

CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED
SEPTEMBER 30, 2013

Issued by the
City of San Marcos
Finance Department

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INTRODUCTORY SECTION

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CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

CITY COUNCIL

Daniel Guerrero – Mayor

Kim Porterfield – Place 1

Jude Prather – Place 2

John Thomaides – Place 3
Mayor Pro Tem

Wayne Becak – Place 4
Deputy Mayor Pro Tem

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, 2012

Executive Director/CEO



Transmittal Letter

For the Fiscal Year
Ended
September 30,
2013

City of San Marcos
San Marcos,
Texas

March 18, 2014

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

The Finance Department and City Manager's office are pleased to submit the Comprehensive Annual Financial Report (the CAFR) of the City of San Marcos, Texas (the City) for the fiscal year ended September 30, 2013. 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, 2013. 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 34,000 enrolled students and is the 5th largest university in the state of Texas. 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

The City has remained stable and has not felt the impact of the recession and credit crisis to the extent of other parts of Texas and the nation. The Federal Reserve of Dallas in their Regional Economic Update for March 2014 reported:

Regional Economy Grows at a Modest Pace

"The Texas economy continues to expand at a moderate pace. January payroll job growth strengthened modestly from December and continued to outpace the nation. The unemployment rate declined sharply in January, reaching a five-year low. Despite recent weakness in home sales, the housing market remained robust, with low inventories and continuing house price appreciation. The energy sector also remained strong, and exports jumped in January following a dip in December."

Additionally, in the Comptroller's Weekly Economic Outlook March 2014, the Texas Comptroller of Public Accounts reported:

“Job growth, sales tax collections and building permits all signal that the Texas economy continues to outpace the national economy.

Over the past year, Texas added jobs in all of the 11 major industries, including professional and business services, trade, transportation and utilities, leisure and hospitality, education and health services, construction, mining and logging, government, financial activities, information, other services, and manufacturing.

Pre-recession Texas employment peaked at 10,638,100 in August 2008, a level that was surpassed in November 2011, and by February 2014 Texas added an additional 767,900 jobs. In the U.S. as a whole, only 92 percent of recession-hit jobs were recovered by February 2014.

Texas and the nation returned to economic growth in 2010 and 2011, respectively. In calendar 2012, Texas real gross domestic product grew by 4.8 percent, compared with 2.5 percent for the U.S.”

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. In fact, the City of San Marcos, was chosen in 2010 Business Week as one of the top 10 places to raise kids in the United States and currently as one of the fastest growing cities of 50,000 or more according to the US Census.

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 City adding over \$195 million, or a 6.8% increase, in new valuations to the tax roll in 2013 and of that, \$90 million was new construction within the City. 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 8.4% increase in sales tax collections in FY 2013. 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 with the only decrease experienced in 2009, during the worst of the economic crisis. 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.

Employment

San Marcos enjoyed a relatively low unemployment rate in 2013 of 5.3%. This rate was substantially lower than the state rate of 6.3% and the national rate of 7.4%. 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' top 10 most visited destinations. San Marcos is becoming known as a great destination for outdoor enthusiasts who like to standup paddle, surf the falls, bird watch or hike 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 1,770 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 165 restaurants is available. These services and facilities, complemented by the mild winter, have made San Marcos a popular vacation spot for more than eleven million tourists.

Hotel/motel occupancy tax receipts increased 11.6% in FY13 over the previous year – reflecting consistent growth trend after anemic post 9/11 levels. The current forecast is that tourism will continue to experience positive gains, reflected by continued increases in occupancy, available rooms and room rates.

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 FY2011 and the results showed that a 3% increase in Water was needed over the next 2 years as well as a 2.5% increase in Wastewater. The rate increase is primarily driven by standard operating cost increases and annual contract obligations. An update of the study in FY2012 supported the need for the second year of the rate increase in FY2013.

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 2013. 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, 2013, 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 APIP, 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, 2012. 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 of 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.

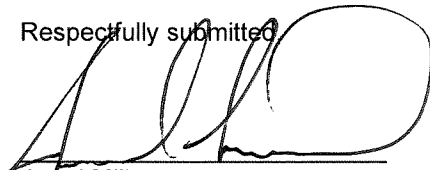
We are also proud to report that the GFOA has presented the Distinguished Budget Presentation Award to the City of San Marcos for each of the past 29 years.

Acknowledgements

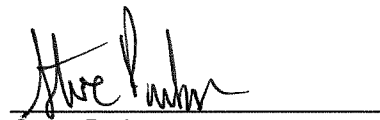
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also 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

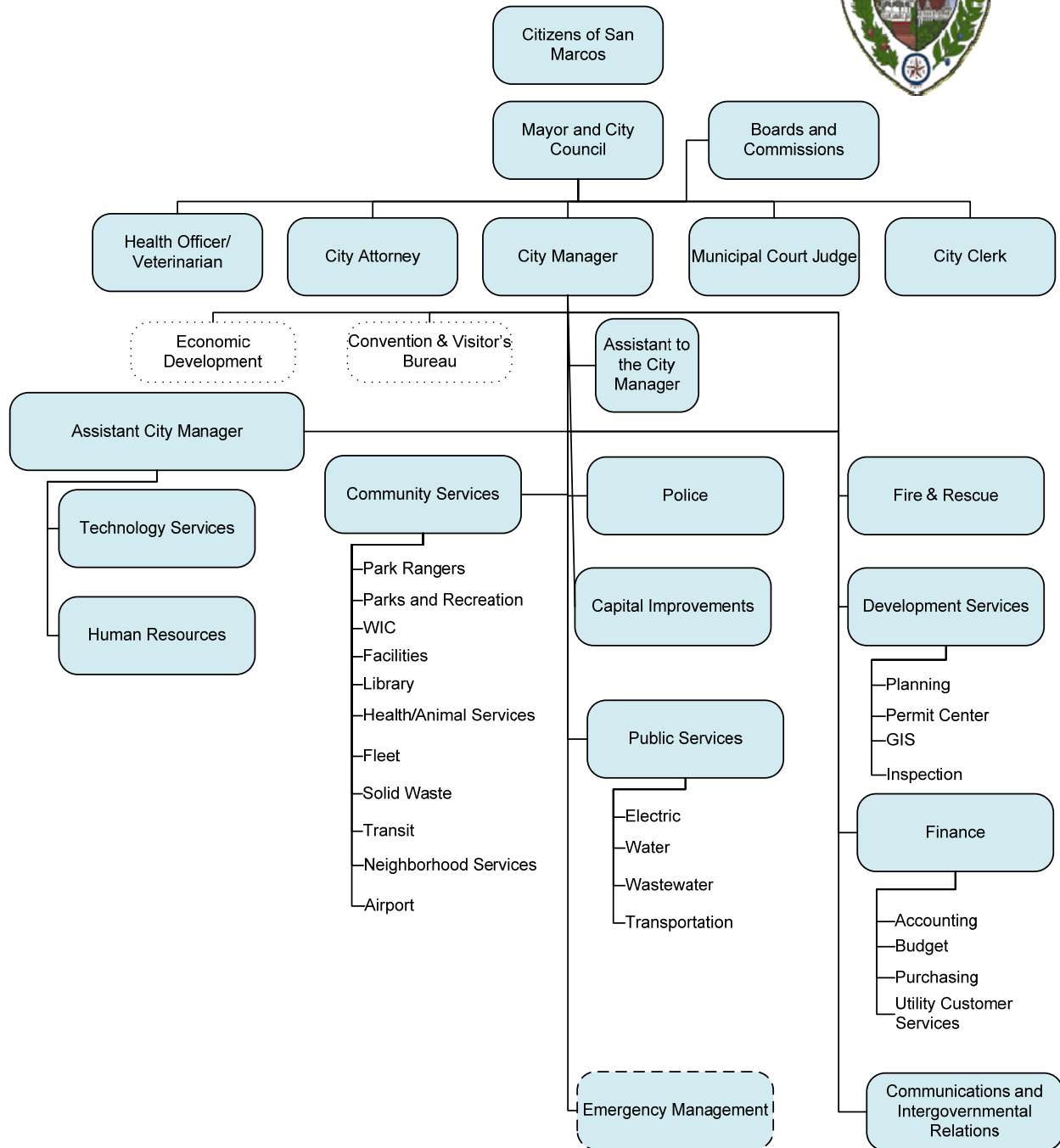


Jared Miller
City Manager



Steve Parker
Asst. City Manager/CFO

City of San Marcos 2012-13 ANNUAL BUDGET ORGANIZATION CHART



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FINANCIAL SECTION



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, 2013, 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 misstatements 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 opinion.

Opinion

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, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the City of San Marcos, Texas as of September 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 - 51 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 section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City of San Marcos, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

March 18, 2014

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, 2013. 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 iii - x 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, 2013, by \$249.9 million (net position). Of this amount, \$56.9 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2013, the City of San Marcos' governmental funds reported combined ending fund balances of \$60.4 million, a decrease of \$(4.5) million in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$16.4 million, or 38.18% of total general fund expenditures.
- The City's total debt increased by \$17.1 million during the current fiscal year. The City issued \$8.8 million in general obligation bonds and \$40.8 in 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 8 - 10 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 20 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 17 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 11 - 15 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 16 - 19 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 20 - 48 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents the combining statements referred to earlier in connection with nonmajor governmental and enterprise funds, comparative information for the General Fund and budgetary information to demonstrate the City's budgetary compliance. Combining and individual fund statements and schedules can be found on pages 63 - 86 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$249.9 million as of September 30, 2013. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$130.8 million. This analysis focuses on the net position (Table 1) and changes in net position of the City's governmental and business-type activities (Table 2).

By far, the largest portion of the City's net position (69.5%) reflects its 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 (\$56.9 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

| | <u>NET POSITION</u> | | | | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>GOVERNMENTAL</u> | | <u>BUSINESS-TYPE</u> | | <u>TOTAL</u> | |
| | <u>ACTIVITIES</u> | | <u>ACTIVITIES</u> | | | |
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Current and Other Assets | \$ 73,994,124 | \$ 79,496,759 | \$ 99,454,342 | \$ 100,063,095 | \$ 173,448,466 | \$ 179,559,854 |
| Capital Assets | <u>190,739,479</u> | <u>182,327,643</u> | <u>194,296,016</u> | <u>169,561,856</u> | <u>385,035,495</u> | <u>351,889,499</u> |
| TOTAL ASSETS | <u>264,733,603</u> | <u>261,824,402</u> | <u>293,750,358</u> | <u>269,624,951</u> | <u>558,483,961</u> | <u>531,449,353</u> |
| Long-Term Liabilities | 127,880,791 | 137,671,110 | 142,080,666 | 129,761,798 | 269,961,457 | 267,432,908 |
| Other Liabilities | <u>17,751,525</u> | <u>11,856,100</u> | <u>20,864,227</u> | <u>11,996,473</u> | <u>38,615,752</u> | <u>23,852,573</u> |
| TOTAL LIABILITIES | <u>145,632,316</u> | <u>149,527,210</u> | <u>162,944,893</u> | <u>141,758,271</u> | <u>308,577,209</u> | <u>291,285,481</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 88,391,028 | 82,639,548 | 85,172,984 | 77,417,956 | 173,564,012 | 160,057,504 |
| Restricted | 19,474,094 | 20,848,878 | - | - | 19,474,094 | 20,848,878 |
| Unrestricted | <u>11,236,165</u> | <u>8,808,763</u> | <u>45,632,481</u> | <u>50,448,724</u> | <u>56,868,646</u> | <u>59,257,487</u> |
| TOTAL NET POSITION | <u>\$ 119,101,287</u> | <u>\$ 112,297,189</u> | <u>\$ 130,805,465</u> | <u>\$ 127,866,680</u> | <u>\$ 249,906,752</u> | <u>\$ 240,163,869</u> |

Governmental activities. The City's governmental revenues increased when compared to the prior year by 10% or \$5,723,652. 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 \$24.1 million. The public safety expense increase was primarily due to the funding of the third year of the meet and confirm contract entered into in 2010, routine step increases, and additional procedures.

Business-type activities. Revenues of the City's business-type activities were \$86.5 million for the fiscal year ending September 30, 2013. Expenses for the City's business-type activities were \$83.5 million for the year, resulting in a net increase in net assets of \$3.0 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 \$28.7 million, which exceeded expenses of \$24.1 million. The most significant expenses of the Water and Wastewater Fund are \$7.5 million for contracted services for the operation of the surface water treatment plant, and \$3.7 million in salaries and benefits.
- The City's electric distribution system recorded charges for services of \$48.1 million, which exceeded expenses \$43.6 million. The most significant expense of the electric fund was \$35.3 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 \$9.7 million.

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TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET POSITION

| | GOVERNMENTAL | | BUSINESS-TYPE | | TOTAL | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | ACTIVITIES | | ACTIVITIES | | | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| REVENUES | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 9,493,513 | \$ 3,698,461 | \$ 84,695,472 | \$ 85,356,174 | \$ 94,188,985 | \$ 89,054,635 |
| Operating Grants and Contributions | 6,005,044 | 3,250,996 | - | - | 6,005,044 | 3,250,996 |
| Capital Grants and Contributions | 1,792,500 | 8,244,456 | 1,599,863 | 1,274,418 | 3,392,363 | 9,518,874 |
| General Revenues | | | | | | |
| Property Taxes, Levied for General Purposes | 16,453,797 | 14,448,102 | - | - | 16,453,797 | 14,448,102 |
| Sales Taxes | 22,852,364 | 21,079,582 | - | - | 22,852,364 | 21,079,582 |
| Franchise Taxes | 1,612,147 | 1,436,152 | - | - | 1,612,147 | 1,436,152 |
| Hotel/Motel Taxes | 2,805,274 | 2,510,750 | - | - | 2,805,274 | 2,510,750 |
| Investment Earnings | 331,996 | 261,704 | 160,760 | 303,932 | 492,756 | 565,636 |
| Other | 735,270 | 1,428,050 | - | 2,780,304 | 735,270 | 4,208,354 |
| Total Revenues | <u>62,081,905</u> | <u>56,358,253</u> | <u>86,456,095</u> | <u>89,714,828</u> | <u>148,538,000</u> | <u>146,073,081</u> |
| EXPENSES | | | | | | |
| General Government | 17,295,573 | 17,452,471 | - | - | 17,295,573 | 17,452,471 |
| Public Safety | 24,117,348 | 19,367,969 | - | - | 24,117,348 | 19,367,969 |
| Community Service | 13,360,590 | 10,399,904 | - | - | 13,360,590 | 10,399,904 |
| Interest and Fiscal Charges | 5,932,338 | 6,255,072 | - | - | 5,932,338 | 6,255,072 |
| Electric | - | - | 44,265,224 | 45,590,881 | 44,265,224 | 45,590,881 |
| Water and Sewer | - | - | 28,152,501 | 27,890,126 | 28,152,501 | 27,890,126 |
| Airport | - | - | 895,001 | 601,781 | 895,001 | 601,781 |
| Drainage | - | - | 2,355,020 | 2,491,018 | 2,355,020 | 2,491,018 |
| Waste Collection | - | - | 2,421,522 | 2,110,375 | 2,421,522 | 2,110,375 |
| Total Expenses | <u>60,705,849</u> | <u>53,475,416</u> | <u>78,089,268</u> | <u>78,684,181</u> | <u>138,795,117</u> | <u>132,159,597</u> |
| Increases in Net Position before Transfers | 1,376,056 | 2,882,837 | 8,366,827 | 11,030,647 | 9,742,883 | 13,913,484 |
| Transfers | <u>5,428,042</u> | <u>6,386,106</u> | <u>(5,428,042)</u> | <u>(6,386,106)</u> | <u>-</u> | <u>-</u> |
| Increase in Net Position | 6,804,098 | 9,268,943 | 2,938,785 | 4,644,541 | 9,742,883 | 13,913,484 |
| NET POSITION - BEGINNING | <u>112,297,189</u> | <u>103,028,246</u> | <u>127,866,680</u> | <u>123,222,139</u> | <u>240,163,869</u> | <u>226,250,385</u> |
| NET POSITION - ENDING | <u>\$ 119,101,287</u> | <u>\$ 112,297,189</u> | <u>\$ 130,805,465</u> | <u>\$ 127,866,680</u> | <u>\$ 249,906,752</u> | <u>\$ 240,163,869</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 \$60.4 million, a decrease of \$(4.5) million in comparison with the prior year. Approximately 27.4% 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 \$16.4 million, while total fund balance reached \$17 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 38.2% of total general fund expenditures.

In the general fund, the City budgeted for a fund balance decrease in the current year of \$(626,673). It is one of the City's financial policies to maintain fund balance in the general fund equal to 90 days' expenditures. Even though use of fund balance was budgeted, \$2,050,441 was added to fund balance at year-end. This is primarily attributable to sales tax revenue coming in \$1.8 million above budget and actual expenditures being less than originally budgeted. The debt service fund balance decreased by \$79,791 from 2012 to 2013. Increases in the general fund, and other governmental fund balances offset by the decrease in capital projects funds of \$6.8 million due to progress on construction contributed to the net change in fund balances of \$4,504,786.

TABLE 3
GOVERNMENTAL TAX REVENUES

| | <u>2013</u> | <u>2012</u> | <u>INCREASE (DECREASE)</u> |
|-------------|---------------------|---------------------|--------------------------------|
| Property | \$15,271,649 | \$14,514,084 | \$ 757,565 |
| Sales | 22,852,364 | 21,079,582 | 1,772,782 |
| Franchise | 1,703,869 | 1,282,507 | 421,362 |
| Hotel/Motel | 2,805,274 | 2,510,750 | 294,524 |
| Mixed Drink | <u>292,544</u> | <u>243,974</u> | <u>48,570</u> |
| | <u>\$42,925,700</u> | <u>\$39,630,897</u> | <u>\$3,294,803</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 \$33.5 million, and those for the Electric Fund amounted to \$8.7 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 FY2013, actual expenditures on a budgetary basis were \$43 million compared to the budget amount of \$44 million. The \$1 million positive variance was due to savings achieved through salary vacancy savings and conservative spending.

For FY2013, actual revenues on a budgetary basis were \$42.5 million as compared to the budget amount of \$40.4 million. The majority of the \$2.1 million variance was due to sales tax revenue collections above budgeted amounts.

The City of San Marcos has a General Fund balance of \$17 million as of the fiscal year-end, compared to the budgeted fund balance of \$14.3 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 2013, the City had \$385 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater lines (See Table 4). For more detailed information on capital assets, please refer to the accompanying notes pages 33 - 35.

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

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL | |
|-----------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 14,044,667 | \$ 7,286,864 | \$ 3,092,657 | \$ 1,446,029 | \$ 17,137,324 | \$ 8,732,893 |
| Buildings | 28,960,107 | 29,705,280 | 2,830,572 | 2,951,545 | 31,790,679 | 32,656,825 |
| Improvements Other than Buildings | 74,838,688 | 26,538,488 | 92,646,996 | 90,333,217 | 167,485,684 | 116,871,705 |
| Equipment | 5,195,054 | 4,468,280 | 2,410,969 | 2,713,429 | 7,606,023 | 7,181,709 |
| Construction in Progress | 43,633,388 | 94,867,389 | 93,314,822 | 72,117,636 | 136,948,210 | 166,985,025 |
| Infrastructure | 24,067,575 | 19,461,342 | - | - | 24,067,575 | 19,461,342 |
| TOTAL CAPITAL ASSETS | \$ 190,739,479 | \$ 182,327,643 | \$ 194,296,016 | \$ 169,561,856 | \$ 385,035,495 | \$ 351,889,499 |

Long-term Debt. At year-end, the City had \$275.6 million in general obligation bonds, combination tax and revenue certificates of obligations and revenue bonds outstanding as compared to \$259.2 million at the end of the prior fiscal year, an increase of 6.3%. For more detailed information on long term debt, please refer to the accompanying notes on pages 37-40.

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

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL | |
|--------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General Obligation Bonds | \$ 32,980,000 | \$ 30,355,000 | \$ - | \$ - | \$ 32,980,000 | \$ 30,355,000 |
| Discount on Bonds | (515,389) | (553,412) | (250,322) | (266,229) | (765,711) | (819,641) |
| Premium on Bonds | 2,122,283 | 1,484,522 | 3,300,564 | 2,948,532 | 5,422,847 | 4,433,054 |
| Deferred Amounts on Refundings | (1,431,750) | (1,336,050) | (4,283,219) | (3,718,378) | (5,714,969) | (5,054,428) |
| Certificates of Obligations | 92,800,000 | 99,130,000 | - | - | 92,800,000 | 99,130,000 |
| Capital Leases | 321,407 | - | - | 33,768 | 321,407 | 33,768 |
| Revenue Bonds | - | - | 149,785,000 | 129,750,000 | 149,785,000 | 129,750,000 |
| TOTAL DEBT | \$ 126,276,551 | \$ 129,080,060 | \$ 148,552,023 | \$ 128,747,693 | \$ 274,828,574 | \$ 257,827,753 |

During this fiscal year, general obligation refunding totaling \$19.3 were issued to refund some previous debt issues.

