400,371
Total Business-Type Activities	75,463,683	72,393,473	82,679,393	80,011,876	78,114,445	80,800,904	86,630,592	86,295,335	95,085,893	109,610,813
Total Primary Government Program Revenues	81,612,221	85,321,332	90,302,607	95,543,769	87,024,866	88,146,487	101,824,505	103,586,392	118,184,090	133,544,364

CITY OF SAN MARCOS, TEXAS
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS

TABLE 2 (CONTINUED)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Net (Expense) Revenues</u>										
Governmental Activities	\$ (26,085,059)	\$ (26,226,162)	\$ (35,248,096)	\$ (30,610,632)	\$ (45,227,203)	\$ (42,619,522)	\$ (38,281,503)	\$ (43,414,792)	\$ (49,452,235)	\$ (50,531,162)
Business-Type Activities	<u>8,500,547</u>	<u>7,376,041</u>	<u>6,299,001</u>	<u>6,055,106</u>	<u>2,372,178</u>	<u>6,303,844</u>	<u>7,946,411</u>	<u>8,206,067</u>	<u>11,784,990</u>	<u>16,896,739</u>
Total Primary Government Net Expenses	<u>(17,584,512)</u>	<u>(18,850,121)</u>	<u>(28,949,095)</u>	<u>(24,555,526)</u>	<u>(42,855,025)</u>	<u>(36,315,678)</u>	<u>(30,335,092)</u>	<u>(35,208,725)</u>	<u>(37,667,245)</u>	<u>(33,634,423)</u>
<u>GOVERNMENTAL REVENUES AND OTHER CHANGES IN NET POSITION</u>										
<u>Governmental Activities</u>										
Taxes										
Property Taxes	8,912,647	9,558,703	11,696,800	12,401,892	14,332,003	14,236,642	14,448,102	16,453,797	17,493,449	17,074,411
Franchise Taxes	6,999,442	6,927,867	7,695,811	1,281,674	1,477,463	1,447,569	1,436,152	1,612,147	6,891,720	8,177,576
Sales Taxes	16,377,390	16,018,106	18,347,135	17,989,392	18,398,707	19,854,399	21,079,582	22,852,364	24,020,619	25,876,303
Other Taxes	1,358,869	1,519,896	1,698,905	2,030,247	2,266,391	2,381,483	2,601,079	3,097,818	3,300,290	3,737,773
Investment Earnings	1,603,021	2,745,676	2,590,329	3,571,867	587,646	319,091	261,704	331,996	95,989	129,205
Miscellaneous	163,646	508,716	572,276	1,963,080	1,854,367	753,366	1,337,721	442,726	367,775	40,274
Gain on Sale of Capital Assets	-	-	-	-	64,974	121,129	-	-	-	-
Transfers	<u>2,479,810</u>	<u>(379,500)</u>	<u>85,853</u>	<u>5,759,854</u>	<u>6,119,618</u>	<u>6,290,865</u>	<u>6,386,106</u>	<u>5,428,042</u>	<u>5,265,193</u>	<u>(156,698)</u>
Total Governmental Activities	<u>37,894,825</u>	<u>36,899,464</u>	<u>42,687,109</u>	<u>44,998,006</u>	<u>45,101,169</u>	<u>45,404,544</u>	<u>47,550,446</u>	<u>50,218,890</u>	<u>57,435,035</u>	<u>54,878,844</u>
<u>Business-Type Activities</u>										
Investment Earnings	3,182,034	4,063,644	2,801,982	2,098,305	569,393	376,915	303,932	160,760	187,380	202,049
Other	27,620	260,923	618,072	1,101,946	1,337,440	2,029,511	2,780,304	-	46,822	-
Transfers	<u>(2,479,810)</u>	<u>379,500</u>	<u>(85,853)</u>	<u>(5,759,854)</u>	<u>(6,119,618)</u>	<u>(6,290,865)</u>	<u>(6,386,106)</u>	<u>(5,428,042)</u>	<u>-</u>	<u>156,698</u>
Total Business-Type Activities	<u>729,844</u>	<u>4,704,067</u>	<u>3,334,201</u>	<u>(2,559,603)</u>	<u>(4,212,785)</u>	<u>(3,884,439)</u>	<u>(3,301,870)</u>	<u>(5,267,282)</u>	<u>234,202</u>	<u>358,747</u>
Total Primary Government	<u>38,624,669</u>	<u>41,603,531</u>	<u>46,021,310</u>	<u>42,438,403</u>	<u>40,888,384</u>	<u>41,520,105</u>	<u>44,248,576</u>	<u>44,951,608</u>	<u>57,669,237</u>	<u>55,237,591</u>
<u>CHANGES IN NET POSITION</u>										
Governmental Activities	11,809,766	10,673,302	7,439,013	14,387,374	(126,034)	2,785,022	9,268,943	6,804,098	2,717,157	4,347,682
Business-Type Activities	<u>9,230,391</u>	<u>12,080,108</u>	<u>9,633,202</u>	<u>3,495,503</u>	<u>(1,840,607)</u>	<u>2,419,405</u>	<u>4,644,541</u>	<u>2,938,785</u>	<u>6,753,999</u>	<u>17,255,486</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 21,040,157</u>	<u>\$ 22,753,410</u>	<u>\$ 17,072,215</u>	<u>\$ 17,882,877</u>	<u>\$ (1,966,641)</u>	<u>\$ 5,204,427</u>	<u>\$ 13,913,484</u>	<u>\$ 9,742,883</u>	<u>\$ 9,471,156</u>	<u>\$ 21,603,168</u>

NOTE: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF SAN MARCOS, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 3

