

CITY OF SAN MARCOS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED

SEPTEMBER 30, 2017

Issued by the
City of San Marcos Finance Department

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CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

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INTRODUCTORY SECTION

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CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2017

CITY COUNCIL

John Thomaides - Mayor

Lisa Prewitt - Place 1

Saul Gonzales - Place 2

Ed Mihalkanin - Place 3

Jane Hughson - Place 4

Scott Gregson - Place 5

Melissa Derrick - Place 6

ADMINISTRATION

Bert Lumbreras - City Manager
Collette Jamison - Assistant City Manager
Steve Parker - Assistant City Manager

Heather Hurlbert - Director of Finance
Ismael Garcia - Accounting Manager

Presented by
The Finance Department

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Government Finance Officers Association

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

Presented to

**City of San Marcos
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

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Transmittal Letter

For the Fiscal Year
Ended
September 30,
2017

City of San Marcos
San Marcos,
Texas

March 20, 2018

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, 2017. 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, PC, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

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

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

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

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report.

CITY OF SAN MARCOS PROFILE

San Marcos is located on the IH-35 corridor 15 miles south of Austin and 30 miles north of San Antonio. The greater San Marcos region is situated between two of the fastest growing MSAs (Metropolitan Statistical Area) in the United States. The City has a 2010 census population of 44,894 but currently estimated at over 60,000 with a daytime service population of 80,000. The City covers a total of 32.21 square miles within its city limits.

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

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

The City is the home of Texas State University which has over 38,000 enrolled students, making the university the 5th largest public university by enrollment in Texas, as well as the 34th largest public university by enrollment in the United States. Texas State University is composed of 9 colleges and about 50 schools and departments across multiple disciplines, including nationally recognized programs in Geography, Criminal Justice and Music and offering 98 bachelor's, 91 master's and 13 doctoral degrees. In 2016, Texas State was granted the designation of Doctoral University with Higher Research Activity with over 400 doctoral students and \$48.0 million in research spending. The university became the first in the country to offer a PhD in Materials Science, Engineering, and Commercialization and the City is home to the new Science, Technology and Advanced Research (STAR) Park which opened in 2012. This partnership between Texas State University and the City is made possible through a \$1.85 million award from the U.S. Economic Development Administration. This grant funded the construction of a state-of-the-art research and commercialization center that will serve as a technology accelerator for start-up and early-stage businesses with green and bio-technology focus. The second phase of this project is currently under construction due to the enormous success of the first phase.

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

Economic Outlook and Financial Condition

San Marcos was ranked as the fastest growing city in the U.S. with a population over 50,000 for three consecutive years from 2013 – 2015 and the Greater San Marcos Region continues to be one of the fastest growing areas in the country. Hays County, the county for which San Marcos sits as the county seat, has been ranked as the fastest growing county with a population over 50,000 for the past two years.

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

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

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

Property Values

The continued low mortgage interest rates and new residential developments within San Marcos continue to bring in residential growth and commercial development. This continuing growth contributed to the increase of taxable value on new improvements of \$156.4 million, on existing properties of \$350.3 million for a total valuation of \$ 4.6 billion for the 2017 tax year. The City expects this trend to continue as a result of the City’s commitment to targeted economic development efforts that focus on industry segments that complement the existing business mix. In late 2015, the on-line retail giant, Amazon, announced the construction of a \$191 million facility in San Marcos. Construction was completed in late 2016 and the facility employed up to 3,000 permanent employees during 2017 with additional temporary workers added during the holiday season.

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. In FY 2017 the City of San Marcos recognized a 3.7% decrease in sales tax collections. This decline was due to one-time collections of an estimated \$1.6M in sales taxes generated by the construction of the Amazon Distribution Center. Base sales taxes increased \$550K for collections of \$27.4 million in FY 2017.

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 foot complex and attracts shoppers from all over the United States and internationally. The City has seen steady growth in sales tax revenues in recent years but has seen a slowing since 2016 as a result of the shift from brick and mortar stores to on-line shopping. The sales from the outlet mall make up 32% of the total sales tax revenue received by the City.

Employment

Most recently available data showed San Marcos at a low unemployment rate of 3.3% rate in February 2018, lower than the state rate of 4.1% and the national rate of 4.1%. As a result of this low rate, San Marcos residents have greater job opportunities locally. Along with Amazon mentioned above, San Marcos has added several large employers to the City over the past several years including Epic Piping, several national hotels, and Texas's sole Best Buy E-Commerce Center. In addition, Urban Mining has announced that it will be relocating its headquarters to San Marcos.

Tourism

Travel and tourism is one of San Marcos' largest industries and contributes significantly to the City's economy. The City offers numerous tourist attractions, including the beautiful San Marcos River and the San Marcos Outlets which is one of Texas' most visited destinations. San Marcos is known as a great destination for outdoor enthusiasts who like to kayak, tube, snorkel, standup paddle, surf the falls, bird watch or hike and bike in town trails. The City of San Marcos Conference Center hosts more than 112,000 guests per year. The City's soccer, softball, baseball and tennis facilities host 100,000 youth and adult participants, coaches, family and fans. In addition to traditional sport fans, our well-kept natural area trails and rolling hills draw runners to the variety of races from 5K to half marathons. Hotels and bed and breakfasts in the area provide more than 2,311 guest rooms with an average annual occupancy of 60%. More than 1,200 retail shops and boutiques are located throughout the City and a selection of over 200 restaurants is available. These services and facilities, complemented by the mild winter, have made San Marcos a popular annual vacation destination for more than 14 million visitors.

Hotel/motel occupancy tax receipts remained flat in FY2017 over the previous year. The current forecast is that tourism will continue to experience positive gains, reflected by continued increases in occupancy, available rooms and room rates. The City expects to add 350 hotel rooms over the next year with the construction of four hotels.

CITY INITIATIVES

In January 2018, the San Marcos City Council held a Visioning Workshop to explore important key priorities. The following strategic initiatives became the City Management's guiding principles and direction to the City staff to make the City fully sustainable long into the future:

- ✓ Workforce Housing
- ✓ Public Transit
- ✓ Stormwater Management
- ✓ Community Partners
- ✓ City Facilities

Fiscal Responsibility

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.
- 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.
- Adjusting fees annually during the budget process based on the positive average Consumer Price Index (CPI) for the prior calendar year CPI to ensure fees for services are keeping pace with the cost of providing these services. In addition to adjusting fees annually, user fee studies will be done every three years for the function areas including development services, community services, and other user fees. Staff has recommended to the City Council that fees be adjusted annually for positive increases in the CPI to ensure fees for services are keeping pace with the cost of providing these services.
- Voter approved bond election to renovate and construct new public safety facilities and expand the library.

Water/Wastewater Rates

A Water / Wastewater rate study has been conducted every year for the last several years including 2017. For the 2018 budget, the Citizens Utility Advisory Board (CUAB) recommends a 5% rate adjustment in water and 2% rate adjustment in wastewater. The CUAB spent several months looking at the updated rate study modeling, cost of operations, and the long range plans on the water/wastewater utility including the effect of the Hays County Public Utility Agency (HCPUA).

The City is continuing to explore future water supplies through the Hays County Public Utility Agency (HCPUA). This is a joint venture between San Marcos, Kyle, Buda, and some regional water corporations to firm up future water supplies through the year 2060. The HCPUA reached a major milestone in developing a sustainable long-term water supply. A small project related to Phase I is scheduled for 2017 to construct a pipeline between San Marcos, Kyle and Buda. The City of San Marcos' share of the total construction cost related to Phase 1 of the project is approximately \$70 Million and is anticipated for the year 2019. The City is still exploring water supply alternatives in hopes that this future expense can be reduced as much as possible.

Long Range Planning

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

Changes presented in this plan ultimately resulted in a necessary revision to the Land Development Code (LDC) in order to ensure development aligns with the intent of the plan. The Code Development Rewrite currently referred to as CODE SMTX has been underway for the past several years and is anticipated to be adopted in the Spring of 2018. The City's Planning and Development Services Team is working with the consultant team of Dover Kohl and a Think Tank group of community volunteers to update the code. A preferred scenario map was created during the design rodeo that illustrates locations where residents of San Marcos wish to see growth and development. The Land Use Intensity Matrix outlines general uses for the various development areas and will be utilized as a guide in updating the LDC.

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

FINANCIAL INFORMATION

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

Internal Controls

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

Financial Rating

The City of San Marcos had its underlying credit rating confirmed from Standard & Poor's in May 2017. 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, 2017, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2016. 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 earn the 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. The City will submit this report once again be submitted to the GFOA for this annual award.

We are also proud to report that the GFOA has presented the Distinguished Budget Presentation Award to the City of San Marcos for each of the past 34 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, PC, 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,

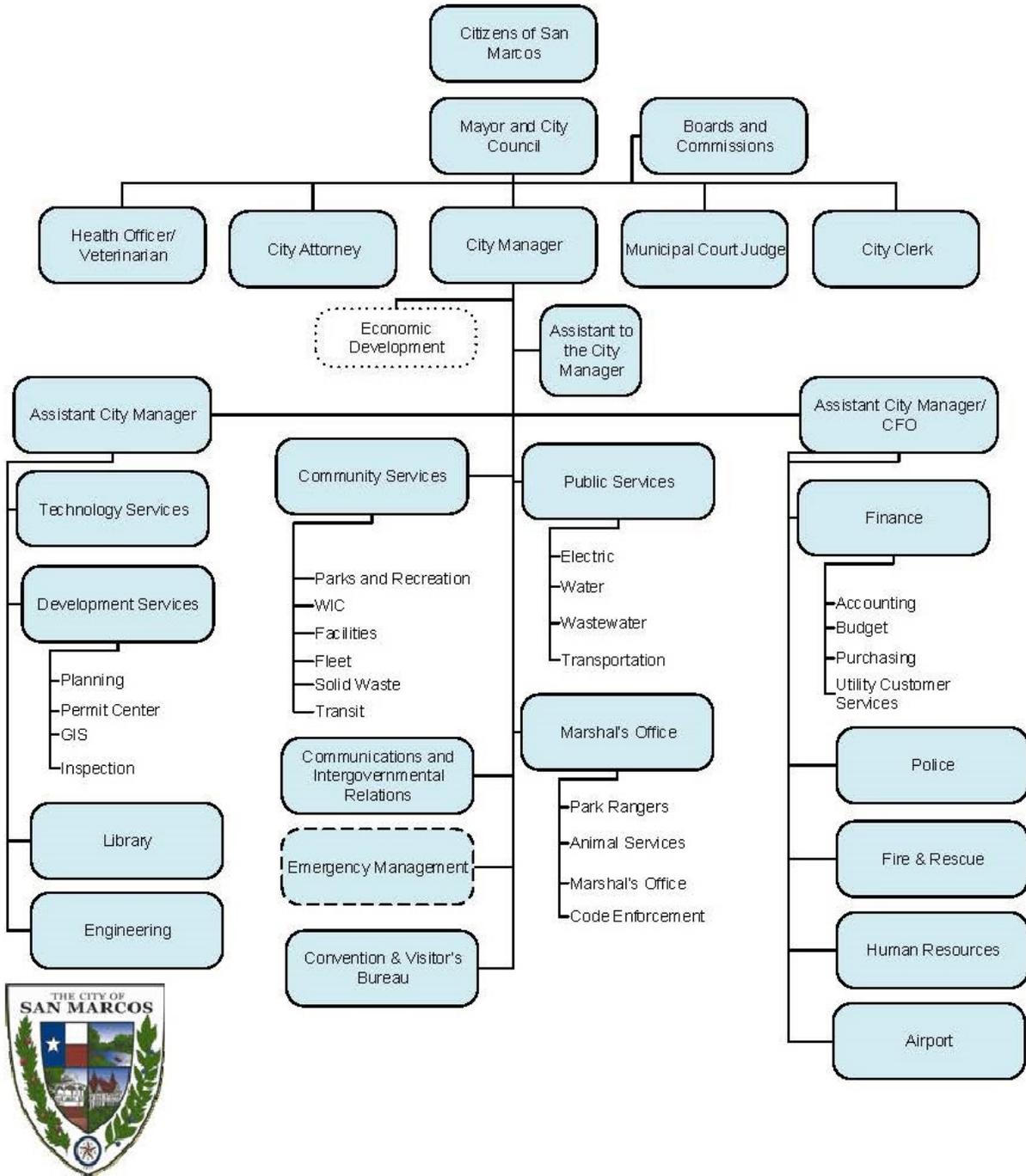
//signature on file//

Bert Lumbreras
City Manager

//signature on file//
Steve Parker
Asst. City Manager/CFO

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City of San Marcos 2016-17 ANNUAL BUDGET ORGANIZATION CHART