The City has maintained its 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 \$658,150 at September 30, 2013, compared to \$1,059,950 at September 30, 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged. In January 2013, the San Marcos City Council held a Visioning Workshop to explore important policy issues facing the City. At that meeting, the previous five primary strategic initiatives were evaluated and City Council developed 3 similar goals that will guide staff during the upcoming years. These initiatives include:

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

These strategic initiatives were used as the basis for setting and adopting the operating budget for fiscal year 2014. The total FY2014 combined budget appropriation is \$166.7 million. This represents an increase of \$5.9 million or 3.5% over the FY2013 budget. The increase in the annual budget is attributed to several facts including:

- Addition of one-time capital outlay/equipment purchases.
- Addition of personnel and increased routine maintenance to facilities, IT, and sidewalks in the general fund.
- Increase cost for health insurance coverage.

The general fund's largest single revenue source is sales taxes. The City collects a 1.5-cent sales tax on all taxable goods in the City. Sales tax revenue for FY2014 is budgeted at \$23.2 million.

The property tax rate for FY2014 is \$0.5302 per \$100 valuation. Of this tax rate, 51.32% or \$0.2721 is used for operations and maintenance activities and 48.68% is used for debt service. The operations and maintenance portion of property tax revenue for FY2014 is estimated to be \$8.1 million.

The largest revenue source for the water and wastewater fund is water sales, at \$14.9 million. The base rate for FY2013 is \$20.14 for the first 2,000 gallons for a 5/8" - 3/4" meter in the city limits. This rate increases as the meter size increases and/or if the meter is located outside of the city limits. This rate was increased 3.0% for FY2013 in accordance with the two year ordinance adopted in FY2012. The second largest revenue source for the water and wastewater fund is wastewater charges, at \$13.5 million. The base rate for FY2013 is \$23.56 for the first 2,000 gallons. This rate was increased 2.5% for FY2013 in accordance with the two year ordinance adopted in FY2012.

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.

BASIC FINANCIAL STATEMENTS

CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

| | <u>GOVERNMENTAL</u> <u>ACTIVITIES</u> | <u>BUSINESS-</u> <u>TYPE</u> <u>ACTIVITIES</u> | <u>TOTAL</u> |
|--|--|--|-----------------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 16,123,288 | \$ 26,822,595 | \$ 42,945,883 |
| Investments | 51,754,932 | 51,034,712 | 102,789,644 |
| Receivables - Net of Allowances for Uncollectibles: | | | |
| Taxes | 3,280,414 | - | 3,280,414 |
| Accounts | 5,753,101 | 10,144,719 | 15,897,820 |
| Other | 28,403 | - | 28,403 |
| Due from Other Governments | 1,653,709 | 576,568 | 2,230,277 |
| Internal Balances | (7,122,737) | 7,122,737 | - |
| Inventories | 385,114 | 1,130,750 | 1,515,864 |
| Prepaid Items | 171,069 | 82,629 | 253,698 |
| Deferred Charges | 1,966,831 | 2,539,632 | 4,506,463 |
| Capital Assets | | | |
| Land | 14,044,667 | 3,092,657 | 17,137,324 |
| Construction in Progress | 43,633,388 | 93,314,822 | 136,948,210 |
| Buildings | 36,554,153 | 6,369,767 | 42,923,920 |
| Improvements Other than Building | 101,550,490 | 179,817,630 | 281,368,120 |
| Equipment | 23,901,142 | 8,800,834 | 32,701,976 |
| Infrastructure | 34,551,436 | - | 34,551,436 |
| Less: Accumulated Depreciation | <u>(63,495,797)</u> | <u>(97,099,694)</u> | <u>(160,595,491)</u> |
| TOTAL ASSETS | <u>\$ 264,733,603</u> | <u>\$293,750,358</u> | <u>\$558,483,961</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | |
| Accounts Payable | \$ 3,173,990 | \$ 8,633,782 | \$ 11,807,772 |
| Accrued Liabilities | 2,971,925 | 609,011 | 3,580,936 |
| Unearned Revenues | 3,105,751 | - | 3,105,751 |
| Customer Deposits | 23,224 | 3,157,835 | 3,181,059 |
| Accrued Interest Payable | 711,943 | 812,219 | 1,524,162 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 7,764,692 | 7,651,380 | 15,416,072 |
| Due in More than One Year | <u>127,880,791</u> | <u>142,080,666</u> | <u>269,961,457</u> |
| Total Liabilities | <u>145,632,316</u> | <u>162,944,893</u> | <u>308,577,209</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 88,391,028 | 85,172,984 | 173,564,012 |
| Restricted for: | | | |
| Capital Projects | 5,702,479 | - | 5,702,479 |
| Grant Requirements | 62,299 | - | 62,299 |
| Public Safety | 382,708 | - | 382,708 |
| Debt Service | 10,404,537 | - | 10,404,537 |
| Future Convention Center Park and Cemetery Trust | 1,873,674 | - | 1,873,674 |
| Nonexpendable | 1,048,397 | - | 1,048,397 |
| Unrestricted | <u>11,236,165</u> | <u>45,632,481</u> | <u>56,868,646</u> |
| Total Net Position | <u>119,101,287</u> | <u>130,805,465</u> | <u>249,906,752</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 264,733,603</u> | <u>\$293,750,358</u> | <u>\$558,483,961</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, 2013

| <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 | \$ 17,295,573 | \$ 6,724,853 | \$ 3,201,888 | \$ 1,792,500 |
| Public Safety | 24,117,348 | 1,739,043 | 469,665 | - |
| Community Service | 13,360,590 | 1,029,617 | 2,333,491 | - |
| Interest and Other Fees | <u>5,932,338</u> | - | - | - |
| Total Governmental Activities | <u>60,705,849</u> | <u>9,493,513</u> | <u>6,005,044</u> | <u>1,792,500</u> |
| Business-Type Activities | | | | |
| Electric | 44,265,224 | 48,848,992 | - | - |
| Water and Wastewater | 28,152,501 | 29,743,387 | - | 1,599,863 |
| Airport | 895,001 | 913,152 | - | - |
| Drainage | 2,355,020 | 2,673,393 | - | - |
| Waste Collection | <u>2,421,522</u> | <u>2,516,548</u> | - | - |
| Total Business-Type Activities | <u>78,089,268</u> | <u>84,695,472</u> | - | <u>1,599,863</u> |
| TOTAL GOVERNMENT | <u>\$ 138,795,117</u> | <u>\$ 94,188,985</u> | <u>\$ 6,005,044</u> | <u>\$ 3,392,363</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

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> |
|------------------------------------|--|-----------------------|
| \$ (5,576,332) | \$ - | \$ (5,576,332) |
| (21,908,640) | - | (21,908,640) |
| (9,997,482) | - | (9,997,482) |
| <u>(5,932,338)</u> | <u>-</u> | <u>(5,932,338)</u> |
| (43,414,792) | - | (43,414,792) |
| - | 4,583,768 | 4,583,768 |
| - | 3,190,749 | 3,190,749 |
| - | 18,151 | 18,151 |
| - | 318,373 | 318,373 |
| - | 95,026 | 95,026 |
| <u>-</u> | <u>8,206,067</u> | <u>8,206,067</u> |
| (43,414,792) | 8,206,067 | (35,208,725) |
| 16,453,797 | - | 16,453,797 |
| 22,852,364 | - | 22,852,364 |
| 1,612,147 | - | 1,612,147 |
| 2,805,274 | - | 2,805,274 |
| 292,544 | - | 292,544 |
| 331,996 | 160,760 | 492,756 |
| 442,726 | - | 442,726 |
| <u>5,428,042</u> | <u>(5,428,042)</u> | <u>-</u> |
| <u>50,218,890</u> | <u>(5,267,282)</u> | <u>44,951,608</u> |
| 6,804,098 | 2,938,785 | 9,742,883 |
| <u>112,297,189</u> | <u>127,866,680</u> | <u>240,163,869</u> |
| <u>\$ 119,101,287</u> | <u>\$ 130,805,465</u> | <u>\$ 249,906,752</u> |

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

CITY OF SAN MARCOS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

| | <u>GENERAL FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>DEBT SERVICE FUND</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|---|-------------------------|--------------------------------------|----------------------------------|---|---|
| <u>ASSETS</u> | | | | | |
| Cash and Cash Equivalents | \$ 496,690 | \$ 5,522,115 | \$ 7,515,239 | \$ 2,064,217 | \$ 15,598,261 |
| Investments | 16,898,852 | 22,106,977 | 8,724,561 | 4,024,542 | 51,754,932 |
| Receivables - Net of Allowances for Uncollectibles | | | | | |
| Taxes, Net | 2,781,399 | - | 499,015 | 728,887 | 4,009,301 |
| Accounts | 1,690,453 | 4,347 | 3,030,014 | 54,770 | 4,779,584 |
| Loans | - | - | - | 28,403 | 28,403 |
| Due from Other Funds | 1,465,351 | 3,463,082 | 1,202 | 468,493 | 5,398,128 |
| Due from Other Governments | - | - | - | 1,653,709 | 1,653,709 |
| Inventories | 385,114 | - | - | - | 385,114 |
| Prepays | 159,892 | - | - | 11,177 | 171,069 |
| TOTAL ASSETS | <u>\$23,877,751</u> | <u>\$31,096,521</u> | <u>\$19,770,031</u> | <u>\$ 9,034,198</u> | <u>\$ 83,778,501</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts Payable | \$ 1,422,142 | \$ 1,358,229 | \$ - | \$ 311,622 | \$ 3,091,993 |
| Accrued Liabilities | 1,869,187 | 36,647 | - | 46,341 | 1,952,175 |
| Deferred Revenue | 2,629,718 | - | 479,813 | 2,168,684 | 5,278,215 |
| Customer Deposits | 21,093 | - | - | 2,131 | 23,224 |
| Due to Other Funds | 960,285 | 71,066 | 8,885,681 | 3,080,559 | 12,997,591 |
| Total Liabilities | <u>6,902,425</u> | <u>1,465,942</u> | <u>9,365,494</u> | <u>5,609,337</u> | <u>23,343,198</u> |
| <u>FUND BALANCES</u> | | | | | |
| Reserved for: | | | | | |
| Inventories | 385,114 | - | - | - | 385,114 |
| Prepays | 159,892 | - | - | 11,177 | 171,069 |
| Restricted for: | | | | | |
| Public Safety | - | - | - | 382,708 | 382,708 |
| Community Services | - | - | - | 1,873,674 | 1,873,674 |
| Cemetery Memorial | - | - | - | 1,048,397 | 1,048,397 |
| Capital Projects | - | 29,630,579 | - | - | 29,630,579 |
| Debt Service | - | - | 10,404,537 | - | 10,404,537 |
| Unassigned | 16,430,320 | - | - | 108,905 | 16,539,225 |
| Total Fund Balances | <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> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$23,877,751</u> | <u>\$31,096,521</u> | <u>\$19,770,031</u> | <u>\$ 9,034,198</u> | <u>\$ 83,778,501</u> |

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

CITY OF SAN MARCOS, TEXAS
RECONCILIATION OF BALANCE SHEET -
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

| | |
|---|----------------------|
| <u>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u> | \$ 60,435,303 |
| 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. | 190,739,479 |
| 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. | 2,285,482 |
| 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. | 393,218 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(134,752,195)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION | <u>\$119,101,287</u> |

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

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>GENERAL FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>DEBT SERVICE FUND</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|-------------------------|--------------------------------------|----------------------------------|---|---|
| <u>REVENUES</u> | | | | | |
| Taxes | \$32,235,675 | \$ - | \$ 7,481,563 | \$ 3,208,463 | \$ 42,925,701 |
| Licenses and Permits | 2,194,788 | - | - | - | 2,194,788 |
| Fees and Penalties | 1,503,644 | - | - | 137,776 | 1,641,420 |
| Charges for Services | 5,171,635 | - | - | 162,035 | 5,333,670 |
| Intergovernmental | 219,382 | - | 3,030,000 | 5,753,571 | 9,002,953 |
| Interest on Investments | 64,411 | 175,733 | 82,699 | 9,153 | 331,996 |
| Contributions and Donations | 80,000 | - | - | - | 80,000 |
| Miscellaneous | 999,751 | 529,071 | 119,958 | 52,702 | 1,701,482 |
| Total Revenues | <u>42,469,286</u> | <u>704,804</u> | <u>10,714,220</u> | <u>9,323,700</u> | <u>63,212,010</u> |
| <u>EXPENDITURES</u> | | | | | |
| Current | | | | | |
| General Government | 12,489,644 | 1,434,592 | - | 2,309,768 | 16,234,004 |
| Public Safety | 22,072,121 | - | - | 564,667 | 22,636,788 |
| Community Service | 8,471,872 | - | - | 4,035,315 | 12,507,187 |
| Capital Outlay | 4,787 | 12,193,971 | - | 892,846 | 13,091,604 |
| Debt Service | | | | | |
| Principal | - | 15,920 | 6,875,000 | - | 6,890,920 |
| Interest and Fiscal Charges | - | 940 | 5,706,434 | - | 5,707,374 |
| Bond Issuance Cost | - | - | 147,549 | - | 147,549 |
| Total Expenditures | <u>43,038,424</u> | <u>13,645,423</u> | <u>12,728,983</u> | <u>7,802,596</u> | <u>77,215,426</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(569,138)</u> | <u>(12,940,619)</u> | <u>(2,014,763)</u> | <u>1,521,104</u> | <u>(14,003,416)</u> |
| <u>OTHER FINANCING SOURCES</u> | | | | | |
| Transfers In | 5,690,276 | 2,064,073 | 1,785,840 | 47,325 | 9,587,514 |
| Transfers Out | (3,222,663) | - | - | (1,236,809) | (4,459,472) |
| Insurance Recoveries | - | 135,663 | - | - | 135,663 |
| Capital Lease | - | 337,327 | - | - | 337,327 |
| Sale of Capital Assets | 151,966 | - | - | - | 151,966 |
| Bond Proceeds | - | 3,505,000 | 5,320,000 | - | 8,825,000 |
| Payment to Refunded Bond Escrow Agent | - | - | (5,885,165) | - | (5,885,165) |
| Premium on Debt Issued | - | 91,500 | 714,297 | - | 805,797 |
| Total Other Financing Sources | <u>2,619,579</u> | <u>6,133,563</u> | <u>1,934,972</u> | <u>(1,189,484)</u> | <u>9,498,630</u> |
| Net Change in Fund Balances | 2,050,441 | (6,807,056) | (79,791) | 331,620 | (4,504,786) |
| <u>FUND BALANCES - BEGINNING</u> | <u>14,924,885</u> | <u>36,437,635</u> | <u>10,484,328</u> | <u>3,093,241</u> | <u>64,940,089</u> |
| FUND BALANCES - ENDING | <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> |

(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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (4,504,786)

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. | 8,677,604 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 1,136,127 |
| 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. | 2,148,204 |
| 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. | (195,540) |
| 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. | <u>(457,511)</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,804,098

(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, 2013

| | <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 | \$30,583,141 | \$30,583,141 | \$32,235,675 | \$ 1,652,534 |
| Licenses and Permits | 1,791,894 | 1,791,894 | 2,194,788 | 402,894 |
| Fines and Penalties | 1,749,182 | 1,749,182 | 1,503,644 | (245,538) |
| Charges for Services | 5,133,442 | 5,133,442 | 5,171,635 | 38,193 |
| Intergovernmental | 212,654 | 212,654 | 219,382 | 6,728 |
| Interest on Investments | 61,000 | 61,000 | 64,411 | 3,411 |
| Miscellaneous | 1,144,043 | 1,144,043 | 1,079,751 | (64,292) |
| Total Revenues | <u>40,675,356</u> | <u>40,675,356</u> | <u>42,469,286</u> | <u>1,793,930</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| General Government | 14,104,475 | 13,147,385 | 12,492,954 | 654,431 |
| Public Safety | 21,632,943 | 22,147,073 | 22,072,121 | 74,952 |
| Community Service | 8,473,054 | 8,671,627 | 8,473,349 | 198,278 |
| Total Expenditures | <u>44,210,472</u> | <u>43,966,085</u> | <u>43,038,424</u> | <u>927,661</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(3,535,116)</u> | <u>(3,290,729)</u> | <u>(569,138)</u> | <u>2,721,591</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | 6,190,037 | 6,190,037 | 5,690,276 | (499,761) |
| Transfers Out | (2,903,582) | (3,222,663) | (3,222,663) | - |
| Sale of Capital Assets | - | - | 151,966 | 151,966 |
| Total Other Financing Sources (Uses) | <u>3,286,455</u> | <u>2,967,374</u> | <u>2,619,579</u> | <u>(347,795)</u> |
| Net Change in Fund Balances | (248,661) | (323,355) | 2,050,441 | 2,373,796 |
| <u>FUND BALANCES - BEGINNING</u> | <u>14,924,885</u> | <u>14,924,885</u> | <u>14,924,885</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$14,676,224</u> | <u>\$14,601,530</u> | <u>\$16,975,326</u> | <u>\$ 2,373,796</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, 2013

| ASSETS | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS | | | | | GOVERNMENTAL ACTIVITIES |
|---|---|-------------------------|------------------------|---------------------|---------------|----------------------------|
| | ELECTRIC | WATER AND WASTEWATER | STORMWATER DRAINAGE | OTHER ENTERPRISE | TOTAL | INTERNAL SERVICE |
| CURRENT ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 8,222,177 | \$ 12,767,707 | \$ 4,755,024 | \$ 1,077,687 | \$ 26,822,595 | \$ 525,027 |
| Investments | 12,215,036 | 34,989,676 | 3,830,000 | - | 51,034,712 | - |
| Receivables - Net of Allowances for Uncollectibles | 6,026,885 | 3,388,634 | 308,147 | 421,053 | 10,144,719 | 131,612 |
| Due from Other Funds | 3,277,037 | 4,578,189 | 1,048,704 | 380,594 | 9,284,524 | 476,726 |
| Due from Other Governments | - | - | - | 576,568 | 576,568 | - |
| Inventories | 614,233 | 516,517 | - | - | 1,130,750 | - |
| Prepaid Items | 54,566 | 28,063 | - | - | 82,629 | - |
| Total Current Assets | 30,409,934 | 56,268,786 | 9,941,875 | 2,455,902 | 99,076,497 | 1,133,365 |
| NONCURRENT ASSETS | | | | | | |
| Deferred Charges | 642,421 | 1,630,747 | 266,464 | - | 2,539,632 | - |
| Capital Assets: | | | | | | |
| Land | 31,695 | 2,377,298 | 34,844 | 648,820 | 3,092,657 | - |
| Buildings | 472,092 | 1,557,930 | - | 4,339,745 | 6,369,767 | - |
| Improvements Other than Buildings | 17,243,204 | 145,910,978 | 8,321,377 | 8,342,071 | 179,817,630 | - |
| Furnishings and Equipment | 2,930,819 | 5,394,426 | 456,126 | 19,463 | 8,800,834 | - |
| Construction in Progress | 38,744,582 | 45,572,465 | 7,866,038 | 1,131,737 | 93,314,822 | - |
| Totals | 59,422,392 | 200,813,097 | 16,678,385 | 14,481,836 | 291,395,710 | - |
| Less: Accumulated Depreciation | (14,701,136) | (70,521,810) | (2,344,782) | (9,531,966) | (97,099,694) | - |
| Total Capital Assets - Net of Accumulated Depreciation | 44,721,256 | 130,291,287 | 14,333,603 | 4,949,870 | 194,296,016 | - |
| Total Noncurrent Assets | 45,363,677 | 131,922,034 | 14,600,067 | 4,949,870 | 196,835,648 | - |
| TOTAL ASSETS | \$75,773,611 | \$188,190,820 | \$24,541,942 | \$ 7,405,772 | \$295,912,145 | \$ 1,133,365 |
| LIABILITIES AND NET POSITION | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | \$ 5,206,065 | \$ 2,534,741 | \$ 436,265 | \$ 456,711 | \$ 8,633,782 | \$ 81,997 |
| Accrued Liabilities | 168,686 | 424,580 | 4,311 | 11,434 | 609,011 | - |
| Due to Other Funds | 578,973 | 1,058,825 | 172,323 | 351,666 | 2,161,787 | - |
| Claims Payable | - | - | - | - | - | 658,150 |
| Customer Deposits | 2,274,793 | 739,898 | 1,179 | 141,965 | 3,157,835 | - |
| Accrued Interest Payable | 237,528 | 475,641 | 99,050 | - | 812,219 | - |
| Compensated Absences | 123,613 | 118,736 | 7,727 | - | 250,076 | - |
| Current Maturities of Long-term Debt | 639,294 | 5,929,916 | 832,094 | - | 7,401,304 | - |
| Total Current Liabilities | 9,228,952 | 11,282,337 | 1,552,949 | 961,776 | 23,026,014 | 740,147 |
| NONCURRENT LIABILITIES | | | | | | |
| Compensated Absences | 25,870 | 24,839 | 1,609 | - | 52,318 | - |
| Long-Term Debt | 35,852,255 | 89,137,320 | 17,024,662 | 14,111 | 142,028,348 | - |
| Total Noncurrent Liabilities | 35,878,125 | 89,162,159 | 17,026,271 | 14,111 | 142,080,666 | - |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 21,955,600 | 54,234,172 | 4,033,342 | 4,949,870 | 85,172,984 | - |
| Unrestricted | 8,710,934 | 33,512,152 | 1,929,380 | 1,480,015 | 45,632,481 | 393,218 |
| Total Net Position | 30,666,534 | 87,746,324 | 5,962,722 | 6,429,885 | 130,805,465 | 393,218 |
| TOTAL LIABILITIES AND NET POSITION | \$75,773,611 | \$188,190,820 | \$24,541,942 | \$ 7,405,772 | \$295,912,145 | \$ 1,133,365 |

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the business-type activities of the statement of net position.

