

CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED
SEPTEMBER 30, 2014

Issued by the
City of San Marcos
Finance Department

(This Page is Intentionally Left Blank)

C O N T E N T S

	<u>PAGE NUMBER</u>
<u>INTRODUCTORY SECTION</u>	
Principal Public Officials	ix
GFOA Certificate of Achievement	x
Letter of Transmittal	xi
Organization Chart	xix
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to Basic Financial Statements	23
Required Supplementary Information	
Required Supplementary Information – Texas Municipal Retirement System – Schedule of Funding Progress	52
Required Supplementary Information – Schedule of Funding Progress for Retiree Health Plans for the Employees of the City of San Marcos, Texas	53

C O N T E N T S

	<u>PAGE NUMBER</u>
<u>FINANCIAL SECTION (CONTINUED)</u>	
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	59
Nonmajor Governmental Funds	
Combining Balance Sheet	66
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	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Block Grant	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Public Education	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Police Grant	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – WIC Project	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel Occupancy	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Court Technology	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Seized Assets	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Court Security Fee	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Juvenile Case Manager Fee	83
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ #2	84

C O N T E N T S

	<u>TABLE</u>	<u>PAGE NUMBER</u>
<u>FINANCIAL SECTION (CONTINUED)</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ #3		85
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – TIRZ #5		86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Miscellaneous Grants		87
Nonmajor Enterprise Funds		
Combining Statement of Net Position		89
Combining Statement of Revenues, Expenses and Changes in Fund Net Position		90
Combining Statement of Cash Flows		91
<u>STATISTICAL SECTION (UNAUDITED)</u>		
Net Position, by Component	1	94
Changes in Net Position	2	95
Fund Balances, Governmental Funds	3	97
Changes in Fund Balance, Governmental Funds	4	98
Assessed Value and Estimated Actual Value of Taxable Property	5	100
Electric Utility Rate Comparison	6	101
Total Average kWh Per Year Comparison	7	102
Total kWh Per Year Comparison	8	103
Ten Largest Electric Customers	9	104
Direct and Overlapping Property Tax Rates	10	105
Principal Property Taxpayers	11	106
Property Tax Levies and Collections	12	107
Top Ten Water Customers	13	108
Water/Wastewater Customer Counts	14	109
Water and Sewer Rates	15	110
Ratios of Outstanding Debt by Type	16	112
Ratios of Net General Bonded Debt Outstanding	17	113

C O N T E N T S

<u>STATISTICAL SECTION (UNAUDITED) (CONTINUED)</u>	<u>TABLE</u>	<u>PAGE NUMBER</u>
Direct and Overlapping Governmental Activities Debt	18	114
Legal Debt Margin Information	19	116
Pledged Revenue Coverage	20	118
Demographic and Economic Statistics	21	119
Principal Employers	22	120
Full-Time Equivalent City Government Employees	23	121
Operating Indicators by Function/Program	24	122
Capital Asset Statistics by Function/Program	25	123

INTRODUCTORY SECTION

(This Page is Intentionally Left Blank)

CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

CITY COUNCIL

Daniel Guerrero – Mayor

Lisa Prewitt – Place 1

Jude Prather – Place 2

John Thomaides – 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

Presented by
The Finance Department



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, 2013

Executive Director/CEO



April 21, 2015

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

Transmittal Letter

For the Fiscal Year
Ended
September 30,
2014

City of San Marcos
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, 2014. 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, 2014. 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, solid waste, WIC, 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 with a daytime service population of 66,116. 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 36,000 enrolled students and is the 5th largest university in the state of Texas. 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. 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 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 is ranked as the fastest growing city in the U.S. for the second year in a row and the Greater San Marcos Region is one of the fastest growing areas in the country. Texas has been ranked as the No. 1 state in the country for job growth over the past five years

Additionally, San Marcos is the oldest continually inhabited location 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; and
- One of the top ten cities in America for raising kids by BusinessWeek.
- 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

Current 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 \$140 million, or a 4.58% increase for the tax roll in FY2014 and an additional \$208 million value increase in existing valuation. 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.

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 5.12% increase in sales tax collections in FY 2014. This increase is better than some cities in the region and in line with others. 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 2014 of 3%. This rate was lower than the state rate of 4% and the national rate of 6%. As a result of this low rate, San Marcos residents have greater job opportunities locally.

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 standup paddle, surf the falls, bird watch or hike and bike in town trails. The City of San Marcos Conference Center hosts 98,000 guests per year. The City's soccer, softball, baseball and tennis facilities host 100,000 youth and adult participants, coaches, family members and fans. In addition to traditional sport fans, our well-kept natural area trails and rolling hills draw runners for 5K, 10-mile and half marathon races. Hotels and bed and breakfasts in the area provide more than 1,900 guest rooms with an average annual occupancy of 65%. 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 fourteen million tourists.

Hotel/motel occupancy tax receipts increased 4.78% in FY2014 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 500 hotel rooms over the next two years with the construction of five planned hotels.

CITY INITIATIVES

In January 2013, the San Marcos City Council held a Visioning Workshop to explore important policy issues facing the City. At that meeting, five primary strategic initiatives were developed that became City Management's guiding principles. These initiatives include:

Economic Vitality and Responsible Finances
Quality of Life and Place
Enhance the Image of San Marcos

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.
- Reprioritization of the City's planned capital projects which resulted in the deferral of bond issuance in both FY 2012 and FY 2013. This created more capacity in General Fund Operations and in the FY2014 budget the tax rate was split 50/50 between debt service and operations.
- 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. For example, through this process, the City has increased street maintenance from an annual amount of \$300,000 to over \$900,000 over the previous two fiscal years.
- 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.
- Completion and implementation of a General Fund Fee study. Many fees had not been changed in over a decade.

Water/Wastewater Rates

The City of San Marcos completed a Water\Wastewater Rate Study in FY2013 and the results showed increases in Water and Wastewater are needed over the next several years. These rate increases are primarily driven by standard operating cost increases and annual contract obligations along with plans to secure future water suppliers.

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. In 2012, the HCPUA reached a major milestone in developing a sustainable long-term water supply, they were granted a permit for

over 10,000 acre feet of underground water supply from the Gonzales Underground Water Conservation District. The City of San Marcos' share of the total construction cost related to Phase 1 of the project is \$41.3 Million and is anticipated for the year 2022. The City is still exploring water supply alternatives in hopes that this future expense can be reduced as much as possible.

Comprehensive Master Plan

The City is involved in a year-long public process to update the Comprehensive Master Plan. The Comprehensive Plan Steering Committee and Citizen's Advisory Committee along with consultants and city staff are finalizing a visionary planning document for the City of San Marcos. The purpose of this plan is to guide the growth and development in appropriate areas of the city and identify land for preservation.

The process for creation of this document has revolved around the public. The visioning process involved web-based crowd sourcing and workshops. Goal setting was the task of the Citizen's Advisory Committee. The preferred scenario that will drive this plan was derived from public input during workshops and the week-long design rodeo. Consultants were utilized for technical analysis; however their direction also came from the input from workshops and the design rodeo.

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 will ultimately result in a necessary revision to the Land Development Code (LDC) in order to ensure development aligns with the intent of the plan. 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 should be utilized as a guide in updating the LDC.

Finally, the plan will recommend changes to current policy and city operations. It is recommended that Land Use Amendments only be considered twice a year and that the plan be utilized for ranking and scoring Capital Improvement Plan (CIP) projects. The CIP projects will further align the community vision and the implementation of the plan. An annual review schedule is also provided to ensure that evaluation of the plan continues.

This plan was developed with passion and clear intentions by the community the next steps of adoption and implementation are critical to create the future of San Marcos. The plan was formally adopted in April 2013.

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 March 2014. 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, 2014, 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, 2013. 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 reward.

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 or spending, and sharing information in a user friendly format that lets taxpayers easily drill down for more information. The City earned the highest designation of Gold.

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 30 years.

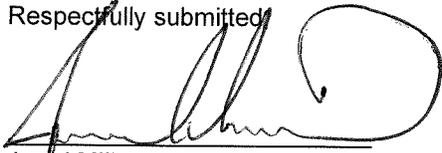
Acknowledgements

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

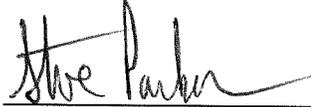
support in planning and conducting the financial operations of the City in a responsible and progressive manner.

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,

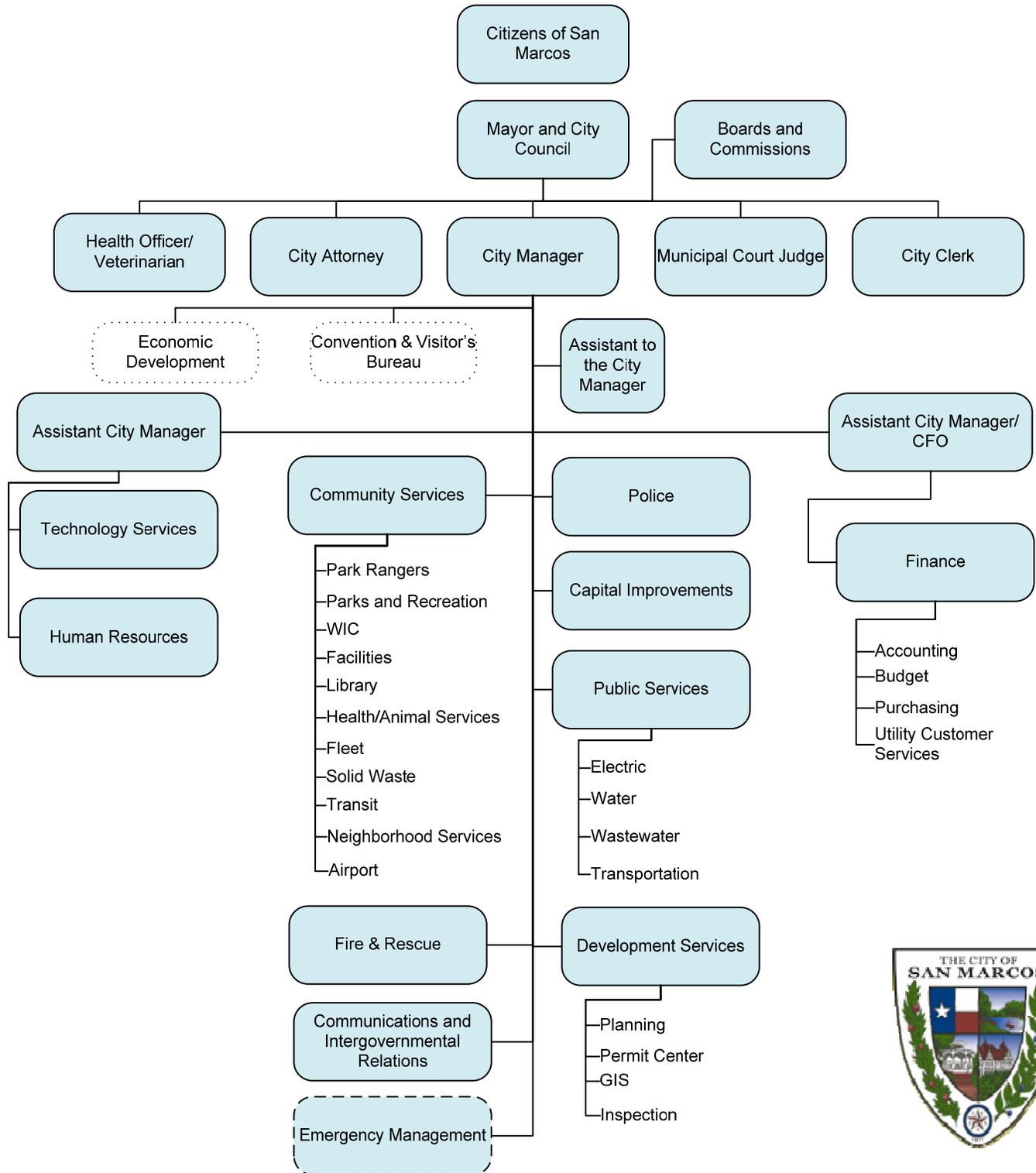
A handwritten signature in black ink, appearing to read 'Jared Miller', written over a horizontal line.

Jared Miller
City Manager

A handwritten signature in black ink, appearing to read 'Steve Parker', written over a horizontal line.

Steve Parker
Asst. City Manager/CFO

City of San Marcos 2013-14 ANNUAL BUDGET ORGANIZATION CHART



(This Page is Intentionally Left Blank)

FINANCIAL SECTION

(This Page is Intentionally Left Blank)



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, 2014, 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, 2014, 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.

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 5 – 5J and schedules of funding progress 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 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 April 21, 2015, 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

April 21, 2015

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, 2014. 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 xi – xviii 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, 2014, by \$254.9 million (net position). Of this amount, \$60.9 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2014, the City of San Marcos' governmental funds reported combined ending fund balances of \$50.5 million, a decrease of \$9.9 million in comparison with the prior fiscal year. The decrease was due to the use of fund balance in the debt service fund for a City cash contribution in the FY 2014 debt refunding; 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 \$15.5 million, or 32.72% of total general fund expenditures.
- The City's total debt decreased by \$5.2 million during the current fiscal year. The City issued \$27.7 million in general obligation refunding bonds and \$13.7 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 assets 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 9 - 11 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 21 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 18 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 12 – 16 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 17 – 20 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 – 50 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 65 – 91 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$254.9 million as of September 30, 2014. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$135.0 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 (71.95%) 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 \$60.9 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	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 66,694,877	\$ 73,994,124	\$ 94,093,637	\$ 99,454,342	\$ 160,788,514	\$ 173,448,466
Capital Assets	<u>198,473,503</u>	<u>190,739,479</u>	<u>206,690,832</u>	<u>194,296,016</u>	<u>405,164,335</u>	<u>385,035,495</u>
TOTAL ASSETS	<u>265,168,380</u>	<u>264,733,603</u>	<u>300,784,469</u>	<u>293,750,358</u>	<u>565,952,849</u>	<u>558,483,961</u>
Long-Term Liabilities	126,941,945	127,880,791	146,175,771	142,080,666	273,117,716	269,961,457
Other Liabilities	<u>18,374,822</u>	<u>17,751,525</u>	<u>19,598,103</u>	<u>20,864,227</u>	<u>37,972,925</u>	<u>38,615,752</u>
TOTAL LIABILITIES	<u>145,316,767</u>	<u>145,632,316</u>	<u>165,773,874</u>	<u>162,944,893</u>	<u>311,090,641</u>	<u>308,577,209</u>
Net Position						
Net Investment in Capital Assets	94,693,282	88,391,028	88,667,413	85,172,984	183,360,695	173,564,012
Restricted	10,636,613	19,474,094	-	-	10,636,613	19,474,094
Unrestricted	<u>14,521,718</u>	<u>11,236,165</u>	<u>46,343,182</u>	<u>45,632,481</u>	<u>60,864,900</u>	<u>56,868,646</u>
TOTAL NET POSITION	<u>\$ 119,851,613</u>	<u>\$ 119,101,287</u>	<u>\$ 135,010,595</u>	<u>\$ 130,805,465</u>	<u>\$ 254,862,208</u>	<u>\$ 249,906,752</u>

Governmental activities. The City's governmental revenues increased when compared to the prior year by 6% or \$3,497,253. 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 \$26.2 million. The public safety expense increase was primarily due to the funding of the second year of the meet and confirm contract entered into in 2013, routine step increases, and additional staffing.

Business-type activities. Revenues of the City's business-type activities were \$95.3 million for the fiscal year ending September 30, 2014. Expenses for the City's business-type activities were \$83.3 million for the year, resulting in a net increase in net assets of \$6.8 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 \$32.7 million, which exceeded expenses of \$28.5 million. The most significant expenses of the Water and Wastewater Fund are \$7.8 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 \$55.4 million, which exceeded expenses \$48.8 million. The most significant expense of the electric fund was \$38.2 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 \$9.5 million.