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>GENERAL FUND</u>										
Reserved	\$ 153,597	\$ 134,113	\$ 129,929	\$ 97,494	\$ 228,870	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,011,908	14,593,062	13,476,666	12,804,776	13,148,100	-	-	-	-	-
Nonspendable	-	-	-	-	-	214,915	385,498	545,006	507,534	466,007
Restricted	-	-	-	-	-	-	980,103	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	238,569
Unassigned	-	-	-	-	-	13,588,909	13,559,284	16,430,320	15,513,680	17,294,911
TOTAL GENERAL FUND	\$ 14,165,505	\$ 14,727,175	\$ 13,606,595	\$ 12,902,270	\$ 13,376,970	\$ 13,803,824	\$ 14,924,885	\$ 16,975,326	\$ 16,021,214	\$ 17,999,487
<u>ALL OTHER GOVERNMENTAL FUNDS</u>										
Reserved	\$ 1,155,404	\$ 1,303,282	\$ 1,315,807	\$ 2,365,271	\$ 1,744,662	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Special Revenue Funds	844,368	1,087,186	1,879,330	1,111,235	1,174,555	-	-	-	-	-
Capital Project Funds	18,428,409	40,897,216	76,612,241	74,318,614	55,426,183	-	-	-	-	-
Debt Service Funds	2,232,229	5,764,165	10,494,115	8,544,491	8,879,062	-	-	-	-	-
Nonspendable	-	-	-	-	-	12,527	10,985	11,177	122,218	-
Restricted	-	-	-	-	-	52,216,441	49,888,108	43,339,895	34,353,926	33,621,845
Unassigned	-	-	-	-	-	(120,908)	116,111	108,905	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 22,660,410	\$ 49,051,849	\$ 90,301,493	\$ 86,339,611	\$ 67,224,462	\$ 52,108,060	\$ 50,015,204	\$ 43,459,977	\$ 34,476,144	\$ 33,621,845

NOTE: The City implemented GASB 54 in 2011, which changed the fund balance classifications reported in governmental funds. See the Fund Balance Classification note in the Summary of Significant Accounting Policies in the notes to the financial statements for descriptive information on the new classifications.

CITY OF SAN MARCOS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>REVENUES</u>										
Taxes	\$ 33,532,369	\$ 35,610,380	\$ 39,303,487	\$ 33,617,042	\$ 36,401,012	\$ 37,858,603	\$ 39,630,897	\$ 42,925,701	\$ 45,695,630	\$ 56,382,985
Licenses and Permits	930,496	688,943	813,976	847,678	821,853	994,123	1,039,855	2,194,788	2,280,529	2,456,668
Fees and Penalties	1,404,734	1,450,558	1,504,429	1,722,705	1,851,308	1,720,669	1,738,142	1,641,420	1,431,419	1,614,015
Charges for Services	4,539,296	4,673,630	4,941,970	4,978,075	4,954,980	5,021,489	5,235,552	5,333,670	5,442,092	5,580,914
Intergovernmental	2,942,569	10,050,033	4,168,351	10,925,601	5,254,713	3,354,206	11,443,228	9,002,953	10,583,927	11,069,999
Investment Earnings	1,603,021	2,745,676	2,590,329	2,431,751	587,645	319,093	261,704	331,996	95,989	128,263
Contributions	-	-	-	918,930	-	-	30,000	80,000	84,121	60,000
Other Revenues	355,039	508,716	955,223	1,579,752	2,139,993	1,291,858	1,427,583	1,701,482	2,327,923	2,511,503
Total Revenues	<u>45,307,524</u>	<u>55,727,936</u>	<u>54,277,765</u>	<u>57,021,534</u>	<u>52,011,504</u>	<u>50,560,041</u>	<u>60,806,961</u>	<u>63,212,010</u>	<u>67,941,630</u>	<u>79,804,347</u>
<u>EXPENDITURES</u>										
General Government	11,095,617	17,011,106	15,663,181	14,983,807	14,548,005	15,750,709	16,595,158	16,234,004	18,894,202	17,265,118
Public Safety	12,558,996	13,355,986	15,833,503	16,962,418	18,997,394	20,291,056	20,527,494	22,636,788	24,554,982	26,537,571
Community Service	7,410,044	8,362,801	8,542,826	8,071,623	9,549,374	9,453,846	9,305,394	12,507,187	13,204,031	13,895,842
Capital Outlay	7,394,546	17,832,454	26,710,357	27,655,480	30,093,216	15,259,308	9,225,694	13,091,604	16,643,915	13,786,208
Debt Service										
Interest	2,061,346	3,273,903	4,907,332	7,414,683	6,450,663	6,504,097	6,152,503	5,854,923	5,521,479	5,098,347
Principal	3,123,832	2,749,077	4,749,496	4,594,059	4,780,000	5,870,000	6,620,000	6,890,920	7,039,799	7,452,512
Total Expenditures	<u>43,644,381</u>	<u>62,585,327</u>	<u>76,406,695</u>	<u>79,682,070</u>	<u>84,418,652</u>	<u>73,129,016</u>	<u>68,426,243</u>	<u>77,215,426</u>	<u>85,858,408</u>	<u>84,035,598</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,663,143</u>	<u>(6,857,391)</u>	<u>(22,128,930)</u>	<u>(22,660,536)</u>	<u>(32,407,148)</u>	<u>(22,568,975)</u>	<u>(7,619,282)</u>	<u>(14,003,416)</u>	<u>(17,916,778)</u>	<u>(4,231,251)</u>