\$ _____

TOTAL NET POSITION PER GOVERNMENT-WIDE FINANCIAL STATEMENTS

\$130,805,465

(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, 2013

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS | | | | TOTAL | GOVERNMENTAL |
|--|---|-------------------------|------------------------|---------------------|----------------------|-----------------------------------|
| | ELECTRIC | WATER AND WASTEWATER | STORMWATER DRAINAGE | OTHER ENTERPRISE | | ACTIVITIES INTERNAL SERVICE |
| OPERATING REVENUES | | | | | | |
| Charges for Services | \$48,068,299 | \$28,721,993 | \$ 2,627,954 | \$ 2,804,188 | \$ 82,222,434 | \$ - |
| Intergovernmental | - | - | - | 585,578 | 585,578 | - |
| Employer Contributions | - | - | - | - | - | 3,115,915 |
| Employee Contributions | - | - | - | - | - | 964,267 |
| Retiree Contributions | - | - | - | - | - | 202,317 |
| Pharmacy Rebates | - | - | - | - | - | 27,122 |
| Miscellaneous | <u>780,693</u> | <u>1,021,394</u> | <u>45,439</u> | <u>39,934</u> | <u>1,887,460</u> | <u>-</u> |
| Total Operating Revenues | <u>48,848,992</u> | <u>29,743,387</u> | <u>2,673,393</u> | <u>3,429,700</u> | <u>84,695,472</u> | <u>4,309,621</u> |
| OPERATING EXPENSES | | | | | | |
| Purchased Power | 35,271,281 | - | - | - | 35,271,281 | - |
| Personnel Services | 3,869,626 | 3,681,190 | 253,051 | 125,541 | 7,929,408 | - |
| Contracted Services | 1,277,453 | 7,468,957 | 644,625 | 2,865,420 | 12,256,455 | - |
| Materials and Supplies | 957,772 | 887,207 | 21,034 | 64,173 | 1,930,186 | - |
| Indirect Costs | 722,451 | 3,209,525 | 132,896 | - | 4,064,872 | - |
| Claims | - | - | - | - | - | 4,539,177 |
| Other Charges | 1,138,476 | 680,653 | 7,542 | 5,601 | 1,832,272 | 640,598 |
| Depreciation | <u>371,832</u> | <u>8,237,334</u> | <u>514,449</u> | <u>255,788</u> | <u>9,379,403</u> | <u>-</u> |
| Total Operating Expenses | <u>43,608,891</u> | <u>24,164,866</u> | <u>1,573,597</u> | <u>3,316,523</u> | <u>72,663,877</u> | <u>5,179,775</u> |
| Operating Income | <u>5,240,101</u> | <u>5,578,521</u> | <u>1,099,796</u> | <u>113,177</u> | <u>12,031,595</u> | <u>(870,154)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Investment Earnings | 51,233 | 96,189 | 13,338 | - | 160,760 | - |
| Interest and Fiscal Charges | <u>(545,111)</u> | <u>(3,987,635)</u> | <u>(781,423)</u> | <u>-</u> | <u>(5,314,169)</u> | <u>1,421</u> |
| Total Nonoperating Revenues (Expenses) | <u>(493,878)</u> | <u>(3,891,446)</u> | <u>(768,085)</u> | <u>-</u> | <u>(5,153,409)</u> | <u>1,421</u> |
| Income (Loss) before Transfers | 4,746,223 | 1,687,075 | 331,711 | 113,177 | 6,878,186 | (868,733) |
| Capital Contributions | - | 1,599,863 | - | - | 1,599,863 | - |
| Transfers In | - | - | - | 487,234 | 487,234 | 300,000 |
| Transfers Out | <u>(3,868,253)</u> | <u>(2,047,023)</u> | <u>-</u> | <u>-</u> | <u>(5,915,276)</u> | <u>-</u> |
| Change in Net Position | 877,970 | 1,239,915 | 331,711 | 600,411 | 3,050,007 | (568,733) |
| TOTAL NET POSITION - BEGINNING | <u>29,788,564</u> | <u>86,506,409</u> | <u>5,631,011</u> | <u>5,829,474</u> | <u>127,755,458</u> | <u>961,951</u> |
| TOTAL NET POSITION - ENDING | <u>\$30,666,534</u> | <u>\$87,746,324</u> | <u>\$ 5,962,722</u> | <u>\$ 6,429,885</u> | <u>\$130,805,465</u> | <u>\$ 393,218</u> |
| Change in Net Position - Per Above | | | | | \$ 3,050,007 | |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with business activities. | | | | | (111,222) | |
| CHANGE IN BUSINESS-TYPE ACTIVITIES IN NET POSITION PER GOVERNMENT-WIDE FINANCIAL STATEMENTS | | | | | <u>\$ 2,938,785</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, 2013

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS | | | | GOVERNMENTAL | |
|--|---|-------------------------|------------------------|--------------------|---------------------|---------------------|
| | ELECTRIC | WATER AND WASTEWATER | STORMWATER DRAINAGE | OTHER FUNDS | TOTALS | INTERNAL SERVICE |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | | | |
| Cash Received from Customers | \$48,611,898 | \$29,448,233 | \$2,681,870 | \$2,830,349 | \$83,572,350 | \$ 4,178,736 |
| Cash Paid to Suppliers | (37,967,300) | (12,206,735) | (1,026,121) | (2,695,851) | (53,896,007) | (5,528,665) |
| Cash Paid to Employees | (3,817,565) | (3,388,658) | (252,502) | (121,809) | (7,580,534) | - |
| Net Cash Provided by (Used in) Operating Activities | <u>6,827,033</u> | <u>13,852,840</u> | <u>1,403,247</u> | <u>12,689</u> | <u>22,095,809</u> | <u>(1,349,929)</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | | | | | |
| Transfers from Other Funds | 192,603 | 782,944 | 158,235 | 778,055 | 1,911,837 | 300,000 |
| Transfers to Other Funds | (7,045,448) | (6,286,645) | (952,998) | (328,796) | (14,613,887) | (466,934) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>(6,852,845)</u> | <u>(5,503,701)</u> | <u>(794,763)</u> | <u>449,259</u> | <u>(12,702,050)</u> | <u>(166,934)</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | | | | |
| Proceeds from Capital Debt | 21,630,000 | 18,255,000 | 930,000 | - | 40,815,000 | - |
| Capital Contributions | - | 1,599,863 | - | - | 1,599,863 | - |
| Principal Paid on Debt | (1,180,000) | (18,800,000) | (800,000) | - | (20,780,000) | - |
| Interest and Fiscal Charges Paid on Debt | (698,412) | (4,811,847) | (754,160) | - | (6,264,419) | - |
| Acquisition of Capital Assets | (19,241,358) | (11,844,565) | (2,365,594) | (662,047) | (34,113,564) | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>510,230</u> | <u>(15,601,549)</u> | <u>(2,989,754)</u> | <u>(662,047)</u> | <u>(18,743,120)</u> | <u>-</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | | | |
| Sale (Purchase) of Investment Securities | (2,203,139) | (5,836,964) | 4,988,347 | - | (3,051,756) | - |
| Interest Received | 51,233 | 96,189 | 13,338 | - | 160,760 | 1,421 |
| Net Cash Provided by (Used in) Investing Activities | <u>(2,151,906)</u> | <u>(5,740,775)</u> | <u>5,001,685</u> | <u>-</u> | <u>(2,890,996)</u> | <u>1,421</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,667,488) | (12,993,185) | 2,620,415 | (200,099) | (12,240,357) | (1,515,442) |
| <u>CASH AND CASH EQUIVALENTS - BEGINNING</u> | <u>9,889,665</u> | <u>25,760,892</u> | <u>2,134,609</u> | <u>1,277,786</u> | <u>39,062,952</u> | <u>2,040,469</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <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> |

(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, 2013

| | BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS | | | | TOTALS | GOVERNMENTAL |
|--|---|-------------------------|------------------------|------------------|----------------------|-----------------------|
| | ELECTRIC | WATER AND WASTEWATER | STORMWATER DRAINAGE | OTHER FUNDS | | INTERNAL SERVICE |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u> | | | | | | |
| <u>PROVIDED BY (USED IN) OPERATING ACTIVITIES</u> | | | | | | |
| Operating Income (Loss) | \$ 5,240,101 | \$ 5,578,521 | \$ 1,099,796 | \$ 113,177 | \$ 12,031,595 | \$ (870,154) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | | | |
| Depreciation | 371,832 | 8,237,334 | 514,449 | 255,788 | 9,379,403 | - |
| Changes in Assets and Liabilities | | | | | | |
| Decrease (Increase) in Assets | | | | | | |
| Accounts Receivable | (235,616) | 157,427 | 8,477 | (42,100) | (111,812) | (130,885) |
| Due from Other Governments | - | - | - | (564,426) | (564,426) | - |
| Inventories | (12,247) | (20,622) | - | - | (32,869) | - |
| Prepaid Items | (53,433) | (27,908) | 155 | - | (81,186) | - |
| Increase (Decrease) in Liabilities | | | | | | |
| Accounts Payable | 1,465,813 | 88,137 | (220,179) | 239,344 | 1,573,115 | 52,910 |
| Accrued Liabilities | (46,908) | 233,397 | 21 | 1,243 | 187,753 | - |
| Deferred Revenue | - | (560,146) | - | - | (560,146) | - |
| Claims Payable | - | - | - | - | - | (401,800) |
| Net Pension Obligation | - | - | - | 2,489 | 2,489 | - |
| OPEB Liability | 89,824 | 54,242 | - | - | 144,066 | - |
| Compensated Absences | 9,145 | 4,893 | 528 | - | 14,566 | - |
| Customer Deposits | (1,478) | 107,565 | - | 7,174 | 113,261 | - |
| | <u>\$ 6,827,033</u> | <u>\$ 13,852,840</u> | <u>\$ 1,403,247</u> | <u>\$ 12,689</u> | <u>\$ 22,095,809</u> | <u>\$ (1,349,929)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATIONS | <u>\$ 6,827,033</u> | <u>\$ 13,852,840</u> | <u>\$ 1,403,247</u> | <u>\$ 12,689</u> | <u>\$ 22,095,809</u> | <u>\$ (1,349,929)</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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, 2013

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, 2013.

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, 2013

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:

| ASSET | YEARS |
|---------------------------------------|--------------|
| 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, 2013

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 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, 2013

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 2013 the City adopted the provisions of GASB #63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The statement requires governments to account for deferred outflows of resources, deferred inflows of resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will also present a Statement of Net Position and changes the caption "Net Assets" to "Net Position". The City has no deferred outflows or inflows of resources, but the statement titles and captions have been changed in conformity with the statement.

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 \$(134,752,195) difference are as follows:

| | |
|--|------------------------|
| General Obligation Bonds | \$(125,780,000) |
| Capital Lease | (321,407) |
| Discounts on Bonds | 515,389 |
| Premiums on Bonds | (2,122,283) |
| Accrued Interest Payable | (711,943) |
| Compensated Absences | (5,182,334) |
| Deferred Charge for Bond Issuance Costs | 1,966,831 |
| Deferred Loss on Refunding | 1,431,750 |
| Retainage Payable | (361,600) |
| TMRS Net Pension Obligation | (3,363,716) |
| OPEB Net Pension Obligation | <u>(822,882)</u> |
| NET ADJUSTMENT TO REDUCE FUND BALANCE - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$(134,752,195)</u> |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 \$8,677,604 difference is as follows:

| | |
|--|---------------------|
| Capital Outlay | \$15,149,872 |
| Depreciation Expense | <u>(6,472,268)</u> |
| NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | |
| | <u>\$ 8,677,604</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 \$1,136,127 difference is as follows:

| | |
|--|---------------------|
| Property Taxes | \$ 1,090,425 |
| Court Fines | <u>45,702</u> |
| NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | |
| | <u>\$ 1,136,127</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 \$2,148,204 difference are as follows:

| | |
|--|---------------------|
| Debt Issued or Incurred: | |
| Issuance of General Obligation Bonds | \$ (8,825,000) |
| Capital Lease | (337,327) |
| Premium on Bond Issuance | (805,797) |
| TMRS Net Pension Obligation | (363,301) |
| OPEB Net Pension Obligation | (296,456) |
| Principal Repayments: | |
| General Obligation Bonds Refunded | 5,655,000 |
| Capital Lease | 15,920 |
| Deferred Loss on Refunding | 230,165 |
| General Obligation Debt | <u>6,875,000</u> |
| NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | |
| | <u>\$ 2,148,204</u> |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 \$(195,540) difference are as follows:

| | |
|--|--------------------|
| Compensated Absences | \$(118,125) |
| Accrued Interest | 45,318 |
| Amortization of Deferred Charge on Refunding | (134,465) |
| Amortization of Issuance Costs | (118,281) |
| Amortization of Bond Discounts | (38,023) |
| Amortization of Bond Premiums | <u>168,036</u> |
| NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | |
| | <u>\$(195,540)</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, 2013

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, Public Education, PARD Recreation Programs, Library Memorial, Parks and Recreation, TIRZ #5, 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, 2013, 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, 2013

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, 2013, are shown below:

| DESCRIPTION | RATING | RATING ORGANIZATION | FAIR VALUE | WEIGHTED AVERAGE MATURITY (DAYS) |
|--|--------|---------------------|----------------------|----------------------------------|
| Well Fargo Cash and Cash on Hand | NR | N/A | \$ 8,663,468 | - |
| TexStar | AAAm | Standard & Poor's | 32,506,247 | - |
| TexPool | AAAm | Standard & Poor's | 507,012 | - |
| TexasTERM | AAAm | Standard & Poor's | 410,614 | - |
| Lonestar | AAAm | Standard & Poor's | 1,002,017 | - |
| LOGIC | AAAm | Standard & Poor's | 5,004,066 | - |
| Wells Fargo Money Market Mutual Funds | AAAm | Standard & Poor's | 14,674,500 | - |
| FNMA | AA+ | Standard & Poor's | 2,001,622 | 725 |
| FHLB | AA+ | Standard & Poor's | 17,991,894 | 632 |
| FHLMC | AA+ | Standard & Poor's | 10,004,360 | 534 |
| United States Treasuries | AA+ | Standard & Poor's | 25,970,188 | 499 |
| Municipal Bonds | NR | N/A | 4,506,120 | 60 |
| Commercial Paper | A-1+ | Standard & Poor's | 7,497,553 | 133 |
| Commercial Paper | A-1 | Standard & Poor's | <u>14,995,866</u> | 89 |
| TOTAL FAIR VALUE | | | <u>\$145,735,527</u> | |
| Portfolio Weighted Average Maturity (Days) | | | | 231.42 |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 | CAPITAL PROJECTS | DEBT SERVICE | ELECTRIC | WATER/ WASTEWATER | STORMWATER DRAINAGE | NONMAJOR ENTERPRISE | INTERNAL SERVICE | TOTAL |
|---------------------------------------|----------------------------|----------------------------|------------------------|---------------------------|---------------------------|----------------------------|--------------------------|--------------------------|-------------------------|----------------------------|
| Receivables | | | | | | | | | | |
| Taxes | \$ 2,825,158 | \$ 728,887 | \$ - | \$ 539,999 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,094,044 |
| Accounts | 1,690,453 | 54,770 | 4,347 | 3,030,014 | 6,699,072 | 3,732,912 | 354,172 | 517,958 | 131,612 | 16,215,310 |
| Due from Governments | - | 1,653,709 | - | - | - | - | - | 576,568 | - | 2,230,277 |
| Loans | - | 28,403 | - | - | - | - | - | - | - | 28,403 |
| Gross Receivables | 4,515,611 | 2,465,769 | 4,347 | 3,570,013 | 6,699,072 | 3,732,912 | 354,172 | 1,094,526 | 131,612 | 22,568,034 |
| Less: Allowance for Uncollectibles | (43,759) | - | - | (40,984) | (672,187) | (344,278) | (46,025) | (96,905) | - | (1,244,138) |
| NET TOTAL RECEIVABLES | <u>\$ 4,471,852</u> | <u>\$ 2,465,769</u> | <u>\$ 4,347</u> | <u>\$3,529,029</u> | <u>\$6,026,885</u> | <u>\$ 3,388,634</u> | <u>\$ 308,147</u> | <u>\$ 997,621</u> | <u>\$131,612</u> | <u>\$21,323,896</u> |

Governmental funds report deferred 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 revenue and unearned revenue reported in the governmental funds were as follows:

| | <u>UNAVAILABLE</u> | <u>UNEARNED</u> |
|---|----------------------------|---------------------------|
| Delinquent Property Taxes Receivable (General Fund) | \$ 610,612 | \$ - |
| Activity Center (General Fund) | - | 133,855 |
| Grant Drawdown (General Fund) | - | 940,779 |
| Developer Fees (General Fund) | - | 944,472 |
| Delinquent Property Taxes Receivable (Debt Service) | 479,813 | - |
| Hotel Occupancy (Nonmajor Governmental) | - | 63 |
| Grant Drawdowns (Nonmajor Governmental) | - | 2,168,621 |
| TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS | <u>\$ 1,090,425</u> | <u>\$4,187,790</u> |

C. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 | \$ 7,286,864 | \$ 6,757,803 | \$ - | \$ 14,044,667 |
| Construction in Progress | <u>94,867,389</u> | <u>11,802,986</u> | <u>(63,036,987)</u> | <u>43,633,388</u> |
| Total Capital Asset not being Depreciated | <u>102,154,253</u> | <u>18,560,789</u> | <u>(63,036,987)</u> | <u>57,678,055</u> |
| Capital Assets being Depreciated | | | | |
| Buildings | 36,544,215 | 9,938 | - | 36,554,153 |
| Machinery and Equipment | 22,018,760 | 1,993,347 | (110,965) | 23,901,142 |
| Improvements other than Buildings | 50,088,473 | 51,462,017 | - | 101,550,490 |
| Infrastructure | <u>28,656,436</u> | <u>5,895,000</u> | <u>-</u> | <u>34,551,436</u> |
| Total Capital Asset being Depreciated | <u>137,307,884</u> | <u>59,360,302</u> | <u>(110,965)</u> | <u>196,557,221</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (6,838,935) | (755,111) | - | (7,594,046) |
| Machinery and Equipment | (17,550,480) | (1,266,573) | 110,965 | (18,706,088) |
| Improvements Other than Buildings | (23,549,985) | (3,161,817) | - | (26,711,802) |
| Infrastructure | <u>(9,195,094)</u> | <u>(1,288,767)</u> | <u>-</u> | <u>(10,483,861)</u> |
| Total Accumulated Depreciation | <u>(57,134,494)</u> | <u>(6,472,268)</u> | <u>110,965</u> | <u>(63,495,797)</u> |
| Total Capital Assets being Depreciated - Net | <u>80,173,390</u> | <u>52,888,034</u> | <u>-</u> | <u>133,061,424</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET | <u>\$182,327,643</u> | <u>\$71,448,823</u> | <u>\$(63,036,987)</u> | <u>\$190,739,479</u> |
| <u>Business-Type Activities</u> | | | | |
| Capital Assets not being Depreciated | | | | |
| Land | \$ 1,446,029 | \$ 1,646,628 | \$ - | \$ 3,092,657 |
| Construction in Progress | <u>72,117,636</u> | <u>34,012,590</u> | <u>(12,815,404)</u> | <u>93,314,822</u> |
| Total Assets not being Depreciated | <u>73,563,665</u> | <u>35,659,218</u> | <u>(12,815,404)</u> | <u>96,407,479</u> |
| Capital Assets being Depreciated | | | | |
| Buildings | 6,369,767 | - | - | 6,369,767 |
| Machinery and Equipment | 8,686,069 | 153,436 | (38,671) | 8,800,834 |
| Improvements other than Buildings | <u>168,701,317</u> | <u>11,116,313</u> | <u>-</u> | <u>179,817,630</u> |
| Total Capital Assets being Depreciated | <u>183,757,153</u> | <u>11,269,749</u> | <u>(38,671)</u> | <u>194,988,231</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (3,418,222) | (120,973) | - | (3,539,195) |
| Machinery and Equipment | (5,972,640) | (455,896) | 38,671 | (6,389,865) |
| Improvements other than Buildings | <u>(78,368,100)</u> | <u>(8,802,534)</u> | <u>-</u> | <u>(87,170,634)</u> |
| Total Accumulated Depreciation | <u>(87,758,962)</u> | <u>(9,379,403)</u> | <u>38,671</u> | <u>(97,099,694)</u> |
| Total Capital Assets being Depreciated - Net | <u>95,998,191</u> | <u>1,890,346</u> | <u>-</u> | <u>97,888,537</u> |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET | <u>\$169,561,856</u> | <u>\$37,549,564</u> | <u>\$(12,815,404)</u> | <u>\$194,296,016</u> |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 | \$ 4,710,365 |
| Public Safety | 1,134,970 |
| Community Services | <u>626,933</u> |
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | <u>\$ 6,472,268</u> |
| <u>Business-Type Activities</u> | |
| Electric | \$ 371,832 |
| Water and Wastewater | 8,237,334 |
| Airport | 255,788 |
| Stormwater Drainage | <u>514,449</u> |
| TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES | <u>\$ 9,379,403</u> |