(The Remainder of This Page Intentionally Left Blank)

TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET POSITION

	CHANGES IN NET POSITION					
	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues						
Charges for Services	\$ 8,882,485	\$ 9,493,513	\$ 93,968,005	\$ 84,695,472	\$ 102,850,490	\$ 94,188,985
Operating Grants and Contributions	8,738,278	6,005,044	-	-	8,738,278	6,005,044
Capital Grants and Contributions	1,054,196	1,792,500	1,117,888	1,599,863	2,172,084	3,392,363
General Revenues						
Property Taxes, Levied for General Purposes	17,493,449	16,453,797	-	-	17,493,449	16,453,797
Sales Taxes	24,020,619	22,852,364	-	-	24,020,619	22,852,364
Franchise Taxes	1,626,077	1,612,147	-	-	1,626,077	1,612,147
Hotel/Motel Taxes	2,939,387	2,805,274	-	-	2,939,387	2,805,274
Investment Earnings	95,989	331,996	187,380	160,760	283,369	492,756
Other	728,678	735,270	46,822	-	775,500	735,270
Total Revenues	<u>65,579,158</u>	<u>62,081,905</u>	<u>95,320,095</u>	<u>86,456,095</u>	<u>160,899,253</u>	<u>148,538,000</u>
EXPENSES						
General Government	22,321,387	17,295,573	-	-	22,321,387	17,295,573
Public Safety	26,179,672	24,117,348	-	-	26,179,672	24,117,348
Community Service	14,192,299	13,360,590	-	-	14,192,299	13,360,590
Interest and Fiscal Charges	5,433,836	5,932,338	-	-	5,433,836	5,932,338
Electric	-	-	48,780,157	44,265,224	48,780,157	44,265,224
Water and Sewer	-	-	28,549,309	28,152,501	28,549,309	28,152,501
Airport	-	-	948,444	895,001	948,444	895,001
Drainage	-	-	2,398,250	2,355,020	2,398,250	2,355,020
Waste Collection	-	-	2,624,743	2,421,522	2,624,743	2,421,522
Total Expenses	<u>68,127,194</u>	<u>60,705,849</u>	<u>83,300,903</u>	<u>78,089,268</u>	<u>151,428,097</u>	<u>138,795,117</u>
Increases (Decreases) in Net Position before Transfers	(2,548,036)	1,376,056	12,019,192	8,366,827	9,471,156	9,742,883
Transfers	<u>5,265,193</u>	<u>5,428,042</u>	<u>(5,265,193)</u>	<u>(5,428,042)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	2,717,157	6,804,098	6,753,999	2,938,785	9,471,156	9,742,883
NET POSITION - BEGINNING, AS RESTATED	<u>117,134,456</u>	<u>112,297,189</u>	<u>128,256,596</u>	<u>127,866,680</u>	<u>245,391,052</u>	<u>240,163,869</u>
NET POSITION - ENDING	<u>\$ 119,851,613</u>	<u>\$ 119,101,287</u>	<u>\$ 135,010,595</u>	<u>\$ 130,805,465</u>	<u>\$ 254,862,208</u>	<u>\$ 249,906,752</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 \$50.5 million, a decrease of \$9.9 million in comparison with the prior year. Approximately 31.3% 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 \$15.5 million, while total fund balance reached \$16 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 32.72% of total general fund expenditures.

In the general fund, the City budgeted for a fund balance decrease in the current year of \$2,584,667. It is one of the City's financial policies to maintain fund balance in the general fund equal to 90 days' expenditures or 25%. Even though use of fund balance of \$2,584,667 was budgeted, only \$954,112 was subtracted from fund balance at year-end. This is primarily attributable to a transfer in from the electric and water/wastewater funds and actual expenditures being less than originally budgeted. The debt service fund balance decreased by \$3,464,037 from 2013 to 2014. This decrease was primarily due to a \$3.5 million cash payment made when the debt related to the San Marcos Convention Center was refunded. The payment was possible due to tax revenue exceeding initial tax projections. Increases in the general fund, and other governmental fund balances offset by the decrease in capital projects funds of \$5.9 million due to progress on construction contributed to the net change in fund balances of \$9,937,945.

TABLE 3
GOVERNMENTAL TAX REVENUES

	<u>2014</u>	<u>2013</u>	<u>INCREASE (DECREASE)</u>
Property	\$ 16,748,644	\$ 15,271,649	\$ 1,476,995
Sales	24,020,619	22,852,364	1,168,255
Franchise	1,626,077	1,703,869	(77,792)
Hotel/Motel	2,939,387	2,805,274	134,113
Mixed Drink	<u>360,903</u>	<u>292,544</u>	<u>68,359</u>
	<u>\$ 45,695,630</u>	<u>\$ 42,925,700</u>	<u>\$ 2,769,930</u>

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 \$33.0 million, and those for the Electric Fund amounted to \$10.3 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 FY2014, actual expenditures on a budgetary basis were \$47.4 million compared to the budget amount of \$48.5 million. The \$1.1 million positive variance was due to savings achieved through salary vacancy savings and conservative spending.

For FY2014, actual revenues on a budgetary basis were \$44.5 million as compared to the budget amount of \$44.2 million.

The City of San Marcos has a General Fund balance of \$16 million as of the fiscal year-end, compared to the budgeted fund balance of \$14.4 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 2014, the City had \$405 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 34 – 36.

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	
	2014	2013	2014	2013	2014	2013
Land	\$ 14,438,124	\$ 14,044,667	\$ 3,096,977	\$ 3,092,657	\$ 17,535,101	\$ 17,137,324
Buildings	28,207,067	28,960,107	2,709,599	2,830,572	30,916,666	31,790,679
Improvements Other than Buildings	69,365,474	74,838,688	90,612,383	92,646,996	159,977,857	167,485,684
Equipment	7,105,216	5,195,054	2,878,312	2,410,969	9,983,528	7,606,023
Construction in Progress	55,566,786	43,633,388	107,393,561	93,314,822	162,960,347	136,948,210
Infrastructure	23,790,836	24,067,575	-	-	23,790,836	24,067,575
TOTAL CAPITAL ASSETS	<u>\$ 198,473,503</u>	<u>\$ 190,739,479</u>	<u>\$ 206,690,832</u>	<u>\$ 194,296,016</u>	<u>\$ 405,164,335</u>	<u>\$ 385,035,495</u>

Long-term Debt. At year-end, the City had \$270.4 million in general obligation bonds, combination tax and revenue certificates of obligations and revenue bonds outstanding as compared to \$275.6 million at the end of the prior fiscal year, a decrease of 1.2%. For more detailed information on long term debt, please refer to the accompanying notes on pages 38-41.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 49,940,000	\$ 32,980,000	\$ -	\$ -	\$ 49,940,000	\$ 32,980,000
Discount on Bonds	(477,366)	(515,389)	(234,415)	(250,322)	(711,781)	(765,711)
Premium on Bonds	4,845,270	2,122,283	3,799,543	3,300,564	8,644,813	5,422,847
Deferred Amounts on Refundings	(3,821,649)	(1,431,750)	(4,537,678)	(4,283,219)	(8,359,327)	(5,714,969)
Certificates of Obligations	70,740,000	92,800,000	-	-	70,740,000	92,800,000
Capital Leases	468,225	321,407	359,196	-	827,421	321,407
Revenue Bonds	-	-	149,670,000	149,785,000	149,670,000	149,785,000
TOTAL DEBT	\$ 121,694,480	\$ 126,276,551	\$ 149,056,646	\$ 148,552,023	\$ 270,751,126	\$ 274,828,574

During this fiscal year, general obligation refunding totaling \$27.7 were 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 \$709,853 at September 30, 2014, compared to \$658,150 at September 30, 2013.

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 second year in a row. Property tax appraisals are up 11 percent for Fiscal Year 2015 and the City is seeing indications of continued new growth for the future. General Fund revenue has increased \$10 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 FY2014-15 adopted budget of \$173,012,416 is an increase of \$6.3 million or 3.76% from the adopted fiscal year 2014 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 decrease in one-time expenses is primarily related to the reduction in the transfer in capital reserves in the utility funds.

The budget provides for additional positions to support the City's growth and City Council goals including police officers, fire fighters, permit staff, information technology staff, animal shelter staff, parks and transportation/streets maintenance workers. In addition to personnel, the budget provides for increased funding for street and sidewalk maintenance, citizen satisfaction survey, increased mowing in neighborhood parks, a downtown sign and façade enhancement program, and other line item increases to support department operations.

The adopted property tax rate for 2015 is at 53.02 cents per \$100 valuation, the same as the current rate. The taxable property base increased by 11.4%, or \$3.4 billion, for 2015 budget. This budget will raise more total property tax revenue than last year's budget by \$1,848,158. The operations and maintenance tax rate will pay operations and maintenance (O&M) costs in the General Fund, producing revenues of \$10,023,342. The debt service rate is allocated to repay tax supported debt in the Debt Service Fund. The debt service revenue of \$8,098,192 will be used to pay long-term debt.

Sales taxes represent 46.41% of total General Fund revenue projected for fiscal year 2015. 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 \$24,817,740 in 2015.

A Water/Wastewater Rate Study has been conducted every year for the last several years including 2014. For the 2015 budget, the CUAB recommends a 3% 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 2015. For the 2015 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 2015 but there is a possibility of small increases in fiscal year 2016 and 2017.

The FY2014-15 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 \$41.9 million, or 24.2% of total expenses. The percentage in 2014 was 25.3%. 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.

(This Page is Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS

(This Page is Intentionally Left Blank)

CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,167,883	\$ 19,716,458	\$ 24,884,341
Investments	40,693,573	62,647,246	103,340,819
Receivables - Net of Allowances for Uncollectibles:			
Taxes	3,593,746	-	3,593,746
Accounts	4,158,919	13,086,489	17,245,408
Other	27,903	-	27,903
Due from Other Governments	1,229,322	30,714	1,260,036
Internal Balances	7,369,298	(7,369,298)	-
Inventories	377,086	1,366,794	1,743,880
Prepaid Items	255,498	77,556	333,054
Capital Assets			
Land	14,438,124	3,096,977	17,535,101
Construction in Progress	55,566,786	107,393,561	162,960,347
Buildings	36,554,153	6,369,767	42,923,920
Improvements Other than Building	102,378,027	187,028,588	289,406,615
Equipment	27,370,655	9,759,585	37,130,240
Infrastructure	35,605,632	-	35,605,632
Less: Accumulated Depreciation	<u>(73,439,874)</u>	<u>(106,957,646)</u>	<u>(180,397,520)</u>
Total Assets	<u>261,346,731</u>	<u>296,246,791</u>	<u>557,593,522</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Bond Refunding	<u>3,821,649</u>	<u>4,537,678</u>	<u>8,359,327</u>
<u>LIABILITIES</u>			
Accounts Payable	3,436,635	6,066,316	9,502,951
Accrued Liabilities	2,916,278	380,351	3,296,629
Unearned Revenues	2,876,621	-	2,876,621
Customer Deposits	27,559	3,406,028	3,433,587
Accrued Interest Payable	674,374	984,343	1,658,717
Noncurrent Liabilities			
Due Within One Year	8,443,355	8,761,065	17,204,420
Due in More than One Year	<u>126,941,945</u>	<u>146,175,771</u>	<u>273,117,716</u>
Total Liabilities	<u>145,316,767</u>	<u>165,773,874</u>	<u>311,090,641</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	94,693,282	88,667,413	183,360,695
Restricted for:			
Community Services	905,523	-	905,523
Public Safety	394,235	-	394,235
Debt Service	6,940,500	-	6,940,500
Future Convention Center	1,336,880	-	1,336,880
Park and Cemetery Trust			
Nonexpendable	1,059,475	-	1,059,475
Unrestricted	<u>14,521,718</u>	<u>46,343,182</u>	<u>60,864,900</u>
Total Net Position	<u>\$ 119,851,613</u>	<u>\$ 135,010,595</u>	<u>\$ 254,862,208</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, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
<u>Primary Government</u>				
Governmental Activities				
General Government	\$ 22,321,387	\$ 6,009,496	\$ 5,819,356	\$ 1,054,196
Public Safety	26,179,672	1,846,293	215,425	-
Community Service	14,192,299	1,026,696	2,703,497	-
Interest and Other Fees	5,433,836	-	-	-
Total Governmental Activities	<u>68,127,194</u>	<u>8,882,485</u>	<u>8,738,278</u>	<u>1,054,196</u>
Business-Type Activities				
Electric	48,780,157	55,440,398	-	1,117,888
Water and Wastewater	28,549,309	32,720,309	-	-
Airport	948,444	292,432	-	-
Drainage	2,398,250	2,885,937	-	-
Waste Collection	<u>2,624,743</u>	<u>2,628,929</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>83,300,903</u>	<u>93,968,005</u>	<u>-</u>	<u>1,117,888</u>
TOTAL GOVERNMENT	<u>\$151,428,097</u>	<u>\$102,850,490</u>	<u>\$ 8,738,278</u>	<u>\$ 2,172,084</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

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>
\$ (9,438,339)	\$ -	\$ (9,438,339)
(24,117,954)	-	(24,117,954)
(10,462,106)	-	(10,462,106)
<u>(5,433,836)</u>	<u>-</u>	<u>(5,433,836)</u>
<u>(49,452,235)</u>	<u>-</u>	<u>(49,452,235)</u>
-	7,778,129	7,778,129
-	4,171,000	4,171,000
-	(656,012)	(656,012)
-	487,687	487,687
<u>-</u>	<u>4,186</u>	<u>4,186</u>
<u>-</u>	<u>11,784,990</u>	<u>11,784,990</u>
<u>(49,452,235)</u>	<u>11,784,990</u>	<u>(37,667,245)</u>
17,493,449	-	17,493,449
24,020,619	-	24,020,619
1,626,077	-	1,626,077
2,939,387	-	2,939,387
360,903	-	360,903
95,989	187,380	283,369
367,775	46,822	414,597
<u>5,265,193</u>	<u>(5,265,193)</u>	<u>-</u>
<u>52,169,392</u>	<u>(5,030,991)</u>	<u>47,138,401</u>
2,717,157	6,753,999	9,471,156
<u>117,134,456</u>	<u>128,256,596</u>	<u>245,391,052</u>
<u>\$ 119,851,613</u>	<u>\$ 135,010,595</u>	<u>\$ 254,862,208</u>

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

CITY OF SAN MARCOS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 37,770	\$ 588,793	\$ 51,127	\$ 3,504,401	\$ 4,182,091
Investments	10,867,683	17,284,305	10,509,183	2,032,402	40,693,573
Receivables - Net of Allowances for Uncollectibles					
Taxes, Net	2,963,803	-	391,708	238,235	3,593,746
Accounts	1,452,429	-	167,662	233,287	1,853,378
Loans	-	-	-	27,903	27,903
Due from Other Funds	10,498,151	7,877,293	1,007,786	1,170,441	20,553,671
Due from Other Governments	-	-	-	1,229,322	1,229,322
Inventories	377,086	-	-	-	377,086
Prepays	130,448	11,483	-	113,567	255,498
TOTAL ASSETS	\$ 26,327,370	\$ 25,761,874	\$ 12,127,466	\$ 8,549,558	\$ 72,766,268
LIABILITIES					
Accounts Payable	\$ 1,314,628	\$ 1,323,695	\$ 1,273	\$ 388,480	\$ 3,028,076
Accrued Liabilities	2,139,192	15,431	-	51,802	2,206,425
Unearned Revenue	1,622,007	-	-	1,618,556	3,240,563
Customer Deposits	25,428	-	-	2,131	27,559
Due to Other Funds	4,840,959	693,952	4,804,830	2,681,741	13,021,482
Total Liabilities	9,942,214	2,033,078	4,806,103	4,742,710	21,524,105
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	363,942	-	380,863	-	744,805
FUND BALANCES					
Nonspendable:					
Inventories	377,086	-	-	-	377,086
Prepays	130,448	11,483	-	110,735	252,666
Restricted for:					
Public Safety	-	-	-	394,235	394,235
Community Services	-	-	-	2,242,403	2,242,403
Cemetery Memorial	-	-	-	1,059,475	1,059,475
Capital Projects	-	23,717,313	-	-	23,717,313
Debt Service	-	-	6,940,500	-	6,940,500
Unassigned	15,513,680	-	-	-	15,513,680
Total Fund Balances	16,021,214	23,728,796	6,940,500	3,806,848	50,497,358
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 26,327,370	\$ 25,761,874	\$ 12,127,466	\$ 8,549,558	\$ 72,766,268

(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, 2014

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 50,497,358

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. 198,473,503

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. 3,030,287

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. 450,090

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (132,599,625)

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$119,851,613

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

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$34,168,316	\$ -	\$ 8,311,002	\$ 3,216,312	\$ 45,695,630
Licenses and Permits	2,280,529	-	-	-	2,280,529
Fees and Penalties	1,323,552	-	-	107,867	1,431,419
Charges for Services	5,219,304	-	-	222,788	5,442,092
Intergovernmental	210,804	-	2,232,609	8,140,514	10,583,927
Interest on Investments	28,124	22,636	35,518	9,711	95,989
Contributions and Donations	80,000	4,121	-	-	84,121
Miscellaneous	<u>1,140,531</u>	<u>651,872</u>	<u>130,918</u>	<u>404,602</u>	<u>2,327,923</u>
Total Revenues	<u>44,451,160</u>	<u>678,629</u>	<u>10,710,047</u>	<u>12,101,794</u>	<u>67,941,630</u>
EXPENDITURES					
Current					
General Government	14,055,589	1,509,107	-	3,329,506	18,894,202
Public Safety	24,243,217	-	-	311,765	24,554,982
Community Service	9,111,163	-	-	4,092,868	13,204,031
Capital Outlay	-	13,807,439	-	2,836,476	16,643,915
Debt Service					
Principal	-	39,799	7,000,000	-	7,039,799
Interest and Fiscal Charges	-	15,398	5,205,778	-	5,221,176
Bond Issuance Cost	-	46,826	253,477	-	300,303
Total Expenditures	<u>47,409,969</u>	<u>15,418,569</u>	<u>12,459,255</u>	<u>10,570,615</u>	<u>85,858,408</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,958,809)</u>	<u>(14,739,940)</u>	<u>(1,749,208)</u>	<u>1,531,179</u>	<u>(17,916,778)</u>
OTHER FINANCING SOURCES					
Transfers In	6,025,591	2,900,356	2,136,580	458,897	11,521,424
Transfers Out	(4,051,548)	(425,462)	(171,132)	(1,608,089)	(6,256,231)
Insurance Recoveries	-	175,184	-	-	175,184
Capital Lease	-	220,916	-	-	220,916
Sale of Capital Assets	30,654	-	-	-	30,654
Issuance of Debt	-	5,940,000	20,570,000	-	26,510,000
Payment to Refunded Bond Escrow Agent	-	-	(27,274,606)	-	(27,274,606)
Premium on Debt Issued	-	27,163	3,024,329	-	3,051,492
Total Other Financing Sources	<u>2,004,697</u>	<u>8,838,157</u>	<u>(1,714,829)</u>	<u>(1,149,192)</u>	<u>7,978,833</u>
Net Change in Fund Balances	(954,112)	(5,901,783)	(3,464,037)	381,987	(9,937,945)
FUND BALANCES - BEGINNING	<u>16,975,326</u>	<u>29,630,579</u>	<u>10,404,537</u>	<u>3,424,861</u>	<u>60,435,303</u>
FUND BALANCES - ENDING	<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>