CITY OF SAN MARCOS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS

TABLE 4 (CONTINUED)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>OTHER FINANCING SOURCES (USES)</u>										
Bond Issuance Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Sales	6,225,000	34,190,000	62,695,000	22,895,000	8,625,000	11,245,000	5,520,000	8,825,000	26,510,000	37,685,000
Proceeds from Capital Leases	-	-	-	-	-	-	-	337,327	220,916	-
Discount on Debt Issued	-	-	(522,859.00)	(63,173)	-	-	-	-	-	-
Premium on Debt Issued	-	-	-	487,099	-	590,248	576,210	805,797	3,051,492	3,891,469
Other	-	-	-	708,611	71,163	121,129	35,245	287,629	205,838	-
Payment to Refunded Bond Escrow Agent	-	-	-	(9,875,296)	-	(11,680,362)	(6,016,992)	(5,885,165)	(27,274,606)	(35,614,546)
Transfers In	7,021,831	5,875,970	4,375,113.00	9,084,781	9,434,616	11,149,525	9,807,734	9,587,514	11,521,424	5,676,305
Transfers Out	(4,542,021)	(6,255,470)	(4,289,260)	(3,687,104)	(4,364,080)	(3,546,113)	(3,274,710)	(4,459,472)	(6,256,231)	(6,283,003)
Total Other Financing Sources (Uses)	<u>8,704,810</u>	<u>33,810,500</u>	<u>62,257,994</u>	<u>19,549,918</u>	<u>13,766,699</u>	<u>7,879,427</u>	<u>6,647,487</u>	<u>9,498,630</u>	<u>7,978,833</u>	<u>5,355,225</u>
NET CHANGE IN FUND BALANCES	<u>\$ 10,367,953</u>	<u>\$ 26,953,109</u>	<u>\$ 40,129,064</u>	<u>\$ (3,110,618)</u>	<u>\$ (18,640,449)</u>	<u>\$ (14,689,548)</u>	<u>\$ (971,795)</u>	<u>\$ (4,504,786)</u>	<u>\$ (9,937,945)</u>	<u>\$ 1,123,974</u>
Debt Service as a Percentage of Noncapital Expenditures	14.3%	13.5%	18.4%	23.7%	20.2%	22.8%	23.1%	19.8%	18.2%	17.9%

CITY OF SAN MARCOS, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

TABLE 5

<u>FISCAL YEAR</u>	<u>REAL PROPERTY ASSESSED VALUE</u>	<u>REAL PROPERTY ESTIMATED ACTUAL VALUE</u>	<u>PERSONAL PROPERTY ASSESSED VALUE</u>	<u>PERSONAL PROPERTY ESTIMATED ACTUAL VALUE</u>	<u>LESS: TAX-EXEMPT PROPERTY</u>	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>
2006	\$1,939,132,089	\$1,939,132,089	\$ 441,477,940	\$441,477,940	\$340,976,008	\$2,039,634,021	\$0.4702	\$2,039,634,021
2007	1,989,713,898	1,989,713,898	440,441,736	440,441,736	263,175,949	2,166,979,685	0.5302	2,166,979,685
2008	2,179,929,050	2,179,929,050	477,501,560	477,501,560	380,495,763	2,276,934,847	0.5302	2,276,934,847
2009	2,508,719,271	2,508,719,271	499,821,131	499,821,131	385,175,216	2,623,365,186	0.5302	2,623,365,185
2010	2,401,078,222	2,401,078,222	538,901,712	538,901,712	435,944,478	2,504,035,456	0.5302	2,504,035,456
2011	2,452,170,753	2,452,170,753	548,200,983	548,200,983	367,414,019	2,452,170,753	0.5302	2,632,957,717
2012	2,456,366,767	2,456,366,767	595,247,414	595,247,414	205,308,589	2,846,305,592	0.5302	2,846,305,592
2013	2,676,859,874	2,676,859,874	631,435,988	631,435,988	214,525,982	3,093,769,880	0.5302	3,093,769,880
2014	2,984,210,423	2,984,210,423	628,566,205	628,566,205	296,727,347	3,316,049,281	0.5302	3,316,049,281
2015	3,299,525,551	3,299,525,551	658,337,706	658,337,706	360,983,531	3,596,879,726	0.5302	3,596,879,726

Source: Hays County Appraisal District

Notes: Property in Hays County is reassessed once every three years on average. The County assesses property at approximately 100 percent of actual value for commercial and industrial property and 100 percent for residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 of assessed value.

CITY OF SAN MARCOS, TEXAS
ELECTRIC UTILITY RATE COMPARISON
LAST TEN FISCAL YEARS

TABLE 6

FISCAL YEAR	RESIDENTIAL		SMALL GEN SERV		MEDIUM GEN SERV			LARGE GEN SERV - SECONDARY			LARGE GEN SERV - PRIMARY		
	CUSTOMER CHARGE	ENERGY CHARGE PER kwh	CUSTOMER CHARGE	ENERGY CHARGE PER kwh	CUSTOMER CHARGE	ENERGY CHARGE PER kwh	DEMAND PER kw	CUSTOMER CHARGE	ENERGY CHARGE PER kwh	DEMAND PER kw	CUSTOMER CHARGE	ENERGY CHARGE PER kwh	DEMAND PER kw
2015	\$ 9.29	\$ 0.0208	\$ 10.92	\$ 0.0208	\$ 49.14	\$ 0.0010	\$ 3.61	\$ 218.40	\$ 0.0102	\$ 3.44	\$ 764.80	\$ 0.0081	\$ 3.17
2014	9.29	0.0208	10.92	0.0208	49.14	0.0010	3.61	218.40	0.0102	3.44	764.80	0.0081	3.17
2013	8.93	0.0200	10.50	0.0200	47.25	0.0098	3.47	210.00	0.0098	3.31	735.00	0.0078	3.05
2012	8.93	0.0200	10.50	0.0200	47.25	0.0098	3.47	210.00	0.0098	3.31	735.00	0.0078	3.05
2011	8.93	0.0200	10.50	0.0200	47.25	0.0098	3.47	210.00	0.0098	3.31	735.00	0.0078	3.05
2010	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90
2009	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90
2008	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90
2007	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90
2006	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90