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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of San Marcos, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 5J, schedule of funding progress for retiree health care plan, schedule of changes in net pension liability and related ratios, and schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, 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 20, 2018

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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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xiii 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, 2017, by \$261.9 million (net position). Of this amount, \$76.2 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2017, the City of San Marcos' governmental funds reported combined ending fund balances of \$56.2 million, a decrease of \$858,924 in comparison with the prior fiscal year. This is primarily attributed to the budgeted use of fund balance in the General Fund for one-time expenditures.
- At the end of the current fiscal year, unassigned fund balance for the major funds met or exceeded the City Financial Policy requirements. The General Fund totaled \$15.0 million, or 25% of total general fund expenditures.
- The City's total debt increased by \$15.1 million during the current fiscal year. The City issued \$5.8 million in water and wastewater bonds and \$32.3 in combination tax and revenue bonds for approved CIP projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

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

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

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

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

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

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

Because the focus of governmental funds are more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between govern-

mental 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 24 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 21 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

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

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

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

The basic proprietary funds financial statements can be found on pages 15 - 17 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 51 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 61 - 99 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$261.9 million as of September 30, 2017. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$176.2 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 (66%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions as to the use of the funds.

The deficit balance in the governmental activities unrestricted net position is primarily due to City expenses for assets owned by other entities. The City issues bonds to finance these projects that do not get capitalized on the City's financial statements. The net effect of these transactions leaves a liability balance on the City's financial statements for the bonds the City is still obligated to pay. The remaining balance of unrestricted net position \$76.2 million may be used to meet the government's ongoing obligations to citizens and creditors.

TABLE 1
CITY OF SAN MARCOS' NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 67,106,557	\$ 66,936,454	\$ 167,123,840	\$ 133,528,706	\$ 234,230,397	\$ 200,465,160
Capital Assets	186,352,169	205,031,960	224,464,654	216,409,057	410,816,823	421,441,017
Total Assets	<u>253,458,726</u>	<u>271,968,414</u>	<u>391,588,494</u>	<u>349,937,763</u>	<u>645,047,220</u>	<u>621,906,177</u>
Deferred Outflows	<u>17,262,563</u>	<u>18,781,650</u>	<u>7,479,485</u>	<u>8,350,941</u>	<u>24,742,048</u>	<u>27,132,591</u>
Liabilities						
Long-Term Liabilities	163,107,971	162,667,639	196,148,665	175,941,263	359,256,636	338,608,902
Other Liabilities	20,987,015	18,108,652	26,455,770	21,735,596	47,442,785	39,844,248
Total Liabilities	<u>184,094,986</u>	<u>180,776,291</u>	<u>222,604,435</u>	<u>197,676,859</u>	<u>406,699,421</u>	<u>378,453,150</u>
Deferred Inflows	<u>998,011</u>	<u>1,367,586</u>	<u>219,076</u>	<u>300,202</u>	<u>1,217,087</u>	<u>1,667,788</u>
Net Position						
Net Investment in Capital Assets	80,034,686	95,798,543	92,125,543	85,343,273	172,160,229	181,141,816
Restricted	13,324,854	13,088,699	221,981	221,981	13,546,835	13,310,680
Unrestricted (deficit)	<u>(7,731,248)</u>	<u>(281,055)</u>	<u>83,896,944</u>	<u>74,746,389</u>	<u>76,165,696</u>	<u>74,465,334</u>
Total Net Position	<u>\$ 85,628,292</u>	<u>\$ 108,606,187</u>	<u>\$ 176,244,468</u>	<u>\$ 160,311,643</u>	<u>\$ 261,872,760</u>	<u>\$ 268,917,830</u>

Governmental activities. The City's governmental revenues decreased when compared to the prior year by 0.01% or \$1,052,073. This decrease is primarily due to a decrease in sales tax revenue. In FY16, the City collected approximately \$1.6M in sales tax directly related to the materials and equipment used in the construction of the Amazon Distribution Warehouse. This revenue was not recurring in FY17, so even though there was an increase in the base sales taxes of 2.3% the increase did not offset the onetime revenue collected in FY16.

One of the more significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$33.9 million. The public safety expense increase was primarily due to the funding of the second year of the meet and confer agreement entered into in 2016, routine step and merit increases, and additional staff.

Business-type activities. Revenues of the City's business-type activities were \$111.7 million for the fiscal year ending September 30, 2017. Expenses for the City's business-type activities were \$96.4 million for the year, resulting in a net increase in net position of \$15.9 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 \$41.2 million, which exceeded expenses of \$36.0 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 and wastewater treatment plants along with the cost of surface water and \$4.4 million in salaries and benefits. Per the City's financial policy, amounts above the required 25% fund balance are transferred into capital reserves and used to fund capital projects.
- The City's electric distribution system recorded charges for services of \$58.2 million, which exceeded expenses of \$52.0 million. The most significant expense of the electric fund was \$34.6 million for the purchase of power. Per the City's financial policy, amounts above the required fund balance equal to 60 days of operational expenses including the cost of power are transferred into capital reserves and used to fund capital projects.
- The increase in net position from business-type activities was primarily due to increased revenue from water, sewer, and electric sales due to a combination of rate adjustments in water and sewer, growth in the number of customers for all three utilities, and capital contributions of water, sewer, and electric infrastructure as new construction activity continues in the City.

Governmental and business-type activities decreased the City's net position (Table 2) by \$7.0 million.

TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET POSITION

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues						
Charges for Services	\$ 16,132,723	\$ 16,925,601	\$ 108,790,932	\$ 101,168,410	\$ 124,923,655	\$ 118,094,011
Operating Grants and Contributions	4,440,897	5,529,214	1,784,902	-	6,225,799	5,529,214
Capital Grants and Contributions	3,448,810	2,177,251	253,915	536,836	3,702,725	2,714,087
General Revenues						
Property Taxes, Levied for General Purposes	21,254,699	21,309,785	-	-	21,254,699	21,309,785
Sales Taxes	27,364,450	28,429,648	-	-	27,364,450	28,429,648
Franchise Taxes	7,980,186	7,657,376	-	-	7,980,186	7,657,376
Hotel/Motel Taxes	3,795,566	3,778,419	-	-	3,795,566	3,778,419
Investment Earnings	238,708	275,637	916,988	525,975	1,155,696	801,612
Other	1,106,495	731,676	-	-	1,106,495	731,676
Total Revenues	<u>85,762,534</u>	<u>86,814,607</u>	<u>111,746,737</u>	<u>102,231,221</u>	<u>197,509,271</u>	<u>189,045,828</u>
EXPENSES						
General Government	45,271,507	29,623,894	-	-	45,271,507	29,623,894
Public Safety	33,904,923	30,282,359	-	-	33,904,923	30,282,359
Community Service	24,111,594	15,728,115	-	-	24,111,594	15,728,115
Interest and Fiscal Charges	4,890,031	4,977,996	-	-	4,890,031	4,977,996
Electric	-	-	52,007,700	47,962,128	52,007,700	47,962,128
Water and Sewer	-	-	36,005,404	33,372,074	36,005,404	33,372,074
Airport	-	-	636,669	581,290	636,669	581,290
Drainage	-	-	3,262,115	2,885,187	3,262,115	2,885,187
Transit	-	-	603,535	582,522	603,535	582,522
Resource Recovery	-	-	3,860,863	3,920,819	3,860,863	3,920,819
Total Expenses	<u>108,178,055</u>	<u>80,612,364</u>	<u>96,376,286</u>	<u>89,304,020</u>	<u>204,554,341</u>	<u>169,916,384</u>
Increases (Decreases) in Net Position before Transfers	(22,415,521)	6,202,243	15,370,451	12,927,201	(7,045,070)	19,129,444
Transfers	(562,374)	(704,726)	562,374	704,726	-	-
Change in Net Position	(22,977,895)	5,497,517	15,932,825	13,631,927	(7,045,070)	19,129,444
NET POSITION - BEGINNING	<u>108,606,187</u>	<u>103,108,670</u>	<u>160,311,643</u>	<u>146,679,716</u>	<u>268,917,830</u>	<u>249,788,386</u>
NET POSITION - ENDING	<u>\$ 85,628,292</u>	<u>\$ 108,606,187</u>	<u>\$ 176,244,468</u>	<u>\$ 160,311,643</u>	<u>\$ 261,872,760</u>	<u>\$ 268,917,830</u>

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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 \$56.2 million, a decrease of \$858,924 in comparison with the prior year. Approximately 26.68% of this total amount constitutes unassigned fund balance, which is available for use within the City's fund designation and fiscal policies. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase prepaid expenses of the prior period, 2) to pay debt service, 3) for capital projects, 4) to generate income to pay for the perpetual care of the municipal cemetery, 5) to be used for general government, or 6) to be used for community services.

The general fund is the main operating fund of the City of San Marcos. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15.0 million, while total fund balance reached \$15.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25% of total general fund expenditures.

In the general fund, which also includes the cemetery operating fund, the City originally budgeted for a fund balance decrease in the current year of \$2,658,852. It is one of the City's financial policies to maintain fund balance in the general fund equal to 90 days' expenditures or 25%. Use of fund balance of \$2,804,702 was the final amended budget, and \$2,399,447 was used. This is primarily attributable to actual expenditures being less than originally budgeted. The debt service fund balance increased by \$852,438 from 2016 to 2017. This increase was primarily attributed to the Hotel/Motel tax collections used to service the Conference Center debt and the reimbursement from TxDOT for the Wonder World pass through toll debt being higher than the cost to service the debt. The capital projects fund balance had a net increase of \$814,134 primarily due to a new bond issue of \$7.2 million. Decreases and increases in the general fund, and other governmental fund balances contributed to the net decrease in fund balances of \$858,924.

TABLE 3
GOVERNMENTAL TAX REVENUES

	2017	2016	INCREASE (DECREASE)
Property	\$ 22,333,203	\$ 20,440,016	\$ 1,893,187
Sales	27,364,450	28,429,648	(1,065,198)
Franchise	8,076,913	7,759,052	317,861
Hotel/Motel	3,795,566	3,778,419	17,147
Mixed Drink	460,894	409,330	51,564
	\$ 62,031,026	\$ 60,816,465	\$ 1,214,561

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 \$52.8 million, and those for the Electric Fund amounted to \$28.9 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 FY2017, actual expenditures on a budgetary basis were \$59.9 million compared to the budget amount of \$62.9 million. The \$2.9 million positive variance was due to savings achieved through salary vacancy savings and conservative spending.

For FY2017, actual revenues on a budgetary basis were \$60.7 million as compared to the budget amount of \$63.3 million. This is primarily due to below budgeted sales tax revenue as discussed previously.