(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, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (9,937,945)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlay exceeded depreciation expense. 6,679,828

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,799,001

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. 3,953,622

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. 165,779

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. 56,872

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,717,157

(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, 2014

	<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	\$ 33,591,692	\$ 33,591,692	\$ 34,168,316	\$ 576,624
Licenses and Permits	1,721,648	1,721,648	2,280,529	558,881
Fines and Penalties	1,859,442	1,859,442	1,323,552	(535,890)
Charges for Services	5,447,532	5,447,532	5,219,304	(228,228)
Intergovernmental	432,119	432,119	210,804	(221,315)
Interest on Investments	61,000	61,000	28,124	(32,876)
Miscellaneous	<u>1,081,105</u>	<u>1,081,105</u>	<u>1,220,531</u>	<u>139,426</u>
Total Revenues	<u>44,194,538</u>	<u>44,194,538</u>	<u>44,451,160</u>	<u>256,622</u>
<u>EXPENDITURES</u>				
Current				
General Government	18,384,459	15,005,725	14,055,589	950,136
Public Safety	23,570,133	24,252,351	24,243,217	9,134
Community Service	<u>9,192,507</u>	<u>9,269,407</u>	<u>9,111,163</u>	<u>158,244</u>
Total Expenditures	<u>51,147,099</u>	<u>48,527,483</u>	<u>47,409,969</u>	<u>1,117,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,952,561)</u>	<u>(4,332,945)</u>	<u>(2,958,809)</u>	<u>1,374,136</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	5,984,055	5,984,055	6,025,591	41,536
Transfers Out	(1,550,093)	(4,235,777)	(4,051,548)	184,229
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>30,654</u>	<u>30,654</u>
Total Other Financing Sources (Uses)	<u>4,433,962</u>	<u>1,748,278</u>	<u>2,004,697</u>	<u>256,419</u>
Net Change in Fund Balances	(2,518,599)	(2,584,667)	(954,112)	1,630,555
<u>FUND BALANCES - BEGINNING</u>	<u>16,975,326</u>	<u>16,975,326</u>	<u>16,975,326</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 14,456,727</u>	<u>\$ 14,390,659</u>	<u>\$ 16,021,214</u>	<u>\$ 1,630,555</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, 2014

	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	\$ 1,900,383	\$ 11,251,089	\$ 5,360,522	\$ 1,204,464	\$ 19,716,458	\$ 985,792
Investments	17,238,317	41,990,105	3,418,824	-	62,647,246	-
Receivables - Net of Allowances for Uncollectibles	8,641,443	3,668,547	355,323	421,176	13,086,489	20,059
Due from Other Funds	444,089	289,639	21,835	197,878	953,441	2,518,250
Due from Other Governments	-	-	-	30,714	30,714	-
Inventories	921,801	444,993	-	-	1,366,794	-
Prepaid Items	53,141	24,415	-	-	77,556	-
Total Current Assets	<u>29,199,174</u>	<u>57,668,788</u>	<u>9,156,504</u>	<u>1,854,232</u>	<u>97,878,698</u>	<u>3,524,101</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	18,848,110	151,375,113	8,463,294	8,342,071	187,028,588	-
Furnishings and Equipment	3,224,014	6,059,982	456,126	19,463	9,759,585	-
Construction in Progress	44,489,478	51,317,283	10,177,470	1,409,330	107,393,561	-
Totals	67,065,389	212,687,606	19,131,734	14,763,749	313,648,478	-
Less: Accumulated Depreciation	(15,210,110)	(79,042,912)	(2,909,182)	(9,795,442)	(106,957,646)	-
Total Capital Assets - Net of Accumulated Depreciation	<u>51,855,279</u>	<u>133,644,694</u>	<u>16,222,552</u>	<u>4,968,307</u>	<u>206,690,832</u>	<u>-</u>
Total Noncurrent Assets	<u>51,855,279</u>	<u>133,644,694</u>	<u>16,222,552</u>	<u>4,968,307</u>	<u>206,690,832</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	479,534	3,769,145	288,999	-	4,537,678	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 81,533,987</u>	<u>\$ 195,082,627</u>	<u>\$ 25,668,055</u>	<u>\$ 6,822,539</u>	<u>\$ 309,107,208</u>	<u>\$ 3,524,101</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	\$ 4,613,159	\$ 722,621	\$ 416,363	\$ 314,173	\$ 6,066,316	\$ 46,959
Accrued Liabilities	197,875	163,887	7,768	10,821	380,351	-
Due to Other Funds	1,668,919	6,495,560	15,007	143,253	8,322,739	2,317,199
Claims Payable	-	-	-	-	-	709,853
Customer Deposits	2,462,628	788,653	1,179	153,568	3,406,028	-
Accrued Interest Payable	427,185	456,007	101,151	-	984,343	-
Compensated Absences	95,395	126,506	6,424	-	228,325	-
Current Maturities of Long-term Debt	878,410	6,674,667	979,663	-	8,532,740	-
Total Current Liabilities	<u>10,343,571</u>	<u>15,427,901</u>	<u>1,527,555</u>	<u>621,815</u>	<u>27,920,842</u>	<u>3,074,011</u>
NONCURRENT LIABILITIES						
Compensated Absences	82,304	23,079	4,215	-	109,598	-
Long-Term Debt	37,277,803	90,833,775	17,938,688	15,907	146,066,173	-
Total Noncurrent Liabilities	<u>37,360,107</u>	<u>90,856,854</u>	<u>17,942,903</u>	<u>15,907</u>	<u>146,175,771</u>	<u>-</u>
NET POSITION						
Net Investment in Capital Assets	23,493,423	55,804,308	4,401,375	4,968,307	88,667,413	-
Unrestricted	10,336,886	32,993,564	1,796,222	1,480,015	46,606,687	450,090
Total Net Position	<u>33,830,309</u>	<u>88,797,872</u>	<u>6,197,597</u>	<u>6,188,817</u>	<u>135,010,595</u>	<u>450,090</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 81,533,987</u>	<u>\$ 195,082,627</u>	<u>\$ 25,668,055</u>	<u>\$ 6,822,539</u>	<u>\$ 309,107,208</u>	<u>\$ 3,524,101</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, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	INTERNAL SERVICE
OPERATING REVENUES						
Charges for Services	\$ 55,112,586	\$ 31,697,186	\$ 2,842,321	\$ 2,917,041	\$ 92,569,134	\$ -
Intergovernmental	-	-	-	4,320	4,320	-
Employer Contributions	-	-	-	-	-	3,901,480
Employee Contributions	-	-	-	-	-	1,077,345
Retiree Contributions	-	-	-	-	-	201,892
Pharmacy Rebates	-	-	-	-	-	24,022
Miscellaneous	327,812	1,023,123	43,616	-	1,394,551	-
Total Operating Revenues	<u>55,440,398</u>	<u>32,720,309</u>	<u>2,885,937</u>	<u>2,921,361</u>	<u>93,968,005</u>	<u>5,204,739</u>
OPERATING EXPENSES						
Purchased Power	38,220,969	-	-	-	38,220,969	-
Personnel Services	4,133,395	3,707,893	228,426	112,169	8,181,883	-
Contracted Services	1,327,476	7,802,516	659,159	3,086,894	12,876,045	-
Materials and Supplies	1,492,714	905,069	20,933	50,548	2,469,264	-
Indirect Costs	724,834	3,245,110	134,928	-	4,104,872	-
Claims	-	-	-	-	-	4,444,675
Other Charges	986,794	686,852	10,903	60,100	1,744,649	703,668
Depreciation	508,973	8,521,103	564,400	263,476	9,857,952	-
Total Operating Expenses	<u>47,395,155</u>	<u>24,868,543</u>	<u>1,618,749</u>	<u>3,573,187</u>	<u>77,455,634</u>	<u>5,148,343</u>
Operating Income	<u>8,045,243</u>	<u>7,851,766</u>	<u>1,267,188</u>	<u>(651,826)</u>	<u>16,512,371</u>	<u>56,396</u>
NONOPERATING REVENUES (EXPENSES)						
Investment Earnings	44,796	128,932	13,652	-	187,380	-
Interest and Fiscal Charges	(1,385,002)	(3,680,766)	(779,501)	-	(5,845,269)	476
Grants	-	-	-	46,822	46,822	-
Total Nonoperating Revenues (Expenses)	<u>(1,340,206)</u>	<u>(3,551,834)</u>	<u>(765,849)</u>	<u>46,822</u>	<u>(5,611,067)</u>	<u>476</u>
Income (Loss) before Transfers	6,705,037	4,299,932	501,339	(605,004)	10,901,304	56,872
Capital Contributions	1,117,888	-	-	-	1,117,888	-
Transfers In	-	425,462	-	359,936	785,398	-
Transfers Out	(4,007,492)	(2,043,099)	-	-	(6,050,591)	-
Change in Net Position	3,815,433	2,682,295	501,339	(245,068)	6,753,999	56,872
TOTAL NET POSITION - BEGINNING, AS RESTATED	<u>30,014,876</u>	<u>86,115,577</u>	<u>5,696,258</u>	<u>6,429,885</u>	<u>128,256,596</u>	<u>393,218</u>
TOTAL NET POSITION - ENDING	<u>\$ 33,830,309</u>	<u>\$ 88,797,872</u>	<u>\$ 6,197,597</u>	<u>\$ 6,184,817</u>	<u>\$ 135,010,595</u>	<u>\$ 450,090</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, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTALS	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS		INTERNAL SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 53,013,675	\$ 32,489,151	\$ 2,838,761	\$ 3,478,695	\$ 91,820,282	\$ 5,316,292
Cash Paid to Suppliers	(43,651,836)	(14,376,495)	(845,825)	(3,340,080)	(62,214,236)	(5,131,678)
Cash Paid to Employees	(4,075,990)	(3,962,576)	(223,666)	(110,986)	(8,373,218)	-
Receipts (Payments) to Other Funds	3,922,894	9,725,285	869,553	(25,697)	14,492,035	275,675
Net Cash Provided by (Used in) Operating Activities	9,208,743	23,875,365	2,638,823	1,932	35,724,863	460,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from Other Funds	-	425,462	-	359,936	785,398	-
Transfers to Other Funds	(4,007,492)	(2,043,099)	-	-	(6,050,591)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(4,007,492)	(1,617,637)	-	359,936	(5,265,193)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Capital Debt	2,175,501	11,264,523	2,600,025	-	16,040,049	-
Capital Contributions	1,117,888	-	-	-	1,117,888	-
Capital Grants	-	-	-	46,822	46,822	-
Principal Paid on Debt	(1,000,000)	(12,330,000)	(1,720,000)	-	(15,050,000)	-
Interest and Fiscal Charges Paid on Debt	(1,194,952)	(3,962,861)	(884,829)	-	(6,042,642)	-
Acquisition of Capital Assets	(7,642,997)	(11,874,511)	(2,453,349)	(281,913)	(22,252,770)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(6,544,560)	(16,902,849)	(2,458,153)	(235,091)	(26,140,653)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of Investment Securities	(5,023,281)	(7,000,429)	411,176	-	(11,612,534)	-
Interest Received	44,796	128,932	13,652	-	187,380	476
Net Cash Provided by (Used in) Investing Activities	(4,978,485)	(6,871,497)	424,828	-	(11,425,154)	476
Net Increase (Decrease) in Cash and Cash Equivalents	(6,321,794)	(1,516,618)	605,498	126,777	(7,106,137)	460,765
CASH AND CASH EQUIVALENTS - BEGINNING	<u>8,222,177</u>	<u>12,767,707</u>	<u>4,755,024</u>	<u>1,077,687</u>	<u>26,822,595</u>	<u>525,027</u>
CASH AND CASH EQUIVALENTS - ENDING	<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>

(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, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTALS	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS		INTERNAL SERVICE
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 8,045,243	\$ 7,851,766	\$ 1,267,188	\$ (651,826)	\$ 16,512,371	\$ 56,396
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	508,973	8,521,103	564,400	263,476	9,857,952	-
Changes in Assets and Liabilities						
Decrease (Increase) in Assets						
Accounts Receivable	(2,614,558)	(279,913)	(47,176)	(123)	(2,941,770)	111,553
Due from Other Funds	2,832,948	4,288,550	1,026,869	182,716	8,331,083	(2,041,524)
Due from Other Governments	-	-	-	545,854	545,854	-
Inventories	(307,568)	71,524	-	-	(236,044)	-
Prepaid Items	1,425	3,648	-	-	5,073	-
Increase (Decrease) in Liabilities						
Accounts Payable	(592,906)	(1,812,120)	(19,902)	(142,538)	(2,567,466)	(35,038)
Accrued Liabilities	(273)	(294,868)	1,639	244	(293,258)	-
Due to Other Funds	1,089,946	5,436,735	(157,316)	(208,413)	6,160,952	2,317,199
Claims Payable	-	-	-	-	-	51,703
OPEB Liability	29,462	34,175	1,818	939	66,394	-
Compensated Absences	28,216	6,010	1,303	-	35,529	-
Customer Deposits	187,835	48,755	-	11,603	248,193	-
NET CASH PROVIDED BY (USED IN) OPERATIONS	\$ 9,208,743	\$ 23,875,365	\$ 2,638,823	\$ 1,932	\$ 35,724,863	\$ 460,289

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

NOTES TO BASIC FINANCIAL STATEMENTS

(This Page is Intentionally Left Blank)

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014

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, 2014

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 and Net Position or Equity

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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (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, 2014.

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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (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 2014 the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes as outflows of resources or inflows of resources, certain items that were previously recorded as assets and liabilities.

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 \$(132,599,625) difference are as follows:

General Obligation Bonds	\$(120,680,000)
Capital Lease	(468,225)
Discounts on Bonds	477,366
Premiums on Bonds	(4,845,270)
Accrued Interest Payable	(674,374)
Compensated Absences	(5,104,198)
Deferred Loss on Refunding	3,821,649
Retainage Payable	(361,600)
TMRS Net Pension Obligation	(3,639,628)
OPEB Net Pension Obligation	<u>(1,125,345)</u>
NET ADJUSTMENT TO REDUCE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>\$(132,599,625)</u></u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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 \$6,679,828 difference is as follows:

Capital Outlay	\$16,643,915
Depreciation Expense	<u>(9,964,087)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 6,679,828</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 \$1,799,001 difference is as follows:

Capital Contribution	\$ 1,054,196
Property Taxes	<u>744,805</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 1,799,001</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 \$3,953,622 difference are as follows:

Debt Issued or Incurred:	
Issuance of General Obligation Bonds	\$ (26,510,000)
Capital Lease	(220,916)
Premium on Bond Issuance	(3,051,492)
TMRS Net Pension Obligation	(275,912)
OPEB Net Pension Obligation	(302,463)
Principal Repayments:	
General Obligation Bonds Refunded	24,610,000
Capital Lease	39,799
Deferred Loss on Refunding	2,664,606
General Obligation Debt	<u>7,000,000</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 3,953,622</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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 \$(165,779) difference are as follows:

Compensated Absences	\$ 78,136
Accrued Interest	71,868
Amortization of Deferred Charge on Refunding	(274,707)
Amortization of Bond Discounts	(38,023)
Amortization of Bond Premiums	<u>328,505</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES -	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES	
IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 165,779</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 after 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, 2014

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, 2014, 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, 2014

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, 2014, are shown below:

DESCRIPTION	RATING	RATING ORGANIZATION	FAIR VALUE	WEIGHTED AVERAGE MATURITY (DAYS)
Well Fargo Cash and Cash on Hand	NR	N/A	\$ 15,427,017	-
TexStar	AAAm	Standard & Poor's	9,024,389	-
TexPool	AAAm	Standard & Poor's	507,182	-
TexasTERM	AAAm	Standard & Poor's	410,786	-
Lonestar	AAAm	Standard & Poor's	6,006,094	-
LOGIC	AAAm	Standard & Poor's	18,701,883	-
Wells Fargo Money Market Mutual Funds	AAAm	Standard & Poor's	30,633,978	-
FHLMC	AA+	Standard & Poor's	10,013,590	169
United States Treasuries	AA+	Standard & Poor's	<u>37,500,241</u>	237
TOTAL FAIR VALUE			<u>\$ 128,225,160</u>	
Portfolio Weighted Average Maturity (Days)				82.51

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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	OTHER GOVERNMENTAL	DEBT SERVICE	ELECTRIC	WATER/ WASTEWATER	STORMWATER DRAINAGE	NONMAJOR ENTERPRISE	INTERNAL SERVICE	TOTAL
Receivables									
Taxes	\$ 2,993,150	\$ 238,235	\$ 424,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,655,391
Accounts	1,452,429	233,287	167,662	9,209,906	3,982,107	398,156	509,625	20,059	15,973,231
Due from Other Governments	-	1,229,322	-	-	-	-	30,714	-	1,260,036
Loans	-	27,903	-	-	-	-	-	-	27,903
Gross Receivables	4,445,579	1,728,747	591,668	9,209,906	3,982,107	398,156	540,339	20,059	20,916,561
Less: Allowance for Uncollectibles	(29,347)	-	(32,298)	(568,463)	(313,560)	(42,833)	(88,449)	-	(1,074,950)
NET TOTAL RECEIVABLES	\$ 4,416,232	\$ 1,728,747	\$ 559,370	\$ 8,641,443	\$ 3,668,547	\$ 355,323	\$ 451,890	\$ 20,059	\$ 19,841,611