CITY OF SAN MARCOS, TEXAS
TOTAL AVERAGE kWh PER YEAR COMPARISON
LAST TEN FISCAL YEARS

TABLE 7

<u>YEAR</u>	<u>COMMERCIAL</u>	<u>RESIDENTIAL</u>	<u>TOTAL USAGE</u>
2006	25,993,916	15,420,114	41,414,030
2007	26,358,702	15,889,148	42,247,850
2008	28,517,068	15,836,725	44,353,793
2009	28,942,450	15,648,779	44,591,229
2010	29,518,678	16,420,286	45,938,964
2011	30,148,212	17,354,788	47,503,000
2012	30,094,586	16,692,706	46,787,292
2013	29,427,490	16,787,702	46,215,192
2014	30,142,333	19,040,143	49,182,476
2015	30,210,458	19,140,551	49,351,009

CITY OF SAN MARCOS, TEXAS
TOTAL kWh PER YEAR COMPARISON
LAST TEN FISCAL YEARS

TABLE 8

<u>YEAR</u>	<u>COMMERCIAL</u>	<u>RESIDENTIAL</u>	<u>TOTAL USAGE</u>	<u>TOTAL PURCHASED</u>	<u>LOSS %</u>
2006	311,926,699	185,040,610	496,967,309	524,152,775	5.19%
2007	316,304,431	190,669,778	506,974,209	522,933,027	3.05%
2008	342,204,187	190,040,702	532,244,889	565,300,166	5.85%
2009	347,308,566	187,785,353	535,093,919	568,397,378	5.86%
2010	354,224,141	197,043,431	551,267,572	583,284,525	5.49%
2011	361,778,549	208,257,452	570,036,001	603,401,092	5.53%
2012	361,131,427	200,312,476	561,443,903	602,102,557	6.75%
2013	353,129,880	201,452,419	554,582,299	588,222,155	5.72%
2014	361,707,994	228,481,721	590,189,715	620,207,502	4.84%
2015	362,525,494	229,686,614	592,212,108	627,592,392	5.64%

CITY OF SAN MARCOS, TEXAS
TEN LARGEST ELECTRIC CUSTOMERS
SEPTEMBER 30, 2015

TABLE 9

<u>CUSTOMER</u>	<u>CONSUMPTION (kWh)</u>	<u>AMOUNT BILLED</u>	<u>% OF TOTAL kWh</u>
Texas State University, COGEN	97,704,274	\$ 9,359,410	16.50%
H E Butt Grocery	23,273,110	2,499,294	3.93%
Texas State University	11,147,427	1,220,121	1.88%
City of San Marcos	9,777,685	1,068,343	1.65%
SMCISD	9,042,848	999,957	1.53%
CTMC	9,450,350	979,825	1.60%
Hays County Government Center	7,311,256	754,841	1.23%
Embassy Suites San Marcos	6,634,475	753,710	1.12%
Walmart-Super Store	5,857,053	661,734	0.99%
Thermon Manufacturing	5,579,152	572,145	0.94%

Note: % of consumption based on total kWh of: 592,212,108

CITY OF SAN MARCOS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

TABLE 10

<u>FISCAL YEAR</u>	<u>BASIC RATE</u>	<u>SCHOOL DISTRICT</u>	<u>COUNTY</u>	<u>OTHER SPECIAL ROAD</u>	<u>TOTAL DIRECT RATE</u>
2006	0.4702	1.7000	0.3790	0.0710	2.6202
2007	0.5302	1.3700	0.3714	0.0860	2.3576
2008	0.5302	1.3700	0.3749	0.0801	2.3552
2009	0.5302	1.3700	0.4181	0.0511	2.3694
2010	0.5302	1.3500	0.4248	0.0444	2.3494
2011	0.5302	1.3500	0.4248	0.0444	2.3494
2012	0.5302	1.3500	0.4252	0.0438	2.3492
2013	0.5302	1.4141	0.4252	0.0438	2.4133
2014	0.5302	1.4141	0.4252	0.0438	2.4133
2015	0.5302	1.4141	0.4252	0.0438	2.4133

Information provided by Hays County Tax Office /393-5545

CITY OF SAN MARCOS, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

TABLE 11

TAXPAYER	2015	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Hays Energy Ltd. Partnership	\$ 198,332,108	5.51%
HEB Warehouse	113,520,708	3.16%
San Marcos Factory Stores	59,519,446	1.65%
Tanger Properties	57,693,771	1.60%
CFAN	42,898,998	1.19%
Prime Outlets	41,409,255	1.15%
San Marcos Properties	38,045,240	1.06%
Copper Beech Townhomes	34,731,013	0.97%
CD/Park 7	33,650,894	0.94%
Elysian at Purgatory Creek	33,600,000	0.93%
TOTAL	\$ 653,401,433	18.16%
	2006	
TAXPAYER	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
HEB Distribution	\$ 77,856,950	4.14%
San Marcos Factory Stores	25,225,345	2.20%
Tanger Properties	23,880,780	1.40%
HEB Grocery Store	23,575,977	1.34%
CFAN	22,453,300	1.33%
Grande Communications	22,070,390	1.33%
University Heights	21,767,210	1.08%
Melrose Zone II Ltd.	18,505,640	1.02%
Century Telephone	18,179,470	0.88%
Butler Manufacturing	15,329,040	0.77%
TOTAL	\$ 268,844,102	15.49%

Information provided by Hays County Tax Office.