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2013, is as follows:

Due to/from Other Funds:

| <u>RECEIVABLE FUND</u> | <u>PAYABLE FUND</u> | <u>AMOUNT</u> |
|------------------------|-----------------------|---------------|
| General | Capital Projects | \$ 2,119 |
| | Nonmajor Governmental | 471,930 |
| | Debt Service | 1,202 |
| | Water and Wastewater | 482,630 |
| | Electric | 434,887 |
| | Stormwater Drainage | 194 |
| | Nonmajor Enterprise | 72,389 |
| Capital Projects | General | 424,073 |
| | Nonmajor Governmental | 2,597,033 |
| | Water and Wastewater | 350,512 |
| | Stormwater Drainage | 87,936 |
| | Nonmajor Enterprise | 3,528 |
| Debt Service | General | 1,202 |
| Nonmajor Governmental | General | 151,250 |
| | Debt Service | 274,081 |
| | Water and Wastewater | 22,004 |
| | Nonmajor Governmental | 3,948 |
| | Stormwater Drainage | 17,210 |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 | Stormwater Drainage | \$ 59,879 |
| | Debt Service | 3,202,979 |
| | Capital Projects | 14,179 |
| Water and Wastewater | General | 50,273 |
| | Capital Projects | 44,528 |
| | Debt Service | 4,449,586 |
| | Electric | 27,657 |
| | Stormwater Drainage | 6,145 |
| Stormwater Drainage | General | 22 |
| | Capital Projects | 6,104 |
| | Debt Service | 957,833 |
| | Water and Wastewater | 84,745 |
| Nonmajor Enterprise | General | 105,000 |
| | Capital Projects | 106 |
| | Nonmajor Enterprise | 275,488 |
| Internal Service - Insurance | General | 228,465 |
| | Capital Projects | 4,030 |
| | Nonmajor Governmental | 7,648 |
| | Electric | 116,429 |
| | Water and Wastewater | 118,934 |
| | Stormwater Drainage | 959 |
| | Nonmajor Enterprise | 261 |

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>NONMAJOR ENTERPRISE</u> | <u>INTERNAL SERVICE</u> | |
| <u>Transfers Out</u> | | | | | | | |
| General | \$ - | \$2,064,073 | \$ 549,031 | \$ 47,325 | \$ 462,234 | \$ 100,000 | \$ 3,222,663 |
| Nonmajor Governmental | - | - | 1,236,809 | - | - | - | 1,236,809 |
| Electric | 3,768,253 | - | - | - | - | 100,000 | 3,868,253 |
| Water and Wastewater | 1,922,023 | - | - | - | 25,000 | 100,000 | 2,047,023 |
| TOTALS | <u>\$5,690,276</u> | <u>\$2,064,073</u> | <u>\$1,785,840</u> | <u>\$ 47,325</u> | <u>\$ 487,234</u> | <u>\$ 300,000</u> | <u>\$10,374,748</u> |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 Lease

The City has one capital lease for equipment that they entered into in fiscal year 2013 in the capital projects fund.

Principal and interest requirements to maturity as of September 30, 2013 are as follows:

| <u>FISCAL YEAR</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|--------------------|-------------------|------------------|-------------------|
| 2014 | \$ 27,427 | \$ 7,253 | \$ 34,680 |
| 2015 | 28,048 | 5,685 | 33,733 |
| 2016 | 28,682 | 5,051 | 33,733 |
| 2017 | 29,331 | 4,402 | 33,733 |
| 2018 | 29,994 | 3,738 | 33,732 |
| 2019 - 2023 | <u>143,598</u> | <u>8,198</u> | <u>151,796</u> |
| | <u>\$ 287,080</u> | <u>\$ 34,327</u> | <u>\$ 321,407</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. The original amount of general obligation and combination tax and revenue bonds issued in prior years was \$259,235,000. During the year, the City issued \$11,870,000 of Combination Tax and Revenue Certificates of Obligation, Series 2013 with a 2-4% interest rate that mature August 15, 2033 and \$18,510,000 of Electric Utility System Revenue Bonds, Series 2013 with a 2-5% interest rate that mature November 1, 2033.

Bond Refunding

On May 21, 2013, the City issued \$7,280,000 of General Obligation Refunding Bonds, Series 2013. The net proceeds from the issuance of the bonds were used to purchase U. S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. A deposit of \$8,053,384 was made to an escrow account to provide the refunding of \$1,935,000 of Series 2004A Waterworks and Waste Water System Revenue and Improvement Bonds, and \$5,655,000 of Series 2008 Pass Through Toll Revenue and Limited Tax Bonds. As of September 30, 2013, the outstanding balance of these defeased bonds is \$5,655,000. The refunded bonds are considered legally defeased and the liability for these bonds has been removed. The City refunded to reduce its total debt service payments by \$1,020,899 and to obtain an economic gain of \$663,636 (present value).

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Bond Refunding (Continued)

On May 21, 2013 the City issued \$11,980,000 of General Obligation Refunding Bonds, Series 2013. The net proceeds from the issuance of the bonds were used to purchase U. S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. A deposit of \$11,801,901 was made to an escrow account to provide the refunding of \$11,040,000 of the Series 2005 Waterworks and Waste Water System Revenue Bonds. As of September 30, 2013, the outstanding balance of these defeased bonds is \$11,040,000. The refunded bonds are considered legally defeased and the liability for these bonds has been removed. The City refunded to reduce its total debt service payments by \$1,060,751 and to obtain an economic gain of \$991,278 (present value).

General Obligation Bonds and Combination Tax and Revenue Bonds

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

| <u>PURPOSE</u> | <u>INTEREST RATES</u> | <u>AMOUNT</u> |
|--------------------------------------|-----------------------|-----------------------|
| Governmental Activities | 3.50 - 4.61% | \$ 100,480,000 |
| Governmental Activities - Refunding | 2.00 - 5.375% | 25,300,000 |
| Business-Type Activities | 3.50 - 5.00% | 82,795,000 |
| Business-Type Activities - Refunding | 2.00 - 5.00% | <u>66,990,000</u> |
| | | <u>\$ 275,565,000</u> |

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

| <u>YEAR ENDING SEPTEMBER 30,</u> | <u>GOVERNMENTAL ACTIVITIES</u> | |
|--------------------------------------|--------------------------------|---------------------|
| | <u>PRINCIPAL</u> | <u>INTEREST</u> |
| 2014 | \$ 7,000,000 | \$ 5,671,088 |
| 2015 | 6,930,000 | 5,382,896 |
| 2016 | 7,155,000 | 5,119,217 |
| 2017 | 7,400,000 | 4,850,982 |
| 2018 | 7,550,000 | 4,561,226 |
| 2019-2023 | 37,045,000 | 18,077,665 |
| 2024-2028 | 35,425,000 | 9,249,657 |
| 2029-2033 | <u>17,275,000</u> | <u>1,654,092</u> |
| | <u>\$125,780,000</u> | <u>\$54,566,823</u> |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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:

| YEAR ENDING SEPTEMBER 30, | BUSINESS-TYPE ACTIVITIES | |
|------------------------------|--------------------------|---------------------|
| | PRINCIPAL | INTEREST |
| 2014 | \$ 7,575,000 | \$ 5,682,871 |
| 2015 | 8,085,000 | 5,675,698 |
| 2016 | 8,620,000 | 5,148,450 |
| 2017 | 9,160,000 | 4,921,026 |
| 2018 | 9,470,000 | 4,613,453 |
| 2019-2023 | 42,940,000 | 18,707,759 |
| 2024-2028 | 40,320,000 | 10,457,412 |
| 2029-2033 | 19,725,000 | 3,190,245 |
| 2034-2037 | 3,890,000 | 253,510 |
| | <u>\$149,785,000</u> | <u>\$58,650,424</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, 2013, the outstanding balance of the defeased bonds is \$51,490,000.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

| | BEGINNING BALANCE | ADDITIONS | REDUCTIONS | ENDING BALANCE | DUE WITHIN ONE YEAR |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Governmental Activities</u> | | | | | |
| General Obligation Bonds | \$ 129,485,000 | \$ 8,825,000 | \$ (12,530,000) | \$ 125,780,000 | \$ 6,945,000 |
| Discount on Bonds | (553,412) | - | 38,023 | (515,389) | (38,023) |
| Premium on Bonds | 1,484,522 | 805,797 | (168,036) | 2,122,283 | 168,036 |
| Deferred Amount on Refundings | (1,336,050) | (230,165) | 134,465 | (1,431,750) | (122,351) |
| Capital Leases | - | 337,327 | (15,920) | 321,407 | 34,680 |
| Compensated Absences | 5,064,209 | 877,756 | (759,631) | 5,182,334 | 777,350 |
| TMRS Net Pension Obligation | 3,000,415 | 363,301 | - | 3,363,716 | - |
| OPEB Net Pension Obligation | 526,426 | 296,456 | - | 822,882 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES | <u>\$ 137,671,110</u> | <u>\$ 11,275,472</u> | <u>\$ (13,301,099)</u> | <u>\$ 135,645,483</u> | <u>\$ 7,764,692</u> |
| <u>Business-Type Activities</u> | | | | | |
| Bonds Payable | | | | | |
| Revenue Bonds | \$ 129,750,000 | \$ 40,815,000 | \$ (20,780,000) | \$ 149,785,000 | \$ 7,575,000 |
| Premium on Bonds | 2,948,532 | 743,283 | (391,251) | 3,300,564 | 272,491 |
| Deferred Amount on Refundings | (3,718,378) | (995,121) | 430,280 | (4,283,219) | (430,280) |
| Discount on Bonds | (266,229) | - | 15,907 | (250,322) | (15,907) |
| Capital Leases | 33,768 | - | (33,768) | - | - |
| TMRS Net Pension Obligation | 618,596 | 83,344 | - | 701,940 | - |
| OPEB Net Pension Obligation | 107,681 | 68,008 | - | 175,689 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Bonds Payable | 129,473,970 | 40,714,514 | (20,758,832) | 149,429,652 | 7,401,304 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Compensated Absences | 287,828 | 231,311 | (216,745) | 302,394 | 250,076 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES | <u>\$ 129,761,798</u> | <u>\$ 40,945,825</u> | <u>\$ (20,975,577)</u> | <u>\$ 149,732,046</u> | <u>\$ 7,651,380</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 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 in both specific and aggregate reinsurance. The City's maximum medical claim exposure for a specific covered person is limited to \$100,000 in claims. Each covered person is subject to a maximum lifetime benefit reimbursement of \$100,000 for medical and a maximum annual benefit on dental of \$1,250. Aggregate coverage is purchased for the plan in order to limit the total medical claims exposure.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Benefits Management

The plan includes a pre-existing clause to deter adverse selection into the plan subject to the provisions of the Health Insurance Portability and Accountability Act of 1996. 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. An annual benefit and wellness fair is hosted to increase employee awareness. The City continues to identify and implement features to contain costs and provide a sustainable benefit program. Examples include specialty networks for lab services and specialized provider networks including pharmacy benefits. The plan is funded by contributions from the City and participating employees based on recommendations of maximum plan exposure as calculated by an employee benefits specialty firm. Projected claim costs are based on claims experience, lag studies, industry trends, census and aggregate factors. A liability for claims is established based on estimated incurred but not recorded claims outstanding and anticipated associated insurance and administrative costs. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract.

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

| <u>YEAR ENDED SEPTEMBER 30,</u> | <u>BEGINNING LIABILITY</u> | <u>CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATE</u> | <u>CLAIM PAYMENTS</u> | <u>ENDING LIABILITY</u> |
|-------------------------------------|--------------------------------|--|---------------------------|-----------------------------|
| 2011 | \$ 993,478 | \$ 3,455,750 | \$3,551,951 | \$ 897,277 |
| 2012 | 897,277 | 5,222,174 | 5,059,501 | 1,059,950 |
| 2013 | 1,059,950 | 4,539,177 | 4,940,977 | 658,150 |

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 .20% 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, 2013

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 \$23,928,100 for governmental capital assets, \$18,631,233 for water and wastewater, \$13,258,020 for electric, and \$7,539,738 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, 2013

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 2011</u> | <u>PLAN YEAR 2012</u> | <u>PLAN YEAR 2013</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 Projected Unit Credit 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) | \$ 5,608,608 |
| Interest on Net Pension Obligation | 253,332 |
| Adjustment to the ARC | <u>(222,571)</u> |
| Annual Pension Cost | 5,639,369 |
| Contributions Made | <u>(5,192,723)</u> |
| Increase (Decrease) in Net Pension Obligation | 446,646 |
| Net Pension Obligation/(Asset), Beginning of Year | <u>3,619,010</u> |
| NET PENSION OBLIGATION/(ASSET), END OF YEAR | <u>\$ 4,065,656</u> |

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Pension Plans – Primary Government (Continued)

Contributions (Continued)

THREE-YEAR TREND INFORMATION

| <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> |
|---------------------------------------|--|---|--|---------------------------------------|
| 9/30/2011 | \$5,669,895 | \$ 4,586,458 | 80.89% | \$2,952,616 |
| 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 |

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

| <u>ACTUARIAL VALUATION DATE</u> | <u>12/31/2010</u> | <u>12/31/2011</u> | <u>12/31/2012</u> |
|--|------------------------------|------------------------------|------------------------------|
| Actuarial Cost Method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll |
| GASB 25 Equivalent Single Amortization Period | 27.2 Years; Closed Period | 26.2 Years; Closed Period | 25.2 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, 2013

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, 2012, the most recent actuarial valuation date, is as follows:

| <u>ACTUARIAL VALUATION DATE</u> | <u>ACTUARIAL VALUE OF ASSETS</u> | <u>ACTUARIAL ACCRUED LIABILITY</u> | <u>PERCENTAGE FUNDED</u> | <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY</u> | <u>ANNUAL COVERED PAYROLL</u> | <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</u> |
|---|--|--|------------------------------|---|---------------------------------------|--|
| 12/31/2012 | \$ 108,603,384 | \$ 141,224,081 | 76.9% | \$ 32,620,697 | \$ 29,096,429 | 112.1% |

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, 2013

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 (expense) 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 is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ending September 30, 2013 is as follows:

| | |
|--|----------------------|
| Annual Required Contribution (ARC) | \$415,169 |
| Interest on OPEB Obligation | 28,535 |
| Adjustment to ARC | <u>(26,438)</u> |
| OPEB Cost (Expense) End of Year | 417,266 |
| Net Estimated Employer Contributions | <u>(52,802)</u> |
| Increase in Net OPEB Obligation | 364,464 |
| Net OPEB Obligation, as of Beginning of Year | <u>634,107</u> |
| NET OPEB OBLIGATION, AS OF END OF YEAR | <u>\$998,571</u> |

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2013 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> |
|--------------------------|-------------------------|------------------------------|-------------------------------|----------------------------|
| 9/30/2011 | \$ 329,540 | \$ 157,129 | 43.7% | \$ 608,865 |
| 9/30/2012 | 340,373 | 315,131 | 92.6% | 634,107 |
| 9/30/2013 | 417,266 | 52,802 | 12.7% | 998,571 |

3. Funding Status and Funding Progress

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>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>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, 2013

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

3. Funding Status and Funding Progress (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 actuarial 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 projected unit credit method then provides for a systematic recognition of the cost of 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 Percentage of Payroll |
| Amortization Period | 30 Years; Open Amortization |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Investment Rate of Return | 4.5%, Net of Expenses |
| Payroll Growth Rate | 3.0% per annum |
| Inflation Rate | 3.0% per annum |
| Health Care Cost 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, 2013

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 2013, 2012 and 2011, were \$42,413, 44,833 and \$54,726, 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> |
|------------------------------------|--|--|--|
| 2009 | 0.02% | 0.02% | 100.00% |
| 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% |

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, 2013

| 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) |
|--------------------------------|--|---|------------------------------------|--------------------------|-------------------------------------|---|
| 12/31/2012 | \$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% |
| 12/31/2010 | 88,314,595 | 122,500,837 | 34,186,242 | 72.1% | 27,415,320 | 124.7% |

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, 2013

| 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% |

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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GENERAL FUND

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, 2013

| | <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>2012</u> <u>ACTUAL</u> |
|-------------------------------|-------------------------|-------------------|---------------------------------|---|------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | | |
| <u>REVENUES</u> | | | | | |
| Taxes | | | | | |
| Property Taxes | | | | | |
| Current Ad Valorem Taxes | \$ 7,434,921 | \$ 7,434,921 | \$ 7,382,129 | \$ (52,792) | \$ 5,967,891 |
| Delinquent Ad Valorem Taxes | 81,838 | 81,838 | 47,825 | (34,013) | 70,269 |
| Penalty and Interest on | | | | | |
| Delinquent Taxes | 44,067 | 44,067 | 48,666 | 4,599 | 52,596 |
| Franchise | 1,641,344 | 1,641,344 | 1,612,147 | (29,197) | 1,192,178 |
| Sales | 21,102,124 | 21,102,124 | 22,852,364 | 1,750,240 | 21,079,582 |
| Mixed Drink | 278,847 | 278,847 | 292,544 | 13,697 | 243,974 |
| Total Taxes | <u>30,583,141</u> | <u>30,583,141</u> | <u>32,235,675</u> | <u>1,652,534</u> | <u>28,606,490</u> |
| Licenses and Permits | | | | | |
| Professional and Occupational | 55,448 | 55,448 | 50,160 | (5,288) | 42,372 |
| Building | 1,305,192 | 1,305,192 | 1,112,787 | (192,405) | 408,693 |
| Development | 130,750 | 130,750 | 153,682 | 22,932 | 31,195 |
| Plumbing | 43,035 | 43,035 | 60,119 | 17,084 | 34,455 |
| Food | 152,775 | 152,775 | 214,382 | 61,607 | 160,475 |
| Cemetery | 68,600 | 68,600 | 65,468 | (3,132) | 79,955 |
| Other | 36,094 | 36,094 | 538,190 | 502,096 | 282,710 |
| Total Licenses and Permits | <u>1,791,894</u> | <u>1,791,894</u> | <u>2,194,788</u> | <u>402,894</u> | <u>1,039,855</u> |
| Fines and Penalties | | | | | |
| Parking | 145,342 | 145,342 | 80,759 | (64,583) | 110,586 |
| Traffic | 562,406 | 562,406 | 460,590 | (101,816) | 472,602 |
| Complaints | 287,850 | 287,850 | 325,209 | 37,359 | 320,778 |
| Library | 62,020 | 62,020 | 63,009 | 989 | 57,169 |
| Other | 691,564 | 691,564 | 574,077 | (117,487) | 570,173 |
| Total Fines and Penalties | <u>1,749,182</u> | <u>1,749,182</u> | <u>1,503,644</u> | <u>(245,538)</u> | <u>1,531,308</u> |
| Charges for Services | | | | | |
| Vital Statistics | 36,335 | 36,335 | 39,822 | 3,487 | 38,340 |
| Pound Charges | 115,060 | 115,060 | 89,634 | (25,426) | 44,053 |
| Charges to Other Funds | 4,350,858 | 4,350,858 | 4,347,782 | (3,076) | 4,382,145 |
| Building Rental | 111,603 | 111,603 | 163,448 | 51,845 | 175,637 |
| Recreation Program | 452,857 | 452,857 | 428,851 | (24,006) | 408,089 |
| Other Services | 66,729 | 66,729 | 102,098 | 35,369 | 91,348 |
| Total Charges for Services | <u>5,133,442</u> | <u>5,133,442</u> | <u>5,171,635</u> | <u>38,193</u> | <u>5,139,612</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, 2013