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)	\$ 363,942	\$ -
Activity Center (General Fund)	-	164,927
Grant Drawdown (General Fund)	-	1,093,138
Delinquent Property Taxes Receivable (Debt Service)	380,863	-
Hotel Occupancy (Nonmajor Governmental)	-	205
Grant Drawdowns (Nonmajor Governmental)	-	1,618,351
TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	\$ 744,805	\$ 2,876,621

C. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 14,044,667	\$ 393,457	\$ -	\$ 14,438,124
Construction in Progress	<u>43,633,388</u>	<u>15,274,055</u>	<u>(3,340,657)</u>	<u>55,566,786</u>
Total Capital Asset not being Depreciated	<u>57,678,055</u>	<u>15,667,512</u>	<u>(3,340,657)</u>	<u>70,004,910</u>
Capital Assets being Depreciated				
Buildings	36,554,153	-	-	36,554,153
Machinery and Equipment	23,901,142	3,489,523	(20,010)	27,370,655
Improvements other than Buildings	101,550,490	827,537	-	102,378,027
Infrastructure	<u>34,551,436</u>	<u>1,054,196</u>	<u>-</u>	<u>35,605,632</u>
Total Capital Asset being Depreciated	<u>196,557,221</u>	<u>5,371,256</u>	<u>(20,010)</u>	<u>201,908,467</u>
Less Accumulated Depreciation:				
Buildings	(7,594,046)	(753,040)	-	(8,347,086)
Machinery and Equipment	(18,706,088)	(1,579,361)	20,010	(20,265,439)
Improvements Other than Buildings	(26,711,802)	(6,300,751)	-	(33,012,553)
Infrastructure	<u>(10,483,861)</u>	<u>(1,330,935)</u>	<u>-</u>	<u>(11,814,796)</u>
Total Accumulated Depreciation	<u>(63,495,797)</u>	<u>(9,964,087)</u>	<u>20,010</u>	<u>(73,439,874)</u>
Total Capital Assets being Depreciated - Net	<u>133,061,424</u>	<u>(4,592,831)</u>	<u>-</u>	<u>128,468,593</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	 <u>\$ 190,739,479</u>	 <u>\$ 11,074,681</u>	 <u>\$ (3,340,657)</u>	 <u>\$ 198,473,503</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 3,092,657	\$ 4,320	\$ -	\$ 3,096,977
Construction in Progress	<u>93,314,822</u>	<u>21,294,019</u>	<u>(7,215,280)</u>	<u>107,393,561</u>
Total Assets not being Depreciated	<u>96,407,479</u>	<u>21,298,339</u>	<u>(7,215,280)</u>	<u>110,490,538</u>
Capital Assets being Depreciated				
Buildings	6,369,767	-	-	6,369,767
Machinery and Equipment	8,800,834	958,751	-	9,759,585
Improvements other than Buildings	<u>179,817,630</u>	<u>7,210,958</u>	<u>-</u>	<u>187,028,588</u>
Total Capital Assets being Depreciated	<u>194,988,231</u>	<u>8,169,709</u>	<u>-</u>	<u>203,157,940</u>
Less Accumulated Depreciation:				
Buildings	(3,539,195)	(120,973)	-	(3,660,168)
Machinery and Equipment	(6,389,865)	(491,408)	-	(6,881,273)
Improvements other than Buildings	<u>(87,170,634)</u>	<u>(9,245,571)</u>	<u>-</u>	<u>(96,416,205)</u>
Total Accumulated Depreciation	<u>(97,099,694)</u>	<u>(9,857,952)</u>	<u>-</u>	<u>(106,957,646)</u>
Total Capital Assets being Depreciated - Net	<u>97,888,537</u>	<u>(1,688,243)</u>	<u>-</u>	<u>96,200,294</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	 <u>\$ 194,296,016</u>	 <u>\$ 19,610,096</u>	 <u>\$ (7,215,280)</u>	 <u>\$ 206,690,832</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

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	\$ 7,719,544
Public Safety	1,373,412
Community Services	<u>871,131</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 9,964,087</u>
<u>Business-Type Activities</u>	
Electric	\$ 508,973
Water and Wastewater	8,521,103
Airport	263,476
Stormwater Drainage	<u>564,400</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 9,857,952</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from Other Funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
General	Capital Projects	\$ 161,123
	Debt Service	4,485,645
	Nonmajor Governmental	1,831,290
	Water and Wastewater	522,494
	Electric	1,640,373
	Stormwater Drainage	68
	Nonmajor Enterprise	123,727
Capital Projects	Internal Service	1,733,431
	General	1,809,330
	Nonmajor Governmental	142,485
	Water and Wastewater	5,920,337
Debt Service	Nonmajor Enterprise	5,141
	General	229,372
	Nonmajor Governmental	679,963
	Water and Wastewater	79,176
	Electric	6,306
Nonmajor Governmental	Stormwater Drainage	12,969
	General	281,963
	Debt Service	200,026
	Water and Wastewater	6,234
	Nonmajor Enterprise	5,485
	Capital Projects	86,071
	Nonmajor Governmental	6,894
Internal Service	583,768	

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

Due to/from Other Funds (Continued):

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Electric	General	\$ 53,318
	Debt Service	15,254
	Water and Wastewater	356,181
	Capital Projects	19,336
Water and Wastewater	General	205,892
	Capital Projects	882
	Nonmajor Governmental	425
	Debt Service	82,109
	Stormwater Drainage	331
Stormwater Drainage	Capital Projects	39
	Debt Service	21,796
Nonmajor Enterprise	General	168,812
	Water and Wastewater	10,417
	Nonmajor Enterprise	18,649
Internal Service - Insurance	General	2,456,214
	Capital Projects	1,039
	Nonmajor Governmental	10,683
	Electric	22,240
	Water and Wastewater	26,183
	Stormwater Drainage	1,640
	Nonmajor Enterprise	251

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.

Interfund Transfers

	<u>TRANSFERS IN</u>						<u>TOTAL</u>
	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>WATER/ WASTEWATER</u>	<u>NONMAJOR ENTERPRISE</u>	
<u>Transfers Out</u>							
General	\$ -	\$ 2,878,356	\$ 550,491	\$ 287,765	\$ -	\$ 334,936	\$ 4,051,548
Debt Service	-	-	-	171,132	-	-	171,132
Nonmajor Governmental	-	22,000	1,586,089	-	-	-	1,608,089
Capital Projects	-	-	-	-	425,462	-	425,462
Electric	4,007,492	-	-	-	-	-	4,007,492
Water and Wastewater	<u>2,018,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>2,043,099</u>
TOTALS	<u>\$ 6,025,591</u>	<u>\$ 2,900,356</u>	<u>\$ 2,136,580</u>	<u>\$ 458,897</u>	<u>\$ 425,462</u>	<u>\$ 359,936</u>	<u>\$ 12,306,822</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers (Continued)

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, 2014 are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2015	\$ 47,456	\$ 11,451	\$ 58,907	\$ 48,700	\$ 9,393	\$ 58,093
2016	48,644	10,263	58,907	49,898	8,195	58,093
2017	49,862	9,046	58,908	40,746	6,934	47,680
2018	51,111	7,797	58,908	31,265	6,002	37,267
2019	52,392	6,516	58,908	32,157	5,111	37,268
2020 - 2024	<u>218,760</u>	<u>12,769</u>	<u>231,529</u>	<u>156,430</u>	<u>11,275</u>	<u>167,705</u>
	<u>\$ 468,225</u>	<u>\$ 57,842</u>	<u>\$ 526,067</u>	<u>\$ 359,196</u>	<u>\$ 46,910</u>	<u>\$ 406,106</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 \$13,725,000 of Combination Tax and Revenue Certificates of Obligation, Series 2014 with a 2-3.375% interest rate that mature August 15, 2026.

Bond Refunding

On June 15, 2014, the City issued \$27,720,000 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 \$35,491,407 was made to an escrow agent to provide the refunding of \$315,000 of Series 2005 Combination Tax and Revenue Certificates of Obligation, \$12,075,000 of Series 2007 Combination Tax and Revenue Certificates of Obligation, \$945,000 of Series 2007 General Obligation Bonds, \$6,275,000 of Series 2007B Combination Tax and Revenue Certificates of Obligation, \$6,275,000 of Series 2008 Pass Through Toll Revenue and Limited Tax Bonds, \$370,000 of Series 2004 Waterworks and Wastewater System Revenue Bonds,

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Bond Refunding (Continued)

\$195,000 of Series 2005A Water works and Wastewater System Revenue Bonds, and \$5,635,000 of Series 2007 Waterworks and Wastewater System Revenue Bonds. As of September 30, 2014, the outstanding balance of these defeased is \$31,205,000. 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 \$6,748,664 and to obtain an economic gain of \$5,855,539 (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:

PURPOSE	INTEREST RATES	AMOUNT
Governmental Activities	3.50 - 4.61%	\$ 77,080,000
Governmental Activities - Refunding	2.00 - 5.375%	43,600,000
Business-Type Activities	3.50 - 5.00%	91,565,000
Business-Type Activities - Refunding	2.00 - 5.00%	58,105,000
		\$ 270,350,000

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

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES	
	PRINCIPAL	INTEREST
2015	\$ 7,330,000	\$ 5,347,492
2016	7,180,000	5,050,645
2017	7,445,000	4,781,910
2018	7,570,000	4,502,954
2019	7,365,000	4,210,633
2020-2024	37,165,000	16,397,749
2025-2029	34,320,000	7,680,903
2030-2034	12,305,000	1,041,422
	\$ 120,680,000	\$ 49,013,708

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

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>
2015	\$ 8,185,000	\$ 5,603,951
2016	8,880,000	5,335,189
2017	9,430,000	5,102,565
2018	9,745,000	4,789,592
2019	10,020,000	4,495,812
2020-2024	43,045,000	18,110,282
2025-2029	39,285,000	9,281,514
2030-2034	19,755,000	2,567,875
2035-2036	<u>1,325,000</u>	<u>104,080</u>
	<u>\$ 149,670,000</u>	<u>\$ 55,390,860</u>

Defeasance of Bonds

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, 2014, the outstanding balance of the defeased bonds is \$50,835,000.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 125,780,000	\$ 26,510,000	\$ (31,610,000)	\$ 120,680,000	\$ 7,330,000
Discount on Bonds	(515,389)	-	38,023	(477,366)	(28,236)
Premium on Bonds	2,122,283	3,051,492	(328,505)	4,845,270	328,505
Capital Leases	321,407	220,916	(74,098)	468,225	47,456
Compensated Absences	5,182,334	699,214	(777,350)	5,104,198	765,630
TMRS Net Pension Obligation	3,363,716	275,912	-	3,639,628	-
OPEB Net Pension Obligation	<u>822,882</u>	<u>302,463</u>	<u>-</u>	<u>1,125,345</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 137,077,233</u>	<u>\$ 31,059,997</u>	<u>\$ (32,751,930)</u>	<u>\$ 135,385,300</u>	<u>\$ 8,443,355</u>
<u>Business-Type Activities</u>					
Bonds Payable					
Revenue Bonds	\$ 149,785,000	\$ 14,935,000	\$ (15,050,000)	\$ 149,670,000	\$ 8,185,000
Premium on Bonds	3,300,564	1,105,048	(606,069)	3,799,543	314,947
Discount on Bonds	(250,322)	15,907	-	(234,415)	(15,907)
Capital Leases	-	387,862	(28,666)	359,196	48,700
TMRS Net Pension Obligation	701,940	60,566	-	762,506	-
OPEB Net Pension Obligation	<u>175,689</u>	<u>66,394</u>	<u>-</u>	<u>242,083</u>	<u>-</u>
Total Bonds Payable	153,712,871	16,570,777	(15,684,735)	154,598,913	8,532,740
Compensated Absences	<u>302,394</u>	<u>285,605</u>	<u>(250,076)</u>	<u>337,923</u>	<u>228,325</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 154,015,265</u>	<u>\$ 16,856,382</u>	<u>\$ (15,934,811)</u>	<u>\$ 154,936,836</u>	<u>\$ 8,761,065</u>

For governmental activities, TMRS net pension obligation, 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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Benefits Management

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.

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:

YEAR ENDED SEPTEMBER 30,	BEGINNING LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATE	CLAIM PAYMENTS	ENDING LIABILITY
2012	\$ 897,277	\$ 5,222,174	\$ 5,059,501	\$1,059,950
2013	1,059,950	4,539,177	4,940,977	658,150
2014	658,150	4,755,194	4,703,491	709,853

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 .28% premium modifier. Collectively, risk management programs have resulted in direct savings in excess of a million dollars while improving the health, safety, and well-being of City Employees.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Risk and Safety Management (Continued)

The City's Safety Program has been recognized by awards from the National Safety Council (NSC). The City participates in the National Safety Council Annual Awards Program which presents awards for occupational safety and health, safe worker and safe drivers. Eighteen departments were recognized for maintaining a perfect record or a reduction in frequency of lost time injuries.

In October the City held the Annual Benefits and Safety Expo. The event includes over 55 Health and Safety vendors including safety demonstrations. Over 350 employees participate in the Expo.

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 \$17,914,259 for governmental capital assets, \$15,104,489 for water and wastewater, \$8,781,600 for electric, and \$6,787,942 for drainage.

H. Pension Plans – Primary Government

Defined Benefit Plan – Texas Municipal Retirement System (TMRS)

Plan Description. The City provides pension benefits for all employees working a thousand hours or more annually through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, Post Office Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plans – Primary Government (Continued)

Defined Benefit Plan – Texas Municipal Retirement System (TMRS) (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

	<u>PLAN YEAR 2012</u>	<u>PLAN YEAR 2013</u>	<u>PLAN YEAR 2014</u>
Deposit Rate	7%	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1	2 to 1
A Member is Vested After	5 Years	5 Years	5 Years
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5; 0/20	60/5; 0/20	60/5; 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increases (to Retirees)	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 6,008,031
Interest on Net Pension Obligation	284,596
Adjustment to the ARC	<u>(255,911)</u>
Annual Pension Cost	6,036,716
Contributions Made	<u>(5,700,238)</u>
Increase (Decrease) in Net Pension Obligation	336,478
Net Pension Obligation/(Asset), Beginning of Year	<u>4,065,656</u>
NET PENSION OBLIGATION/(ASSET), END OF YEAR	<u>\$ 4,402,134</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plans – Primary Government (Continued)

Contributions (Continued)

<u>THREE-YEAR TREND INFORMATION</u>				
<u>ACCOUNTING YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>ACTUAL CONTRIBUTION MADE</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
9/30/2012	\$ 5,418,556	\$ 4,752,162	87.70%	\$ 3,619,010
9/30/2013	5,639,367	5,192,723	92.08%	4,065,656
9/30/2014	6,036,716	5,700,238	94.43%	4,402,134

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<u>ACTUARIAL VALUATION DATE</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.2 Years; Closed Period	25.2 Years; Closed Period	23.0 Years; Closed Period
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
*Includes Inflation at Cost-of-Living Adjustments	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plans – Primary Government (Continued)

Contributions (Continued)

1. Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	PERCENTAGE FUNDED	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
12/31/2013	\$ 120,326,557	\$ 160,723,959	74.9%	\$ 40,397,402	\$ 30,820,467	131.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

I. Other Postemployment Benefits

1. 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.

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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

2. Annual OPEB Cost and Net OPEB 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, 2014 is as follows:

Annual Required Contribution (ARC)	\$ 427,624
Interest on OPEB Obligation	44,936
Adjustment to ARC	<u>(41,632)</u>
OPEB Cost (Expense) End of Year	430,928
Net Estimated Employer Contributions	<u>(62,071)</u>
Increase in Net OPEB Obligation	368,857
Net OPEB Obligation, as of Beginning of Year	<u>998,571</u>

NET OPEB OBLIGATION, AS OF END OF YEAR	<u>\$1,367,428</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, 2014 and the preceding two fiscal years were as follows:

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>EMPLOYER CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
9/30/2012	\$ 340,373	\$ 315,131	92.6%	\$ 634,107
9/30/2013	417,266	52,802	12.7%	998,571
9/30/2014	430,928	62,071	14.4%	1,367,428

3. Funding Status

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2012 is as follows:

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (a)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) (b)</u>	<u>UNFUNDED AAL (UAAL) (b-a)</u>	<u>FUNDED RATIO (a/b)</u>	<u>ANNUAL COVERED PAYROLL (c)</u>	<u>RATIO OF UAAI TO ANNUAL COVERED PAYROLL (b-a)/c</u>
12/31/2012	\$ -	\$ 4,418,979	\$ 4,418,979	0.0%	\$ 29,096,429	15.2%

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

3. Funding Status (Continued)

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$4,418,979 at December 31, 2012. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 15.2%.