CITY OF SAN MARCOS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 12

FISCAL YEAR ENDED	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITH THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2006	\$ 8,796,101	\$ 8,620,179	98.00%	\$ 160,671	\$ 8,780,850	99.83%
2007	9,590,359	9,455,292	98.59%	117,446	9,572,738	99.82%
2008	11,451,045	11,291,991	98.61%	134,259	11,426,250	99.78%
2009	12,147,748	11,964,114	98.49%	162,802	12,126,916	99.83%
2010	14,099,916	13,907,121	98.63%	162,544	14,069,665	99.79%
2011	13,970,763	13,809,687	98.85%	134,881	13,944,568	99.81%
2012	14,396,631	14,265,714	99.09%	89,509	14,355,223	99.71%
2013	15,105,625	14,978,410	99.16%	104,018	15,082,428	99.85%
2014	16,358,498	16,280,315	99.52%	48,976	16,329,291	99.82%
2015	18,034,695	17,926,661	99.40%	-	17,926,661	99.40%

CITY OF SAN MARCOS, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2015

TABLE 13

<u>RANK</u>	<u>NAME</u>	<u>REVENUE</u>	<u>GALLONS</u>
1	City of San Marcos, Texas	\$ 368,683	43,343,912
2	MTC Gary Job Corps	358,286	40,577,440
3	Copper Beech Townhomes	244,639	33,794,992
4	University Heights San Marcos	219,812	30,554,342
5	San Marcos CISD	203,934	24,649,649
6	HRA Edge, LLC	200,664	27,828,774
7	San Marcos Factory Shops	189,792	26,341,571
8	NRP Contractors, LLC	182,611	25,422,619
9	Hays County Government Center	169,085	22,834,815
10	The Retreat at San Marcos LLC	165,396	23,252,520

CITY OF SAN MARCOS, TEXAS
WATER/WASTEWATER CUSTOMER COUNTS
LAST EIGHT FISCAL YEARS

TABLE 14

<u>FISCAL YEAR</u>	<u>WASTEWATER</u>	<u>WATER</u>
2007	7,524	8,995
2008	7,657	9,231
2009	7,707	9,323
2010	7,949	9,620
2011	8,289	9,918
2012	8,392	10,144
2013	9,060	11,317
2014	9,382	11,707

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES
SEPTEMBER 30, 2015

TABLE 15

WATER RATES

(All water rates are based per 1,000 gallons)

<u>INSIDE-CITY WATER RATES</u>		<u>OUTSIDE-CITY WATER RATES</u>	
<u>LIFELINE RATE</u>	<u>RATE</u>	<u>LIFELINE RATE</u>	<u>RATE</u>
First 6,000 Gallons - Minimum	20.01	First 6,000 Gallons - Minimum	25.02
6,001 - 9,000 Gallons	5.87	6,001 - 9,000 Gallons	7.33
9,001- 12,000 Gallons	6.71	9,001- 12,000 Gallons	8.38
12,001- 20,000 Gallons	7.55	12,001- 20,000 Gallons	9.43
20,001- 50,000 Gallons	8.38	20,001- 50,000 Gallons	10.48
Over 50,000 Gallons	10.06	Over 50,000 Gallons	12.58
<u>5/8" - 3/4" Water Meter</u>		<u>5/8" - 3/4" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	20.01	Minimum Charge	25.02
0 - 6,000 Gallons	3.35	0 - 6,000 Gallons	4.20
6,001 - 9,000 Gallons	5.87	6,001 - 9,000 Gallons	7.33
9,001- 12,000 Gallons	6.71	9,001- 12,000 Gallons	8.38
12,001- 20,000 Gallons	7.55	12,001- 20,000 Gallons	9.43
20,001- 50,000 Gallons	8.38	20,001- 50,000 Gallons	10.48
Over 50,000 Gallons	10.06	Over 50,000 Gallons	12.58
<u>1" Water Meter</u>		<u>1" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	50.02	Minimum Charge	62.52
0 - 4,000 Gallons	2.16	0 - 4,000 Gallons	2.70
4,001 - 10,000 Gallons	2.60	4,001 - 10,000 Gallons	3.24
10,001- 25,000 Gallons	6.49	10,001- 25,000 Gallons	8.11
Over 25,000 Gallons	7.35	Over 25,000 Gallons	9.19
<u>1 1/2" Water Meter</u>		<u>1 1/2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	100.04	Minimum Charge	125.05
0 - 8,000 Gallons	2.16	0 - 8,000 Gallons	2.70
8,001 - 10,000 Gallons	2.60	8,001 - 10,000 Gallons	3.24
10,001- 25,000 Gallons	6.49	10,001- 25,000 Gallons	8.11
Over 25,000 Gallons	7.35	Over 25,000 Gallons	9.19
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	160.06	Minimum Charge	200.08
0 - 13,000 Gallons	2.16	0 - 13,000 Gallons	2.70
13,001- 25,000 Gallons	6.49	13,001- 25,000 Gallons	8.11
Over 25,000 Gallons	7.35	Over 25,000 Gallons	9.19

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES (CONTINUED)
SEPTEMBER 30, 2015

TABLE 15 (CONTINUED)

INSIDE-CITY SEWER RATES		OUTSIDE-CITY SEWER RATES	
<u>Lifeline Rate*</u>		<u>Lifeline Rate*</u>	
Maximum	24.04	Maximum	30.55
<u>5/8" - 3/4" Water Meter*</u>		<u>5/8" - 3/4" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 2,000 Gallons - Minimum	24.04	First 2,000 Gallons - Minimum	30.55
Over 2,000 Gallons	6.93	Over 2,000 Gallons	8.65
<u>1" Water Meter*</u>		<u>1" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 4,000 Gallons - Minimum	48.01	First 4,000 Gallons - Minimum	60.00
Over 4,000 Gallons	6.93	Over 4,000 Gallons	8.65
<u>1 1/2" Water Meter*</u>		<u>1 1/2" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 8,000 Gallons - Minimum	95.99	First 8,000 Gallons - Minimum	119.99
Over 8,000 Gallons	6.93	Over 8,000 Gallons	8.65
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
First 13,000 Gallons - Minimum	153.62	First 13,000 Gallons - Minimum	192.01
Over 13,000 Gallons	6.93	Over 13,000 Gallons	8.65