The City of San Marcos has a General Fund balance of \$15.9 million as of the fiscal year-end, compared to the budgeted fund balance of \$15.5 million. The variance in fund balance is primarily due to cost containment measures implemented by management and conservative budgetary practices and increased property tax revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year 2017, the City had \$410.6 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 36 - 37.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Land	\$ 17,096,744	\$ 16,460,524	\$ 3,096,977	\$ 3,096,977	\$ 20,193,721	\$ 19,557,501
Buildings	26,016,731	26,770,438	2,356,895	2,474,463	28,373,626	29,244,901
Improvements Other than Buildings	80,033,162	58,678,940	81,204,111	80,398,457	161,237,273	139,077,397
Equipment	9,776,600	9,066,440	5,674,133	4,394,897	15,450,733	13,461,337
Construction in Progress	29,061,562	70,819,584	132,132,538	126,044,263	161,194,100	196,863,847
Infrastructure	24,367,370	23,236,034	-	-	24,367,370	23,236,034
TOTAL CAPITAL ASSETS	\$ 186,352,169	\$ 205,031,960	\$ 224,464,654	\$ 216,409,057	\$ 410,816,823	\$ 421,441,017

Long-term Debt. At year-end, the City had \$319.4 million in general obligation bonds, combination tax and revenue certificates of obligations capital leases, note payable, and revenue bonds outstanding as compared to \$297.6 million at the end of the prior fiscal year, an increase of 5.37%. For more detailed information on long term debt, please refer to the accompanying notes on pages 38-41.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 78,050,000	\$ 83,465,000	\$ -	\$ -	\$ 78,050,000	\$ 83,465,000
Discount on Bonds	(77,060)	(84,570)	(140,682)	(152,405)	(217,742)	(236,975)
Premium on Bonds	9,382,478	9,621,964	9,933,795	8,926,130	19,316,273	18,548,094
Deferred Amounts on Refundings	(7,126,219)	(7,753,021)	(5,254,432)	(5,930,019)	(12,380,651)	(13,683,040)
Certificates of Obligations	41,840,000	37,095,000	-	-	41,840,000	37,095,000
Capital Leases	1,850,468	1,925,200	1,268,203	1,473,816	3,118,671	3,399,016
Notes Payable	4,850,000	-	-	-	4,850,000	-
Revenue Bonds	-	-	184,775,000	169,015,000	184,775,000	169,015,000
TOTAL DEBT	\$ 123,919,667	\$ 124,269,573	\$ 190,581,884	\$ 173,332,522	\$ 319,351,551	\$ 297,602,095

The City maintained an AA rating from Standard & Poor's Corporation since 2014 and an 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 1.7%.

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 \$796,643 at September 30, 2017, compared to \$637,899 at September 30, 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic projections remain strong for San Marcos and the region. San Marcos was recognized as the fastest growing city in the United States for several years in a row. Property tax appraisals are up 12 percent for Fiscal Year 2018 and the City is seeing indications of continued new growth for the future. General Fund revenue has increased 28% or 14 million over the past 5 years due to strong retail and commercial growth in the City. The strong new commercial and residential development activity, generated by new construction combined with sound financial policies, have put San Marcos in a strong financial position.

The FY2017-18 adopted budget of \$214 million is an increase of \$20.2 million or 10.44% from the adopted fiscal year 2017 budget. Increases in recurring expenses are attributable to numerous issues related to contract obligations in water and electric supply agreements, CPI adjustments to existing contracts, commitments to adopted merit increases, increased health

insurance costs, economic development agreements, and additional adopted personnel as well as debt service increases. The decrease in one-time expenses is primarily related to the reduction in the transfer in capital reserves in the utility funds.

The budget provides for additional positions to support the City's growth and City Council goals including three Firefighters, Night Support Services Police Sergeant, Code Enforcement Officers, Senior and Graduate Engineer, as well key administrative support in fleet, City Clerk, Engineering, Parks and Recreation, Finance, Traffic, Water/Wastewater, and Electric Utility. In addition to personnel, the budget provides for appropriations to the Police and Fire meet and confer agreements adopted by Council in 2016.

The adopted property tax rate for 2017 is 61.39 cents per \$100 valuation. This increase of 8.37 cents per \$100 valuation was approved by voters in the May 2017 bond election for debt service of and operational expenses for public safety and library expansion projects. The taxable property base increased by \$506.6M and new improvements were \$156.3M of that total. This budget will raise \$5.5M more in total property tax revenue than last year's budget, and of that \$960K is due to new construction. The operations and maintenance tax rate will pay operations and maintenance (O&M) costs in the General Fund, producing revenues of \$16,418,827. The debt service rate is allocated to repay tax supported debt in the Debt Service Fund. The debt service revenue of \$11,681,485 will be used to pay long-term debt and Tax Increment Zone amounts.

Sales taxes represent 46% of total General Fund revenue projected for fiscal year 2018. Sales tax receipts are the largest single revenue source supporting general governmental services in San Marcos. Consistent retail sales have kept this revenue stream steady for the past several years. The sales tax revenue of \$32.0M includes a 2% increase to the base sales taxes (\$356K), 1% increase to the sales taxes attributed to the Tanger and Prime Outlet Malls (\$90K), and 75% of the anticipated revenues generated by the new Best Buy Call Center located in San Marcos (\$4.7M).

A Water/Wastewater rate study has been conducted every year for the last several years including 2018. For the 2018 budget, the CUAB recommended a 5% rate adjustment in water and a 2% rate adjustment in wastewater. The CUAB spent several months looking at the updated rate study modeling, the impacts of the newly implemented rate structure, and the long range plans on the water/wastewater utility including the effect of the Alliance Regional Water Authority (ARWA). The franchise fee paid by the Water/Wastewater to the General Fund has increased from 7% to 8% for fiscal year 2018.

The annual rate study conducted for the Electric Utility did not indicate the need for a rate adjustment and as a result, the CUAB recommended no rate adjustment. The CUAB spent several months looking at the updated rate study modeling and the results indicated that no rate adjustment was necessary in fiscal year 2018. The franchise fee paid by the Electric Fund to the General Fund has increased from 7% to 8% for fiscal year 2018.

The FY2017-18 adopted budget with a healthy fund balance represents sound fiscal management and measures our capacity to sustain current and future operations. Overall, the budget will bring our fund balances to a total of \$50.3 million, or 23.4% of total expenses. The budget continues our commitment of maintaining appropriate fund balances while meeting City Council priorities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 7,919,425	\$ 16,513,575	\$ 24,433,000
Investments	49,433,109	133,122,140	182,555,249
Receivables - Net of Allowances for Uncollectibles:			
Taxes	878,774	-	878,774
Accounts	7,711,923	14,314,428	22,026,351
Due from Other Governments	1,477,267	-	1,477,267
Internal Balances	(1,000,261)	1,000,261	-
Inventories	465,765	2,149,359	2,615,124
Prepaid Items	220,555	24,077	244,632
Capital Assets			
Land	17,096,744	3,096,977	20,193,721
Construction in Progress	29,061,562	132,132,538	161,194,100
Buildings	36,622,325	5,897,675	42,520,000
Improvements Other than Buildings	151,965,453	207,142,969	359,108,422
Equipment	35,357,742	14,811,343	50,169,085
Infrastructure	40,486,358	-	40,486,358
Less: Accumulated Depreciation	(124,238,015)	(138,616,848)	(262,854,863)
Total Assets	<u>253,458,726</u>	<u>391,588,494</u>	<u>645,047,220</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pension	10,136,344	2,225,053	12,361,397
Deferred Charge on Bond Refunding	7,126,219	5,254,432	12,380,651
Total Deferred Outflows of Resources	<u>17,262,563</u>	<u>7,479,485</u>	<u>24,742,048</u>
<u>LIABILITIES</u>			
Accounts Payable	4,860,824	7,622,437	12,483,261
Accrued Liabilities	2,950,182	513,522	3,463,704
Unearned Revenues	1,570,433	-	1,570,433
Customer Deposits	-	4,268,771	4,268,771
Accrued Interest Payable	602,171	1,092,265	1,694,436
Noncurrent Liabilities			
Due Within One Year	11,003,405	12,958,775	23,962,180
Due in More than One Year	128,512,961	188,554,638	317,067,599
Net Pension Liability	34,595,010	7,594,027	42,189,037
Total Liabilities	<u>184,094,986</u>	<u>222,604,435</u>	<u>406,699,421</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pension	998,011	219,076	1,217,087
<u>NET POSITION</u>			
Net Investment in Capital Assets	80,034,686	92,125,543	172,160,229
Restricted for:			
Community Services	3,074,038	-	3,074,038
Public Safety	506,142	-	506,142
Debt Service	8,697,022	-	8,697,022
Park and Cemetery Trust	1,047,652	-	1,047,652
Energy Incentive Programs	-	221,981	221,981
Unrestricted (deficit)	(7,731,248)	83,896,944	76,165,696
Total Net Position	<u>\$ 85,628,292</u>	<u>\$ 176,244,468</u>	<u>\$ 261,872,760</u>

CITY OF SAN MARCOS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<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	\$ 45,271,507	\$ 12,942,500	\$ 946,632	\$ 2,710,163
Public Safety	33,904,923	1,543,969	482,497	502,343
Community Service	24,111,594	1,646,254	3,011,768	236,304
Interest and Other Fees	<u>4,890,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>108,178,055</u>	<u>16,132,723</u>	<u>4,440,897</u>	<u>3,448,810</u>
Business-Type Activities				
Electric	52,007,700	58,234,989	-	253,915
Water and Wastewater	36,005,404	41,211,800	1,784,902	-
Airport	636,669	476,342	-	-
Drainage	3,262,115	4,937,409	-	-
Transit	603,535	-	-	-
Resource Recovery	<u>3,860,863</u>	<u>3,930,392</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>96,376,286</u>	<u>108,790,932</u>	<u>1,784,902</u>	<u>253,915</u>
TOTAL GOVERNMENT	<u>\$ 204,554,341</u>	<u>\$ 124,923,655</u>	<u>\$ 6,225,799</u>	<u>\$ 3,702,725</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

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (28,672,212)	\$ -	\$ (28,672,212)
(31,376,114)	-	(31,376,114)
(19,217,268)	-	(19,217,268)
<u>(4,890,031)</u>	<u>-</u>	<u>(4,890,031)</u>
<u>(84,155,625)</u>	<u>-</u>	<u>(84,155,625)</u>
-	6,481,204	6,481,204
-	6,991,298	6,991,298
-	(160,327)	(160,327)
-	1,675,294	1,675,294
-	(603,535)	(603,535)
<u>-</u>	<u>69,529</u>	<u>69,529</u>
<u>-</u>	<u>14,453,463</u>	<u>14,453,463</u>
<u>(84,155,625)</u>	<u>14,453,463</u>	<u>(69,702,162)</u>
21,254,699	-	21,254,699
27,364,450	-	27,364,450
7,980,186	-	7,980,186
3,795,566	-	3,795,566
460,894	-	460,894
238,708	916,988	1,155,696
645,601	-	645,601
<u>(562,374)</u>	<u>562,374</u>	<u>-</u>
<u>61,177,730</u>	<u>1,479,362</u>	<u>62,657,092</u>
(22,977,895)	15,932,825	(7,045,070)
<u>108,606,187</u>	<u>160,311,643</u>	<u>268,917,830</u>
<u>\$ 85,628,292</u>	<u>\$ 176,244,468</u>	<u>\$ 261,872,760</u>