4. 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	12/31/2012
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 9 years

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 2014, 2013 and 2012, were \$49,963, 42,413 and \$44,833, 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, 2014

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

L. Restatement of Net Position

The adoption of GASB Statement of #65 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 change that was made.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	ELECTRIC FUND	WATER WASTEWATER FUND	STORMWATER DRAINAGE FUND
Net Position, beginning, as previously reported	\$ 119,101,287	\$ 130,805,465	\$ 30,666,534	\$ 87,746,324	\$ 5,962,722
Deferred Charge on Bond Issue Costs	<u>(1,966,831)</u>	<u>(2,539,632)</u>	<u>(651,658)</u>	<u>(1,630,747)</u>	<u>(266,464)</u>
Net Position, beginning, as restated	<u>\$ 117,134,456</u>	<u>\$ 128,265,833</u>	<u>\$ 30,014,876</u>	<u>\$ 86,115,577</u>	<u>\$ 5,696,258</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)
12/31/2013	\$120,326,557	\$160,723,959	\$40,397,402	74.9%	\$ 30,820,467	131.1%
12/31/2012	108,603,384	141,224,081	32,620,697	76.9%	29,096,429	112.1%
12/31/2011	97,843,592	131,900,915	34,057,323	74.2%	28,202,003	120.8%

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, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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
12/31/2012	\$ -	\$ 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%
12/31/2008	-	3,373,453	3,373,453	0.0%	23,938,024	14.1%

(This Page is Intentionally Left Blank)

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

(This Page is Intentionally Left Blank)

GENERAL FUND

(This Page is Intentionally Left Blank)

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, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2013 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>REVENUES</u>					
Taxes					
Property Taxes					
Current Ad Valorem Taxes	\$ 8,152,707	\$ 8,152,707	8,108,898	\$ (43,809)	\$ 7,382,129
Delinquent Ad Valorem Taxes	108,148	108,148	90,655	(17,493)	47,825
Penalty and Interest on Delinquent Taxes	58,234	58,234	51,750	(6,484)	48,666
Franchise	1,457,604	1,457,604	1,535,491	77,887	1,612,147
Sales	23,508,267	23,508,267	24,020,619	512,352	22,852,364
Mixed Drink	306,732	306,732	360,903	54,171	292,544
Total Taxes	<u>33,591,692</u>	<u>33,591,692</u>	<u>34,168,316</u>	<u>576,624</u>	<u>32,235,675</u>
Licenses and Permits					
Professional and Occupational	56,158	56,158	47,200	(8,958)	50,160
Building	834,136	834,136	1,151,365	317,229	1,112,787
Development	158,206	158,206	125,993	(32,213)	153,682
Plumbing	58,653	58,653	50,925	(7,728)	60,119
Food	165,917	165,917	183,274	17,357	214,382
Cemetery	15,000	15,000	61,270	46,270	65,468
Other	433,578	433,578	660,502	226,924	538,190
Total Licenses and Permits	<u>1,721,648</u>	<u>1,721,648</u>	<u>2,280,529</u>	<u>558,881</u>	<u>2,194,788</u>
Fines and Penalties					
Parking	156,824	156,824	129,699	(27,125)	80,759
Traffic	577,530	577,530	393,380	(184,150)	460,590
Complaints	284,946	284,946	272,523	(12,423)	325,209
Library	80,984	80,984	62,765	(18,219)	63,009
Other	759,158	759,158	465,185	(293,973)	574,077
Total Fines and Penalties	<u>1,859,442</u>	<u>1,859,442</u>	<u>1,323,552</u>	<u>(535,890)</u>	<u>1,503,644</u>
Charges for Services					
Vital Statistics	37,203	37,203	43,794	6,591	39,822
Pound Charges	198,288	198,288	87,979	(110,309)	89,634
Charges to Other Funds	4,502,868	4,502,868	4,423,238	(79,630)	4,347,782
Building Rental	131,047	131,047	145,604	14,557	163,448
Recreation Program	459,218	459,218	406,639	(52,579)	428,851
Other Services	118,908	118,908	112,050	(6,858)	102,098
Total Charges for Services	<u>5,447,532</u>	<u>5,447,532</u>	<u>5,219,304</u>	<u>(228,228)</u>	<u>5,171,635</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, 2014

	<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>2013</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>REVENUES (CONTINUED)</u>					
Intergovernmental	<u>\$ 432,119</u>	<u>\$ 432,119</u>	<u>\$ 210,804</u>	<u>\$ (221,315)</u>	<u>\$ 219,382</u>
Investment Earnings	<u>61,000</u>	<u>61,000</u>	<u>28,124</u>	<u>(32,876)</u>	<u>64,411</u>
Other					
Donations	<u>85,696</u>	<u>85,696</u>	<u>80,000</u>	<u>(5,696)</u>	<u>80,000</u>
Miscellaneous	<u>995,409</u>	<u>995,409</u>	<u>1,140,531</u>	<u>145,122</u>	<u>999,751</u>
Total Other	<u>1,081,105</u>	<u>1,081,105</u>	<u>1,220,531</u>	<u>139,426</u>	<u>1,079,751</u>
Total Revenues	<u>44,194,538</u>	<u>44,194,538</u>	<u>44,451,160</u>	<u>256,622</u>	<u>42,469,286</u>
<u>EXPENDITURES</u>					
Current					
General Government					
Personal Services	<u>2,113,891</u>	<u>2,233,328</u>	<u>2,229,375</u>	<u>3,953</u>	<u>1,833,813</u>
Contracted Services	<u>172,805</u>	<u>174,616</u>	<u>163,023</u>	<u>11,593</u>	<u>139,197</u>
Materials and Supplies	<u>97,300</u>	<u>75,328</u>	<u>69,855</u>	<u>5,473</u>	<u>53,621</u>
Other Charges	<u>368,991</u>	<u>316,139</u>	<u>285,848</u>	<u>30,291</u>	<u>306,233</u>
Total General Government	<u>2,752,987</u>	<u>2,799,411</u>	<u>2,748,101</u>	<u>51,310</u>	<u>2,332,864</u>
Human Resources					
Personnel Services	<u>797,808</u>	<u>874,424</u>	<u>874,424</u>	<u>-</u>	<u>770,436</u>
Contracted Services	<u>110,950</u>	<u>62,989</u>	<u>62,989</u>	<u>-</u>	<u>74,625</u>
Materials and Supplies	<u>20,500</u>	<u>15,202</u>	<u>15,202</u>	<u>-</u>	<u>20,257</u>
Other Charges	<u>29,725</u>	<u>22,378</u>	<u>22,378</u>	<u>-</u>	<u>16,998</u>
Total Human Resources	<u>958,983</u>	<u>974,993</u>	<u>974,993</u>	<u>-</u>	<u>882,316</u>
Finance					
Personnel Services	<u>1,216,957</u>	<u>1,235,522</u>	<u>1,235,522</u>	<u>-</u>	<u>1,283,310</u>
Contracted Services	<u>56,500</u>	<u>66,245</u>	<u>66,245</u>	<u>-</u>	<u>53,016</u>
Materials and Supplies	<u>32,464</u>	<u>42,472</u>	<u>42,472</u>	<u>-</u>	<u>30,686</u>
Other Charges	<u>33,487</u>	<u>25,474</u>	<u>25,474</u>	<u>-</u>	<u>29,464</u>
Total Finance	<u>1,339,408</u>	<u>1,369,713</u>	<u>1,369,713</u>	<u>-</u>	<u>1,396,476</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, 2014

	<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>2013</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Municipal Court					
Personal Services	\$ 630,646	\$ 661,263	\$ 661,263	\$ -	\$ 636,253
Contracted Services	57,210	55,259	55,161	98	59,520
Materials and Supplies	31,016	22,990	22,893	97	16,318
Other Charges	14,715	7,016	6,450	566	5,808
Total Municipal Court	<u>733,587</u>	<u>746,528</u>	<u>745,767</u>	<u>761</u>	<u>717,899</u>
Technology Services					
Personnel Services	1,137,016	1,105,697	1,098,718	6,979	829,824
Contracted Services	177,070	178,143	178,143	-	142,727
Materials and Supplies	34,689	40,140	37,330	2,810	33,658
Other Charges	63,124	76,346	75,236	1,110	45,137
Capital Outlay	-	-	-	-	3,310
Total Technology Services	<u>1,411,899</u>	<u>1,400,326</u>	<u>1,389,427</u>	<u>10,899</u>	<u>1,054,656</u>
Development Services					
Personnel Services	1,687,817	1,655,138	1,655,138	-	1,493,179
Contracted Services	320,320	159,683	158,936	747	205,403
Materials and Supplies	47,505	46,694	46,694	-	37,244
Other Charges	90,475	73,210	73,210	-	58,690
Total Development Services	<u>2,146,117</u>	<u>1,934,725</u>	<u>1,933,978</u>	<u>747</u>	<u>1,794,516</u>
Capital Improvements					
Personnel Services	477,931	392,259	392,152	107	123,395
Contracted Services	142,459	136,977	124,878	12,099	46,697
Materials and Supplies	58,029	42,211	42,211	-	11,254
Other Charges	64,500	20,922	20,922	-	-
Total Engineering	<u>742,919</u>	<u>592,369</u>	<u>580,163</u>	<u>12,206</u>	<u>181,346</u>
Fire					
Personnel Services	6,482,026	6,761,369	6,761,369	-	6,320,156
Contracted Services	110,577	99,660	99,660	-	80,436
Materials and Supplies	315,512	320,133	320,133	-	344,710
Other Charges	90,783	89,405	89,405	-	65,708
Total Fire	<u>6,998,898</u>	<u>7,270,567</u>	<u>7,270,567</u>	<u>-</u>	<u>6,811,010</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, 2014

	<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>2013</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Police					
Personnel Services	\$ 11,966,307	\$ 12,346,827	\$12,343,498	\$ 3,329	\$ 11,325,065
Contracted Services	364,310	381,447	381,447	-	209,350
Materials and Supplies	840,327	810,533	810,533	-	782,982
Other Charges	<u>102,782</u>	<u>81,484</u>	<u>81,484</u>	<u>-</u>	<u>78,811</u>
Total Police	<u>13,273,726</u>	<u>13,620,291</u>	<u>13,616,962</u>	<u>3,329</u>	<u>12,396,208</u>
Public Services					
Personnel Services	1,712,442	1,753,012	1,752,291	721	1,618,534
Contracted Services	161,954	177,846	163,527	14,319	117,769
Materials and Supplies	1,255,987	1,274,162	1,283,670	(9,508)	998,524
Other Charges	<u>167,126</u>	<u>156,473</u>	<u>156,200</u>	<u>273</u>	<u>130,076</u>
Total Public Services	<u>3,297,509</u>	<u>3,361,493</u>	<u>3,355,688</u>	<u>5,805</u>	<u>2,864,903</u>
Community Services					
Neighborhood Services					
Personnel Services	632,627	512,126	510,900	1,226	525,295
Contracted Services	68,823	81,703	79,515	2,188	56,693
Materials and Supplies	72,659	72,384	70,745	1,639	64,649
Other Charges	<u>10,571</u>	<u>10,571</u>	<u>9,517</u>	<u>1,054</u>	<u>10,306</u>
Total Neighborhood Services	<u>784,680</u>	<u>676,784</u>	<u>670,677</u>	<u>6,107</u>	<u>656,943</u>
Library					
Personnel Services	1,270,130	1,320,868	1,320,868	-	1,189,540
Contracted Services	47,669	47,182	47,182	-	34,658
Materials and Supplies	32,580	30,968	30,968	-	31,851
Other Charges	<u>17,283</u>	<u>143,968</u>	<u>143,968</u>	<u>-</u>	<u>140,076</u>
Total Library	<u>1,367,662</u>	<u>1,542,986</u>	<u>1,542,986</u>	<u>-</u>	<u>1,396,125</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, 2014

	<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>2013</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Parks and Recreation					
Personnel Services	\$ 2,754,466	\$ 2,719,009	\$ 2,712,794	\$ 6,215	\$ 2,527,564
Contracted Services	1,243,056	1,118,711	1,090,363	28,348	1,093,702
Materials and Supplies	557,404	718,161	706,799	11,362	570,995
Other Charges	29,284	31,784	29,316	2,468	19,039
Total Parks and Recreation	<u>4,584,210</u>	<u>4,587,665</u>	<u>4,539,272</u>	<u>48,393</u>	<u>4,211,300</u>
Environmental Health					
Personnel Services	349,628	392,284	392,284	-	387,454
Contracted Services	28,180	17,572	18,276	(704)	21,794
Materials and Supplies	20,943	17,378	16,674	704	17,921
Other Charges	4,685	2,595	2,043	552	2,485
Total Environmental Services	<u>403,436</u>	<u>429,829</u>	<u>429,277</u>	<u>552</u>	<u>429,654</u>
Animal Services					
Personnel Services	724,865	699,833	682,106	17,727	659,565
Contracted Services	102,393	82,305	78,969	3,336	73,386
Materials and Supplies	150,761	125,664	123,453	2,211	90,295
Other Charges	12,450	12,450	9,616	2,834	4,004
Capital Outlay	-	-	-	-	1,477
Total Animal Services	<u>990,469</u>	<u>920,252</u>	<u>894,144</u>	<u>26,108</u>	<u>828,727</u>
Fleet Services					
Personnel Services	428,079	390,050	349,530	40,520	337,959
Contracted Services	11,141	11,141	5,167	5,974	6,710
Materials and Supplies	48,387	48,387	35,231	13,156	38,650
Other Charges	15,387	15,387	1,134	14,253	3,409
Total Fleet Services	<u>502,994</u>	<u>464,965</u>	<u>391,062</u>	<u>73,903</u>	<u>386,728</u>
Administration					
Personnel Services	553,631	641,372	641,372	-	561,565
Contracted Services	900	900	850	50	800
Materials and Supplies	1,200	1,329	516	813	927
Other Charges	3,325	3,325	1,007	2,318	580
Total Administration	<u>559,056</u>	<u>646,926</u>	<u>643,745</u>	<u>3,181</u>	<u>563,872</u>
Total Community Services	<u>9,192,507</u>	<u>9,269,407</u>	<u>9,111,163</u>	<u>158,244</u>	<u>8,473,349</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, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2013 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
General Services					
Social Services					
Other Charges	\$ 410,000	\$ 410,000	\$ 410,000	\$ -	\$ 400,742
Total Social Services	410,000	410,000	410,000	-	400,742
Special Services					
Personnel Services	547,844	174,629	5,592	169,037	25,315
Contracted Services	2,400,636	2,434,749	1,986,998	447,751	2,030,385
Materials and Supplies	5,100	10,595	10,595	-	7,496
Other Charges	1,155,321	1,164,457	1,764,300	(599,843)	1,529,487
Economic Development Incentives	900,000	827,609	-	827,609	-
Capital Outlay and Maintenance	2,716,803	-	-	-	-
Total Special Services	7,725,704	4,612,039	3,767,485	844,554	3,592,683
Total General Services	8,135,704	5,022,039	4,177,485	844,554	3,993,425
Cemetery					
Contracted Services	160,855	158,387	135,726	22,661	132,645
Materials and Supplies	2,000	2,040	236	1,804	1,674
Other Charges	-	5,194	-	5,194	5,137
Total Cemetery	162,855	165,621	135,962	29,659	139,456
Total Expenditures	51,147,099	48,527,483	47,409,969	1,117,514	43,038,424
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(6,952,561)	(4,332,945)	(2,958,809)	1,374,136	(569,138)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	5,984,055	5,984,055	6,025,591	41,536	5,690,276
Transfers Out	(1,550,093)	(4,235,777)	(4,051,548)	184,229	(3,222,663)
Sale of Capital Assets	-	-	30,654	30,654	151,966
Total Other Financing Sources (Uses)	4,433,962	1,748,278	2,004,697	256,419	2,619,579
Net Change in Fund Balance	(2,518,599)	(2,584,667)	(954,112)	1,630,555	2,050,441
<u>FUND BALANCE - BEGINNING</u>					
	16,975,326	16,975,326	16,975,326	-	14,924,885
<u>FUND BALANCE - ENDING</u>					
	\$ 14,456,727	\$ 14,390,659	\$ 16,021,214	\$ 1,630,555	\$ 16,975,326

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

Police Grant

WIC Project

PARD Recreation Programs

Hotel Occupancy

Municipal Court Technology

Seized Assets

Library Memorial

Municipal Court Security Fee

Juvenile Case Manager Fee

Parks and Recreation

TIRZ #2

TIRZ #3

TIRZ #5

Miscellaneous Grants

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, 2014

	SPECIAL		
	GRANT AND SPECIAL ENTITLEMENTS	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 311,636	\$ 72,903	\$ 383,033
Investments			
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	16,208	22,747
Taxes	-	-	-
Loans	27,903	-	-
Due from Other Funds	-	4,056	14,745
Due from Other Governments	-	-	-
Prepaid Items	-	2,832	-
TOTAL ASSETS	<u>\$ 339,539</u>	<u>\$ 95,999</u>	<u>\$ 420,525</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ 10,026	\$ -
Accrued Liabilities	-	3,628	-
Unearned Revenue	277,240	10,892	-
Customer Deposits	-	-	-
Due to Other Funds	-	59,595	-
Total Liabilities	<u>277,240</u>	<u>84,141</u>	<u>\$ -</u>
Fund Balances			
Nonspendable for Prepaid Items	-	-	-
Restricted for			
Public Safety	-	-	-
Community Services	62,299	11,858	420,525
Endowment	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>62,299</u>	<u>11,858</u>	<u>420,525</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 339,539</u>	<u>\$ 95,999</u>	<u>\$ 420,525</u>