*Winter Average Residential Sewer Rates for 5/8-3/4", 1", and 1 1/2" water meters. Residential Sewer Rates for 5/8-3/4", 1", and 1 1/2" water meters are based on the average water consumption for the bills dated the previous December, January, and February. Accounts that do not have water usage history for December, January, or February are set at 5,000 gallons. The winter average rate is set for a 12 month period. No additional charge is charged is applied to single-family residential customers for wastewater volumes in excess of 9,000 gallons for 5/8-3/4", 1", and 1 1/2" water meters.

CITY OF SAN MARCOS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 16

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES				TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	REVENUE AND LIMITED TAX BONDS	CAPITAL LEASES	WATER REVENUE BONDS	ELECTRIC REVENUE BONDS	DRAINAGE CERTIFICATE OF OBLIGATION	CAPITAL LEASES			
2006	\$ 1,230,000	\$28,115,000	\$ -	\$ 140,044	\$78,595,000	\$10,500,000	\$ 6,500,000	\$ 38,490	\$136,188,534	4.36%	2,893
2007	12,925,000	58,485,000	-	393,426	86,125,000	10,430,000	8,025,000	75,804	176,459,230	5.32%	3,672
2008	15,200,000	114,210,000	-	14,059	96,420,000	9,605,000	12,315,000	-	247,764,059	5.93%	3,890
2009	19,815,000	58,145,000	-	-	102,010,000	8,740,000	16,900,000	-	205,610,000	5.70%	3,814
2010	17,480,000	64,325,000	-	-	106,265,000	9,480,000	19,080,000	-	216,630,000	3.01%	4,018
2011	15,975,000	60,865,000	-	-	102,590,000	16,490,000	18,440,000	-	214,460,000	5.10%	3,800
2012	27,180,000	44,800,000	-	-	96,810,000	15,395,000	17,545,000	-	201,730,000	5.75%	4,315
2013	32,980,000	58,380,000	34,420,000	321,407	96,265,000	35,845,000	17,675,000	-	275,886,407	3.43%	5,518
2014	49,940,000	44,110,000	26,630,000	1,300,251	94,305,000	36,955,000	18,410,000	1,462,114	273,112,365	3.08%	5,051
2015	84,274,205	37,947,173	5,060,779	1,170,282	99,284,091	40,841,777	19,722,172	1,304,037	289,604,516	3.07%	4,966

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CITY OF SAN MARCOS, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

TABLE 17

<u>FISCAL YEAR</u>	<u>GROSS BONDED DEBT</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>	<u>PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY</u>	<u>PER CAPITA</u>
2006	\$ 40,415,000	\$ 1,557,638	\$ 38,857,362	2.06%	\$ 776
2007	48,930,000	5,764,165	43,165,835	2.00%	862
2008	77,010,000	6,003,239	71,006,761	3.12%	1,411
2009	77,960,000	7,199,004	70,760,996	3.11%	1,313
2010	81,805,000	6,428,387	75,376,613	2.87%	1,333
2011	76,840,000	7,913,022	68,926,978	2.55%	1,476
2012	71,980,000	10,973,198	61,006,802	2.49%	1,305
2013	70,580,000	10,404,537	60,175,463	2.45%	1,203
2014	70,995,000	6,940,500	64,054,500	1.89%	1,185
2015	71,430,000	8,085,061	63,344,939	1.74%	1,152

NOTE: Gross bonded debt includes only the debt to be repaid with property taxes.

CITY OF SAN MARCOS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2015

TABLE 18

<u>GOVERNMENT UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT</u>
Debt Repaid with Property Taxes			
City of San Marcos - City Direct Debt	\$ 71,430,000	100.000%	<u>\$ 71,430,000</u>
Hays County	364,260,000	100.000%	<u>364,260,000</u>
Subtotal Overlapping Debt			<u>364,260,000</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 435,690,000</u>

Sources: Information for Hays County provided by Hays County Auditor's office.

NOTE: Overlapping rates are those of local and county governments that apply to property owners within the City of San Marcos. Not all overlapping rates apply to all City of San Marcos property owners (i.e. the rates for counties apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of that county.)

Direct debt includes only the debt to be repaid with property taxes.

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CITY OF SAN MARCOS, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 203,963,402	\$ 215,975,954	\$ 227,693,485	\$ 227,693,485
Total Net Debt Applicable to Limit	<u>35,688,262</u>	<u>43,165,835</u>	<u>71,006,761</u>	<u>70,760,996</u>
LEGAL DEBT MARGIN	<u>\$ 168,275,140</u>	<u>\$ 172,810,119</u>	<u>\$ 156,686,724</u>	<u>\$ 156,932,489</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.13%	1.75%	2.00%	3.12%

TABLE 19

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2014

Assessed Value	\$ 3,667,359,174
Debt Limit (10% of Assessed Value)	366,735,917
Debt Applicable to Limit	
General Obligation Bonds (Debt to be Repaid with Property Taxes)	71,430,000
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>8,085,061</u>
Total Net Debt Applicable to Limit	<u>63,344,939</u>
 LEGAL DEBT MARGIN	 <u>\$ 303,390,978</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 259,260,471	\$ 269,982,028	\$ 284,630,559	\$ 309,376,988	\$ 339,404,523	\$ 366,735,917
<u>73,240,069</u>	<u>76,840,000</u>	<u>71,980,000</u>	<u>70,580,000</u>	<u>70,995,000</u>	<u>71,430,000</u>
<u>\$ 186,020,402</u>	<u>\$ 193,142,028</u>	<u>\$ 212,650,559</u>	<u>\$ 238,796,988</u>	<u>\$ 268,409,523</u>	<u>\$ 295,305,917</u>
3.11%	2.82%	2.53%	2.28%	2.09%	1.95%