CITY OF SAN MARCOS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 848,666	\$ 2,869,016	\$ -	\$ 3,830,331	\$ 7,548,013
Investments	14,439,342	25,035,325	7,420,802	1,037,640	47,933,109
Receivables - Net of Allowances for Uncollectibles					
Taxes, Net	294,786	-	297,650	286,338	878,774
Accounts	3,235,097	1,578,633	1,610,924	1,252,642	7,677,296
Due from Other Funds	2,124,345	-	-	-	2,124,345
Due from Other Governments	-	-	-	1,477,267	1,477,267
Inventories	465,765	-	-	-	465,765
Prepays	195,348	-	-	25,207	220,555
TOTAL ASSETS	<u>\$ 21,603,349</u>	<u>\$ 29,482,974</u>	<u>\$ 9,329,376</u>	<u>\$ 7,909,425</u>	<u>\$ 68,325,124</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,245,498	\$ 1,475,371	\$ -	\$ 980,549	\$ 4,701,418
Accrued Liabilities	2,117,223	-	-	34,185	2,151,408
Unearned Revenue	1,061,104	57,472	-	451,857	1,570,433
Customer Deposits	-	-	-	2,131	2,131
Due to Other Funds	-	1,000,261	336,681	1,787,664	3,124,606
Total Liabilities	<u>5,423,825</u>	<u>2,533,104</u>	<u>336,681</u>	<u>3,256,386</u>	<u>11,549,996</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Property Taxes	285,726	-	295,673	-	581,399
<u>FUND BALANCES</u>					
Nonspendable:					
Inventories	465,765	-	-	-	465,765
Prepays	195,348	-	-	25,207	220,555
Endowment	-	-	-	1,047,652	1,047,652
Restricted for:					
Public Safety - Grants	-	-	-	10,202	10,202
Court Technology	-	-	-	152,936	152,936
Seized Assets	-	-	-	154,820	154,820
Court Security	-	-	-	145,304	145,304
Juvenile Case Manager	-	-	-	42,880	42,880
Community Services	-	-	-	3,074,038	3,074,038
Capital Projects	-	26,949,870	-	-	26,949,870
Debt Service	-	-	8,697,022	-	8,697,022
Assigned	238,569	-	-	-	238,569
Unassigned	14,994,116	-	-	-	14,994,116
Total Fund Balances	<u>15,893,798</u>	<u>26,949,870</u>	<u>8,697,022</u>	<u>4,653,039</u>	<u>56,193,729</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 21,603,349</u>	<u>\$ 29,482,974</u>	<u>\$ 9,329,376</u>	<u>\$ 7,909,425</u>	<u>\$ 68,325,124</u>

CITY OF SAN MARCOS, TEXAS
RECONCILIATION OF BALANCE SHEET -
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

<u>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u>	\$ 56,193,729
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.	186,352,169
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.	581,399
The assets and liabilities of the internal service fund are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	949,990
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(158,448,995)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 85,628,292</u>

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Taxes	\$ 48,831,519	\$ -	\$ 8,720,509	\$ 4,382,271	\$ 61,934,299
Licenses and Permits	2,358,247	-	-	-	2,358,247
Fees and Penalties	1,325,473	-	-	120,653	1,446,126
Charges for Services	6,481,604	-	-	194,035	6,675,639
Intergovernmental	512,669	394,410	3,926,968	4,360,897	9,194,944
Interest on Investments	217,834	13,270	7,540	64	238,708
Contributions and Donations	80,000	-	-	-	80,000
Miscellaneous	932,043	476,149	99,498	140,652	1,648,342
Total Revenues	<u>60,739,389</u>	<u>883,829</u>	<u>12,754,515</u>	<u>9,198,572</u>	<u>83,576,305</u>
<u>EXPENDITURES</u>					
Current					
General Government	18,990,464	1,162,931	-	2,609,466	22,762,861
Public Safety	29,683,735	-	-	641,794	30,325,529
Community Service	11,080,981	-	-	5,791,671	16,872,652
Capital Outlay	53,011	9,409,053	-	23,000	9,485,064
Debt Service					
Principal	87,801	-	7,870,000	-	7,957,801
Interest and Fiscal Charges	18,971	-	4,941,586	-	4,960,557
Bond Issuance Cost	-	74,159	-	-	74,159
Total Expenditures	<u>59,914,963</u>	<u>10,646,143</u>	<u>12,811,586</u>	<u>9,065,931</u>	<u>92,438,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>824,426</u>	<u>(9,762,314)</u>	<u>(57,071)</u>	<u>132,641</u>	<u>(8,862,318)</u>
<u>OTHER FINANCING SOURCES</u>					
Transfers In	32,626	2,010,680	2,352,642	1,538,952	5,934,900
Transfers Out	(3,256,499)	-	(1,443,133)	(1,797,642)	(6,497,274)
Insurance Recoveries	-	501,984	-	-	501,984
Capital Leases	-	348,089	-	-	348,089
Issuance of Debt	-	7,200,000	-	-	7,200,000
Premium on Debt Issued	-	515,695	-	-	515,695
Total Other Financing Sources	<u>(3,223,873)</u>	<u>10,576,448</u>	<u>909,509</u>	<u>(258,690)</u>	<u>8,003,394</u>
Net Change in Fund Balances	(2,399,447)	814,134	852,438	(126,049)	(858,924)
<u>FUND BALANCES - BEGINNING</u>	<u>18,293,245</u>	<u>26,135,736</u>	<u>7,844,584</u>	<u>4,779,088</u>	<u>57,052,653</u>
FUND BALANCES - ENDING	<u>\$ 15,893,798</u>	<u>\$ 26,949,870</u>	<u>\$ 8,697,022</u>	<u>\$ 4,653,039</u>	<u>\$ 56,193,729</u>

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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (858,924)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay. (21,389,954)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,631,658

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. 229,037

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. (1,207,601)

The change in the liability for net pension liability does not consume a current financial resource and is therefore not reported as an expenditure in the governmental funds. (1,434,698)

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. 52,587

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$(22,977,895)

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, 2017

	<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	\$ 50,686,723	\$ 50,686,723	\$ 48,831,519	\$ (1,855,204)
Licenses and Permits	3,174,027	3,174,027	2,358,247	(815,780)
Fines and Penalties	1,547,586	1,547,586	1,325,473	(222,113)
Charges for Services	6,370,141	6,370,141	6,481,604	111,463
Intergovernmental	-	-	512,669	512,669
Interest on Investments	61,000	61,000	217,834	156,834
Miscellaneous	1,476,150	1,476,150	1,012,043	(464,107)
Total Revenues	<u>63,315,627</u>	<u>63,315,627</u>	<u>60,739,389</u>	<u>(2,576,238)</u>
<u>EXPENDITURES</u>				
Current				
General Government	20,546,030	20,839,571	19,040,531	1,799,040
Public Safety	29,320,472	30,241,831	29,683,735	558,096
Community Service	11,450,242	11,675,656	11,083,925	591,731
Debt Service				
Principal	-	87,801	87,801	-
Interest	-	18,971	18,971	-
Total Expenditures	<u>61,316,744</u>	<u>62,863,830</u>	<u>59,914,963</u>	<u>2,948,867</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,998,883</u>	<u>451,797</u>	<u>824,426</u>	<u>372,629</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	32,626	32,626
Transfers Out	(4,657,735)	(3,256,499)	(3,256,499)	-
Total Other Financing Sources (Uses)	<u>(4,657,735)</u>	<u>(3,256,499)</u>	<u>(3,223,873)</u>	<u>32,626</u>
Net Change in Fund Balances	(2,658,852)	(2,804,702)	(2,399,447)	405,255
<u>FUND BALANCES - BEGINNING</u>	<u>18,293,245</u>	<u>18,293,245</u>	<u>18,293,245</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 15,634,393</u>	<u>\$ 15,488,543</u>	<u>\$ 15,893,798</u>	<u>\$ 405,255</u>

CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTAL	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE		INTERNAL SERVICE
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,168,898	\$ 11,917,427	\$ -	\$ 1,427,250	\$ 16,513,575	\$ 371,412
Investments	41,644,315	77,624,767	13,853,058	-	133,122,140	1,500,000
Receivables - Net of Allowances for Uncollectibles	8,165,520	5,069,330	516,203	563,375	14,314,428	34,627
Due from Other Funds	2,179,513	-	-	-	2,179,513	-
Inventories	1,723,209	426,150	-	-	2,149,359	-
Prepaid Items	24,056	21	-	-	24,077	-
Total Current Assets	<u>56,905,511</u>	<u>95,037,695</u>	<u>14,369,261</u>	<u>1,990,625</u>	<u>168,303,092</u>	<u>1,906,039</u>
NONCURRENT ASSETS						
Capital Assets:						
Land	31,695	2,377,298	34,844	653,140	3,096,977	-
Buildings	-	1,557,930	-	4,339,745	5,897,675	-
Improvements Other than Buildings	27,944,792	157,413,852	13,301,207	8,483,118	207,142,969	-
Furnishings and Equipment	5,295,287	8,029,780	1,386,973	99,303	14,811,343	-
Construction in Progress	49,237,063	67,370,732	14,115,413	1,409,330	132,132,538	-
Totals	82,508,837	236,749,592	28,838,437	14,984,636	363,081,502	-
Less: Accumulated Depreciation	(17,703,885)	(105,764,188)	(4,873,745)	(10,275,030)	(138,616,848)	-
Total Capital Assets - Net of Accumulated Depreciation	<u>64,804,952</u>	<u>130,985,404</u>	<u>23,964,692</u>	<u>4,709,606</u>	<u>224,464,654</u>	<u>-</u>
Total Noncurrent Assets	<u>64,804,952</u>	<u>130,985,404</u>	<u>23,964,692</u>	<u>4,709,606</u>	<u>224,464,654</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - Pension	1,134,777	958,731	89,002	42,543	2,225,053	-
Deferred Charge on Refunding	346,953	4,138,882	768,597	-	5,254,432	-
Total Deferred Outflows of Resources	<u>1,481,730</u>	<u>5,097,613</u>	<u>857,599</u>	<u>42,543</u>	<u>7,479,485</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 123,192,193</u>	<u>\$ 231,120,712</u>	<u>\$ 39,191,552</u>	<u>\$ 6,742,774</u>	<u>\$ 400,247,231</u>	<u>\$ 1,906,039</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	\$ 4,423,512	2,481,546	354,776	\$ 362,603	\$ 7,622,437	\$ 159,406
Accrued Liabilities	360,526	100,165	9,315	43,516	513,522	-
Due to Other Funds	-	-	1,179,252	-	1,179,252	-
Claims Payable	-	-	-	-	-	796,643
Customer Deposits	2,896,131	1,182,069	1,179	189,392	4,268,771	-
Accrued Interest Payable	474,094	494,771	123,400	-	1,092,265	-
Compensated Absences	160,699	149,463	15,092	9,529	334,783	-
Current Maturities of Long-term Debt	2,046,719	8,942,727	1,634,546	-	12,623,992	-
Total Current Liabilities	<u>10,361,681</u>	<u>13,350,741</u>	<u>3,317,560</u>	<u>605,040</u>	<u>27,635,022</u>	<u>956,049</u>
NONCURRENT LIABILITIES						
Net Pension Liability	3,872,953	3,263,430	303,761	153,883	7,594,027	-
Net OPEB Liability	162,668	142,040	9,311	4,171	318,190	-
Compensated Absences	76,717	69,174	20,123	8,110	174,124	-
Long-Term Debt	47,538,586	114,274,498	26,249,240	-	188,062,324	-
Total Noncurrent Liabilities	<u>51,650,924</u>	<u>117,749,142</u>	<u>26,582,435</u>	<u>166,164</u>	<u>196,148,665</u>	<u>-</u>
Total Liabilities	<u>62,012,605</u>	<u>131,099,883</u>	<u>29,899,995</u>	<u>771,204</u>	<u>223,783,687</u>	<u>956,049</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - Pension	111,729	95,014	8,763	3,570	219,076	-
NET POSITION						
Net Investment in Capital Assets	28,898,102	52,805,627	5,712,208	4,709,606	92,125,543	-
Restricted - Energy Incentive Programs	84,929	137,052	-	-	221,981	-
Unrestricted	32,084,828	46,983,136	3,570,586	1,258,394	83,896,944	949,990
Total Net Position	<u>61,067,859</u>	<u>99,925,815</u>	<u>9,282,794</u>	<u>5,968,000</u>	<u>176,244,468</u>	<u>949,990</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 123,192,193</u>	<u>\$ 231,120,712</u>	<u>\$ 39,191,552</u>	<u>\$ 6,742,774</u>	<u>\$ 400,247,231</u>	<u>\$ 1,906,039</u>