REVENUE

<u>POLICE GRANT</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>
\$ 566,957	\$ 257,361	\$ 81,571	\$ 1,351,473	\$ 170,308	\$ 73,195	\$ 34,188
-	-	-	-	-	-	-
-	-	-	238,235	-	-	-
-	-	-	-	-	-	-
18	36	6,894	603,345	-	-	-
74,275	452,139	-	-	-	-	-
-	11,128	-	99,607	-	-	-
<u>\$ 641,250</u>	<u>\$ 720,664</u>	<u>\$ 88,465</u>	<u>\$ 2,292,660</u>	<u>\$ 170,308</u>	<u>\$ 73,195</u>	<u>\$ 34,188</u>
\$ -	\$ 68,677	\$ 11,334	\$ 200,479	\$ -	\$ 1,502	\$ -
-	42,551	-	5,615	-	-	-
6,608	-	2,603	205	-	-	-
-	-	-	-	-	-	-
628,401	609,436	1,425	649,874	-	-	-
<u>635,009</u>	<u>720,664</u>	<u>15,362</u>	<u>856,173</u>	<u>-</u>	<u>1,502</u>	<u>-</u>
-	11,128	-	99,607	-	-	-
6,241	-	-	-	170,308	71,693	-
-	(11,128)	73,103	1,336,880	-	-	34,188
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<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>\$ 641,250</u>	<u>\$ 720,664</u>	<u>\$ 88,465</u>	<u>\$ 2,292,660</u>	<u>\$ 170,308</u>	<u>\$ 73,195</u>	<u>\$ 34,188</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2014

	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	SPECIAL PARKS AND RECREATION
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 119,641	\$ 25,953	\$ 6,269
Investments	-	-	-
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	-	-
Taxes	-	-	-
Loans	-	-	-
Due from Other Funds	755	1,318	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
TOTAL ASSETS	\$ 120,396	\$ 27,271	\$ 6,269
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Liabilities	-	8	-
Deferred Revenue	-	-	-
Customer Deposits	-	-	-
Due to Other Funds	-	1,666	-
Total Liabilities	-	1,674	-
Fund Balances			
Nonspendable for Prepaid Items	-	-	-
Restricted for			
Public Safety	120,396	25,597	-
Community Services	-	-	6,269
Endowment	-	-	-
Total Fund Balances	120,396	25,597	6,269
TOTAL LIABILITIES AND FUND BALANCES	\$ 120,396	\$ 27,271	\$ 6,269

REVENUE				PERMANENT	
TIRZ #2	TIRZ #3	TIRZ #5	MISCELLANEOUS GRANTS	CEMETERY PERPETUAL	TOTALS
\$ -	\$ -	\$ 10,437	\$ -	\$ 39,476	\$ 3,504,401
-	-	-	1,020,396	1,012,006	2,032,402
81,668	69,709	34,962	-	7,993	233,287
-	-	-	-	-	238,235
-	-	-	-	-	27,903
178,559	158,775	43,472	158,468	-	1,170,441
-	-	-	702,908	-	1,229,322
-	-	-	-	-	113,567
<u>\$ 260,227</u>	<u>\$ 228,484</u>	<u>\$ 88,871</u>	<u>\$ 1,881,772</u>	<u>\$1,059,475</u>	<u>\$ 8,549,558</u>
\$ -	\$ -	\$ -	\$ 96,462	\$ -	388,480
-	-	-	-	-	51,802
-	-	-	1,321,008	-	1,618,556
2,131	-	-	-	-	2,131
<u>258,126</u>	<u>225,484</u>	<u>-</u>	<u>247,734</u>	<u>-</u>	<u>2,681,741</u>
<u>260,257</u>	<u>225,484</u>	<u>-</u>	<u>1,665,204</u>	<u>-</u>	<u>4,742,710</u>
-	-	-	-	-	110,735
-	-	-	-	-	394,235
(30)	3,000	88,871	216,568	-	2,242,403
-	-	-	-	1,059,475	1,059,475
<u>(30)</u>	<u>3,000</u>	<u>88,871</u>	<u>216,568</u>	<u>1,059,475</u>	<u>3,806,848</u>
<u>\$ 260,227</u>	<u>\$ 228,484</u>	<u>\$ 88,871</u>	<u>\$ 1,881,772</u>	<u>\$1,059,475</u>	<u>\$ 8,549,558</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	SPECIAL		
	GRANT AND SPECIAL ENTITLEMENTS	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ 90,586
Fines and Penalties	-	-	-
Intergovernmental	11,748	665,163	-
Charges for Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	-
Total Revenues	11,748	665,163	90,586
<u>EXPENDITURES</u>			
Current			
General Government	-	-	4,745
Public Safety	-	-	-
Community Service	-	713,305	-
Capital Outlay	11,748	-	-
Total Expenditures	11,748	713,305	4,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(48,142)	85,841
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	60,000	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	60,000	-
Net Change in Fund Balance	-	11,858	85,841
<u>FUND BALANCES - BEGINNING</u>	62,299	-	334,684
FUND BALANCES - ENDING	\$ 62,299	\$ 11,858	\$ 420,525

REVENUE

<u>POLICE GRANT</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>
\$ -	\$ -	\$ -	\$2,939,387	\$ -	\$ -	\$ -
-	-	-	-	26,126	25,303	-
215,425	1,651,374	-	-	-	-	-
-	-	222,788	-	-	-	-
-	-	537	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,151</u>	<u>6,748</u>	<u>-</u>	<u>-</u>	<u>300</u>
<u>215,425</u>	<u>1,651,374</u>	<u>224,939</u>	<u>2,946,672</u>	<u>26,126</u>	<u>25,303</u>	<u>300</u>
-	6,440	-	-	-	-	-
213,185	-	-	-	8,020	35,359	-
-	1,619,418	194,897	1,565,248	-	-	-
-	25,516	-	-	-	-	-
<u>213,185</u>	<u>1,651,374</u>	<u>194,897</u>	<u>1,565,248</u>	<u>8,020</u>	<u>35,359</u>	<u>-</u>
<u>2,240</u>	<u>-</u>	<u>30,042</u>	<u>1,381,424</u>	<u>18,106</u>	<u>(10,056)</u>	<u>300</u>
-	-	-	46,985	-	-	-
-	-	-	(1,386,499)	-	-	-
-	-	-	(1,339,514)	-	-	-
2,240	-	30,042	41,910	18,106	(10,056)	300
<u>4,001</u>	<u>-</u>	<u>43,061</u>	<u>1,394,577</u>	<u>152,202</u>	<u>81,749</u>	<u>33,888</u>
<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>

(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, 2014

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	PARKS AND RECREATION
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ -
Fines and Penalties	20,589	35,849	
Intergovernmental	-	-	
Charges for Services	-	-	
Investment Earnings	-	-	
Miscellaneous	-	-	849
Total Revenues	20,589	35,849	849
<u>EXPENDITURES</u>			
Current			
General Government	-	-	-
Public Safety	28,985	26,216	-
Community Service	-	-	-
Capital Outlay	-	-	-
Total Expenditures	28,985	26,216	-
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(8,396)	9,633	849
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	-	-	-
Net Change in Fund Balance	(8,396)	9,633	849
<u>FUND BALANCES - BEGINNING</u>	128,792	15,964	5,420
FUND BALANCES - ENDING	\$ 120,396	\$ 25,597	\$ 6,269

REVENUE			PERMANENT		
TIRZ #2	TIRZ #3	TIRZ #5	MISCELLANEOUS GRANTS	CEMETERY PERPETUAL	TOTALS
\$ 81,668	\$ 69,709	\$ 34,962	\$ -	\$ -	\$ 3,216,312
-	-	-	-	-	107,867
-	-	-	5,596,804	-	8,140,514
-	-	-	-	-	222,788
-	-	-	610	8,564	9,711
-	-	-	392,040	2,514	404,602
<u>81,668</u>	<u>69,709</u>	<u>34,962</u>	<u>5,989,454</u>	<u>11,078</u>	<u>12,101,794</u>
260,257	-	-	3,058,064	-	3,329,506
-	-	-	-	-	311,765
-	-	-	-	-	4,092,868
-	-	-	2,799,212	-	2,836,476
<u>260,257</u>	<u>-</u>	<u>-</u>	<u>5,857,276</u>	<u>-</u>	<u>10,570,615</u>
<u>(178,589)</u>	<u>69,709</u>	<u>34,962</u>	<u>132,178</u>	<u>11,078</u>	<u>1,531,179</u>
178,559	129,881	43,472	-	-	458,897
-	(199,590)	-	(22,000)	-	(1,608,089)
<u>178,559</u>	<u>(69,709)</u>	<u>43,472</u>	<u>(22,000)</u>	<u>-</u>	<u>(1,149,192)</u>
(30)	-	78,434	110,178	11,078	381,987
<u>-</u>	<u>3,000</u>	<u>10,437</u>	<u>106,390</u>	<u>1,048,397</u>	<u>3,424,861</u>
<u>\$ (30)</u>	<u>\$ 3,000</u>	<u>\$ 88,871</u>	<u>\$ 216,568</u>	<u>\$ 1,059,475</u>	<u>\$ 3,806,848</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, 2014

	<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	\$ 7,892,828	\$ 7,892,828	\$ 8,311,002	\$ 418,174
Intergovernmental	3,030,000	3,030,000	2,232,609	(797,391)
Interest on Investments	26,000	26,000	35,518	9,518
Miscellaneous	<u>118,712</u>	<u>118,712</u>	<u>130,918</u>	<u>12,206</u>
Total Revenues	<u>11,067,540</u>	<u>11,067,540</u>	<u>10,710,047</u>	<u>(357,493)</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	7,000,000	7,000,000	7,000,000	-
Interest and Fiscal Charges	5,693,588	5,693,588	5,205,778	487,810
Bond Issuance Cost	<u>-</u>	<u>-</u>	<u>253,477</u>	<u>(253,477)</u>
Total Expenditures	<u>12,693,588</u>	<u>12,693,588</u>	<u>12,459,255</u>	<u>234,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,626,048)</u>	<u>(1,626,048)</u>	<u>(1,749,208)</u>	<u>(123,160)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	2,153,383	2,153,383	2,136,580	(16,803)
Transfers Out	-	-	(171,132)	(171,132)
Payment to Refunded Bond Escrow Agent	-	-	(27,274,606)	(27,274,606)
Premium on Debt Issued	-	-	3,024,329	3,024,329
Refunding Bonds Issued	<u>-</u>	<u>-</u>	<u>20,570,000</u>	<u>20,570,000</u>
Total Other Financing Sources (Uses)	<u>2,153,383</u>	<u>2,153,383</u>	<u>(1,714,829)</u>	<u>(3,868,212)</u>
Net Change in Fund Balances	527,335	527,335	(3,464,037)	3,991,372
<u>FUND BALANCES - BEGINNING</u>	<u>10,404,537</u>	<u>10,404,537</u>	<u>10,404,537</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 10,931,872</u>	<u>\$ 10,931,872</u>	<u>\$ 6,940,500</u>	<u>\$ (3,991,372)</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, 2014

	<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	\$ 453,665	\$ 657,355	\$ 665,163	\$ 7,808
<u>EXPENDITURES</u>				
Current				
Community Service	513,665	1,064,899	713,305	351,594
Capital Outlay	-	-	-	-
Total Expenditures	<u>513,665</u>	<u>1,064,899</u>	<u>713,305</u>	<u>351,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,000)</u>	<u>(407,544)</u>	<u>(48,142)</u>	<u>(343,786)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Net Change in Fund Balance	-	(347,544)	11,858	359,402
<u>FUND BALANCES - BEGINNING</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ (695,088)</u>	<u>\$ 11,858</u>	<u>\$ 359,402</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, 2014

	<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>\$ 90,586</u>	<u>\$ 586</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>250,000</u>	<u>250,000</u>	<u>4,745</u>	<u>245,255</u>
Net Change in Fund Balance	(160,000)	(160,000)	85,841	245,841
<u>FUND BALANCES - BEGINNING</u>	<u>334,684</u>	<u>334,684</u>	<u>334,684</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 174,684</u>	<u>\$ 174,684</u>	<u>\$ 420,525</u>	<u>\$ 245,841</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
POLICE GRANT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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	\$ 363,068	\$ 215,425	\$ (147,643)
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>331,002</u>	<u>360,881</u>	<u>213,185</u>	<u>147,696</u>
Net Change in Fund Balance	(814)	2,187	2,240	53
<u>FUND BALANCES - BEGINNING</u>	<u>4,001</u>	<u>4,001</u>	<u>4,001</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,187</u>	<u>\$ 6,188</u>	<u>\$ 6,241</u>	<u>\$ 53</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, 2014

	<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	\$ 1,998,528	\$ 1,998,528	\$ 1,651,374	\$ (347,154)
<u>EXPENDITURES</u>				
Current				
General Government	-	6,440	6,440	-
Community Service	1,998,528	1,966,572	1,619,418	347,154
Capital Outlay	-	25,516	25,516	-
Total Expenditures	1,998,528	1,998,528	1,651,374	347,154
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>	-	-	-	-
FUND BALANCES - ENDING	<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, 2014

	<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	\$ 2,927,288	\$ 2,927,288	\$ 2,939,387	\$ 12,099
Interest on Investments	1,000	1,000	537	(463)
Other	<u>-</u>	<u>-</u>	<u>6,748</u>	<u>6,748</u>
Total Revenues	<u>2,928,288</u>	<u>2,928,288</u>	<u>2,946,672</u>	<u>18,384</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>2,030,575</u>	<u>2,237,321</u>	<u>1,565,248</u>	<u>672,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>897,713</u>	<u>690,967</u>	<u>1,381,424</u>	<u>690,457</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	46,985	4,685	46,985	-
Transfers Out	<u>(1,374,408)</u>	<u>(1,374,408)</u>	<u>(1,386,499)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,327,423)</u>	<u>(1,369,723)</u>	<u>(1,339,514)</u>	<u>-</u>
Net Change in Fund Balance	(429,710)	(678,756)	41,910	720,666
<u>FUND BALANCES - BEGINNING</u>	<u>1,394,577</u>	<u>1,394,577</u>	<u>1,394,577</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 964,867</u>	<u>\$ 715,821</u>	<u>\$ 1,436,487</u>	<u>\$ 720,666</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, 2014

	<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	\$ 34,025	\$ 34,025	\$ 26,126	\$ (7,899)
<u>EXPENDITURES</u>				
Current				
Public Safety	5,000	92,966	8,020	84,946
Capital Outlay	<u>25,000</u>	<u>21,665</u>	<u>-</u>	<u>21,665</u>
Total Expenditures	<u>30,000</u>	<u>114,631</u>	<u>8,020</u>	<u>106,611</u>
Net Change in Fund Balance	4,025	(80,606)	18,106	98,712
<u>FUND BALANCES - BEGINNING</u>	<u>152,202</u>	<u>152,202</u>	<u>152,202</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 156,227</u>	<u>\$ 71,596</u>	<u>\$ 170,308</u>	<u>\$ 98,712</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, 2014

	<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	\$ 5,100	\$ 5,100	\$ 25,303	\$ 20,203
<u>EXPENDITURES</u>				
Current				
Public Safety	1,500	35,359	35,359	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,500</u>	<u>35,359</u>	<u>35,359</u>	<u>-</u>
Net Change in Fund Balance	3,600	(30,259)	(10,056)	20,203
<u>FUND BALANCES - BEGINNING</u>	<u>81,749</u>	<u>81,749</u>	<u>81,749</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 85,349</u>	<u>\$ 51,490</u>	<u>\$ 71,693</u>	<u>\$ 20,203</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, 2014

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>REVENUES</u>				
Fines and Penalties	\$ 26,012	\$ 26,012	\$ 20,589	\$ (5,423)
<u>EXPENDITURES</u>				
Current				
Public Safety	11,611	41,611	28,985	12,626
Net Change in Fund Balance	14,401	(15,599)	(8,396)	7,203
<u>FUND BALANCES - BEGINNING</u>	<u>128,792</u>	<u>128,792</u>	<u>128,792</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 143,193</u>	<u>\$ 113,193</u>	<u>\$ 120,396</u>	<u>\$ 7,203</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, 2014

	<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	\$ 41,000	\$ 41,000	\$ 35,849	\$ (5,151)
<u>EXPENDITURES</u>				
Current				
Public Safety	49,409	49,409	26,216	23,193
Net Change in Fund Balance	(8,409)	(8,409)	9,633	18,042
<u>FUND BALANCES - BEGINNING</u>	<u>15,964</u>	<u>15,964</u>	<u>15,964</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 7,555</u>	<u>\$ 7,555</u>	<u>\$ 25,597</u>	<u>\$ 18,042</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, 2014

	<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	\$ 92,435	\$ 92,435	\$ 81,668	\$ (10,767)
<u>EXPENDITURES</u>				
Current				
General Government	<u>290,622</u>	<u>290,622</u>	<u>260,257</u>	<u>30,365</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(198,187)</u>	<u>(198,187)</u>	<u>(178,589)</u>	<u>19,598</u>
<u>OTHER FINANCIING SOURCES (USES)</u>				
Transfers In	<u>198,187</u>	<u>198,187</u>	<u>178,559</u>	<u>(19,628)</u>
Net Change in Fund Balance	-	-	(30)	(30)
<u>FUND BALANCES - BEGINNING</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30)</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, 2014