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u> | <u>2012 ACTUAL</u> |
|-----------------------------|-------------------------|--------------|-----------------------|---|--------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | | |
| <u>REVENUES (CONTINUED)</u> | | | | | |
| Intergovernmental | \$ 212,654 | \$ 212,654 | \$ 219,382 | \$ 6,728 | \$ 188,265 |
| Investment Earnings | 61,000 | 61,000 | 64,411 | 3,411 | 48,956 |
| Other | | | | | |
| Donations | 83,845 | 83,845 | 80,000 | (3,845) | 80,000 |
| Miscellaneous | 1,060,198 | 1,060,198 | 999,751 | (60,447) | 882,903 |
| Total Other | 1,144,043 | 1,144,043 | 1,079,751 | (64,292) | 962,903 |
| Total Revenues | 40,675,356 | 40,675,356 | 42,469,286 | 1,793,930 | 37,517,389 |
| <u>EXPENDITURES</u> | | | | | |
| Current | | | | | |
| General Government | | | | | |
| Personal Services | 1,809,834 | 1,868,784 | 1,833,813 | 34,971 | 1,921,974 |
| Contracted Services | 176,157 | 169,332 | 139,197 | 30,135 | 144,978 |
| Materials and Supplies | 114,520 | 73,373 | 53,621 | 19,752 | 75,572 |
| Other Charges | 311,553 | 341,028 | 306,233 | 34,795 | 231,589 |
| Total General Government | 2,412,064 | 2,452,517 | 2,332,864 | 119,653 | 2,374,113 |
| Human Resources | | | | | |
| Personnel Services | 862,816 | 863,916 | 770,436 | 93,480 | 785,539 |
| Contracted Services | 136,364 | 132,628 | 74,625 | 58,003 | 79,094 |
| Materials and Supplies | 19,280 | 21,916 | 20,257 | 1,659 | 21,658 |
| Other Charges | 26,452 | 26,452 | 16,998 | 9,454 | 14,753 |
| Total Human Resources | 1,044,912 | 1,044,912 | 882,316 | 162,596 | 901,044 |
| Finance | | | | | |
| Personnel Services | 1,264,051 | 1,283,310 | 1,283,310 | - | 1,095,330 |
| Contracted Services | 56,500 | 53,016 | 53,016 | - | 34,235 |
| Materials and Supplies | 32,268 | 30,686 | 30,686 | - | 26,017 |
| Other Charges | 33,487 | 29,464 | 29,464 | - | 25,682 |
| Total Finance | 1,386,306 | 1,396,476 | 1,396,476 | - | 1,181,264 |

(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, 2013

| | <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>2012</u> <u>ACTUAL</u> |
|---------------------------------|-------------------------|------------------|---------------------------------|---|------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | | |
| <u>EXPENDITURES (CONTINUED)</u> | | | | | |
| Municipal Court | | | | | |
| Personal Services | \$ 610,100 | \$ 636,253 | \$ 636,253 | \$ - | \$ 609,094 |
| Contracted Services | 56,950 | 59,520 | 59,520 | - | 45,162 |
| Materials and Supplies | 21,269 | 16,318 | 16,318 | - | 17,055 |
| Other Charges | 13,865 | 5,808 | 5,808 | - | 5,155 |
| Total Municipal Court | <u>702,184</u> | <u>717,899</u> | <u>717,899</u> | <u>-</u> | <u>676,466</u> |
| Technology Services | | | | | |
| Personnel Services | 924,571 | 924,571 | 829,824 | 94,747 | 727,803 |
| Contracted Services | 177,070 | 167,669 | 142,727 | 24,942 | 171,769 |
| Materials and Supplies | 34,131 | 43,532 | 33,658 | 9,874 | 39,088 |
| Other Charges | 51,423 | 51,423 | 45,137 | 6,286 | 49,042 |
| Capital Outlay | - | - | 3,310 | (3,310) | - |
| Total Technology Services | <u>1,187,195</u> | <u>1,187,195</u> | <u>1,054,656</u> | <u>132,539</u> | <u>987,702</u> |
| Development Services | | | | | |
| Personnel Services | 1,564,068 | 1,522,783 | 1,493,179 | 29,604 | 1,421,075 |
| Contracted Services | 320,692 | 210,962 | 205,403 | 5,559 | 170,645 |
| Materials and Supplies | 43,465 | 42,330 | 37,244 | 5,086 | 56,251 |
| Other Charges | 80,475 | 67,328 | 58,690 | 8,638 | 45,077 |
| Total Development Services | <u>2,008,700</u> | <u>1,843,403</u> | <u>1,794,516</u> | <u>48,887</u> | <u>1,693,048</u> |
| Engineering | | | | | |
| Personnel Services | 231,410 | 168,855 | 123,395 | 45,460 | 270,574 |
| Contracted Services | 74,782 | 47,782 | 46,697 | 1,085 | - |
| Materials and Supplies | 17,227 | 17,227 | 11,254 | 5,973 | - |
| Other Charges | - | - | - | - | - |
| Total Engineering | <u>323,419</u> | <u>233,864</u> | <u>181,346</u> | <u>52,518</u> | <u>270,574</u> |
| Fire | | | | | |
| Personnel Services | 5,926,366 | 6,320,156 | 6,320,156 | - | 5,746,840 |
| Contracted Services | 107,503 | 80,436 | 80,436 | - | 79,024 |
| Materials and Supplies | 301,483 | 344,710 | 344,710 | - | 295,028 |
| Other Charges | 67,195 | 65,708 | 65,708 | - | 59,049 |
| Total Fire | <u>6,402,547</u> | <u>6,811,010</u> | <u>6,811,010</u> | <u>-</u> | <u>6,179,941</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, 2013

| | <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>2012</u> <u>ACTUAL</u> |
|---------------------------------|-------------------------|-------------------|---------------------------------|---|------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | | |
| <u>EXPENDITURES (CONTINUED)</u> | | | | | |
| Police | | | | | |
| Personnel Services | \$ 11,085,110 | \$ 11,325,065 | \$11,325,065 | \$ - | \$10,914,111 |
| Contracted Services | 327,176 | 209,350 | 209,350 | - | 268,363 |
| Materials and Supplies | 809,655 | 786,382 | 782,982 | 3,400 | 766,051 |
| Other Charges | 93,394 | 78,811 | 78,811 | - | 80,529 |
| Total Police | <u>12,315,335</u> | <u>12,399,608</u> | <u>12,396,208</u> | <u>3,400</u> | <u>12,029,054</u> |
| Public Services | | | | | |
| Personnel Services | 1,681,953 | 1,679,903 | 1,618,534 | 61,369 | 1,541,071 |
| Contracted Services | 147,207 | 119,949 | 117,769 | 2,180 | 241,956 |
| Materials and Supplies | 945,038 | 1,002,423 | 998,524 | 3,899 | 776,867 |
| Other Charges | 140,863 | 134,180 | 130,076 | 4,104 | 25,172 |
| Total Public Services | <u>2,915,061</u> | <u>2,936,455</u> | <u>2,864,903</u> | <u>71,552</u> | <u>2,585,066</u> |
| Community Services | | | | | |
| Neighborhood Services | | | | | |
| Personnel Services | 530,126 | 525,681 | 525,295 | 386 | 574,859 |
| Contracted Services | 46,767 | 56,693 | 56,693 | - | 40,451 |
| Materials and Supplies | 63,163 | 63,163 | 64,649 | (1,486) | 84,923 |
| Other Charges | 10,571 | 10,306 | 10,306 | - | 11,368 |
| Total Neighborhood Services | <u>650,627</u> | <u>655,843</u> | <u>656,943</u> | <u>(1,100)</u> | <u>711,601</u> |
| Library | | | | | |
| Personnel Services | 1,185,248 | 1,189,540 | 1,189,540 | - | 1,128,119 |
| Contracted Services | 35,609 | 35,886 | 34,658 | 1,228 | 33,015 |
| Materials and Supplies | 32,580 | 32,300 | 31,851 | 449 | 34,209 |
| Other Charges | 17,283 | 140,397 | 140,076 | 321 | 139,909 |
| Total Library | <u>1,270,720</u> | <u>1,398,123</u> | <u>1,396,125</u> | <u>1,998</u> | <u>1,335,252</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, 2013

| | <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>2012</u> <u>ACTUAL</u> |
|---------------------------------|-------------------------|------------------|---------------------------------|---|------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | | |
| <u>EXPENDITURES (CONTINUED)</u> | | | | | |
| <u>Parks and Recreation</u> | | | | | |
| Personnel Services | \$ 2,445,717 | \$ 2,567,123 | \$ 2,527,564 | \$ 39,559 | \$ 2,773,026 |
| Contracted Services | 1,205,780 | 1,106,572 | 1,093,702 | 12,870 | 989,488 |
| Materials and Supplies | 539,147 | 585,469 | 570,995 | 14,474 | 561,506 |
| Other Charges | 29,284 | 21,587 | 19,039 | 2,548 | 20,499 |
| Total Parks and Recreation | <u>4,219,928</u> | <u>4,280,751</u> | <u>4,211,300</u> | <u>69,451</u> | <u>4,344,519</u> |
| <u>Environmental Health</u> | | | | | |
| Personnel Services | 380,045 | 387,454 | 387,454 | - | 410,069 |
| Contracted Services | 28,180 | 23,258 | 21,794 | 1,464 | 25,717 |
| Materials and Supplies | 20,716 | 19,729 | 17,921 | 1,808 | 14,635 |
| Other Charges | 4,685 | 3,185 | 2,485 | 700 | 2,799 |
| Total Environmental Services | <u>433,626</u> | <u>433,626</u> | <u>429,654</u> | <u>3,972</u> | <u>453,220</u> |
| <u>Animal Services</u> | | | | | |
| Personnel Services | 674,674 | 682,546 | 659,565 | 22,981 | 649,986 |
| Contracted Services | 90,474 | 92,339 | 73,386 | 18,953 | 33,264 |
| Materials and Supplies | 134,899 | 133,034 | 90,295 | 42,739 | 81,343 |
| Other Charges | 13,178 | 13,178 | 4,004 | 9,174 | 6,331 |
| Capital Outlay | - | - | 1,477 | (1,477) | - |
| Total Animal Services | <u>913,225</u> | <u>921,097</u> | <u>828,727</u> | <u>92,370</u> | <u>770,924</u> |
| <u>Fleet Services</u> | | | | | |
| Personnel Services | 348,921 | 346,181 | 337,959 | 8,222 | 341,147 |
| Contracted Services | 10,927 | 10,946 | 6,710 | 4,236 | 6,106 |
| Materials and Supplies | 37,402 | 39,291 | 38,650 | 641 | 33,635 |
| Other Charges | 6,087 | 4,178 | 3,409 | 769 | 2,507 |
| Total Fleet Services | <u>403,337</u> | <u>400,596</u> | <u>386,728</u> | <u>13,868</u> | <u>383,395</u> |
| <u>Administration</u> | | | | | |
| Personnel Services | 576,166 | 576,166 | 561,565 | 14,601 | - |
| Contracted Services | 900 | 900 | 800 | 100 | - |
| Materials and Supplies | 1,200 | 1,200 | 927 | 273 | - |
| Other Charges | 3,325 | 3,325 | 580 | 2,745 | - |
| Total Administration | <u>581,591</u> | <u>581,591</u> | <u>563,872</u> | <u>17,719</u> | <u>-</u> |
| Total Community Services | <u>8,473,054</u> | <u>8,671,627</u> | <u>8,473,349</u> | <u>198,278</u> | <u>7,998,911</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, 2013

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u> | <u>2012 ACTUAL</u> |
|---|-------------------------|----------------------|-----------------------|---|---------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | | |
| <u>EXPENDITURES (CONTINUED)</u> | | | | | |
| General Services | | | | | |
| Social Services | | | | | |
| Other Charges | \$ 451,742 | \$ 451,742 | \$ 400,742 | \$ 51,000 | \$ 401,142 |
| Total Social Services | <u>451,742</u> | <u>451,742</u> | <u>400,742</u> | <u>51,000</u> | <u>401,142</u> |
| Special Services | | | | | |
| Personnel Services | 634,800 | 25,315 | 25,315 | - | 8,386 |
| Contracted Services | 2,168,811 | 2,087,279 | 2,030,385 | 56,894 | 2,125,384 |
| Materials and Supplies | 5,100 | 7,496 | 7,496 | - | 4,110 |
| Other Charges | 1,613,621 | 1,533,666 | 1,529,487 | 4,179 | 1,320,579 |
| Total Special Services | <u>4,422,332</u> | <u>3,653,756</u> | <u>3,592,683</u> | <u>61,073</u> | <u>3,458,459</u> |
| Total General Services | <u>4,874,074</u> | <u>4,105,498</u> | <u>3,993,425</u> | <u>112,073</u> | <u>3,859,601</u> |
| Cemetery | | | | | |
| Contracted Services | 158,387 | 158,387 | 132,645 | 25,742 | 122,989 |
| Materials and Supplies | 2,040 | 2,040 | 1,674 | 366 | 1,938 |
| Other Charges | 5,194 | 5,194 | 5,137 | 57 | - |
| Total Cemetery | <u>165,621</u> | <u>165,621</u> | <u>139,456</u> | <u>26,165</u> | <u>124,927</u> |
| Total Expenditures | <u>44,210,472</u> | <u>43,966,085</u> | <u>43,038,424</u> | <u>927,661</u> | <u>40,861,711</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(3,535,116)</u> | <u>(3,290,729)</u> | <u>(569,138)</u> | <u>2,721,591</u> | <u>(3,344,322)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Transfers In | 6,190,037 | 6,190,037 | 5,690,276 | (499,761) | 6,454,760 |
| Transfers Out | (2,903,582) | (3,222,663) | (3,222,663) | - | (2,013,105) |
| Sale of Capital Assets | - | - | 151,966 | 151,966 | 23,728 |
| Total Other Financing Sources (Uses) | <u>3,286,455</u> | <u>2,967,374</u> | <u>2,619,579</u> | <u>(347,795)</u> | <u>4,465,383</u> |
| Net Change in Fund Balance | (248,661) | (323,355) | 2,050,441 | 2,373,796 | 1,121,061 |
| FUND BALANCE - BEGINNING | <u>14,924,885</u> | <u>14,924,885</u> | <u>14,924,885</u> | <u>-</u> | <u>13,803,824</u> |
| FUND BALANCE - ENDING | <u>\$ 14,676,224</u> | <u>\$ 14,601,530</u> | <u>\$16,975,326</u> | <u>\$ 2,373,796</u> | <u>\$14,924,885</u> |

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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

PARC 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, 2013

| | SPECIAL | | |
|---|--------------------------------------|---|---------------------|
| | GRANT AND SPECIAL ENTITLEMENTS | COMMUNITY DEVELOPMENT BLOCK GRANT | PUBLIC EDUCATION |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 310,184 | \$ 7,688 | \$ 311,907 |
| Investments | | | |
| Receivables - Net of Allowances for Uncollectibles | | | |
| Accounts | - | 19,242 | 22,777 |
| Taxes | - | - | - |
| Loans | 28,403 | - | - |
| Due from Other Funds | | 3,102 | - |
| Due from Other Governments | - | - | - |
| Prepaid Items | - | - | - |
| | | | |
| TOTAL ASSETS | \$ 338,587 | \$ 30,032 | \$ 334,684 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities | | | |
| Accounts Payable | \$ - | \$ 15,797 | \$ - |
| Accrued Liabilities | - | 2,689 | - |
| Deferred Revenue | 276,288 | 10,892 | - |
| Customer Deposits | - | - | - |
| Due to Other Funds | - | 654 | - |
| Total Liabilities | 276,288 | 30,032 | \$ - |
| Fund Balances | | | |
| Nonspendable for Prepaid Items | - | - | - |
| Restricted for | | | |
| Public Safety | - | - | - |
| Community Services | 62,299 | - | 334,684 |
| Endowment | - | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | 62,299 | - | 334,684 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 338,587 | \$ 30,032 | \$ 334,684 |

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> |
|-------------------------|------------------------|---|----------------------------|---|--------------------------|-----------------------------|
| \$ 276,023 | \$ 140 | \$ 33,454 | \$ 701,938 | \$ 155,537 | \$ 81,749 | \$ 33,888 |
| - | - | - | - | - | - | - |
| - | - | - | 728,887 | - | - | - |
| - | - | - | - | - | - | - |
| 115 | - | 23,649 | - | - | - | - |
| 188,747 | 410,407 | - | - | - | - | - |
| - | 10,922 | - | 255 | - | - | - |
| <u>\$ 464,885</u> | <u>\$ 421,469</u> | <u>\$ 57,103</u> | <u>\$ 1,431,080</u> | <u>\$ 155,537</u> | <u>\$ 81,749</u> | <u>\$ 33,888</u> |
| \$ - | \$ 101,236 | \$ 9,640 | \$ 30,950 | \$ 3,335 | \$ - | \$ - |
| - | 37,291 | - | 4,696 | - | - | - |
| 6,608 | - | 4,087 | 63 | - | - | - |
| - | - | - | - | - | - | - |
| 454,276 | 282,942 | 315 | 794 | - | - | - |
| <u>460,884</u> | <u>421,469</u> | <u>14,042</u> | <u>36,503</u> | <u>3,335</u> | <u>-</u> | <u>-</u> |
| - | 10,922 | - | 255 | - | - | - |
| 4,001 | - | - | - | 152,202 | 81,749 | - |
| - | - | 43,061 | 1,394,322 | - | - | 33,888 |
| - | - | - | - | - | - | - |
| - | (10,922) | - | - | - | - | - |
| <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>\$ 464,885</u> | <u>\$ 421,469</u> | <u>\$ 57,103</u> | <u>\$ 1,431,080</u> | <u>\$ 155,537</u> | <u>\$ 81,749</u> | <u>\$ 33,888</u> |

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2013

| | SPECIAL | | |
|---|---------------------------------------|------------------------------------|-------------------------|
| | MUNICIPAL COURT SECURITY FEE | JUVENILE CASE MANAGER FEE | PARKS AND RECREATION |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 128,666 | \$ 17,623 | \$ 5,420 |
| Investments | - | - | - |
| Receivables - Net of Allowances for Uncollectibles | | | |
| Accounts | - | - | - |
| Taxes | - | - | - |
| Loans | - | - | - |
| Due from Other Funds | 129 | 195 | - |
| Due from Other Governments | - | - | - |
| Prepaid Items | - | - | - |
| | - | - | - |
| TOTAL ASSETS | \$ 128,795 | \$ 17,818 | \$ 5,420 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities | | | |
| Accounts Payable | \$ 3 | \$ 5 | \$ - |
| Accrued Liabilities | - | 1,665 | - |
| Deferred Revenue | - | - | - |
| Customer Deposits | - | - | - |
| Due to Other Funds | - | 184 | - |
| Total Liabilities | 3 | 1,854 | - |
| Fund Balances | | | |
| Nonspendable for Prepaid Items | - | - | - |
| Restricted for | | | |
| Public Safety | 128,792 | 15,964 | - |
| Community Services | - | - | 5,420 |
| Endowment | - | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | 128,792 | 15,964 | 5,420 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 128,795 | \$ 17,818 | \$ 5,420 |

| REVENUE | | | | PERMANENT | |
|-------------------|------------------|------------------|----------------------|--------------------|---------------------|
| TIRZ #2 | TIRZ #3 | TIRZ #5 | MISCELLANEOUS GRANTS | CEMETERY PERPETUAL | TOTALS |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,064,217 |
| - | - | - | 2,019,772 | 2,004,770 | 4,024,542 |
| - | - | 4,642 | 14 | 8,095 | 54,770 |
| - | - | - | - | - | 728,887 |
| - | - | - | - | - | 28,403 |
| 128,222 | 264,238 | 5,795 | 43,048 | - | 468,493 |
| - | - | - | 1,054,555 | - | 1,653,709 |
| - | - | - | - | - | 11,177 |
| <u>\$ 128,222</u> | <u>\$264,238</u> | <u>\$ 10,437</u> | <u>\$ 3,117,389</u> | <u>\$2,012,865</u> | <u>\$ 9,034,198</u> |
| \$ - | \$ 11,040 | \$ - | \$ 139,616 | \$ - | \$ 311,622 |
| - | - | - | - | - | 46,341 |
| - | - | - | 1,870,746 | - | 2,168,684 |
| 2,131 | - | - | - | - | 2,131 |
| <u>126,091</u> | <u>250,198</u> | - | <u>1,000,637</u> | <u>964,468</u> | <u>3,080,559</u> |
| <u>128,222</u> | <u>261,238</u> | - | <u>3,010,999</u> | <u>964,468</u> | <u>5,609,337</u> |
| - | - | - | - | - | 11,177 |
| - | - | - | - | - | 382,708 |
| - | - | - | - | - | 1,873,674 |
| - | - | - | - | 1,048,397 | 1,048,397 |
| - | 3,000 | 10,437 | 106,390 | - | 108,905 |
| - | <u>3,000</u> | <u>10,437</u> | <u>106,390</u> | <u>1,048,397</u> | <u>3,424,861</u> |
| <u>\$ 128,222</u> | <u>\$264,238</u> | <u>\$ 10,437</u> | <u>\$ 3,117,389</u> | <u>\$2,012,865</u> | <u>\$ 9,034,198</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, 2013

| | <u>SPECIAL</u> | | |
|--|---|--|-----------------------------|
| | <u>GRANT AND SPECIAL ENTITLEMENTS</u> | <u>COMMUNITY DEVELOPMENT BLOCK GRANT</u> | <u>PUBLIC EDUCATION</u> |
| <u>REVENUES</u> | | | |
| Taxes | \$ - | \$ - | \$ 91,722 |
| Fines and Penalties | - | - | - |
| Intergovernmental | - | 795,895 | - |
| Charges for Services | - | - | - |
| Investment Earnings | - | - | - |
| Miscellaneous | - | - | - |
| Total Revenues | - | 795,895 | 91,722 |
| <u>EXPENDITURES</u> | | | |
| Current | | | |
| General Government | - | - | - |
| Public Safety | - | - | - |
| Community Service | 17,509 | 795,895 | - |
| Capital Outlay | - | - | - |
| Total Expenditures | 17,509 | 795,895 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (17,509) | - | 91,722 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | - | - | - |
| Transfers Out | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - |
| Net Change in Fund Balance | (17,509) | - | 91,722 |
| <u>FUND BALANCES - BEGINNING</u> | 79,808 | - | 242,962 |
| FUND BALANCES - ENDING | \$ 62,299 | \$ - | \$ 334,684 |