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTAL	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE		INTERNAL SERVICE
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 56,595,746	\$ 39,568,108	\$ 4,204,400	\$ 4,354,966	\$ 104,723,220	\$ -
Intergovernmental	-	-	-	48,748	48,748	-
Employer Contributions	-	-	-	-	-	5,887,317
Employee Contributions	-	-	-	-	-	1,435,977
Retiree Contributions	-	-	-	-	-	461,162
Pharmacy Rebates	-	-	-	-	-	1,823,584
Miscellaneous	<u>1,639,243</u>	<u>1,643,692</u>	<u>733,009</u>	<u>3,020</u>	<u>4,018,964</u>	<u>885</u>
Total Operating Revenues	<u>58,234,989</u>	<u>41,211,800</u>	<u>4,937,409</u>	<u>4,406,734</u>	<u>108,790,932</u>	<u>9,608,925</u>
<u>OPERATING EXPENSES</u>						
Purchased Power	34,603,973	-	-	-	34,603,973	-
Personnel Services	5,040,654	4,442,962	479,730	379,917	10,343,263	-
Contracted Services	1,552,072	9,089,117	755,900	4,221,058	15,618,147	-
Materials and Supplies	1,071,181	1,211,684	70,222	106,811	2,459,898	-
Indirect Costs	1,855,296	4,378,843	102,581	-	6,336,720	-
Claims	-	-	-	-	-	8,782,272
Other Charges	4,944,582	3,650,505	182,217	231,640	9,008,944	774,066
Depreciation	<u>1,166,590</u>	<u>8,929,598</u>	<u>782,612</u>	<u>161,641</u>	<u>11,040,441</u>	<u>-</u>
Total Operating Expenses	<u>50,234,348</u>	<u>31,702,709</u>	<u>2,373,262</u>	<u>5,101,067</u>	<u>89,411,386</u>	<u>9,556,338</u>
Operating Income (Loss)	<u>8,000,641</u>	<u>9,509,091</u>	<u>2,564,147</u>	<u>(694,333)</u>	<u>19,379,546</u>	<u>52,587</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Investment Earnings	303,246	543,032	60,448	10,262	916,988	-
Grant Income	-	1,784,902	-	-	1,784,902	-
Interest and Fiscal Charges	<u>(1,773,352)</u>	<u>(4,302,695)</u>	<u>(888,853)</u>	<u>-</u>	<u>(6,964,900)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(1,470,106)</u>	<u>(1,974,761)</u>	<u>(828,405)</u>	<u>10,262</u>	<u>(4,263,010)</u>	<u>-</u>
Income (Loss) before Transfers	6,530,535	7,534,330	1,735,742	(684,071)	15,116,536	52,587
Capital Contributions	253,915	-	-	-	253,915	-
Transfers In	-	-	-	620,000	620,000	-
Transfers Out	<u>-</u>	<u>(57,626)</u>	<u>-</u>	<u>-</u>	<u>(57,626)</u>	<u>-</u>
Change in Net Position	6,784,450	7,476,704	1,735,742	(64,071)	15,932,825	52,587
<u>TOTAL NET POSITION - BEGINNING</u>	<u>54,283,409</u>	<u>92,449,111</u>	<u>7,547,052</u>	<u>6,032,071</u>	<u>160,311,643</u>	<u>897,403</u>
TOTAL NET POSITION - ENDING	<u>\$ 61,067,859</u>	<u>\$ 99,925,815</u>	<u>\$ 9,282,794</u>	<u>\$ 5,968,000</u>	<u>\$ 176,244,468</u>	<u>\$ 949,990</u>

CITY OF SAN MARCOS, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS	TOTALS	INTERNAL SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 57,435,558	\$ 40,504,335	\$ 4,866,341	\$ 4,554,569	\$ 107,360,803	\$ 9,575,025
Cash Paid to Suppliers	(43,894,302)	(10,916,363)	(1,420,250)	(4,588,092)	(60,819,007)	(9,426,848)
Cash Paid to Employees	(4,503,754)	(4,150,836)	(437,541)	(316,939)	(9,409,070)	-
Receipts from Other Funds	-	-	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>9,037,502</u>	<u>25,437,136</u>	<u>3,008,550</u>	<u>(350,462)</u>	<u>37,132,726</u>	<u>148,177</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from Other Funds	-	-	-	620,000	620,000	-
Transfers to Other Funds	-	(57,626)	-	-	(57,626)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	-	<u>(57,626)</u>	-	<u>620,000</u>	<u>562,374</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Capital Debt	6,015,000	19,630,000	5,185,000	-	30,830,000	-
Capital Contributions	253,915	-	-	-	253,915	-
Capital Grants	-	1,784,902	-	-	1,784,902	-
Principal Paid on Debt	(1,640,209)	(12,396,925)	(1,238,479)	-	(15,275,613)	-
Interest and Fiscal Charges Paid on Debt	(1,410,431)	(3,301,921)	(572,924)	-	(5,285,276)	-
Acquisition of Capital Assets	(6,472,837)	(10,124,037)	(2,388,935)	(110,229)	(19,096,038)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,254,562)</u>	<u>(4,407,981)</u>	<u>984,662</u>	<u>(110,229)</u>	<u>(6,788,110)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of Investment Securities	(10,122,565)	(15,445,765)	(4,053,660)	1,013,505	(28,608,485)	(1,500,000)
Interest Received	303,246	543,032	60,448	10,262	916,988	-
Net Cash Provided by (Used in) Investing Activities	<u>(9,819,319)</u>	<u>(14,902,733)</u>	<u>(3,993,212)</u>	<u>1,023,767</u>	<u>(27,691,497)</u>	<u>(1,500,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,036,379)	6,068,796	-	1,183,076	3,215,493	(1,351,823)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>7,205,277</u>	<u>5,848,631</u>	-	<u>244,174</u>	<u>13,298,082</u>	<u>1,723,235</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,168,898</u>	<u>\$ 11,917,427</u>	<u>\$ -</u>	<u>\$ 1,427,250</u>	<u>\$ 16,513,575</u>	<u>\$ 371,412</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 8,000,641	\$ 9,509,091	\$ 2,564,147	\$ (694,333)	\$ 19,379,546	\$ 52,587
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	1,166,590	8,929,598	782,612	161,641	11,040,441	-
Changes in Assets and Liabilities						
Decrease (Increase) in Assets						
Accounts Receivable	(900,467)	(1,039,483)	(71,068)	132,768	(1,878,250)	(33,900)
Due from Other Funds	(567,638)	855,097	2,452	36,369	326,280	-
Inventories	73,204	18,909	-	-	92,113	-
Prepaid Items	7,381	(21)	-	-	7,360	-
Increase (Decrease) in Liabilities						
Accounts Payable	619,855	6,539,801	(29,482)	(28,583)	7,101,591	(29,254)
Accrued Liabilities	360,754	78,682	9,315	35,335	484,086	-
Due to Other Funds	-	-	(282,300)	(36,369)	(318,669)	-
Claims Payable	-	-	-	-	-	158,744
Net Pension Liability	160,616	132,273	12,598	9,449	314,936	-
OPEB Liability	15,530	13,027	1,255	555	30,367	-
Compensated Absences	-	68,144	19,021	17,639	104,804	-
Customer Deposits	101,036	332,018	-	15,067	448,121	-
NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>\$ 9,037,502</u>	<u>\$ 25,437,136</u>	<u>\$ 3,008,550</u>	<u>\$ (350,462)</u>	<u>\$ 37,132,726</u>	<u>\$ 148,177</u>
Noncash, investing, capital and financing activities:						
Contribution of capital assets by Developers	<u>\$ 253,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,915</u>	<u>\$ -</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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 medical and dental benefits to City employees, participating dependents and eligible retirees on a cost reimbursement basis.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, and 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. Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City is also authorized to invest in fully collateralized repurchase agreements, 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 stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2017.

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).

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 acquisition 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.

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

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

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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:

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

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance Classification (Continued)

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.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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 \$158,448,995 difference are as follows:

General Obligation Bonds	\$(119,890,000)
Capital Leases	(1,850,468)
Discounts on Bonds	77,060
Premiums on Bonds	(9,382,478)
Accrued Interest Payable	(602,171)
Compensated Absences	(6,998,416)
Deferred Loss on Refunding	7,126,219
Net Pension Liability	(25,456,677)
OPEB Net Pension Obligation	<u>(1,472,064)</u>
NET ADJUSTMENT TO REDUCE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET POSITION – GOVERNMENTAL ACTIVITIES	
	<u>\$(158,448,995)</u>

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

The governmental fund statement of revenues, 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 \$21,389,954 difference is as follows:

Capital Outlay	\$ 9,485,064
Depreciation Expense	<u>(30,875,018)</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$(21,389,954)</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 \$1,631,658 difference is as follows:

Capital Contribution	\$ 2,710,163
Property Taxes	<u>(1,078,505)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 1,631,658</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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, "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 \$229,037 difference are as follows:

Debt Issued or Incurred:	
Issuance of General Obligation Bonds	\$ (7,200,000)
Premium on Bond Issuance	(515,695)
Capital Lease	(348,089)
Principal Repayments:	
Capital Lease	422,821
General Obligation Debt	<u>7,870,000</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 229,037</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,207,601 difference are as follows:

Compensated Absence/OPEB Net Pension Obligation	\$ (1,352,286)
Accrued Interest	23,816
Amortization of Deferred Charge on Refunding	(626,802)
Amortization of Bond Discounts	(7,510)
Amortization of Bond Premiums	<u>755,181</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ (1,207,601)</u>

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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.

Formal budgetary accounting is employed for all funds of the City, excluding Public Safety Grants, PARD Recreation Programs, Library Memorial, PARD Special Contributions, Miscellaneous Grants, Tow Forfeiture, 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

As of September 30, 2017, the carrying amount of the City's cash and cash equivalents on the government-wide financial statements is \$24,433,000 which includes \$7,337,896 in an escrow fund, \$9,525 of cash on hand, and deposits of \$17,085,579 with a bank balance of \$18,440,368. All deposits are insured by Federal depository insurance and/or collateralized with securities held by the City's agent in the City's name.

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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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, 2017, the City’s bank balance was fully collateralized with securities held by independent third party financial institutions.
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. The City’s exposure to interest rate risk at September 30, 2017 in the table below is the weighted average days to maturity and is reviewed quarterly.
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 portfolio is 18% invested in municipal bonds, 12% invested in Federal Home Loan Mortgage Corporation, 12% invested in Federal Farm Credit Bank, 8% invested in Federal National Mortgage Association, and 6% invested in Federal Home Loan Bank as of September 30, 2017. The remaining 44% of the City’s investments are invested in external investment pools and money market fund, commercial paper, Federal Home Loan Discount Notes, and Farmer MAC.

The City’s Money Market Mutual Fund is a money market fund that is maintained at the City’s depository bank, Wells Fargo. The money market fund is rated AAAM by Standard & Pools.