	<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	\$ 98,603	\$ 98,603	\$ 69,709	\$ (28,894)
<u>EXPENDITURES</u>				
Current				
General Government	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,603	98,603	69,709	(28,894)
<u>OTHER FINANCIING SOURCES (USES)</u>				
Transfer In	129,881	129,881	129,881	
Transfer Out	(228,484)	(228,484)	(199,590)	28,894
Total Other Financing Sources (Uses)	(98,603)	(98,603)	(69,709)	
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
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, 2014

	<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	\$ 14,645	\$ 14,645	\$ 34,962	\$ 20,317
<u>EXPENDITURES</u>				
Current				
General Government	60,876	60,876	-	60,876
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,231)	(46,231)	34,962	81,193
<u>OTHER FINANCIING SOURCES (USES)</u>				
Transfer In	18,278	18,278	43,472	25,194
Net Change in Fund Balance	(27,953)	(27,953)	78,434	106,387
<u>FUND BALANCES - BEGINNING</u>	<u>10,437</u>	<u>10,437</u>	<u>10,437</u>	<u>-</u>
FUND BALANCES - ENDING	\$ (17,516)	\$ (17,516)	\$ 88,871	\$ 106,387

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, 2014

	<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	\$ -	\$ 6,105,868	\$ 5,596,804	\$ (509,064)
Investment Earnings	-	-	610	610
Miscellaneous	-	<u>392,040</u>	<u>392,040</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>6,497,908</u>	<u>5,989,454</u>	<u>(508,454)</u>
<u>EXPENDITURES</u>				
Current				
General Government	-	-	3,058,064	(3,058,064)
Capital Outlay	-	<u>8,279,327</u>	<u>2,799,212</u>	<u>5,480,115</u>
Total Expenditures	<u>-</u>	<u>8,279,327</u>	<u>5,857,276</u>	<u>2,422,051</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,781,419)</u>	<u>132,178</u>	<u>1,913,597</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer Out	<u>-</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net Change in Fund Balance	-	(1,803,419)	110,178	1,913,597
<u>FUND BALANCES - BEGINNING</u>	<u>106,390</u>	<u>106,390</u>	<u>106,390</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 106,390</u>	<u>\$ (1,697,029)</u>	<u>\$ 216,568</u>	<u>\$ 1,913,597</u>

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, 2014

<u>ASSETS</u>	<u>ENTERPRISE</u>			<u>TOTAL</u>
	<u>AIRPORT</u>	<u>TRANSIT</u>	<u>WASTE COLLECTION</u>	
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 31,720	\$ -	\$ 1,172,744	\$ 1,204,464
Accounts Receivable - Net	46,691	-	374,485	421,176
Due from Other Funds	32,931	135,881	29,066	197,878
Due from Other Governments	30,714	-	-	30,714
Total Current Assets	<u>142,056</u>	<u>135,881</u>	<u>1,576,295</u>	<u>1,854,232</u>
<u>NONCURRENT ASSETS</u>				
Capital Assets:				
Land	653,140	-	-	653,140
Buildings	4,339,745	-	-	4,339,745
Improvements Other than Buildings	8,342,071	-	-	8,342,071
Furnishings and Equipment	19,463	-	-	19,463
Construction in Progress	<u>1,409,330</u>	-	-	<u>1,409,330</u>
Totals	14,763,749	-	-	14,763,749
Less: Accumulated Depreciation	<u>(9,795,442)</u>	-	-	<u>(9,795,442)</u>
Total Capital Assets	<u>4,968,307</u>	-	-	<u>4,968,307</u>
Total Noncurrent Assets	<u>4,968,307</u>	-	-	<u>4,968,307</u>
TOTAL ASSETS	<u>\$ 5,110,363</u>	<u>\$ 135,881</u>	<u>\$ 1,576,295</u>	<u>\$ 6,822,539</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 35,853	\$ 25,000	\$ 253,320	\$ 314,173
Accrued Liabilities	-	-	10,821	10,821
Due to Other Funds	45,141	39,986	58,126	143,253
Customer Deposits	<u>6,434</u>	-	<u>147,134</u>	<u>153,568</u>
Total Current Liabilities	<u>87,428</u>	<u>64,986</u>	<u>469,401</u>	<u>621,815</u>
<u>NONCURRENT LIABILITIES</u>				
Long-Term Debt	<u>11,622</u>	<u>811</u>	<u>3,474</u>	<u>15,907</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	4,968,307	-	-	4,968,307
Unrestricted	<u>43,006</u>	<u>70,084</u>	<u>1,103,420</u>	<u>1,216,510</u>
Total Net Position	<u>5,011,313</u>	<u>70,084</u>	<u>1,103,420</u>	<u>6,184,817</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,110,363</u>	<u>\$ 135,881</u>	<u>\$ 1,576,295</u>	<u>\$ 6,822,539</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, 2014

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	WASTE COLLECTION	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 288,112	\$ -	\$ 2,628,929	\$ 2,917,041
Intergovernmental	4,320	-	-	4,320
Miscellaneous	-	-	-	-
Total Operating Revenues	<u>292,432</u>	<u>-</u>	<u>2,628,929</u>	<u>2,921,361</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	-	106	112,063	112,169
Contracted Services	337,853	300,000	2,449,041	3,086,894
Materials and Supplies	32,983	685	16,880	50,548
Other Charges	13,341	-	46,759	60,100
Depreciation	263,476	-	-	263,476
Total Operating Expenses	<u>647,653</u>	<u>300,791</u>	<u>2,624,743</u>	<u>3,573,187</u>
Operating Income (Loss)	<u>(355,221)</u>	<u>(300,791)</u>	<u>4,186</u>	<u>(651,826)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Transfer In	38,822	296,114	25,000	359,936
Grants	46,822	-	-	46,822
Total Non-Operating Revenue (Expenses)	<u>85,644</u>	<u>296,114</u>	<u>25,000</u>	<u>406,758</u>
Change in Net Position	(269,577)	(4,677)	29,186	(245,068)
<u>TOTAL NET POSITION - BEGINNING</u>	<u>5,280,890</u>	<u>74,761</u>	<u>1,074,234</u>	<u>6,429,885</u>
TOTAL NET POSITION - ENDING	<u>\$ 5,011,313</u>	<u>\$ 70,084</u>	<u>\$ 1,103,420</u>	<u>\$ 6,184,817</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	WASTE COLLECTION	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 843,180	\$ -	\$ 2,635,515	\$ 3,478,695
Cash Paid to Suppliers for Goods and Services	(381,304)	(275,832)	(2,682,944)	(3,340,080)
Cash Paid to Employees for Services	-	(1,436)	(109,550)	(110,986)
Receipts (Payments) to Other Funds	(233,887)	(95,956)	304,146	(25,697)
Net Cash Provided by (Used in) Operating Activities	<u>227,989</u>	<u>(373,224)</u>	<u>147,167</u>	<u>1,932</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers to Other Funds	-	-	-	-
Transfers from Other Funds	38,822	296,114	25,000	359,936
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>38,822</u>	<u>296,114</u>	<u>25,000</u>	<u>359,936</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	(281,913)	-	-	(281,913)
Capital Grants	46,822	-	-	46,822
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(235,091)</u>	<u>-</u>	<u>-</u>	<u>(235,091)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	31,720	(77,110)	172,167	126,777
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>				
	-	77,110	1,000,577	1,077,687
<u>CASH AND CASH EQUIVALENTS - ENDING</u>				
	<u>\$ 31,720</u>	<u>\$ -</u>	<u>\$ 1,172,744</u>	<u>\$ 1,204,464</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ (355,221)	\$(300,791)	\$ 4,186	\$ (651,826)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Depreciation	263,476	-	-	263,476
Changes in Assets and Liabilities				
Decrease (Increase) in Assets				
Accounts Receivable	4,452	-	(4,575)	(123)
Due from Other Funds	72,175	(135,881)	246,422	182,716
Due from Other Governments	545,854	-	-	545,854
Increase (Decrease) in Liabilities				
Accounts Payable	2,873	24,853	(170,264)	(142,538)
Accrued Liabilities	-	(1,330)	1,574	244
Due to Other Funds	(306,062)	39,925	57,724	(208,413)
Customer Deposits	442	-	11,161	11,603
Net Pension Obligation	-	-	939	939
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 227,989</u>	<u>\$(373,224)</u>	<u>\$ 147,167</u>	<u>\$ 1,932</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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>GOVERNMENTAL ACTIVITIES</u>										
Net Investment in Capital Assets	\$44,394,312	\$ 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
Restricted	3,295,738	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
Unrestricted	<u>10,150,795</u>	<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>
 TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	 <u>\$ 57,840,845</u>	 <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>BUSINESS-TYPE ACTIVITIES</u>										
Net Investment in Capital Assets	\$27,837,167	\$ 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
Restricted	1,776,852	-	-	-	-	-	-	-	-	-
Unrestricted	<u>57,935,375</u>	<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>
 TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	 <u>\$ 87,549,394</u>	 <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>PRIMARY GOVERNMENT</u>										
Net Investment in Capital Assets	\$72,231,479	\$ 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
Restricted	5,072,590	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
Unrestricted	<u>68,086,170</u>	<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>
 TOTAL PRIMARY GOVERNMENT NET POSITION	 <u>\$145,390,239</u>	 <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>

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

TABLE 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES										
<u>Governmental Activities</u>										
General Government	\$11,113,362	\$ 9,416,555	\$ 13,769,853	\$ 12,565,540	\$ 11,789,804	\$ 14,811,677	\$ 15,419,706	\$ 17,452,471	\$ 17,295,573	\$ 22,321,387
Public Safety	11,873,017	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
Community Service	7,448,224	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
Interest and Fiscal Charges	1,816,987	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
Total Governmental Activities	32,251,590	32,233,597	39,154,021	42,871,310	46,142,525	54,137,624	49,965,105	53,475,416	60,705,849	68,127,194
<u>Business-Type Activities</u>										
Water/Wastewater	17,239,651	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
Electric	36,201,717	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
Airport	689,330	689,406	739,316	768,419	733,621	694,070	710,558	601,781	895,001	948,444
Drainage	615,424	374,013	577,461	811,057	1,482,765	1,959,180	1,897,978	2,491,018	2,355,020	2,398,250
Waste Collection	1,049,390	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
Total Business-Type Activities	55,795,512	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
Total Primary Government Expenses	88,047,102	99,196,733	104,171,453	119,251,702	120,099,295	129,879,891	124,462,165	132,159,597	138,795,117	151,428,097
PROGRAM REVENUES										
<u>Governmental Activities</u>										
Charges for Services										
General Government	1,191,152	1,299,438	901,028	1,252,334	1,076,738	1,010,309	1,283,941	1,246,616	6,724,853	6,009,496
Public Safety	1,295,340	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
Community Service	787,342	721,441	575,622	626,210	653,368	574,537	639,534	769,467	1,029,617	1,026,696
Operating Grants and Contributions	2,248,473	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
Capital Grants and Contributions	488,227	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
Total Governmental Activities	6,010,534	6,148,538	12,927,859	7,623,214	15,531,893	8,910,421	7,345,583	15,193,913	17,291,057	18,674,959
<u>Business-Type Activities</u>										
Charges for Services										
Electric	39,412,677	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
Water and Wastewater	21,415,438	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
Airport	185,508	209,512	210,224	203,780	273,788	178,432	256,710	580,554	913,152	292,432
Drainage	878,012	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
Waste Collection	1,102,707	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
Operating Grants and Contributions	21,496	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	551,553	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
Total Business-Type Activities	63,567,391	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
Total Primary Government	69,577,925	81,612,221	85,321,332	90,302,607	95,543,769	87,024,866	88,146,487	101,824,505	103,586,392	113,760,852

(CONTINUED)

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

TABLE 2 (CONTINUED)

	<u>2005</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>Net (Expense) Revenues</u>										
Governmental Activities	\$ (26,241,056)	\$ (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)
Business-Type Activities	<u>7,771,879</u>	<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>
Total Primary Government Net Expenses	<u>(18,469,177)</u>	<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>GOVERNMENTAL REVENUES AND OTHER CHANGES IN NET POSITION</u>										
<u>Governmental Activities</u>										
Taxes										
Property Taxes	8,668,066	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
Franchise Taxes	6,242,627	6,999,442	6,927,867	7,695,811	1,281,674	1,477,463	1,447,569	1,436,152	1,612,147	1,626,077
Sales Taxes	14,062,454	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
Other Taxes	1,206,769	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
Investment Earnings	828,558	1,603,021	2,745,676	2,590,329	3,571,867	587,646	319,091	261,704	331,996	95,989
Miscellaneous	1,021,738	163,646	508,716	572,276	1,963,080	1,854,367	753,366	1,337,721	442,726	367,775
Gain on Sale of Capital Assets	-	-	-	-	-	64,974	121,129	-	-	-
Transfers	<u>831,723</u>	<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>
Total Governmental Activities	<u>32,861,935</u>	<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>52,169,392</u>
<u>Business-Type Activities</u>										
Investment Earnings	1,856,552	3,182,034	4,063,644	2,801,982	2,098,305	569,393	376,915	303,932	160,760	187,380
Other	15,551	27,620	260,923	618,072	1,101,946	1,337,440	2,029,511	2,780,304	-	46,822
Transfers	<u>(831,723)</u>	<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>
Total Business-Type Activities	<u>1,040,380</u>	<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>(5,030,991)</u>
Total Primary Government	<u>33,902,315</u>	<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>47,138,401</u>
<u>CHANGES IN NET POSITION</u>										
Governmental Activities	6,620,879	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
Business-Type Activities	<u>8,812,259</u>	<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>
TOTAL PRIMARY GOVERNMENT	<u>\$ 15,433,138</u>	<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>

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

	<u>2005</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>GENERAL FUND</u>										
Reserved	\$ 174,017	\$ 153,597	\$ 134,113	\$ 129,929	\$ 97,494	\$ 228,870	\$ -	\$ -	\$ -	\$ -
Unreserved	9,952,272	14,011,908	14,593,062	13,476,666	12,804,776	13,148,100	-	-	-	-
Nonspendable	-	-	-	-	-	-	214,915	385,498	545,006	507,534
Restricted	-	-	-	-	-	-	-	980,103	-	-
Unassigned	-	-	-	-	-	-	13,588,909	13,559,284	16,430,320	15,513,680
TOTAL GENERAL FUND	\$ 10,126,289	\$ 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
<u>ALL OTHER GOVERNMENTAL FUNDS</u>										
Reserved	\$ 930,722	\$ 1,155,404	\$ 1,303,282	\$ 1,315,807	\$ 2,365,271	\$ 1,744,662	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Special Revenue Funds	760,917	844,368	1,087,186	1,879,330	1,111,235	1,174,555	-	-	-	-
Capital Project Funds	13,108,298	18,428,409	40,897,216	76,612,241	74,318,614	55,426,183	-	-	-	-
Debt Service Funds	1,531,736	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
Unassigned	-	-	-	-	-	-	(120,908)	116,111	108,905	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 16,331,673	\$ 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

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>2005</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>REVENUES</u>										
Taxes	\$ 30,109,095	\$ 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
Licenses and Permits	854,818	930,496	688,943	813,976	847,678	821,853	994,123	1,039,855	2,194,788	2,280,529
Fees and Penalties	1,331,391	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
Charges for Services	4,413,393	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
Intergovernmental	1,989,677	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
Investment Earnings	-	1,603,021	2,745,676	2,590,329	2,431,751	587,645	319,093	261,704	331,996	95,989
Contributions	-	-	-	-	918,930	-	-	30,000	80,000	84,121
Other Revenues	2,109,693	355,039	508,716	955,223	1,579,752	2,139,993	1,291,858	1,427,583	1,701,482	2,327,923
Total Revenues	<u>40,808,067</u>	<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>EXPENDITURES</u>										
General Government	12,971,819	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
Public Safety	12,057,544	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
Community Service	6,876,302	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
Capital Outlay	8,588,886	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
Debt Service										
Interest	1,813,982	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
Principal	2,954,906	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
Total Expenditures	<u>45,263,439</u>	<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>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,455,372)</u>	<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>

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

TABLE 4 (CONTINUED)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>OTHER FINANCING SOURCES (USES)</u>										
Bond Issuance Costs	\$ (60,102)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Sales	2,650,000	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
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
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)
Transfers In	2,381,096	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
Transfers Out	(1,549,373)	(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)
Total Other Financing Sources (Uses)	<u>3,421,621</u>	<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>
NET CHANGE IN FUND BALANCES	<u>\$ (1,033,751)</u>	<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>
Debt Service as a Percentage of Noncapital Expenditures	13.0%	14.3%	13.5%	18.4%	23.7%	20.2%	22.8%	23.1%	19.8%	17.1%

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>
2005	\$1,388,279,224	\$1,388,279,224	\$418,678,715	\$418,678,715	\$372,839,529	\$1,434,118,410	\$0.4702	\$1,424,118,410
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	3,579,469,064	3,579,469,064	617,783,622	617,783,622	249,391,769	3,947,860,917	0.5302	3,947,860,917

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
2014	\$ 9.29	\$ 0.0208	\$ 10.92	\$ 0.0208	\$ 49.14	\$ 0.0010	\$ 3.61	\$ 218.40	\$ 0.0102	\$ 3.41	\$ 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
2005	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>
2005	24,023,825	14,849,650	38,873,475
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

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>
2005	297,082,190	178,405,368	475,487,558	N/A	N/A
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%

CITY OF SAN MARCOS, TEXAS
TEN LARGEST ELECTRIC CUSTOMERS
SEPTEMBER 30, 2014

TABLE 9

<u>CUSTOMER</u>	<u>CONSUMPTION (kWh)</u>	<u>AMOUNT BILLED</u>	<u>% OF TOTAL kWh</u>
Texas State University, COGEN	99,542,359	\$ 7,701,737	16.87%
H E Butt Grocery	23,309,208	2,029,157	3.95%
Texas State University	12,715,469	1,126,859	2.15%
City of San Marcos	9,556,729	873,955	1.62%
CTMC	9,134,124	760,213	1.55%
SMCISD	8,565,213	778,378	1.45%
Hays County Government Center	7,123,885	616,276	1.21%
Embassy Suites San Marcos	6,732,847	605,789	1.14%
Walmart-Super Store	6,378,556	566,387	1.08%
Thermon Manufacturing	5,368,472	466,228	0.91%

Note: % of consumption based on total kWh of: 590,197,059

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>
2005	0.4710	1.7300	0.3844	0.0710	2.6564
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

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

<u>TAXPAYER</u>	<u>2014</u>	
	<u>TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
Hays Energy Ltd. Partnership	\$ 212,004,904	5.37%
HEB Warehouse	114,843,078	2.91%
Tanger Properties	49,893,814	1.26%
Prime Outlets	37,645,040	0.95%
Park 7 San Marcos owner	36,405,885	0.92%
D Delta	33,916,824	0.86%
Copper Beech Townhomes	31,745,945	0.80%
Retreat San Marcos	30,307,997	0.77%
Breckenridge Group	29,339,495	0.74%
Purgatory Creek	<u>27,412,674</u>	0.69%
TOTAL	<u>\$ 603,515,656</u>	<u>15.27%</u>
<u>TAXPAYER</u>	<u>2005</u>	
	<u>TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
HEB Warehouse	\$ 64,556,684	4.50%
HEB Grocery Store	26,532,786	1.85%
San Marcos Factory Shops	25,036,667	1.75%
Tanger Properties	23,685,473	1.65%
Grande Communications	22,033,900	1.54%
M&A UH Madison, LLC	21,730,238	1.52%
HRA Zone, LLC	18,474,206	1.29%
Century Telephone	18,148,590	1.27%
CFAN	17,338,499	1.21%
Humpty Dumpty SSM, Ltd	<u>12,953,350</u>	0.90%
TOTAL	<u>\$ 250,490,393</u>	<u>17.48%</u>

Information provided by Hays County Tax Office.