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> |
|-------------------------|------------------------|---|----------------------------|---|--------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$2,805,275 | \$ - | \$ - | \$ - |
| - | - | - | - | 31,094 | 44,650 | - |
| 469,665 | 1,537,596 | - | - | - | - | - |
| - | - | 162,035 | - | - | - | - |
| - | - | - | 1,047 | - | - | - |
| - | - | <u>16,918</u> | <u>18</u> | - | - | <u>262</u> |
| <u>469,665</u> | <u>1,537,596</u> | <u>178,953</u> | <u>2,806,340</u> | <u>31,094</u> | <u>44,650</u> | <u>262</u> |
| - | - | - | - | - | - | - |
| 470,205 | - | - | - | 3,335 | 42,418 | - |
| - | 1,537,596 | 160,636 | 1,523,679 | - | - | - |
| - | - | - | - | - | <u>4,246</u> | - |
| <u>470,205</u> | <u>1,537,596</u> | <u>160,636</u> | <u>1,523,679</u> | <u>3,335</u> | <u>46,664</u> | <u>-</u> |
| <u>(540)</u> | <u>-</u> | <u>18,317</u> | <u>1,282,661</u> | <u>27,759</u> | <u>(2,014)</u> | <u>262</u> |
| - | - | - | 47,325 | - | - | - |
| - | - | - | <u>(1,136,517)</u> | - | - | - |
| - | - | - | <u>(1,089,192)</u> | - | - | - |
| (540) | - | 18,317 | 193,469 | 27,759 | (2,014) | 262 |
| <u>4,541</u> | <u>-</u> | <u>24,744</u> | <u>1,201,108</u> | <u>124,443</u> | <u>83,763</u> | <u>33,626</u> |
| <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> |

(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, 2013

| | SPECIAL | | |
|--|---------------------------------------|------------------------------------|-------------------------|
| | MUNICIPAL COURT SECURITY FEE | JUVENILE CASE MANAGER FEE | PARKS AND RECREATION |
| <u>REVENUES</u> | | | |
| Taxes | \$ - | \$ - | \$ - |
| Fines and Penalties | 23,699 | 38,333 | |
| Intergovernmental | - | - | |
| Charges for Services | - | - | |
| Investment Earnings | - | - | |
| Miscellaneous | - | - | 807 |
| Total Revenues | 23,699 | 38,333 | 807 |
| <u>EXPENDITURES</u> | | | |
| Current | | | |
| General Government | - | - | - |
| Public Safety | 1,912 | 46,797 | - |
| Community Service | - | - | - |
| Capital Outlay | - | - | - |
| Total Expenditures | 1,912 | 46,797 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 21,787 | (8,464) | 807 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | - | - | - |
| Transfers Out | - | - | - |
| Total Other Financing Sources and Uses | - | - | - |
| Net Change in Fund Balance | 21,787 | (8,464) | 807 |
| <u>FUND BALANCES - BEGINNING</u> | 107,005 | 24,428 | 4,613 |
| FUND BALANCES - ENDING | \$ 128,792 | \$ 15,964 | \$ 5,420 |

| REVENUE | | | PERMANENT | | |
|----------------|-----------------|------------------|----------------------|---------------------|---------------------|
| TIRZ #2 | TIRZ #3 | TIRZ #5 | MISCELLANEOUS GRANTS | CEMETERY PERPETUAL | TOTALS |
| \$ 186,697 | \$ 114,332 | \$ 10,437 | \$ - | \$ - | \$ 3,208,463 |
| - | - | - | - | - | 137,776 |
| - | - | - | 2,950,415 | - | 5,753,571 |
| - | - | - | - | - | 162,035 |
| - | - | - | 2,115 | 5,991 | 9,153 |
| - | - | - | 32,091 | 2,606 | 52,702 |
| <u>186,697</u> | <u>114,332</u> | <u>10,437</u> | <u>2,984,621</u> | <u>8,597</u> | <u>9,323,700</u> |
| 186,697 | 11,040 | - | 2,112,031 | - | 2,309,768 |
| - | - | - | - | - | 564,667 |
| - | - | - | - | - | 4,035,315 |
| - | - | - | 888,600 | - | 892,846 |
| <u>186,697</u> | <u>11,040</u> | <u>-</u> | <u>3,000,631</u> | <u>-</u> | <u>7,802,596</u> |
| - | 103,292 | 10,437 | (16,010) | 8,597 | 1,521,104 |
| - | - | - | - | - | 47,325 |
| - | (100,292) | - | - | - | (1,236,809) |
| - | (100,292) | - | - | - | (1,189,484) |
| - | 3,000 | 10,437 | (16,010) | 8,597 | 331,620 |
| - | - | - | 122,400 | 1,039,800 | 3,093,241 |
| <u>\$ -</u> | <u>\$ 3,000</u> | <u>\$ 10,437</u> | <u>\$ 106,390</u> | <u>\$ 1,048,397</u> | <u>\$ 3,424,861</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, 2013

| | <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 | \$ 7,586,658 | \$ 7,586,658 | \$ 7,481,563 | \$ (105,095) |
| Intergovernmental | 3,030,000 | 3,030,000 | 3,030,000 | - |
| Interest on Investments | 26,000 | 26,000 | 82,699 | 56,699 |
| Miscellaneous | 121,116 | 121,116 | 119,958 | (1,158) |
| Total Revenues | <u>10,763,774</u> | <u>10,763,774</u> | <u>10,714,220</u> | <u>(49,554)</u> |
| <u>EXPENDITURES</u> | | | | |
| Debt Service | | | | |
| Principal | 6,795,000 | 6,795,000 | 6,875,000 | (80,000) |
| Interest and Fiscal Charges | 5,868,185 | 5,868,185 | 5,706,434 | 161,751 |
| Bond Issuance Cost | - | - | 147,549 | (147,549) |
| Total Expenditures | <u>12,663,185</u> | <u>12,663,185</u> | <u>12,728,983</u> | <u>(65,798)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,899,411)</u> | <u>(1,899,411)</u> | <u>(2,014,763)</u> | <u>(115,352)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | 1,937,325 | 1,935,746 | 1,785,840 | (149,906) |
| Payment to Refunded Bond Escrow Agent | - | - | (5,885,165) | (5,885,165) |
| Premium on Debt Issued | - | - | 714,297 | 714,297 |
| Capital Related Debt Issued | - | - | 5,320,000 | 5,320,000 |
| Total Other Financing Sources (Uses) | <u>1,937,325</u> | <u>1,935,746</u> | <u>1,934,972</u> | <u>(774)</u> |
| Net Change in Fund Balances | 37,914 | 36,335 | (79,791) | 116,126 |
| <u>FUND BALANCES - BEGINNING</u> | <u>10,484,328</u> | <u>10,484,328</u> | <u>10,484,328</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$10,522,242</u> | <u>\$10,520,663</u> | <u>\$10,404,537</u> | <u>\$ (116,126)</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, 2013

| | <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>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Intergovernmental | \$ 572,577 | \$ 572,577 | \$ 795,895 | \$ 223,318 |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Community Service | 94,310 | 139,836 | 795,895 | (656,059) |
| Capital Outlay | 478,267 | 1,171,757 | - | 1,171,757 |
| Total Expenditures | <u>572,577</u> | <u>1,311,593</u> | <u>795,895</u> | <u>515,698</u> |
| Net Change in Fund Balance | - | (739,016) | - | 739,016 |
| <u>FUND BALANCES - BEGINNING</u> | | | | |
| | - | - | - | - |
| FUND BALANCES - ENDING | <u>\$ -</u> | <u>\$(739,016)</u> | <u>\$ -</u> | <u>\$ 739,016</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, 2013

| | <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>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Intergovernmental | \$ 69,374 | \$ 116,059 | \$ 469,665 | \$ 353,606 |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Public Safety | <u>277,727</u> | <u>359,312</u> | <u>470,205</u> | <u>(110,893)</u> |
| Net Change in Fund Balance | (208,353) | (243,253) | (540) | 242,713 |
| <u>FUND BALANCES - BEGINNING</u> | <u>4,541</u> | <u>4,541</u> | <u>4,541</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ (203,812)</u> | <u>\$ (238,712)</u> | <u>\$ 4,001</u> | <u>\$ 242,713</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, 2013

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u> |
|----------------------------------|-------------------------|--------------------|---------------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Intergovernmental | <u>\$1,945,282</u> | <u>\$1,945,282</u> | <u>\$1,537,596</u> | <u>\$ (407,686)</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Community Service | <u>1,945,282</u> | <u>1,945,282</u> | <u>1,537,596</u> | <u>407,686</u> |
| Net Change in Fund Balance | - | - | - | - |
| <u>FUND BALANCES - BEGINNING</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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, 2013

| | <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 | \$2,462,905 | \$2,462,905 | \$2,805,275 | \$ 342,370 |
| Interest on Investments | 1,000 | 1,000 | 1,047 | 47 |
| Other | - | - | 18 | 18 |
| Total Revenues | <u>2,463,905</u> | <u>2,463,905</u> | <u>2,806,340</u> | <u>342,435</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Community Service | <u>1,522,275</u> | <u>1,522,275</u> | <u>1,523,679</u> | <u>(1,404)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>941,630</u> | <u>941,630</u> | <u>1,282,661</u> | <u>341,031</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | 47,325 | 47,325 | 47,325 | - |
| Transfers Out | <u>(1,136,517)</u> | <u>(1,136,517)</u> | <u>(1,136,517)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(1,089,192)</u> | <u>(1,089,192)</u> | <u>(1,089,192)</u> | <u>-</u> |
| Net Change in Fund Balance | (147,562) | (147,562) | 193,469 | 341,031 |
| <u>FUND BALANCES - BEGINNING</u> | <u>1,201,108</u> | <u>1,201,108</u> | <u>1,201,108</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$1,053,546</u> | <u>\$1,053,546</u> | <u>\$1,394,577</u> | <u>\$ 341,031</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, 2013

| | <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>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Fines and Penalties | \$ 34,025 | \$ 34,025 | \$ 31,094 | \$ (2,931) |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Public Safety | 5,000 | 5,000 | 3,335 | 1,665 |
| Capital Outlay | 25,000 | 25,000 | - | 25,000 |
| Total Expenditures | 30,000 | 30,000 | 3,335 | 26,665 |
| Net Change in Fund Balance | 4,025 | 4,025 | 27,759 | 23,734 |
| <u>FUND BALANCES - BEGINNING</u> | <u>124,443</u> | <u>124,443</u> | <u>124,443</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 128,468</u> | <u>\$ 128,468</u> | <u>\$ 152,202</u> | <u>\$ 23,734</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, 2013

| | <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>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Fines and Penalties | \$ 5,100 | \$ 5,100 | \$ 44,650 | \$ 39,550 |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Public Safety | 1,500 | 32,887 | 42,418 | (9,531) |
| Capital Outlay | - | 31,672 | 4,246 | 27,426 |
| Total Expenditures | 1,500 | 64,559 | 46,664 | 17,895 |
| Net Change in Fund Balance | 3,600 | (59,459) | (2,014) | 57,445 |
| <u>FUND BALANCES - BEGINNING</u> | <u>83,763</u> | <u>83,763</u> | <u>83,763</u> | <u>-</u> |
| FUND BALANCES - ENDING | \$ <u>87,363</u> | \$ <u>24,304</u> | \$ <u>81,749</u> | \$ <u>57,445</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, 2013

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|----------------------------------|-------------------------|-------------------|-------------------|-----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>AMOUNTS</u> | <u>FINAL BUDGET -</u> |
| | | | | <u>POSITIVE</u> |
| | | | | <u>(NEGATIVE)</u> |
| <u>REVENUES</u> | | | | |
| Fines and Penalties | \$ 26,012 | \$ 26,012 | \$ 23,699 | \$ (2,313) |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Public Safety | <u>11,464</u> | <u>11,464</u> | <u>1,912</u> | <u>9,552</u> |
| Net Change in Fund Balance | 14,548 | 14,548 | 21,787 | 7,239 |
| <u>FUND BALANCES - BEGINNING</u> | <u>107,005</u> | <u>107,005</u> | <u>107,005</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 121,553</u> | <u>\$ 121,553</u> | <u>\$ 128,792</u> | <u>\$ 7,239</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, 2013

| | <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 | \$ 38,333 | \$ (2,667) |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Public Safety | 47,554 | 47,554 | 46,797 | 757 |
| Net Change in Fund Balance | (6,554) | (6,554) | (8,464) | (1,910) |
| <u>FUND BALANCES - BEGINNING</u> | <u>24,428</u> | <u>24,428</u> | <u>24,428</u> | <u>-</u> |
| FUND BALANCES - ENDING | \$ 17,874 | \$ 17,874 | \$ 15,964 | \$ (1,910) |

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, 2013

| | <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>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Taxes | <u>\$ 183,880</u> | <u>\$ 183,880</u> | <u>\$ 186,697</u> | <u>\$ 2,817</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| General Government | <u>183,880</u> | <u>178,292</u> | <u>186,697</u> | <u>(8,405)</u> |
| Net Change in Fund Balance | - | 5,588 | - | (5,588) |
| <u>FUND BALANCES - BEGINNING</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ -</u> | <u>\$ 5,588</u> | <u>\$ -</u> | <u>\$ (5,588)</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, 2013

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u> |
|---|-------------------------|--------------------|-----------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| <u>REVENUES</u> | | | | |
| Taxes | <u>\$ 225,663</u> | <u>\$ 225,663</u> | <u>\$ 114,332</u> | <u>\$ (111,331)</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| General Government | <u>-</u> | <u>-</u> | <u>11,040</u> | <u>(11,040)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>225,663</u> | <u>225,663</u> | <u>103,292</u> | <u>(122,371)</u> |
| <u>OTHER FINANCIING SOURCES (USES)</u> | | | | |
| Transfers Out | <u>(250,198)</u> | <u>(250,198)</u> | <u>(100,292)</u> | <u>149,906</u> |
| Net Change in Fund Balance | <u>(24,535)</u> | <u>(24,535)</u> | <u>3,000</u> | <u>27,535</u> |
| <u>FUND BALANCES - BEGINNING</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ (24,535)</u> | <u>\$ (24,535)</u> | <u>\$ 3,000</u> | <u>\$ 27,535</u> |

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MISCELLANEOUS GRANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <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 | \$ - | \$ 98,855 | \$2,950,415 | \$ 2,851,560 |
| Investment Earnings | - | - | 2,115 | 2,115 |
| Miscellaneous | - | - | <u>32,091</u> | <u>32,091</u> |
| Total Revenues | <u>-</u> | <u>98,855</u> | <u>2,984,621</u> | <u>2,885,766</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| General Government | - | - | 2,112,031 | (2,112,031) |
| Capital Outlay | - | <u>7,982,151</u> | <u>888,600</u> | <u>7,093,551</u> |
| Total Expenditures | <u>-</u> | <u>7,982,151</u> | <u>3,000,631</u> | <u>4,981,520</u> |
| Net Change in Fund Balance | - | (7,883,296) | (16,010) | 7,867,286 |
| <u>FUND BALANCES - BEGINNING</u> | <u>122,400</u> | <u>122,400</u> | <u>122,400</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 122,400</u> | <u>\$(7,760,896)</u> | <u>\$ 106,390</u> | <u>\$ 7,867,286</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, 2013

| <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 | \$ - | \$ 77,110 | \$ 1,000,577 | \$ 1,077,687 |
| Accounts Receivable - Net | 51,143 | - | 369,910 | 421,053 |
| Due from Other Funds | 105,106 | - | 275,488 | 380,594 |
| Due from Other Governments | <u>576,568</u> | <u>-</u> | <u>-</u> | <u>576,568</u> |
| Total Current Assets | <u>732,817</u> | <u>77,110</u> | <u>1,645,975</u> | <u>2,455,902</u> |
| <u>NONCURRENT ASSETS</u> | | | | |
| Capital Assets: | | | | |
| Land | 648,820 | - | - | 648,820 |
| 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>1,131,737</u> | <u>-</u> | <u>-</u> | <u>1,131,737</u> |
| Totals | 14,481,836 | - | - | 14,481,836 |
| Less: Accumulated Depreciation | <u>(9,531,966)</u> | <u>-</u> | <u>-</u> | <u>(9,531,966)</u> |
| Total Capital Assets | <u>4,949,870</u> | <u>-</u> | <u>-</u> | <u>\$4,949,870</u> |
| Total Noncurrent Assets | <u>4,949,870</u> | <u>-</u> | <u>-</u> | <u>\$4,949,870</u> |
| TOTAL ASSETS | <u>\$5,682,687</u> | <u>\$ 77,110</u> | <u>\$1,645,975</u> | <u>\$7,405,772</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | | |
| <u>CURRENT LIABILITIES</u> | | | | |
| Accounts Payable | \$ 32,980 | \$ 147 | \$ 423,584 | \$ 456,711 |
| Accrued Liabilities | - | 1,330 | 10,104 | 11,434 |
| Due to Other Funds | 351,203 | 61 | 402 | 351,666 |
| Customer Deposits | <u>5,992</u> | <u>-</u> | <u>135,973</u> | <u>141,965</u> |
| Total Current Liabilities | <u>390,175</u> | <u>1,538</u> | <u>570,063</u> | <u>961,776</u> |
| <u>NONCURRENT LIABILITIES</u> | | | | |
| Long-Term Debt | <u>11,622</u> | <u>811</u> | <u>1,678</u> | <u>14,111</u> |
| <u>NET POSITION</u> | | | | |
| Net Investment in Capital Assets | 4,949,870 | - | - | 4,949,870 |
| Unrestricted | <u>331,020</u> | <u>74,761</u> | <u>1,074,234</u> | <u>1,480,015</u> |
| Total Net Position | <u>5,280,890</u> | <u>74,761</u> | <u>1,074,234</u> | <u>6,429,885</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$5,682,687</u> | <u>\$ 77,110</u> | <u>\$1,645,975</u> | <u>\$7,405,772</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, 2013

| | ENTERPRISE | | | TOTAL |
|--|--------------------|------------------|---------------------|--------------------|
| | AIRPORT | TRANSIT | WASTE COLLECTION | |
| <u>OPERATING REVENUES</u> | | | | |
| Charges for Services | \$ 287,640 | \$ - | \$ 2,516,548 | \$2,804,188 |
| Intergovernmental | 585,578 | - | - | 585,578 |
| Miscellaneous | 39,934 | - | - | 39,934 |
| Total Operating Revenues | <u>913,152</u> | <u>-</u> | <u>2,516,548</u> | <u>3,429,700</u> |
| <u>OPERATING EXPENSES</u> | | | | |
| Personnel Services | - | 40,378 | 85,163 | 125,541 |
| Contracted Services | 327,111 | 211,208 | 2,327,101 | 2,865,420 |
| Materials and Supplies | 59,711 | 55 | 4,407 | 64,173 |
| Other Charges | - | 750 | 4,851 | 5,601 |
| Depreciation | 255,788 | - | - | 255,788 |
| Total Operating Expenses | <u>642,610</u> | <u>252,391</u> | <u>2,421,522</u> | <u>3,316,523</u> |
| Operating Income (Loss) | <u>270,542</u> | <u>(252,391)</u> | <u>95,026</u> | <u>113,177</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | | |
| Transfer In | <u>135,082</u> | <u>327,152</u> | <u>25,000</u> | <u>487,234</u> |
| Change in Net Position | 405,624 | 74,761 | 120,026 | 600,411 |
| <u>TOTAL NET POSITION - BEGINNING</u> | <u>4,875,266</u> | <u>-</u> | <u>954,208</u> | <u>5,829,474</u> |
| TOTAL NET POSITION - ENDING | <u>\$5,280,890</u> | <u>\$ 74,761</u> | <u>\$ 1,074,234</u> | <u>\$6,429,885</u> |