Texas Local Government Investment Pool (TexPool) is a public funds investment pool and is rated as AAAM by Standards & Pools under the TexPool Participation Agreement, administration and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

Local Government Investment Cooperative (LOGIC) operates as a public fund investment pool and is organized as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. The pool is co-administered by Hilltop Securities, Inc. and JP Morgan Investment Management Inc. by providing investment management, custody and fund accounting services. The pool is rated AAAM by Standard and Poor’s.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

TexasTERM Local Government Investment Pool (Pool), rating of AAAM by Standard and Poor's, is a public funds investment pool established by the TexasTERM Advisory Board pursuant to provisions of the TexasTERM Common Investment Contract that established the Pool and the series known as TexasDAILY. TexasDAILY was organized in conformity with the Interlocal Cooperation Act, Chapter 791 and the Public Funds Investment Act, Chapter 2256, both of the Texas Government Code. An advisory board composed of participants and non-participant members elected by the participant shareholders of TexasTERM is responsible for the overall management of the Pool, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of TexasTERM and monitor investment performance and the method of valuing the shares. The Pool does not have any limitations or restrictions on withdrawals.

TexPool, Texas Term, Logic and the money market fund uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. Those investments do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals.

TexPool, Texas Term, and Logic are rated AAAM by Standard and Pooors. Investments in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool, Texas Term, and Logic invests in a high quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Texas Short Term Asset Reserve Program (TexSTAR) is co-administrated by JP Morgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. through an agreement with the TexSTAR board of directors to provide investment and participant services for this pool. JP Morgan Chase Bank or its subsidiary JP Morgan Investor Services Co. provides the custodial, transfer, agency, fund accounting, and depository services for this pool. The pool is rated AAAM by Standard and Poor's. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Texas Cooperative Liquid Assets Securities Systems ("Texas CLASS") is a local government investment pool specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The fund invests in U.S. Treasuries, agencies, state and local governmental obligations, collateralized certificates of deposit, repurchase agreements (REPOs), and highly rated commercial paper. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Lone Star investment pool is a local government investment pool seeks to provide its participants with the highest possible rate of return for invested funds while preserving the safety of principal, liquidity and yield. Lone Star offers three investment strategies participants can invest: Government Overnight Fund, Corporate Overnight Fund, and the Corporate Overnight Plus Fund. The City has elected to only invest in the Corporate Overnight Fund during the fiscal year. The pool is rated AAAM by Standard and Poor's and holds a weighted average maturity 60 days or fewer. The pool is administered by First Public, LLC. The fair values of the investments in this type have been determined using the NAV per share of the investments.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

The City's investments at September 30, 2017, are shown below:

DESCRIPTION	CARRYING AMOUNT	RATING	RATING ORGANIZATION	WEIGHTED AVERAGE MATURITY (DAYS)
Local Government Investment Pools:				
Texas Term Texas Daily	\$ 8,071,098	AAAm	Standard & Poor	36
TexPool	512,446	AAAm	Standard & Poor	33
LOGIC	53,268,995	AAAm	Standard & Poor	40
TexStar	1,171,408	AAAm	Standard & Poor	29
Lone Star Liquidity Fund	598,456	AAAm	Standard & Poor	44
Texas Class	1,108,507	AAAm	Standard & Poor	37
Money Market Mutual Fund	3,681,663	AAAm	Standard & Poor	1
U.S. Agencies	78,986,242	AA+	Standard & Poor	281
Commercial Paper	1,971,337	A-1+	Standard & Poor	4
Municipal Bonds	<u>33,185,097</u>	AA	Standard & Poor	160
 TOTAL FAIR VALUE	 <u>\$182,555,249</u>			
 Portfolio Weighted Average Maturity (Days)				 165

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CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The City's investments for all funds at fiscal year-end are listed below at fair value, net of accruals. The City has the following recurring fair value measurements as of September 30, 2017:

	<u>September 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
Money Market Mutual Funds	\$ 3,681,663	\$ -	\$ 3,681,663	\$ -
Debt Securities				
Federal Home Loan Mortgage Corporation	21,632,943	-	21,632,943	-
Commercial Paper	1,971,337	-	1,971,337	-
Federal Farm Credit Bank	22,405,257	-	22,405,257	-
Municipal Bonds	33,185,097	-	33,185,097	-
Federal Home Loan Bank	10,965,310	-	10,965,310	-
Federal National Mortgage Association	13,812,452	-	13,812,452	-
Federal Home Loan Discount Notes	1,974,128	-	1,974,128	-
Farmer MAC	<u>8,196,152</u>	<u>-</u>	<u>8,196,152</u>	<u>-</u>
Total Debt Securities	<u>114,142,676</u>	<u>-</u>	<u>114,142,676</u>	<u>-</u>
Total Investments Measured by Fair Value Level	<u>117,824,339</u>	<u>\$ -</u>	<u>\$ 117,824,339</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
External Investment Pools				
TexPool	512,446			
Logic	53,268,995			
Texas Term Texas Daily	<u>8,071,098</u>			
Total Investments Measured at Amortized Costs	<u>61,852,539</u>			
Investments Measured at Net Asset Value:				
External Investment Pools				
Texas Class	1,108,507.0			
TexStar	1,171,408			
Lone Star Liquidity Fund	<u>598,456</u>			
Total Investments Measured at Net Asset Value	<u>2,878,371</u>			
Total	<u>\$ 182,555,249</u>			

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

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

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL	DEBT SERVICE	ELECTRIC	WATER/ WASTEWATER	STORMWATER DRAINAGE	NONMAJOR ENTERPRISE	INTERNAL SERVICE	TOTAL
Receivables										
Taxes	\$ 322,796	\$ -	\$ 286,338	\$ 323,581	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 932,715
Accounts	3,235,097	1,578,633	1,252,642	1,610,924	9,398,689	5,537,651	587,500	770,131	34,627	24,005,894
Due from Other Governments	-	-	1,477,267	-	-	-	-	-	-	1,477,267
Loans	-	-	-	-	-	-	-	-	-	-
Gross Receivables	3,557,893	1,578,633	3,016,247	1,934,505	9,398,689	5,537,651	587,500	770,131	34,627	26,415,876
Less: Allowance for Uncollectibles	(28,010)	-	-	(25,931)	(1,233,169)	(468,321)	(71,297)	(206,756)	-	(2,033,484)
NET TOTAL RECEIVABLES	<u>\$ 3,529,883</u>	<u>\$ 1,578,633</u>	<u>\$ 3,016,247</u>	<u>\$ 1,908,574</u>	<u>\$ 8,165,520</u>	<u>\$ 5,069,330</u>	<u>\$ 516,203</u>	<u>\$ 563,375</u>	<u>\$ 34,627</u>	<u>\$ 24,382,392</u>

Governmental funds report deferred inflows of revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of revenue and unearned revenue reported in the governmental funds were as follows:

	DEFERRED INFLOWS	UNEARNED
Delinquent Property Taxes Receivable (General Fund)	\$ 285,726	\$ -
Activity Center (General Fund)	-	146,556
Grant Drawdown (General Fund)	-	914,548
Grant Drawdown (Capital Projects Fund)	-	57,472
Delinquent Property Taxes Receivable (Debt Service)	295,673	-
Hotel Occupancy (Nonmajor Governmental)	-	98
Grant Drawdowns (Nonmajor Governmental)	-	451,759
TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	<u>\$ 581,399</u>	<u>\$ 1,570,433</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 16,460,524	\$ 636,220	\$ -	\$ 17,096,744
Construction in Progress	<u>70,819,584</u>	<u>7,884,214</u>	<u>(49,642,236)</u>	<u>29,061,562</u>
Total Capital Asset not being Depreciated	<u>87,280,108</u>	<u>8,520,434</u>	<u>(49,642,236)</u>	<u>46,158,306</u>
Capital Assets being Depreciated				
Buildings	36,622,325	-	-	36,622,325
Machinery and Equipment	32,431,869	2,925,873	-	35,357,742
Improvements other than Buildings	104,231,797	47,733,656	-	151,965,453
Infrastructure	<u>37,828,858</u>	<u>2,657,500</u>	-	<u>40,486,358</u>
Total Capital Asset being Depreciated	<u>211,114,849</u>	<u>53,317,029</u>	-	<u>264,431,878</u>
Less Accumulated Depreciation:				
Buildings	(9,851,887)	(753,707)	-	(10,605,594)
Machinery and Equipment	(23,365,429)	(2,215,713)	-	(25,581,142)
Improvements other than Buildings	(45,552,857)	(26,379,434)	-	(71,932,291)
Infrastructure	<u>(14,592,824)</u>	<u>(1,526,164)</u>	-	<u>(16,118,988)</u>
Total Accumulated Depreciation	<u>(93,362,997)</u>	<u>(30,875,018)</u>	-	<u>(124,238,015)</u>
Total Capital Assets being Depreciated - Net	<u>117,751,852</u>	<u>22,442,011</u>	-	<u>140,193,863</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 205,031,960</u>	<u>\$ 30,962,445</u>	<u>\$ (49,642,236)</u>	<u>\$ 186,352,169</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 3,096,977	\$ -	\$ -	\$ 3,096,977
Construction in Progress	<u>126,044,263</u>	<u>17,460,840</u>	<u>(11,372,565)</u>	<u>132,132,538</u>
Total Assets not being Depreciated	<u>129,141,240</u>	<u>17,460,840</u>	<u>(11,372,565)</u>	<u>135,229,515</u>
Capital Assets being Depreciated				
Buildings	5,897,675	-	-	5,897,675
Machinery and Equipment	12,523,689	2,287,654	-	14,811,343
Improvements other than Buildings	<u>196,422,860</u>	<u>10,720,109</u>	-	<u>207,142,969</u>
Total Capital Assets being Depreciated	<u>214,844,224</u>	<u>13,007,763</u>	-	<u>227,851,987</u>
Less Accumulated Depreciation:				
Buildings	(3,423,212)	(117,568)	-	(3,540,780)
Machinery and Equipment	(8,128,792)	(1,008,418)	-	(9,137,210)
Improvements other than Buildings	<u>(116,024,403)</u>	<u>(9,914,455)</u>	-	<u>(125,938,858)</u>
Total Accumulated Depreciation	<u>(127,576,407)</u>	<u>(11,040,441)</u>	-	<u>(138,616,848)</u>
Total Capital Assets being Depreciated - Net	<u>87,267,817</u>	<u>1,967,322</u>	-	<u>89,235,139</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 216,409,057</u>	<u>\$ 19,428,162</u>	<u>\$ (11,372,565)</u>	<u>\$ 224,464,654</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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		\$ 21,807,610
Public Safety		2,447,424
Community Services		<u>6,619,984</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		<u>\$ 30,875,018</u>
 <u>Business-Type Activities</u>		
Electric		\$ 1,166,590
Water and Wastewater		8,929,598
Stormwater Drainage		782,612
Airport		149,878
Resource Recovery		<u>11,763</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES		<u>\$ 11,040,441</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2017, is as follows:

Due to/from Other Funds:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Debt Service	\$ 336,681
General	Nonmajor Governmental Funds	1,787,664
Electric Utility	Capital Project	1,000,261
Electric Utility	Drainage Utility	<u>1,179,252</u>
		<u>\$ 4,303,858</u>

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers

	TRANSFERS IN					TOTAL
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVERNMENTAL	NONMAJOR ENTERPRISE	
<u>Transfers Out</u>						
General	\$ -	\$ 2,010,680	\$ 555,000	\$ 95,819	\$ 595,000	\$ 3,256,499
Debt Service	-	-	-	1,443,133	-	1,443,133
Nonmajor Governmental	-	-	1,797,642	-	-	1,797,642
Water and Wastewater	32,626	-	-	-	25,000	57,626
TOTALS	<u>\$ 32,626</u>	<u>\$ 2,010,680</u>	<u>\$ 2,352,642</u>	<u>\$ 1,538,952</u>	<u>\$ 620,000</u>	<u>\$ 6,554,900</u>