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

TABLE 12

<u>FISCAL YEAR ENDED</u>	<u>TAXES LEVIED FOR THE FISCAL YEAR</u>	<u>COLLECTED WITH THE FISCAL YEAR OF THE LEVY</u>		<u>COLLECTIONS IN SUBSEQUENT YEARS</u>	<u>TOTAL COLLECTIONS TO DATE</u>	
		<u>AMOUNT</u>	<u>PERCENTAGE OF LEVY</u>		<u>AMOUNT</u>	<u>PERCENTAGE OF LEVY</u>
2005	\$ 8,503,149	\$ 8,363,474	98.36%	\$ 125,604	\$ 8,489,078	99.83%
2006	8,796,101	8,620,179	98.00%	160,552	8,780,731	99.83%
2007	9,590,359	9,455,292	98.59%	117,077	9,572,369	99.81%
2008	11,451,045	11,291,991	98.61%	133,681	11,425,672	99.78%
2009	12,147,748	11,964,114	98.49%	161,450	12,125,564	99.82%
2010	14,099,916	13,907,121	98.63%	160,613	14,067,734	99.77%
2011	13,970,763	13,809,687	98.85%	129,148	13,938,835	99.77%
2012	14,396,631	14,265,714	99.09%	82,405	14,348,119	99.66%
2013	15,105,625	14,978,410	99.16%	93,465	15,071,875	99.78%
2014	16,358,498	16,280,315	99.52%	-	16,280,315	99.52%

CITY OF SAN MARCOS, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2014

TABLE 13

<u>RANK</u>	<u>NAME</u>	<u>REVENUE</u>	<u>GALLONS</u>
1	City of San Marcos, Texas	\$ 316,777	37,699,495
2	MTC Gary Job Corps	275,550	32,283,541
3	The Retreat at San Marcos	214,725	31,308,921
4	HRA Zone, LLC	198,323	28,510,566
5	Copper Beech Townhomes	178,363	25,273,751
6	HRA Edge, LLC	166,708	24,001,961
7	Texas State University	163,062	19,720,252
8	Embassy Suites San Marcos	162,802	23,405,240
9	NRP Contractors, LLC	161,652	23,365,011
10	San Marcos CISD	157,959	19,386,323

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, 2014

TABLE 15

WATER RATES

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

INSIDE-CITY WATER RATES		OUTSIDE-CITY WATER RATES	
<u>LIFELINE RATE</u>	<u>RATE</u>	<u>LIFELINE RATE</u>	<u>RATE</u>
First 6,000 Gallons - Minimum	19.06	First 6,000 Gallons - Minimum	23.82
6,001 - 9,000 Gallons	5.59	6,001 - 9,000 Gallons	6.98
9,001 - 12,000 Gallons	6.39	9,001 - 12,000 Gallons	7.98
12,001 - 20,000 Gallons	7.19	12,001 - 20,000 Gallons	8.98
20,001 - 50,000 Gallons	7.98	20,001 - 50,000 Gallons	9.98
Over 50,000 Gallons	9.58	Over 50,000 Gallons	11.98
<u>5/8" - 3/4" Water Meter</u>		<u>5/8" - 3/4" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	19.06	Minimum Charge	23.82
0 - 6,000 Gallons	3.19	0 - 6,000 Gallons	4.00
6,001 - 9,000 Gallons	5.59	6,001 - 9,000 Gallons	6.98
9,001 - 12,000 Gallons	6.39	9,001 - 12,000 Gallons	7.98
12,001 - 20,000 Gallons	7.19	12,001 - 20,000 Gallons	8.98
20,001 - 50,000 Gallons	7.98	20,001 - 50,000 Gallons	9.98
Over 50,000 Gallons	9.58	Over 50,000 Gallons	11.98
<u>1" Water Meter</u>		<u>1" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	47.64	Minimum Charge	59.54
0 - 4,000 Gallons	2.06	0 - 4,000 Gallons	2.58
4,001 - 10,000 Gallons	2.47	4,001 - 10,000 Gallons	3.09
10,001 - 25,000 Gallons	6.18	10,001 - 25,000 Gallons	7.73
Over 25,000 Gallons	7.00	Over 25,000 Gallons	8.76
<u>1 1/2" Water Meter</u>		<u>1 1/2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	95.28	Minimum Charge	119.10
0 - 8,000 Gallons	2.06	0 - 8,000 Gallons	2.58
8,001 - 10,000 Gallons	2.47	8,001 - 10,000 Gallons	3.09
10,001 - 25,000 Gallons	6.18	10,001 - 25,000 Gallons	7.73
Over 25,000 Gallons	7.00	Over 25,000 Gallons	8.76
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	152.44	Minimum Charge	190.55
0 - 13,000 Gallons	2.06	0 - 13,000 Gallons	2.58
13,001 - 25,000 Gallons	6.18	13,001 - 25,000 Gallons	7.73
Over 25,000 Gallons	7.00	Over 25,000 Gallons	8.76

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES (CONTINUED)
SEPTEMBER 30, 2014

TABLE 15 (CONTINUED)

INSIDE-CITY SEWER RATES		OUTSIDE-CITY SEWER RATES	
<u>Lifeline Rate*</u>		<u>Lifeline Rate*</u>	
Maximum	23.80	Maximum	29.75
<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	23.80	First 2,000 Gallons - Minimum	29.75
Over 2,000 Gallons	6.86	Over 2,000 Gallons	8.56
<u>1" Water Meter*</u>		<u>1" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 4,000 Gallons - Minimum	47.53	First 4,000 Gallons - Minimum	59.41
Over 4,000 Gallons	6.86	Over 4,000 Gallons	8.56
<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	95.04	First 8,000 Gallons - Minimum	118.81
Over 8,000 Gallons	6.86	Over 8,000 Gallons	8.56
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
First 13,000 Gallons - Minimum	152.10	First 13,000 Gallons - Minimum	190.11
Over 13,000 Gallons	6.86	Over 13,000 Gallons	8.56

*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			
2005	\$14,835,000	\$22,385,000	\$ -	\$ 464,427	\$78,595,000	\$10,500,000	\$ 6,670,000	\$92,907	\$133,542,334	4.53%	3,035
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	0.00%	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	468,225	94,305,000	36,955,000	18,410,000	359,196	271,177,421	3.08%	5,015

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>
2005	40,030,000	1,531,736	38,498,264	2.13%	875
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

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, 2014

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	\$ 70,580,000	100.000%	<u>\$ 70,995,000</u>
Hays County	307,125,333	100.000%	<u>307,125,333</u>
Subtotal Overlapping Debt			<u>307,125,333</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 378,120,333</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.

(This Page is Intentionally Left Blank)

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 180,695,794	\$ 203,963,402	\$ 215,975,954	\$ 227,693,485
Total Net Debt Applicable to Limit	<u>38,498,264</u>	<u>35,688,262</u>	<u>43,165,835</u>	<u>71,006,761</u>
LEGAL DEBT MARGIN	<u>\$ 142,197,530</u>	<u>\$ 168,275,140</u>	<u>\$ 172,810,119</u>	<u>\$ 156,686,724</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	1.77%	2.13%	1.75%	2.00%

TABLE 19

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2014

Assessed Value	\$ 3,394,045,225
Debt Limit (10% of Assessed Value)	339,404,523
Debt Applicable to Limit	
General Obligation Bonds (Debt to be Repaid with Property Taxes)	70,995,000
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>7,321,362</u>
Total Net Debt Applicable to Limit	<u>63,673,638</u>
 LEGAL DEBT MARGIN	 <u>\$ 275,730,885</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 227,693,485	\$ 259,260,471	\$ 269,982,028	\$ 284,630,559	\$ 309,376,988	\$ 339,404,523
<u>70,760,996</u>	<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>\$ 156,932,489</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>
3.12%	3.11%	2.82%	2.53%	2.28%	2.09%

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	
2005	21,415,438	11,677,318	9,738,120	3,507,750	1,578,546	1.91
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

ELECTRIC						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
2005	39,412,677	35,068,455	4,344,222	924,231	279,315	3.61
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

DRAINAGE						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
2005	\$ 878,012	\$ 313,785	\$ 564,227	\$ 70,000	\$ 267,658	\$ 1.67
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
2014	2,885,937	1,054,349	1,831,588	820,000	768,987	1.15

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>
2005	43,994	\$ 697,326,193	\$ 32,604	4.0%
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>2014</u>	
	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Texas State University	3,201	4.26%
Prime Outlets San Marcos	1,600	2.13%
Tanger Factory Outlet Center	1,540	2.05%
San Marcos CISD	1,200	1.60%
Hays County	732	0.98%
Central Texas Medical Center	700	0.93%
H.E.B. Distribution Center	680	0.91%
City of San Marcos	567	0.76%
H.E.B. Retail Stores	510	0.68%
Gary Job Corps	<u>500</u>	<u>0.67%</u>
 TOTAL	 <u>11,230</u>	 <u>14.97%</u>
 TOTAL CITY/COUNTY EMPLOYEES	 <u>75,067</u>	
	 <u>2005</u>	
<u>EMPLOYER</u>	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Southwest Texas State University	2,200	*
Prime Outlets San Marcos	400	*
Tanger Factory Outlet Center	300	*
San Marcos CISD	290	*
Grande Communications	290	*
Hays County	270	*
Hunter Industry	250	*
Central Texas Medical Center	240	*
Gary Job Corps	220	*
H.E.B. Distribution Center	<u>210</u>	*
 TOTAL	 <u>4,670</u>	

Source: Chamber of Commerce website (sanmarcostexas.com/Area Demographics/Business Resources)

* 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>2005</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>
General Government										
Administration	19.00	19.00	19.00	19.00	19.00	19.50	20.38	18.00	20.00	21.00
Human Resources	9.00	9.00	9.00	10.00	9.00	9.00	10.00	11.00	10.00	11.00
Finance	31.64	31.64	32.64	32.64	15.54	15.54	15.54	17.54	18.00	19.00
Municipal Court	-	-	-	-	9.60	9.98	10.48	10.48	12.00	13.00
Technology Services	-	-	-	-	10.00	10.00	10.00	11.00	13.00	19.00
Development Services	9.50	8.50	10.00	10.00	10.50	10.50	9.50	23.50	22.00	21.00
Permit Center	6.00	7.50	9.50	9.50	5.50	5.50	10.50	-	-	-
Police										
Operations	75.00	74.00	81.00	86.00	88.00	85.00	85.00	87.00	91.00	145.00
Fire										
Firefighters and Officers	48.00	48.00	52.00	55.00	60.50	64.00	65.00	66.00	70.00	73.00
Main Street	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	2.00	2.00
Public Services	32.00	32.50	32.50	32.50	35.00	35.00	35.00	30.00	28.00	33.00
CIP/Engineering	12.48	12.98	12.98	12.98	9.48	9.48	12.48	18.00	10.00	12.50
Community Services	45.98	48.55	49.04	49.62	53.14	51.64	52.57	55.73	119.00	185.34
Capital Improvements Fund	-	-	-	-	-	-	-	-	-	8.00
Water/Wastewater	41.50	51.00	52.50	54.00	51.50	51.50	51.50	48.50	49.00	56.00
Electric	50.00	49.50	50.50	50.50	49.00	49.00	49.00	52.00	56.00	61.00
Drainage	-	-	-	-	2.00	2.00	2.00	2.00	3.00	6.00
Solid Waste	-	-	-	-	-	-	-	1.33	2.34	1.33
Transit	-	-	-	-	-	-	-	0.83	1.33	1.33
WIC	20.00	22.00	23.00	24.00	26.00	26.00	28.00	26.00	23.00	26.00
Hotel Occupancy Tax Fund	-	-	-	-	-	-	-	-	-	2.00
CDBG	-	-	-	-	-	-	-	-	-	2.00
TOTAL	<u>401.58</u>	<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>

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

TABLE 24

<u>FUNCTION/PROGRAM</u>	<u>2005</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>
General Government										
Building Permits Issued	2,220	3,426	2,326	2,205	2,200	2,200	2,400	2,600	2,600	2,700
Police										
Physical Arrests	1,450	1,480	1,500	2,126	2,698	2,602	2,647	2,943	2,281	2,309
Parking Violations	5,022	2,500	3,100	5,260	4,484	6,185	5,799	4,883	3,504	6,540
Traffic Violations	9,587	9,500	9,950	9,683	12,486	10,135	10,325	7,849	6,615	6,645
Fire										
Emergency Responses	2,158	2,468	3,700	3,550	3,125	3,000	3,308	2,648	4,424	4,303
Fires Extinguished	142	175	190	201	145	122	210	210	155	165
Prevention/Safety Education	10,396	10,820	12,000	10,000	15,000	15,000	10,000	10,000	10,250	10,500
Other Public Works										
Street Resurfacing (Miles)	8	8	8	8	8	8	6	13	18	18
Potholes Repaired	486	530	230	220	175	200	223	250	220	220
Parks and Recreation										
Facility Rental Bookings	2,956	2,900	1,452	1,400	5,500	5,500	5,500	5,500	5,500	5,600
Community Center Admissions	1,980	2,300	2,900	2,600	2,450	2,500	150,000	150,000	150,000	155,000
Library										
Volumes in Collection	132,435	136,000	142,000	143,000	148,900	149,500	154,500	156,000	157,000	162,500
Total Volumes Borrowed	390,567	398,000	384,200	404,300	449,000	471,800	481,000	486,000	469,000	467,500
Water										
New Connections	110	150	110	100	100	224	200	300	300	400
Water Main Breaks	7	10	10	10	300	100	200	350	350	300
Average Daily Consumption (thousands of gallons)	6,236	6,141	5,810	6,447	6,667	7,091	7,221	6,954	6,792	6,663
Peak Daily Consumption (thousands of gallons)	9,387	10,061	8,916	10,153	10,652	11,383	10,268	10,994	9,298	9,361
Wastewater										
Average Daily Sewage Treatment (samples collected/tested)	4,960	5,070	5,600	5,600	5,700	5,700	5,700	5,700	5,700	6,000

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>2005</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>
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	63	66	84	118	117	118	118	118	118
Fire										
Stations	4	4	4	4	4	5	5	5	5	5
Other Public Works										
Streets (Miles)	263	277	282	292	309	309	302	302	311	311
Streetlights	1,540	1,546	3,500	3,591	3,517	3,518	3,559	3,575	3,575	3,575
Traffic Signals	5	5	5	49	52	54	48	48	48	48
Parks and Recreation										
Acreage	120	120	120	1,154	1,178	1,699	1,699	1,806	1,826	2,120
Playgrounds	30	36	36	39	39	50	59	59	60	60
Baseball/Softball Diamonds	9	9	9	9	9	9	9	13	13	13
Soccer/Football Fields	3	3	3	9	9	10	10	10	10	10
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Fire Hydrants	1,133	1,324	1,565	1,484	1,727	1,775	1,551	1,611	1,691	1,750
Wastewater										
Sanitary Sewers (Miles)	N/A	N/A	N/A	196	198	205	206	209	215	209
Storm Sewers (Miles)	N/A	N/A	N/A	41	43	52	55	55	61	56
Treatment Capacity (thousands of gallons)	9 MGD*									

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