CITY OF SAN MARCOS, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

TABLE 20

WATER REVENUE BONDS						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
2006	\$ 26,318,349	\$12,782,882	\$13,535,467	\$3,140,000	\$3,045,435	2.19
2007	24,138,588	17,796,700	6,341,888	3,195,000	3,633,942	0.93
2008	28,352,029	19,568,829	8,783,200	3,620,000	3,383,614	1.25
2009	26,279,549	19,637,393	6,642,156	4,065,000	4,531,610	0.77
2010	25,241,695	14,630,182	10,611,513	4,585,000	4,626,338	1.15
2011	26,986,572	14,874,577	12,111,995	4,895,000	5,034,288	1.22
2012	28,139,268	15,342,453	12,796,815	5,655,000	4,336,835	1.28
2013	29,743,387	15,927,532	13,815,855	5,825,000	3,930,199	1.42
2014	32,720,309	16,347,440	16,372,869	6,130,000	3,660,102	1.67
2015	35,231,959	20,031,444	15,200,515	6,435,000	3,090,380	1.60

ELECTRIC						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
2006	\$ 45,564,818	\$43,679,087	\$ 1,885,731	\$ 770,000	\$ 437,183	1.56
2007	45,038,579	40,134,868	4,903,711	790,000	414,457	4.07
2008	49,787,885	48,713,986	1,073,899	825,000	451,891	0.84
2009	49,461,030	45,689,134	3,771,896	865,000	394,994	2.99
2010	48,768,174	44,500,751	4,267,423	900,000	364,006	3.38
2011	48,453,727	42,144,555	6,309,172	980,000	438,706	4.45
2012	51,783,661	44,236,219	7,547,442	1,035,000	560,859	4.73
2013	48,848,992	43,237,059	5,611,933	1,180,000	596,376	3.16
2014	55,440,398	46,886,182	8,554,216	625,000	1,241,193	4.58
2015	66,548,588	51,562,916	14,985,672	815,000	1,478,123	6.54

DRAINAGE						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
2006	\$ 1,068,207	\$ 338,748	\$ 729,459	\$ 170,000	\$ 274,973	1.64
2007	1,424,761	577,461	847,300	175,000	266,998	1.92
2008	1,373,094	811,057	562,037	315,000	349,000	0.85
2009	1,390,465	866,427	524,038	350,000	957,806	0.40
2010	1,478,191	871,308	606,883	595,000	786,466	0.44
2011	2,108,913	771,837	1,337,076	730,000	892,251	0.82
2012	2,553,844	1,113,528	1,440,316	775,000	822,308	0.90
2013	2,673,393	1,059,148	1,614,245	800,000	785,000	1.02

CITY OF SAN MARCOS, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

TABLE 21

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>UNEMPLOYMENT RATE</u>
2006	47,069	\$ 747,576,687	\$ 42,095	4.2%
2007	50,049	779,770,400	41,960	3.4%
2008	50,317	802,392,217	44,317	3.4%
2009	50,913	861,466,554	45,646	4.7%
2010	53,913	718,793,973	45,259	5.4%
2011	47,505	762,122,715	16,043	6.0%
2012	46,750	750,337,500	16,050	4.7%
2013	50,001	803,016,060	16,060	4.7%
2014	54,076	879,762,444	16,269	4.7%

The City of San Marcos estimates a higher population than was documented by the 2010 Census. For reporting purposes, we are using 2010 Census numbers.

CITY OF SAN MARCOS, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

TABLE 22

<u>EMPLOYER</u>	<u>2015</u>	
	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Texas State University	3,201	6.36%
Premiun Outlets San Marcos	1,600	3.18%
Tanger Factory Outlet Center	1,540	3.06%
San Marcos CISD	1,200	2.38%
Hays County	732	1.45%
Central Texas Medical Center	700	1.39%
H.E.B. Distribution Center	680	1.35%
CFAN	650	1.29%
City of San Marcos	572	1.14%
H.E.B. Retail Stores	<u>510</u>	<u>1.01%</u>
 TOTAL	 <u>11,385</u>	 <u>22.61%</u>
 TOTAL CITY/COUNTY EMPLOYEES	 <u>50,332</u>	
	<u>2006</u>	
<u>EMPLOYER</u>	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Southwest Texas State University	2,250	*
Prime Outlets San Marcos	1,100	*
Tanger Factory Outlet Center	1,200	*
San Marcos CISD	950	*
Grande Communications	700	*
Hays County	650	*
Hunter Industry	600	*
Central Texas Medical Center	580	*
Gary Job Corps	410	*
H.E.B. Distribution Center	<u>400</u>	*
 TOTAL	 <u>8,840</u>	

Source: Greater San Marcos Partnership (greatersanmarcostx.com and www.census.gov)