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

E. Capital Leases

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

Principal and interest requirements to maturity as of September 30, 2017 are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2018	\$ 447,414	\$ 43,790	\$ 491,204	\$ 200,601	\$ 32,848	\$ 233,449
2019	376,087	33,639	409,726	206,086	27,362	233,448
2020	303,034	25,213	328,247	211,685	21,764	233,449
2021	311,073	17,174	328,247	217,523	15,926	233,449
2022	224,570	9,194	233,764	223,484	9,964	233,448
2032 - 2026	188,290	4,791	-	208,824	4,095	-
	<u>\$ 1,850,468</u>	<u>\$ 133,801</u>	<u>\$ 1,984,269</u>	<u>\$ 1,268,203</u>	<u>\$ 111,959</u>	<u>\$ 1,380,162</u>

F. Long-Term Debt

General Obligation Bonds and Combination Tax and Revenue Bonds

The government issues general obligation bonds and combination tax and revenue bonds to provide funds for the acquisition and construction of major capital facilities. These debt issues have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. During the year, the City issued \$32,270,000 of Combination Tax and Revenue Certificates of Obligation, Series 2017 with a 2.0-5.0% interest rate that mature August 15, 2037.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Bond Refunding

On July 20, 2016, Guadalupe-Blanco River Authority (GBRA) authorized the issuance of Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project) in the amount of \$4,850,000. Proceeds from the sale of the bonds were used to refund the City's outstanding Waterworks and Waste Water System Revenue Bonds, Series 2006 and Taxable Series 2006A, in the amount of \$4,910,000. The original proceeds from the Series 2006 and 2006A were used to expand the capacity of the existing water treatment plant located in San Marcos, Texas. The City will make the principal and interest payments to GBRA to fund the Series 2016 bonds. Annual debt service requirements as of September 30, 2017 for this note payable is as follows:

<u>YEAR ENDING</u> <u>SEPTEMBER 30,</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 90,000	\$ 174,682
2019	95,000	172,882
2020	95,000	170,981
2021	100,000	169,081
2022	95,000	167,081
2023-2027	545,000	791,006
2028-2032	1,415,000	689,231
2033-2036	<u>2,415,000</u>	<u>202,719</u>
	<u>\$ 4,850,000</u>	<u>\$ 2,537,663</u>

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%	\$ 42,325,000
Governmental Activities - Refunding	2.00 - 5.375%	77,565,000
Business-Type Activities	3.50 - 5.00%	121,150,000
Business-Type Activities - Refunding	2.00 - 5.00%	<u>63,625,000</u>
		<u>\$ 304,665,000</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

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

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

<u>YEAR ENDING</u> <u>SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 8,380,000	\$ 4,847,720
2019	8,270,000	4,631,504
2020	8,570,000	4,323,254
2021	8,010,000	3,965,709
2022	8,335,000	3,623,936
2023-2027	41,895,000	12,518,721
2028-2032	29,470,000	4,363,442
2033-2036	<u>6,960,000</u>	<u>598,150</u>
	<u>\$ 119,890,000</u>	<u>\$ 38,872,436</u>

Revenue Bonds

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

<u>YEAR ENDING</u> <u>SEPTEMBER 30,</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 11,555,000	\$ 6,591,499
2019	11,945,000	6,360,599
2020	12,300,000	6,017,223
2021	10,550,000	5,640,474
2022	10,900,000	5,269,921
2023-2027	60,830,000	19,593,070
2028-2032	42,355,000	8,701,373
2033-2037	<u>24,340,000</u>	<u>1,991,286</u>
	<u>\$ 184,775,000</u>	<u>\$ 60,165,445</u>

Defeasance of Bonds

In prior years, the City placed the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2017, the outstanding balance of the defeased bonds is \$-0-.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 120,560,000	\$ 7,200,000	\$ (7,870,000)	\$ 119,890,000	\$ 8,380,000
Discount on Bonds	(84,570)	-	7,510	(77,060)	(7,510)
Premium on Bonds	9,621,964	515,695	(755,181)	9,382,478	755,181
Capital Leases	1,925,200	348,089	(422,821)	1,850,468	447,414
Compensated Absences	5,784,467	3,300,428	(2,086,479)	6,998,416	1,428,320
TMRS Net Pension Liability	33,683,022	911,988	-	34,595,010	-
OPEB Net Pension Obligation	<u>1,333,727</u>	<u>138,337</u>	<u>-</u>	<u>1,472,064</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 172,823,810</u>	<u>\$ 12,414,537</u>	<u>\$ (11,126,971)</u>	<u>\$ 174,111,376</u>	<u>\$ 11,003,405</u>
<u>Business-Type Activities</u>					
Bonds Payable					
Revenue Bonds	\$ 169,015,000	\$ 30,830,000	\$ (15,070,000)	\$ 184,775,000	\$ 11,555,000
Premium on Bonds	8,926,130	1,797,779	(790,114)	9,933,795	790,114
Discount on Bonds	(152,405)	-	11,723	(140,682)	(11,723)
Capital Leases	1,473,816	-	(205,613)	1,268,203	200,601
Note Payable	-	4,850,000	-	4,850,000	90,000
Compensated Absences	373,432	507,997	(372,522)	508,907	334,783
TMRS Net Pension Liability	7,393,834	200,193	-	7,594,027	-
OPEB Net Pension Obligation	<u>287,823</u>	<u>30,367</u>	<u>-</u>	<u>318,190</u>	<u>-</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 187,317,630</u>	<u>\$ 38,216,336</u>	<u>\$ (16,426,526)</u>	<u>\$ 209,107,440</u>	<u>\$ 12,958,775</u>

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

G. Other Information

Benefits Management

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

The medical plan is funded by contributions of the City and employees. The City and our employees' contributions go into a fund which pays claims and associated plan costs such as the plan administration, network expenses, programs and services to provide an effective and comprehensive plan. Excess insurance stop loss coverage purchased to cover claims in excess of the \$150,000 attachment point as well as aggregate insurance. Excess insurance covers medical and pharmacy claims. Features of the medical plan include a preferred provider network, specialty networks and a pharmacy benefit which includes a tiered co-pay structure and various techniques to provide incentives to utilize lower cost drugs, over the counter alternatives and to manage utilization based on therapeutic equivalencies. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract. Funding levels are based on maximum plan exposure as calculated and recommended by an employee benefits specialty firm. Projected claim costs are based on claims experience, lag studies, industry trends, census, aggregate factors and insurance and other fixed costs. A liability for claims is established

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Benefits Management (Continued)

based on estimated incurred but not recorded claims outstanding and anticipated associated insurance and administrative costs.

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

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

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

YEAR ENDED SEPTEMBER 30,	BEGINNING LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATE	CLAIM PAYMENTS	ENDING LIABILITY
2015	\$ 709,853	\$ 5,931,102	\$ 6,035,121	\$ 605,834
2016	605,834	5,295,750	5,263,685	637,899
2017	637,899	8,941,016	8,782,272	796,643

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 .45% premium modifier.

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

Each October the City provides an Annual Benefits and Safety Expo. This educational event includes over 50 Health and Safety vendors including safety demonstrations. Over 425 employees participated in the Expo.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

Contingent Liabilities

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

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

Commitments

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

Estimated costs to complete construction in progress at year-end totals approximately \$24,728,403 for governmental capital assets, \$45,037,448 for water and wastewater, \$13,678,455 for electric, and \$9,631,302 for drainage.

H. Defined Benefit Pension Plans

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Defined Benefit Pension Plans (Continued)

Benefits Provided (Continued)

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

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	261
Inactive employees entitled to but not yet receiving benefits	249
Active employees	<u>610</u>
Total	1,120

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.49% and 17.50% for calendar years 2016 and 2017 respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$6,875,814, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 181,768,872	\$ 140,692,016	\$ 41,076,856
Changes for the year:			
Service Cost	6,447,988	-	6,447,988
Interest	12,261,584	-	12,261,584
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	968,779	-	968,779
Changes of Assumptions	-	-	-
Contributions - Employer	-	6,544,860	(6,544,860)
Contributions - Employee	-	2,625,028	(2,625,028)
Net Investment Income	-	9,509,452	(9,509,452)
Benefit Payments, Including Refunds of Employee Contributions	(6,679,553)	(6,679,553)	-
Administrative Expense	-	(107,384)	107,384
Other Changes	-	(5,786)	5,786
Net Changes	<u>12,998,798</u>	<u>11,886,617</u>	<u>1,112,181</u>
Balance at December 31, 2016	<u>\$ 194,767,670</u>	<u>\$ 152,578,633</u>	<u>\$ 42,189,037</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
\$ 71,568,305	\$ 42,189,037	\$ 18,227,685

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

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

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

Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2017, the City recognized pension expense of \$8,636,400.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ 781,031	\$ 1,206,894
Changes in Actuarial Assumptions	10,490	-
Difference Between Projected and Actual Investment Earnings	6,296,986	10,193
Contributions Subsequent to the Measurement Date	<u>5,272,890</u>	<u>-</u>
Total	<u>\$ 12,361,397</u>	<u>\$ 1,217,087</u>

\$5,272,890 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ 1,935,397
2018	1,935,397
2019	1,785,388
2020	185,199
2021	30,039
Thereafter	<u>-</u>
Total	<u>\$ 5,871,420</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits

Post-Retirement Health Care Benefits

The City provides certain health care and life insurance benefits through a single employer defined benefit OPEB plan, under City ordinance, for all full time and part-time employees in an eligible class. Retired employees who have satisfied the requirement as defined by the Texas Municipal Retirement System and their dependents that were covered prior to retirement are in the eligible class. The requirement as defined by the Texas Municipal Retirement System is any age with 20 years of service or 5 years of service for age 60 and above. Currently, the City has 610 active employees and 30 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, and prescription insurance benefits as provided in the plan document. Once death of employee in service, spouse is eligible for dependents through COBRA only.

Retirees are eligible for benefits immediately upon service retirement with the Texas Municipal Retirement System. If retiree opts out of coverage, retiree is not eligible for re-enrollment.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

Annual Required Contribution (ARC)	\$ 653,372
Interest on OPEB Obligation	64,862
Adjustment to ARC	<u>(63,186)</u>
OPEB Cost (Expense) End of Year	655,048
Net Estimated Employer Contributions	<u>(486,344)</u>
Increase in Net OPEB Obligation	168,704
Net OPEB Obligation, as of Beginning of Year	<u>1,621,550</u>
 NET OPEB OBLIGATION, AS OF END OF YEAR	 <u>\$1,790,254</u>

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2017 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>
9/30/2015	\$ 248,426	\$ 120,126	48.35%	\$ 1,495,728
9/30/2016	256,168	130,347	50.88%	1,621,550
9/30/2017	655,048	486,344	74.25%	1,790,254

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

Funding Status

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2016 is as follows:

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	ANNUAL COVERED PAYROLL (c)	RATIO OF UAAL TO ANNUAL COVERED PAYROLL (b-a)/c
12/31/2016	\$ -	\$ 3,407,890	\$ 3,407,890	0.0%	\$ 39,295,602	8.67%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$3,407,890 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 8.67%.