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | ENTERPRISE | | | TOTAL |
|---|--------------------|---------------------|---------------------|---------------------|
| | AIRPORT | TRANSIT | WASTE COLLECTION | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | |
| Cash Received from Customers | \$329,421 | \$ - | \$ 2,500,928 | \$2,830,349 |
| Cash Paid to Suppliers for Goods and Services | (372,987) | (211,866) | (2,110,998) | (2,695,851) |
| Cash Paid to Employees for Services | - | (38,237) | (83,572) | (121,809) |
| Net Cash Provided by (Used in) Operating Activities | <u>(43,566)</u> | <u>(250,103)</u> | <u>306,358</u> | <u>12,689</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | | | |
| Transfers to Other Funds | (53,308) | - | (275,488) | (328,796) |
| Transfers from Other Funds | <u>425,440</u> | <u>327,213</u> | <u>25,402</u> | <u>778,055</u> |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>372,132</u> | <u>327,213</u> | <u>(250,086)</u> | <u>449,259</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | | |
| Acquisition of Capital Assets | <u>(662,047)</u> | - | - | <u>(662,047)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (333,481) | 77,110 | 56,272 | (200,099) |
| <u>CASH AND CASH EQUIVALENTS - BEGINNING</u> | <u>333,481</u> | <u>-</u> | <u>944,305</u> | <u>1,277,786</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ -</u> | <u>\$ 77,110</u> | <u>\$ 1,000,577</u> | <u>\$ 1,077,687</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u> | | | | |
| Operating Income (Loss) | \$270,542 | (252,391) | \$ 95,026 | \$ 113,177 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | | | |
| Depreciation | 255,788 | - | - | 255,788 |
| Changes in Assets and Liabilities | | | | |
| Decrease (Increase) in Assets | | | | |
| Accounts Receivable | (20,649) | - | (21,451) | (42,100) |
| Due from Other Governments | (564,426) | - | - | (564,426) |
| Increase (Decrease) in Liabilities | | | | |
| Accounts Payable | 13,836 | 147 | 225,361 | 239,344 |
| Accrued Liabilities | - | 1,330 | (87) | 1,243 |
| Customer Deposits | 1,343 | - | 5,831 | 7,174 |
| Deferred Revenue | - | - | - | - |
| Net Pension Obligation | - | 811 | 1,678 | 2,489 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ (43,566)</u> | <u>\$ (250,103)</u> | <u>\$ 306,358</u> | <u>\$ 12,689</u> |

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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 NINE FISCAL YEARS

TABLE 1

| | <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>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 |
| 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 |
| 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> |
| | | | | | | | | | |
| 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>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 |
| 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> |
| | | | | | | | | | |
| 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>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 |
| 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 |
| 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> |
| | | | | | | | | | |
| 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> |

NOTE:

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

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

TABLE 2

| | <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>EXPENSES</u> | | | | | | | | | |
| <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 |
| 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 |
| 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 |
| Interest and Fiscal Charges | <u>1,816,987</u> | <u>1,887,770</u> | <u>2,769,146</u> | <u>4,784,896</u> | <u>7,008,392</u> | <u>6,525,172</u> | <u>6,412,611</u> | <u>6,255,072</u> | <u>5,932,338</u> |
| Total Governmental Activities | <u>32,251,590</u> | <u>32,233,597</u> | <u>39,154,021</u> | <u>42,871,310</u> | <u>46,142,525</u> | <u>54,137,624</u> | <u>49,965,105</u> | <u>53,475,416</u> | <u>60,705,849</u> |
| <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 |
| 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 |
| Airport | 689,330 | 689,406 | 739,316 | 768,419 | 733,621 | 694,070 | 710,558 | 601,781 | 895,001 |
| Drainage | 615,424 | 374,013 | 577,461 | 811,057 | 1,482,765 | 1,959,180 | 1,897,978 | 2,491,018 | 2,355,020 |
| Waste Collection | <u>1,049,390</u> | <u>1,410,264</u> | <u>1,503,213</u> | <u>1,703,744</u> | <u>1,228,122</u> | <u>1,463,780</u> | <u>1,773,160</u> | <u>2,110,375</u> | <u>2,421,522</u> |
| Total Business-Type Activities | <u>55,795,512</u> | <u>66,963,136</u> | <u>65,017,432</u> | <u>76,380,392</u> | <u>73,956,770</u> | <u>75,742,267</u> | <u>74,497,060</u> | <u>78,684,181</u> | <u>78,089,268</u> |
| Total Primary Government Expenses | <u>88,047,102</u> | <u>99,196,733</u> | <u>104,171,453</u> | <u>119,251,702</u> | <u>120,099,295</u> | <u>129,879,891</u> | <u>124,462,165</u> | <u>132,159,597</u> | <u>138,795,117</u> |
| <u>PROGRAM REVENUES</u> | | | | | | | | | |
| <u>Governmental Activities</u> | | | | | | | | | |
| <u>Charges for Service</u> | | | | | | | | | |
| 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 |
| 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 |
| Community Service | 787,342 | 721,441 | 575,622 | 626,210 | 653,368 | 574,537 | 639,534 | 769,467 | 1,029,617 |
| 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 |
| Capital Grants and Contributions | <u>488,227</u> | <u>638,048</u> | <u>3,921,368</u> | <u>836,384</u> | <u>2,104,303</u> | <u>2,373,110</u> | <u>1,149,409</u> | <u>8,244,456</u> | <u>1,792,500</u> |
| Total Governmental Activities Program Revenues | <u>6,010,534</u> | <u>6,148,538</u> | <u>12,927,859</u> | <u>7,623,214</u> | <u>15,531,893</u> | <u>8,910,421</u> | <u>7,345,583</u> | <u>15,193,913</u> | <u>17,291,057</u> |
| <u>Business-Type Activities</u> | | | | | | | | | |
| <u>Charges for Service</u> | | | | | | | | | |
| 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 |
| 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 |
| Airport | 185,508 | 209,512 | 210,224 | 203,780 | 273,788 | 178,432 | 256,710 | 580,554 | 913,152 |
| 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 |
| 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 |
| Operating Grants and Contributions | 21,496 | - | - | - | - | - | - | - | - |
| Capital Grants and Contributions | <u>551,553</u> | <u>1,122,112</u> | <u>309,307</u> | <u>1,649,020</u> | <u>1,214,327</u> | <u>852,403</u> | <u>1,085,830</u> | <u>1,274,418</u> | <u>1,599,863</u> |
| Total Business-Type Activities Program Revenues | <u>63,567,391</u> | <u>75,463,683</u> | <u>72,393,473</u> | <u>82,679,393</u> | <u>80,011,876</u> | <u>78,114,445</u> | <u>80,800,904</u> | <u>86,630,592</u> | <u>86,295,335</u> |
| Total Primary Government Program Revenues | <u>69,577,925</u> | <u>81,612,221</u> | <u>85,321,332</u> | <u>90,302,607</u> | <u>95,543,769</u> | <u>87,024,866</u> | <u>88,146,487</u> | <u>101,824,505</u> | <u>103,586,392</u> |

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
CHANGES IN NET POSITION (CONTINUED)
LAST NINE 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>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) |
| 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> |
| 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>GOVERNMENTAL REVENUES AND OTHER</u> | | | | | | | | | |
| <u>CHANGES IN NET POSITION</u> | | | | | | | | | |
| <u>Governmental Activities</u> | | | | | | | | | |
| <u>Taxes</u> | | | | | | | | | |
| 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 |
| 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 |
| 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 |
| 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 |
| Investment Earnings | 828,558 | 1,603,021 | 2,745,676 | 2,590,329 | 3,571,867 | 587,646 | 319,091 | 261,704 | 331,996 |
| Miscellaneous | 1,021,738 | 163,646 | 508,716 | 572,276 | 1,963,080 | 1,854,367 | 753,366 | 1,337,721 | 442,726 |
| 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> |
| 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>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 |
| Other | 15,551 | 27,620 | 260,923 | 618,072 | 1,101,946 | 1,337,440 | 2,029,511 | 2,780,304 | - |
| 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> |
| 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> |
| 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>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 |
| 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> |
| 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> |

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

| | FISCAL YEAR | | | | | | | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| <u>GENERAL FUND</u> | | | | | | | | | | |
| Reserved | \$ 185,893 | \$ 174,017 | \$ 153,597 | \$ 134,113 | \$ 129,929 | \$ 97,494 | \$ 228,870 | \$ - | \$ - | \$ - |
| Unreserved | 9,965,481 | 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 |
| Restricted | - | - | - | - | - | - | - | - | 980,103 | - |
| Unassigned | - | - | - | - | - | - | - | 13,588,909 | 13,559,284 | 16,430,320 |
| TOTAL GENERAL FUND | <u>\$10,151,374</u> | <u>\$10,126,289</u> | <u>\$14,165,505</u> | <u>\$14,727,175</u> | <u>\$13,606,595</u> | <u>\$12,902,270</u> | <u>\$13,376,970</u> | <u>\$13,803,824</u> | <u>\$14,924,885</u> | <u>\$16,975,326</u> |
| <u>ALL OTHER GOVERNMENTAL FUNDS</u> | | | | | | | | | | |
| Reserved | \$ 845,475 | \$ 930,722 | \$ 1,155,404 | \$ 1,303,282 | \$ 1,315,807 | \$ 2,365,271 | \$ 1,744,662 | \$ - | \$ - | \$ - |
| Unreserved, Reported In: | | | | | | | | | | |
| Special Revenue Funds | 502,826 | 760,917 | 844,368 | 1,087,186 | 1,879,330 | 1,111,235 | 1,174,555 | - | - | - |
| Capital Project Funds | 14,784,996 | 13,108,298 | 18,428,409 | 40,897,216 | 76,612,241 | 74,318,614 | 55,426,183 | - | - | - |
| Debt Service Funds | 1,206,412 | 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 |
| Restricted | - | - | - | - | - | - | - | 52,216,441 | 49,888,108 | 43,339,895 |
| Unassigned | - | - | - | - | - | - | - | (120,908) | 116,111 | 108,905 |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS | <u>\$17,339,709</u> | <u>\$16,331,673</u> | <u>\$22,660,410</u> | <u>\$49,051,849</u> | <u>\$90,301,493</u> | <u>\$86,339,611</u> | <u>\$67,224,462</u> | <u>\$52,108,060</u> | <u>\$50,015,204</u> | <u>\$43,459,977</u> |

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

| | FISCAL YEAR | | | | | | | | | |
|--|-------------------|--------------------|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| <u>REVENUES</u> | | | | | | | | | | |
| Taxes | \$28,380,291 | \$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 |
| Licenses and Permits | 716,219 | 854,818 | 930,496 | 688,943 | 813,976 | 847,678 | 821,853 | 994,123 | 1,039,855 | 2,194,788 |
| Fees and Penalties | 1,099,498 | 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 |
| Charges for Services | 3,922,202 | 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 |
| Intergovernmental | 2,728,440 | 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 |
| Investment Earnings | 474,353 | - | 1,603,021 | 2,745,676 | 2,590,329 | 2,431,751 | 587,645 | 319,093 | 261,704 | 331,996 |
| Contributions | - | - | - | - | - | 918,930 | - | - | 30,000 | 80,000 |
| Other Revenues | 917,512 | 2,109,693 | 355,039 | 508,716 | 955,223 | 1,579,752 | 2,139,993 | 1,291,858 | 1,427,583 | 1,701,482 |
| Total Revenues | <u>38,238,515</u> | <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>EXPENDITURES</u> | | | | | | | | | | |
| General Government | 10,564,127 | 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 |
| Public Safety | 11,224,740 | 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 |
| Community Service | 6,923,328 | 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 |
| Capital Outlay | 5,293,105 | 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 |
| Debt Service | | | | | | | | | | |
| Interest | 1,741,277 | 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 |
| Principal | 3,061,337 | 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 |
| Total Expenditures | <u>38,807,914</u> | <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> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(569,399)</u> | <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> |

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

TABLE 4 (CONTINUED)

| | FISCAL YEAR | | | | | | | | | |
|--|-------------------------|---------------------------|-------------------------|-------------------------|--------------------------|---------------------------|---------------------------|---------------------------|-------------------------|---------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | | | | | |
| Bond Issuance Costs | \$ - | \$ (60,102) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bond Sales | 7,140,604 | 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 |
| Proceeds from Capital Leases | - | - | - | - | - | - | - | - | - | 337,327 |
| Discount on Debt Issued | - | - | - | - | (522,859.00) | (63,173) | - | - | - | - |
| Premium on Debt Issued | - | - | - | - | - | 487,099 | - | 590,248 | 576,210 | 805,797 |
| Other | - | - | - | - | - | 708,611 | 71,163 | 121,129 | 35,245 | 287,629 |
| Payment to Refunded Bond Escrow Agent | - | - | - | - | - | (9,875,296) | - | (11,680,362) | (6,016,992) | (5,885,165) |
| Transfers In | 1,529,879 | 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 |
| Transfers Out | <u>(1,317,081)</u> | <u>(1,549,373)</u> | <u>(4,542,021)</u> | <u>(6,255,470)</u> | <u>(4,289,260)</u> | <u>(3,687,104)</u> | <u>(4,364,080)</u> | <u>(3,546,113)</u> | <u>(3,274,710)</u> | <u>(4,459,472)</u> |
| Total Other Financing Sources (Uses) | <u>7,353,402</u> | <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> |
| NET CHANGE IN FUND BALANCES | <u>\$ 6,784,003</u> | <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> |
| Debt Service as a Percentage of Noncapital Expenditures | 14.3% | 13.0% | 14.3% | 13.5% | 18.4% | 23.7% | 20.2% | 22.8% | 23.1% | 19.8% |

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> |
|--------------------|-------------------------------------|---|---|---|----------------------------------|-------------------------------------|------------------------------|---------------------------------------|
| 2004 | \$ 1,662,822,489 | \$ 1,662,822,489 | \$390,220,742 | \$390,220,742 | \$ - | \$ 2,053,043,231 | \$ 0.4710 | \$2,053,043,231 |
| 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 |

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 |
| 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 |
| 2004 | 6.50 | 0.0582 | 8.75 | 0.0556 | 45.00 | 0.0303 | 8.90 | 200.00 | 0.0292 | 8.60 | 700.00 | 0.0286 | 8.50 |

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

TABLE 7

| <u>YEAR</u> | <u>COMMERCIAL</u> | <u>RESIDENTIAL</u> | <u>TOTAL USAGE</u> |
|-------------|-------------------|--------------------|--------------------|
| 2004 | \$ 23,718,467 | \$ 14,243,456 | \$ 37,961,923 |
| 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 |

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> |
|-------------|-------------------|--------------------|--------------------|------------------------|---------------|
| 2004 | N/A | N/A | N/A | N/A | N/A |
| 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% |

Note: Information prior to 2005 is not available.

CITY OF SAN MARCOS, TEXAS
TOTAL LARGEST ELECTRIC CUSTOMERS
SEPTEMBER 30, 2013

TABLE 9

| <u>CUSTOMER</u> | <u>CONSUMPTION (kWh)</u> | <u>AMOUNT BILLED</u> | <u>% OF TOTAL kWh</u> |
|-------------------------------|--------------------------|----------------------|-----------------------|
| Texas State University, COGEN | 97,543,754 | \$ 7,114,886 | 17.59% |
| H E Butt Grocery | 22,256,970 | 1,809,586 | 4.01% |
| Texas State University | 13,788,766 | 1,158,062 | 2.49% |
| City of San Marcos | 9,648,899 | 841,669 | 1.74% |
| SMCISD | 8,725,305 | 751,908 | 1.57% |
| CTMC | 9,269,873 | 721,021 | 1.67% |
| Embassy Suites San Marcos | 7,033,502 | 591,421 | 1.27% |
| Hays County Government Center | 6,839,967 | 561,819 | 1.23% |
| Walmart-Super Store | 6,587,625 | 544,556 | 1.19% |
| Thermon Manufacturing | 5,110,320 | 437,650 | 0.92% |

Note: % of consumption based on total kWh of: 554,582,299

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> |
|--------------------|-------------------|------------------------|---------------|---------------------------|--------------------------|
| 2004 | 0.4710 | 1.6000 | 0.3920 | 0.0710 | 2.5340 |
| 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 |

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>2013</u> | |
|------------------------------|---------------------------------------|--|
| | <u>TAXABLE ASSESSED VALUE</u> | <u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u> |
| Hays Energy Ltd. Partnership | \$233,563,007 | 7.55% |
| HEB Warehouse | 137,648,572 | 4.45% |
| Breckenridge Group | 54,824,327 | 1.77% |
| Copper Beech Townhomes | 52,025,870 | 1.68% |
| San Marcos Factory Shops | 45,342,694 | 1.47% |
| Tanger Properties | 42,882,408 | 1.39% |
| Prime Outlets | 35,102,300 | 1.13% |
| Purgatory Creek | 27,368,730 | 0.88% |
| Cabana Beach Apartments | 25,743,406 | 0.83% |
| JQH - San Marcos Development | <u>24,496,680</u> | <u>0.79%</u> |
| TOTAL | <u>\$678,997,994</u> | <u>21.94%</u> |
| <u>TAXPAYER</u> | <u>2004</u> | |
| | <u>TAXABLE ASSESSED VALUE</u> | <u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u> |
| HEB Warehouse | \$ 68,167,030 | 3.32% |
| Grande Communications | 29,915,430 | 1.46% |
| San Marcos Factory Shops | 25,351,031 | 1.23% |
| Tanger Properties | 24,951,072 | 1.22% |
| CFAN | 24,750,123 | 1.21% |
| Century Telephone | 19,863,410 | 0.97% |
| San Marcos Exchange LP | 16,372,450 | 0.80% |
| Thermon Mfg Co. | 13,300,521 | 0.65% |
| Hillside Villas Ltd | 11,100,632 | 0.54% |
| Lowe's Home Centers | <u>10,850,639</u> | <u>0.53%</u> |
| TOTAL | <u>\$244,622,338</u> | <u>11.93%</u> |

Information provided by Hays County Tax Office.