* Information not available

CITY OF SAN MARCOS, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 23

<u>FUNCTION/PROGRAM</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
Administration	19.00	19.00	19.00	19.00	19.50	20.38	18.00	20.00	21.00	21.00
Human Resources	9.00	9.00	10.00	9.00	9.00	10.00	11.00	10.00	11.00	11.00
Finance	31.64	32.64	32.64	15.54	15.54	15.54	17.54	18.00	19.00	19.00
Municipal Court	-	-	-	9.60	9.98	10.48	10.48	12.00	13.00	13.00
Technology Services	-	-	-	10.00	10.00	10.00	11.00	13.00	19.00	19.00
Development Services	8.50	10.00	10.00	10.50	10.50	9.50	23.50	22.00	21.00	21.00
Permit Center	7.50	9.50	9.50	5.50	5.50	10.50	-	-	-	-
Police										
Operations	74.00	81.00	86.00	88.00	85.00	85.00	87.00	91.00	145.00	149.00
Fire										
Firefighters and Officers	48.00	52.00	55.00	60.50	64.00	65.00	66.00	70.00	73.00	73.00
Main Street	1.48	1.48	1.48	1.48	1.48	1.48	1.48	2.00	2.00	2.00
Public Services	32.50	32.50	32.50	35.00	35.00	35.00	30.00	28.00	33.00	37.00
CIP/Engineering	12.98	12.98	12.98	9.48	9.48	12.48	18.00	10.00	12.50	16.00
Community Services	48.55	49.04	49.62	53.14	51.64	52.57	55.73	119.00	185.34	193.68
Capital Improvements Fund	-	-	-	-	-	-	-	-	8.00	2.00
Water/Wastewater	51.00	52.50	54.00	51.50	51.50	51.50	48.50	49.00	56.00	58.83
Electric	49.50	50.50	50.50	49.00	49.00	49.00	52.00	56.00	61.00	60.83
Drainage	-	-	-	2.00	2.00	2.00	2.00	3.00	6.00	6.00
Solid Waste	-	-	-	-	-	-	1.33	2.34	1.33	2.33
Transit	-	-	-	-	-	-	0.83	1.33	1.33	1.33
WIC	22.00	23.00	24.00	26.00	26.00	28.00	26.00	23.00	26.00	26.00
Hotel Occupancy Tax Fund	-	-	-	-	-	-	-	-	2.00	2.00
CDBG	-	-	-	-	-	-	-	-	2.00	2.00
TOTAL	<u>415.65</u>	<u>435.14</u>	<u>447.22</u>	<u>455.24</u>	<u>455.12</u>	<u>468.43</u>	<u>480.39</u>	<u>549.67</u>	<u>718.50</u>	<u>736.00</u>

CITY OF SAN MARCOS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 24

FUNCTION/PROGRAM	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Building Permits Issued	3,426	2,326	2,205	2,200	2,200	2,400	2,600	2,600	2,700	2,750
Police										
Physical Arrests	1,480	1,500	2,126	2,698	2,602	2,647	2,943	2,281	2,309	2,401
Parking Violations	2,500	3,100	5,260	4,484	6,185	5,799	4,883	3,504	6,540	7,919
Traffic Violations	9,500	9,950	9,683	12,486	10,135	10,325	7,849	6,615	6,645	6,557
Fire										
Emergency Responses	2,468	3,700	3,550	3,125	3,000	3,308	2,648	4,424	4,303	4,601
Fires Extinguished	175	190	201	145	122	210	210	155	165	149
Prevention/Safety Education	10,820	12,000	10,000	15,000	15,000	10,000	10,000	10,250	10,500	22,000
Other Public Works										
Street Resurfacing (Miles)	8	8	8	8	8	6	13	18	18	20
Potholes Repaired	530	230	220	175	200	223	250	220	220	220
Parks and Recreation										
Facility Rental Bookings	2,900	1,452	1,400	5,500	5,500	5,500	5,500	5,500	5,600	5,700
Community Center Admissions	2,300	2,900	2,600	2,450	2,500	150,000	150,000	150,000	155,000	157,000
Library										
Volumes in Collection	136,000	142,000	143,000	148,900	149,500	154,500	156,000	157,000	162,500	162,500
Total Volumes Borrowed	398,000	384,200	404,300	449,000	471,800	481,000	486,000	469,000	467,500	462,500
Water										
New Connections	150	110	100	100	224	200	300	300	400	400
Water Main Breaks	10	10	10	300	100	200	350	350	300	300
Average Daily Consumption (thousands of gallons)	6,141	5,810	6,447	6,667	7,091	7,221	6,954	6,792	6,663	7,019
Peak Daily Consumption (thousands of gallons)	10,061	8,916	10,153	10,652	11,383	10,268	10,994	9,298	9,361	10,933
Wastewater										
Average Daily Sewage Treatment (samples collected/tested)	5,070	5,600	5,600	5,700	5,700	5,700	5,700	5,700	6,000	6,400

Source: Various City Departments

CITY OF SAN MARCOS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 25

<u>FUNCTION/PROGRAM</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	1	1	1	1	1	1	1	1	1	1
Patrol Units	63	66	84	118	117	118	118	118	118	131
Fire										
Stations	4	4	4	4	5	5	5	5	5	5
Other Public Works										
Streets (Miles)	277	282	292	309	309	302	302	311	311	311
Streetlights	1,546	3,500	3,591	3,517	3,518	3,559	3,575	3,575	3,575	3,575
Traffic Signals	5	5	49	52	54	48	48	48	48	48
Parks and Recreation										
Acreage	120	120	1,154	1,178	1,699	1,699	1,806	1,826	2,120	2,200
Playgrounds	36	36	39	39	50	59	59	60	60	60
Baseball/Softball Diamonds	9	9	9	9	9	9	13	13	13	13
Soccer/Football Fields	3	3	9	9	10	10	10	10	10	10
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Fire Hydrants	1,324	1,565	1,484	1,727	1,775	1,551	1,611	1,691	1,750	1,825
Wastewater										
Sanitary Sewers (Miles)	N/A	N/A	196	198	205	206	209	215	209	213
Storm Sewers (Miles)	N/A	N/A	41	43	52	55	55	61	56	63
Treatment Capacity (thousands of gallons)	9 MGD*									

* MGD - Million Gallons per day
Source: Various City Departments