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

TABLE 12

| FISCAL YEAR ENDED | TAXES LEVIED FOR THE FISCAL YEAR | COLLECTED WITH THE | | COLLECTIONS IN SUBSEQUENT YEARS | TOTAL COLLECTIONS TO DATE | |
|-------------------------|--|-------------------------|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | FISCAL YEAR OF THE LEVY | PERCENTAGE OF LEVY | | AMOUNT | PERCENTAGE OF LEVY |
| | | AMOUNT | | | AMOUNT | |
| 2004 | \$ 8,198,030 | \$ 7,904,217 | 96.42% | \$ 261,522 | \$ 8,165,739 | 99.61% |
| 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% | - | 14,978,410 | 99.16% |

CITY OF SAN MARCOS, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2013

TABLE 13

| <u>RANK</u> | <u>NAME</u> | <u>REVENUE</u> | <u>GALLONS</u> |
|-------------|-------------------------------|----------------|----------------|
| 1 | City of San Marcos, Texas | \$ 381,499 | 52,270,016 |
| 2 | MTC Gary Job Corps | 297,624 | 36,274,210 |
| 3 | San Marcos CISD | 224,511 | 32,006,699 |
| 4 | Copper Beech Townhomes | 213,005 | 31,879,540 |
| 5 | University Heights San Marcos | 195,036 | 29,405,745 |
| 6 | San Marcos Factory Shops Saks | 189,805 | 28,569,232 |
| 7 | HRA Zone, LLC | 180,581 | 27,138,162 |
| 8 | Texas State University | 163,791 | 21,707,063 |
| 9 | The Retreat at San Marcos | 152,098 | 23,059,706 |
| 10 | Embassy Suites San Marcos | 142,874 | 21,538,439 |

CITY OF SAN MARCOS, TEXAS
WATER/WASTEWATER CUSTOMER COUNTS
LAST SEVEN 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 |

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES
SEPTEMBER 30, 2013

TABLE 15

WATER RATES

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

| <u>INSIDE-CITY WATER RATES</u> | | <u>OUTSIDE-CITY WATER RATES</u> | |
|--------------------------------|-------------|---------------------------------|-------------|
| <u>LIFELINE RATE</u> | <u>RATE</u> | <u>LIFELINE RATE</u> | <u>RATE</u> |
| First 6,000 Gallons - Minimum | 18.50 | First 6,000 Gallons - Minimum | 23.13 |
| 6,001 - 9,000 Gallons | 5.43 | 6,001 - 9,000 Gallons | 6.78 |
| 9,001- 12,000 Gallons | 6.20 | 9,001- 12,000 Gallons | 7.75 |
| 12,001- 20,000 Gallons | 6.98 | 12,001- 20,000 Gallons | 8.72 |
| 20,001- 50,000 Gallons | 7.75 | 20,001- 50,000 Gallons | 9.69 |
| Over 50,000 Gallons | 9.30 | Over 50,000 Gallons | 11.63 |
| <u>5/8" - 3/4" Water Meter</u> | | <u>5/8" - 3/4" Water Meter</u> | |
| | <u>RATE</u> | | <u>RATE</u> |
| Minimum Charge | 18.50 | Minimum Charge | 23.13 |
| 0 - 6,000 Gallons | 3.10 | 0 - 6,000 Gallons | 3.88 |
| 6,001 - 9,000 Gallons | 5.43 | 6,001 - 9,000 Gallons | 6.78 |
| 9,001- 12,000 Gallons | 6.20 | 9,001- 12,000 Gallons | 7.75 |
| 12,001- 20,000 Gallons | 6.98 | 12,001- 20,000 Gallons | 8.72 |
| 20,001- 50,000 Gallons | 7.75 | 20,001- 50,000 Gallons | 9.69 |
| Over 50,000 Gallons | 9.30 | Over 50,000 Gallons | 11.63 |
| <u>1" Water Meter</u> | | <u>1" Water Meter</u> | |
| | <u>RATE</u> | | <u>RATE</u> |
| Minimum Charge | 46.25 | Minimum Charge | 57.81 |
| 0 - 4,000 Gallons | 2.00 | 0 - 4,000 Gallons | 2.50 |
| 4,001 - 10,000 Gallons | 2.40 | 4,001 - 10,000 Gallons | 3.00 |
| 10,001- 25,000 Gallons | 6.00 | 10,001- 25,000 Gallons | 7.50 |
| Over 25,000 Gallons | 6.80 | Over 25,000 Gallons | 8.50 |
| <u>1 1/2" Water Meter</u> | | <u>1 1/2" Water Meter</u> | |
| | <u>RATE</u> | | <u>RATE</u> |
| Minimum Charge | 92.50 | Minimum Charge | 115.63 |
| 0 - 8,000 Gallons | 2.00 | 0 - 8,000 Gallons | 2.50 |
| 8,001 - 10,000 Gallons | 2.40 | 8,001 - 10,000 Gallons | 3.00 |
| 10,001- 25,000 Gallons | 6.00 | 10,001- 25,000 Gallons | 7.50 |
| Over 25,000 Gallons | 6.80 | Over 25,000 Gallons | 8.50 |
| <u>2" Water Meter</u> | | <u>2" Water Meter</u> | |
| | <u>RATE</u> | | <u>RATE</u> |
| Minimum Charge | 148.00 | Minimum Charge | 185.00 |
| 0 - 13,000 Gallons | 2.00 | 0 - 13,000 Gallons | 2.50 |
| 13,001- 25,000 Gallons | 6.00 | 13,001- 25,000 Gallons | 7.50 |
| Over 25,000 Gallons | 6.80 | Over 25,000 Gallons | 8.50 |

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES (CONTINUED)
 SEPTEMBER 30, 2013

TABLE 15 (CONTINUED)

SEWER RATES

(All sewer rates are based per 1,000 gallons of *metered water consumption*)

COMMERCIAL SEWER

INSIDE-CITY SEWER RATES

| 5/8" - 3/4" Water Meter | RATE |
|-------------------------------|-------|
| First 2,000 Gallons - Minimum | 23.56 |
| Over 2,000 Gallons | 6.79 |

| 1" Water Meter | RATE |
|-------------------------------|-------|
| First 4,000 Gallons - Minimum | 47.06 |
| Over 4,000 Gallons | 6.79 |

| 1 1/2" Water Meter | RATE |
|-------------------------------|-------|
| First 8,000 Gallons - Minimum | 94.10 |
| Over 8,000 Gallons | 6.79 |

| 2" Water Meter | RATE |
|--------------------------------|--------|
| First 13,000 Gallons - Minimum | 150.59 |
| Over 13,000 Gallons | 6.79 |

RESIDENTIAL SEWER

INSIDE-CITY SEWER RATES

| Lifeline Rate* | |
|----------------|-------|
| Maximum | 23.56 |

| 5/8" - 3/4" Water Meter* | RATE |
|-------------------------------|-------|
| First 2,000 Gallons - Minimum | 23.56 |
| Over 2,000 Gallons | 6.79 |
| Maximum 9,000 Gallons | |

| 1" Water Meter* | RATE |
|-------------------------------|-------|
| First 4,000 Gallons - Minimum | 58.88 |
| Over 4,000 Gallons | 6.79 |
| Maximum 9,000 Gallons | |

| 1 1/2" Water Meter* | RATE |
|-------------------------------|--------|
| First 8,000 Gallons - Minimum | 117.75 |
| Over 8,000 Gallons | 6.79 |
| Maximum 9,000 Gallons | |

| 2" Water Meter | RATE |
|--------------------------------|--------|
| First 13,000 Gallons - Minimum | 188.40 |
| Over 13,000 Gallons | 6.79 |

OUTSIDE-CITY SEWER RATES

| 5/8" - 3/4" Water Meter | RATE |
|-------------------------------|-------|
| First 2,000 Gallons - Minimum | 29.46 |
| Over 2,000 Gallons | 8.48 |

| 1" Water Meter | RATE |
|-------------------------------|-------|
| First 4,000 Gallons - Minimum | 58.82 |
| Over 4,000 Gallons | 8.48 |

| 1 1/2" Water Meter | RATE |
|-------------------------------|--------|
| First 8,000 Gallons - Minimum | 117.63 |
| Over 8,000 Gallons | 8.48 |

| 2" Water Meter | RATE |
|--------------------------------|--------|
| First 13,000 Gallons - Minimum | 188.23 |
| Over 13,000 Gallons | 8.48 |

OUTSIDE-CITY SEWER RATES

| Lifeline Rate* | |
|----------------|-------|
| Maximum | 29.46 |

| 5/8" - 3/4" Water Meter* | RATE |
|-------------------------------|-------|
| First 2,000 Gallons - Minimum | 29.46 |
| Over 2,000 Gallons | 8.48 |
| Maximum 9,000 Gallons | |

| 1" Water Meter* | RATE |
|-------------------------------|-------|
| First 4,000 Gallons - Minimum | 73.59 |
| Over 4,000 Gallons | 8.48 |
| Maximum 9,000 Gallons | |

| 1 1/2" Water Meter* | RATE |
|-------------------------------|--------|
| First 8,000 Gallons - Minimum | 147.19 |
| Over 8,000 Gallons | 8.48 |
| Maximum 9,000 Gallons | |

| 2" Water Meter | RATE |
|--------------------------------|--------|
| First 13,000 Gallons - Minimum | 235.50 |
| Over 13,000 Gallons | 8.48 |

(CONTINUED)

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 | | | |
| 2004 | \$16,825,000 | \$20,555,000 | \$ - | \$1,569,622 | \$67,150,000 | \$71,435,000 | \$ - | \$92,907 | \$177,627,529 | 5.93% | \$3,968 |
| 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 |

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> |
|--------------------|--------------------------|--------------------------|--------------|---|-------------------|
| 2004 | \$ 37,380,000 | \$ 1,109,256 | \$36,270,744 | 1.77% | \$ 810 |
| 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 |

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, 2013

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>\$ 70,580,000</u> |
| Hays County | 276,352,482 | 100.000% | <u>276,352,482</u> |
| Subtotal Overlapping Debt | | | <u>276,352,482</u> |
| TOTAL DIRECT AND OVERLAPPING DEBT | | | <u>\$346,932,482</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.

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Debt Limit | \$205,304,323 | \$180,695,794 | \$203,963,402 | \$215,975,954 |
| Total Net Debt Applicable to Limit | <u>36,270,744</u> | <u>38,498,264</u> | <u>35,688,262</u> | <u>43,165,835</u> |
| LEGAL DEBT MARGIN | <u>\$169,033,579</u> | <u>\$142,197,530</u> | <u>\$168,275,140</u> | <u>\$172,810,119</u> |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 1.98% | 1.77% | 2.13% | 1.75% |

TABLE 19

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2013

| | |
|--|---------------------------|
| Assessed Value | \$3,093,769,880 |
| Debt Limit (10% of Assessed Value) | 309,376,988 |
| Debt Applicable to Limit | |
| General Obligation Bonds (Debt to be Repaid with Property Taxes) | 70,580,000 |
| Less: Amount Set Aside for Repayment of General Obligation Debt | <u>10,404,537</u> |
| Total Net Debt Applicable to Limit | <u>60,175,463</u> |
| LEGAL DEBT MARGIN | <u>\$ 249,201,525</u> |

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$227,693,485 | \$227,693,485 | \$259,260,471 | \$269,982,028 | \$284,630,559 | \$ 309,376,988 |
| <u>71,006,761</u> | <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>\$156,686,724</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> |
| 2.00% | 3.12% | 3.11% | 2.82% | 2.53% | 2.28% |

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 | |
| 2004 | \$19,502,026 | \$11,076,196 | \$8,425,830 | \$2,808,810 | \$1,364,756 | \$ 2.02 |
| 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 |

| ELECTRIC | | | | | | |
|-------------|---------------|--------------------------|-----------------------|--------------|------------|----------|
| FISCAL YEAR | GROSS REVENUE | LESS: OPERATING EXPENSES | NET AVAILABLE REVENUE | DEBT SERVICE | | COVERAGE |
| | | | | PRINCIPAL | INTEREST | |
| 2004 | \$33,070,143 | \$31,418,256 | \$1,651,887 | \$ 910,714 | \$ 292,778 | \$ 1.37 |
| 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 |

| 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 |

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> |
|----------------------|-------------------|------------------------|-----------------------------------|--------------------------|
| 2004 | 44,769 | \$ 708,173,860 | \$ 24,259 | 4.7% |
| 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% |

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>2013</u> | |
|------------------------------|------------------|--|
| | <u>EMPLOYEES</u> | <u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u> |
| Texas State University | 3,036 | 4.04% |
| Prime Outlets San Marcos | 2,100 | 2.79% |
| Tanger Factory Outlet Center | 1,540 | 2.05% |
| San Marcos CISD | 1,200 | 1.60% |
| Hays County | 813 | 1.08% |
| Hunter Industries | 650 | 0.86% |
| Central Texas Medical Center | 800 | 1.06% |
| H.E.B. Distribution Center | 650 | 0.86% |
| Gary Job Corps | 560 | 0.74% |
| City of San Marcos | <u>550</u> | <u>0.73%</u> |
| TOTAL | <u>11,899</u> | <u>15.82%</u> |
| TOTAL CITY/COUNTY EMPLOYEES | <u>75,200</u> | |
| <u>EMPLOYER</u> | <u>2004</u> | |
| | <u>EMPLOYEES</u> | <u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u> |
| Hunter Industry | 550 | * |
| Marshall Gas Controls | 400 | * |
| Thermon Manufacturing | 300 | * |
| Trico Industries | 290 | * |
| CFAN | 290 | * |
| H.E.B. Distribution Center | 270 | * |
| Butler Manufacturing | 250 | * |
| Chatleff Controls | 240 | * |
| Palm Harbor | 220 | * |
| Rohr-San Marcos | <u>210</u> | * |
| TOTAL | <u>3,020</u> | |

Source: Chamber of Commerce website ([sanmarcostexas.com/Area Demographics/Business Resources](http://sanmarcostexas.com/Area%20Demographics/Business%20Resources))

* Information not available

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

TABLE 23

| FUNCTION/PROGRAM | FULLTIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30, | | | | | | | | | |
|---------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Government | | | | | | | | | | |
| Administration | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.50 | 20.38 | 18.00 | 20.00 |
| Human Resources | 9.00 | 9.00 | 9.00 | 9.00 | 10.00 | 9.00 | 9.00 | 10.00 | 11.00 | 10.00 |
| Finance | 28.60 | 31.64 | 31.64 | 32.64 | 32.64 | 15.54 | 15.54 | 15.54 | 17.54 | 18.00 |
| Municipal Court | - | - | - | - | - | 9.60 | 9.98 | 10.48 | 10.48 | 12.00 |
| Technology Services | - | - | - | - | - | 10.00 | 10.00 | 10.00 | 11.00 | 13.00 |
| Development Services | 9.50 | 9.50 | 9.50 | 10.00 | 10.00 | 10.50 | 10.50 | 9.50 | 23.50 | 22.00 |
| Permit Center | 6.00 | 6.00 | 6.00 | 9.50 | 9.50 | 5.50 | 5.50 | 10.50 | - | - |
| Neighborhood Services | 4.00 | 4.00 | 4.00 | 6.00 | 6.00 | 13.00 | 13.00 | 6.48 | 6.48 | 9.00 |
| Police | | | | | | | | | | |
| Administration | 35.19 | 38.19 | 37.90 | 40.90 | 40.90 | 40.52 | 43.52 | 43.52 | 43.52 | 50.00 |
| Operations | 75.00 | 75.00 | 75.00 | 81.00 | 86.00 | 88.00 | 85.00 | 85.00 | 87.00 | 91.00 |
| Fire | | | | | | | | | | |
| Firefighters and Officers | 45.00 | 48.00 | 48.00 | 52.00 | 55.00 | 60.50 | 64.00 | 65.00 | 66.00 | 70.00 |
| Main Street | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 2.00 |
| Public Services | 32.00 | 32.00 | 32.50 | 32.50 | 32.50 | 35.00 | 35.00 | 35.00 | 30.00 | 28.00 |
| Capital Improvements | 12.48 | 12.48 | 11.98 | 12.98 | 12.98 | 9.48 | 9.48 | 12.48 | 18.00 | 10.00 |
| Parks and Recreation | 46.98 | 45.98 | 46.98 | 48.08 | 49.62 | 53.14 | 51.64 | 52.57 | 55.73 | 119.00 |
| Health/Animal Services | 11.90 | 11.90 | 14.65 | 17.16 | 17.67 | 18.67 | 18.67 | 18.67 | 19.45 | 22.66 |
| Library | 17.19 | 17.93 | 17.93 | 18.77 | 18.77 | 18.80 | 18.80 | 18.80 | 19.80 | 26.00 |
| Water/Wastewater | 58.50 | 41.50 | 46.00 | 50.50 | 54.00 | 51.50 | 51.50 | 51.50 | 48.50 | 49.00 |
| Electric | 50.00 | 50.00 | 50.00 | 51.00 | 50.50 | 49.00 | 49.00 | 49.00 | 52.00 | 56.00 |
| Airport | 1.00 | 1.00 | 2.00 | 2.00 | 2.00 | 1.00 | 1.00 | - | - | - |
| Drainage | - | - | - | - | - | 2.00 | 2.00 | 2.00 | 2.00 | 3.00 |
| Solid Waste | - | - | - | - | - | - | - | - | 1.33 | 2.34 |
| Transit | - | - | - | - | - | - | - | - | 0.83 | 1.33 |
| WIC | <u>20.00</u> | <u>20.00</u> | <u>22.00</u> | <u>23.00</u> | <u>23.00</u> | <u>24.00</u> | <u>26.00</u> | <u>28.00</u> | <u>26.00</u> | <u>23.00</u> |
| | | | | | | | | | | |
| TOTAL | <u>482.82</u> | <u>474.60</u> | <u>485.56</u> | <u>517.51</u> | <u>531.56</u> | <u>545.23</u> | <u>550.11</u> | <u>555.90</u> | <u>569.64</u> | <u>657.33</u> |

Source: City Budget Office

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

TABLE 24

| FUNCTION/PROGRAM | FISCAL YEAR | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Government | | | | | | | | | | |
| Building Permits Issued | 2,100 | 2,220 | 3,426 | 2,326 | 2,205 | 2,200 | 2,200 | 2,400 | 2,600 | 2,600 |
| Police | | | | | | | | | | |
| Physical Arrests | 2,700 | 1,450 | 1,480 | 1,500 | 2,126 | 2,698 | 2,602 | 2,647 | 2,943 | 2,281 |
| Parking Violations | 6,000 | 5,022 | 2,500 | 3,100 | 5,260 | 4,484 | 6,185 | 5,799 | 4,883 | 3,504 |
| Traffic Violations | 6,000 | 9,587 | 9,500 | 9,950 | 9,683 | 12,486 | 10,135 | 10,325 | 7,849 | 6,615 |
| Fire | | | | | | | | | | |
| Emergency Responses | 1,596 | 2,158 | 2,468 | 3,700 | 3,550 | 3,125 | 3,000 | 3,308 | 2,648 | 4,424 |
| Fires Extinguished | 158 | 142 | 175 | 190 | 201 | 145 | 122 | 210 | 210 | 155 |
| Prevention/Safety Education | 11,321 | 10,396 | 10,820 | 12,000 | 10,000 | 15,000 | 15,000 | 10,000 | 10,000 | 10,250 |
| Other Public Works | | | | | | | | | | |
| Street Resurfacing (Miles) | 14 | 8 | 8 | 8 | 8 | 8 | 8 | 6 | 13 | 18 |
| Potholes Repaired | 475 | 486 | 530 | 230 | 220 | 175 | 200 | 223 | 250 | 220 |
| Parks and Recreation | | | | | | | | | | |
| Facility Rental Bookings | 1,337 | 2,956 | 2,900 | 1,452 | 1,400 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| Community Center Admissions | 62,214 | 1,980 | 2,300 | 2,900 | 2,600 | 2,450 | 2,500 | 150,000 | 150,000 | 150,000 |
| Library | | | | | | | | | | |
| Volumes in Collection | 128,908 | 132,435 | 136,000 | 142,000 | 143,000 | 148,900 | 149,500 | 154,500 | 156,000 | 157,000 |
| Total Volumes Borrowed | 359,000 | 390,567 | 398,000 | 384,200 | 404,300 | 449,000 | 471,800 | 481,000 | 486,000 | 469,000 |
| Water | | | | | | | | | | |
| New Connections | 216 | 110 | 150 | 110 | 100 | 100 | 224 | 200 | 300 | 300 |
| Water Main Breaks | 208 | 7 | 10 | 10 | 10 | 300 | 100 | 200 | 350 | 350 |
| Average Daily Consumption (thousands of gallons) | 5,571 | 6,236 | 6,141 | 5,810 | 6,447 | 6,667 | 7,091 | 7,221 | 6,954 | 6,792 |
| Peak Daily Consumption (thousands of gallons) | 6,933 | 9,387 | 10,061 | 8,916 | 10,153 | 10,652 | 11,383 | 10,268 | 10,994 | 9,298 |
| Wastewater | | | | | | | | | | |
| Average Daily Sewage Treatment (samples collected/tested) | 579 | 4,960 | 5,070 | 5,600 | 5,600 | 5,700 | 5,700 | 5,700 | 5,700 | 5,700 |

Source: Various City Departments

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

TABLE 25

| FUNCTION/PROGRAM | FISCAL YEAR | | | | | | | | | |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 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 | 55 | 63 | 63 | 66 | 84 | 118 | 117 | 118 | 118 | 118 |
| Fire | | | | | | | | | | |
| Stations | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 |
| Other Public Works | | | | | | | | | | |
| Streets (Miles) | 250 | 263 | 277 | 282 | 292 | 309 | 309 | 302 | 302 | 311 |
| Streetlights | 1,535 | 1,540 | 1,546 | 3,500 | 3,591 | 3,517 | 3,518 | 3,559 | 3,575 | 3,575 |
| Traffic Signals | 5 | 5 | 5 | 5 | 49 | 52 | 54 | 48 | 48 | 48 |
| Parks and Recreation | | | | | | | | | | |
| Acreage | 120 | 120 | 120 | 120 | 1,154 | 1,178 | 1,699 | 1,699 | 1,806 | 1,826 |
| Playgrounds | 15 | 30 | 36 | 36 | 39 | 39 | 50 | 59 | 59 | 60 |
| Baseball/Softball Diamonds | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 13 | 13 |
| Soccer/Football Fields | 3 | 3 | 3 | 3 | 9 | 9 | 10 | 10 | 10 | 10 |
| Community Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | | | |
| Fire Hydrants | 1,066 | 1,133 | 1,324 | 1,565 | 1,484 | 1,727 | 1,775 | 1,551 | 1,611 | 1,691 |
| Wastewater | | | | | | | | | | |
| Sanitary Sewers (Miles) | N/A | N/A | N/A | N/A | 196 | 198 | 205 | 206 | 209 | 215 |
| Storm Sewers (Miles) | N/A | N/A | N/A | N/A | 41 | 43 | 52 | 55 | 55 | 61 |
| Treatment Capacity (thousands of gallons) | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* | 9 MGD* |

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