Actuarial Methods and Assumptions

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

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

Actuarial Methods and Assumptions

Actuarial Valuation Date	12/31/2016
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level as a Percentage of Employee Payroll
Amortization Period	30 Years; Open Amortization
Actuarial Assumptions:	
Investment Rate of Return	4.0% per annum, net of expenses
Payroll Growth Rate	3.0% per annum
Inflation Rate	2.5% per annum
Medical Trend Rate	Initial Rate of 7.5%, declining to an ultimate rate of 4.25% after 15 years

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

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

J. Supplemental Death Benefits Plan (SDBF)

Supplemental Death Benefits Fund

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

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

K. Contributions

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

The City's contributions to the TMRS SBDF for the years ended 2017, 2016 and 2015, were \$62,873, \$60,981, and \$53,548, 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>
2012	0.02%	0.02%	100.00%
2013	0.02%	0.02%	100.00%
2014	0.02%	0.02%	100.00%
2015	0.02%	0.02%	100.00%
2016	0.02%	0.02%	100.00%
2017	0.02%	0.02%	100.00%

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

L. Tax Abatements and Economic Incentives

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has paid the following tax abatements and economic incentives during the current year:

<u>Economic Development</u>	<u>2017 Actual</u>
<u>380 Agreements</u>	
Clovis Barker Business Park	\$ 43,821
Epic piping	51,828
Tanger	<u>206,699</u>
	<u>302,348</u>
 <u>TRZ</u>	
TRZ #2-Blanco Vista	676,437
TRZ #3-Conference Center	127,019
TRZ #5-Downtown	173,695
TRZ #1-Loop 110	<u>465,982</u>
	<u>1,443,133</u>
 Total ED payments	 <u>\$ 1,745,481</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE EMPLOYEES OF THE CITY OF SAN MARCOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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
12/31/2016	\$ -	\$ 3,407,890	\$ 3,407,890	0.0%	\$ 39,295,602	8.67%
12/31/2014	-	2,333,504	2,333,504	0.0%	32,674,655	7.14%
12/31/2012	-	4,418,979	4,418,979	0.0%	29,096,429	15.2%

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 6,447,988	\$ 5,741,822	\$ 5,118,797
Interest (on the Total Pension Liability)	12,261,584	11,963,523	11,242,134
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	968,779	(1,315,300)	(1,010,160)
Change of Assumptions	-	17,530	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(6,679,553)</u>	<u>(5,350,540)</u>	<u>(5,362,893)</u>
Net Change in Total Pension Liability	12,998,798	11,057,035	9,987,878
Total Pension Liability - Beginning	<u>181,768,872</u>	<u>170,711,837</u>	<u>160,723,959</u>
Total Pension Liability - Ending (a)	<u>\$ 194,767,670</u>	<u>\$ 181,768,872</u>	<u>\$ 170,711,837</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 6,544,860	\$ 6,251,205	\$ 5,799,742
Contributions - Employee	2,625,028	2,406,164	2,287,301
Net Investment Income	9,509,452	202,628	7,288,110
Benefit Payments, Including Refunds of Employee Contributions	(6,679,553)	(5,350,540)	(5,362,893)
Administrative Expense	(107,384)	(123,411)	(76,080)
Other	<u>(5,786)</u>	<u>(6,095)</u>	<u>(6,255)</u>
Net Change in Plan Fiduciary Net Position	11,886,617	3,379,951	9,929,925
Plan Fiduciary Net Position - Beginning	<u>140,692,016</u>	<u>137,312,065</u>	<u>127,382,140</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 152,578,633</u>	<u>\$ 140,692,016</u>	<u>\$ 137,312,065</u>
Net Pension Liability (a) - (b)	<u>\$ 42,189,037</u>	<u>\$ 41,076,856</u>	<u>\$ 33,399,772</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.34%	77.40%	80.43%
Covered Employee Payroll	\$ 37,357,981	\$ 34,361,593	\$ 32,674,655
Net Pension Liability as a Percentage of Total Covered Employee Payroll	112.93%	119.54%	102.22%

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

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contributions	\$ 6,875,814	\$ 6,735,430	\$ 6,048,023
Contributions in Relation to the Actuarially Determined Contributions	<u>6,875,814</u>	<u>6,735,430</u>	<u>6,048,023</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	<u>\$ 39,295,602</u>	<u>\$ 38,113,150</u>	<u>\$ 33,467,492</u>
Contributions as a Percentage of Covered Employee Payroll	17.50%	17.67%	18.07%

Note to Schedule of Contributions

Valuation Date:

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

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

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

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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GENERAL FUND

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CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH</u>	<u>2016 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET - POSITIVE (NEGATIVE)</u>	
<u>REVENUES</u>					
Taxes					
Property Taxes					
Current Ad Valorem Taxes	\$ 13,067,819	\$ 13,067,819	13,009,079	\$ (58,740)	\$ 11,722,153
Delinquent Ad Valorem Taxes	173,349	173,349	62,960	(110,389)	114,098
Penalty and Interest on Delinquent Taxes	93,342	93,342	50,677	(42,665)	56,448
Franchise	8,089,065	8,089,065	7,883,459	(205,606)	7,555,700
Sales	28,850,186	28,850,186	27,364,450	(1,485,736)	28,429,648
Mixed Drink	412,962	412,962	460,894	47,932	409,330
Total Taxes	<u>50,686,723</u>	<u>50,686,723</u>	<u>48,831,519</u>	<u>(1,855,204)</u>	<u>48,287,377</u>
Licenses and Permits					
Professional and Occupational Building	52,517	52,517	61,725	9,208	60,508
Development	1,712,176	1,712,176	986,279	(725,897)	865,490
Plumbing	141,609	141,609	192,583	50,974	221,892
Food	37,896	37,896	70,987	33,091	54,223
Cemetery	183,558	183,558	177,954	(5,604)	208,586
Other	71,600	71,600	57,927	(13,673)	57,130
Total Licenses and Permits	<u>974,671</u>	<u>974,671</u>	<u>810,792</u>	<u>(163,879)</u>	<u>690,017</u>
Fines and Penalties					
Parking	3,174,027	3,174,027	2,358,247	(815,780)	2,157,846
Traffic	166,879	166,879	135,696	(31,183)	131,295
Complaints	427,663	427,663	608,006	180,343	444,920
Library	-	-	280,360	280,360	271,443
Other	63,391	63,391	58,420	(4,971)	64,079
Total Fines and Penalties	<u>889,653</u>	<u>889,653</u>	<u>242,991</u>	<u>(646,662)</u>	<u>571,908</u>
Charges for Services					
Vital Statistics	42,243	42,243	72,243	30,000	47,195
Pound Charges	94,063	94,063	102,186	8,123	99,047
Charges to Other Funds	4,915,441	4,915,441	5,126,933	211,492	4,656,202
Building Rental	125,885	125,885	147,545	21,660	115,008
Recreation Program	603,179	603,179	424,479	(178,700)	461,430
Other Services	589,330	589,330	608,218	18,888	463,602
Total Charges for Services	<u>6,370,141</u>	<u>6,370,141</u>	<u>6,481,604</u>	<u>111,463</u>	<u>5,842,484</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET -</u>	<u>2016 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>	
<u>REVENUES (CONTINUED)</u>					
Intergovernmental	\$ -	\$ -	\$ 512,669	\$ 512,669	\$ 464,552
Investment Earnings	61,000	61,000	217,834	156,834	142,388
Other					
Donations	80,000	80,000	80,000	-	80,000
Miscellaneous	1,396,150	1,396,150	932,043	(464,107)	1,060,511
Total Other	1,476,150	1,476,150	1,012,043	(464,107)	1,140,511
Total Revenues	63,315,627	63,315,627	60,739,389	(2,576,238)	59,518,803
<u>EXPENDITURES</u>					
Current					
General Government					
Personnel Services	2,498,779	2,550,320	2,537,417	12,903	2,425,133
Contracted Services	190,455	300,843	294,423	6,420	159,115
Materials and Supplies	90,129	94,217	93,234	983	80,975
Other Charges	444,908	428,090	351,602	76,488	331,827
Capital Outlay	-	-	-	-	14,380
Total General Government	3,224,271	3,373,470	3,276,676	96,794	3,011,430
Human Resources					
Personnel Services	965,467	1,007,708	1,000,956	6,752	953,496
Contracted Services	141,716	105,447	86,392	19,055	46,698
Materials and Supplies	12,000	21,858	27,658	(5,800)	25,749
Other Charges	45,443	45,443	23,648	21,795	21,937
Total Human Resources	1,164,626	1,180,456	1,138,654	41,802	1,047,880
Finance					
Personnel Services	1,593,641	1,593,658	1,544,499	49,159	1,513,789
Contracted Services	53,237	49,773	38,756	11,017	63,679
Materials and Supplies	32,169	35,393	34,329	1,064	32,973
Other Charges	48,960	49,339	46,089	3,250	35,629
Total Finance	1,728,007	1,728,163	1,663,673	64,490	1,646,070

(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, 2017

	<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>2016</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
<u>Municipal Court</u>					
Personnel Services	\$ 620,584	\$ 593,504	\$ 593,504	\$ -	\$ 607,899
Contracted Services	58,592	112,136	112,136	-	41,510
Materials and Supplies	19,277	13,586	13,586	-	17,895
Other Charges	16,710	5,803	5,803	-	7,859
Total Municipal Court	715,163	725,029	725,029	-	675,163
<u>Technology Services</u>					
Personnel Services	1,752,031	1,754,192	1,553,927	200,265	1,384,092
Contracted Services	261,325	256,231	227,272	28,959	197,118
Materials and Supplies	42,413	46,615	42,513	4,102	33,299
Other Charges	95,824	94,555	93,631	924	67,882
Capital Outlay	-	-	-	-	-
Total Technology Services	2,151,593	2,151,593	1,917,343	234,250	1,682,391
<u>Development Services</u>					
Personnel Services	1,938,972	1,971,270	1,824,408	146,862	1,858,097
Contracted Services	196,099	152,733	145,487	7,246	177,155
Materials and Supplies	31,789	45,681	41,294	4,387	43,646
Other Charges	86,175	88,781	59,993	28,788	83,046
Total Development Services	2,253,035	2,258,465	2,071,182	187,283	2,161,944
<u>Engineering Department</u>					
Personnel Services	1,799,623	1,907,174	1,907,174	-	1,411,960
Contracted Services	171,651	145,769	145,769	-	144,697
Materials and Supplies	40,845	39,702	39,702	-	39,803
Other Charges	65,270	58,582	58,582	-	48,353
Total Engineering Department	2,077,389	2,151,227	2,151,227	-	1,644,813
<u>Fire</u>					
Personnel Services	8,151,476	8,068,098	8,063,646	4,452	7,843,857
Contracted Services	143,411	130,916	130,916	-	100,654
Materials and Supplies	260,441	458,201	458,733	(532)	385,640
Other Charges	145,283	121,341	121,278	63	122,612
Total Fire	8,700,611	8,778,556	8,774,573	3,983	8,452,763

(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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH</u>	<u>2016 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET - POSITIVE (NEGATIVE)</u>	
<u>EXPENDITURES (CONTINUED)</u>					
Police					
Personnel Services	\$ 14,119,035	\$ 14,678,682	\$ 14,678,682	\$ -	\$ 14,020,088
Contracted Services	518,997	573,773	573,773	-	432,208
Materials and Supplies	587,479	785,410	808,844	(23,434)	623,972
Other Charges	<u>102,790</u>	<u>119,211</u>	<u>119,211</u>	<u>-</u>	<u>99,785</u>
Total Police	<u>15,328,301</u>	<u>16,157,076</u>	<u>16,180,510</u>	<u>(23,434)</u>	<u>15,176,053</u>
Public Services					
Personnel Services	2,644,970	2,593,194	2,402,408	190,786	2,228,874
Contracted Services	400,537	506,615	453,846	52,769	313,463
Materials and Supplies	1,965,953	1,918,151	1,611,671	306,480	1,891,728
Other Charges	<u>280,100</u>	<u>288,239</u>	<u>260,727</u>	<u>27,512</u>	<u>225,925</u>
Total Public Services	<u>5,291,560</u>	<u>5,306,199</u>	<u>4,728,652</u>	<u>577,547</u>	<u>4,659,990</u>
Community Services					
Marshal Services					
Personnel Services	314,414	513,350	512,122	1,228	622,387
Contracted Services	76,280	77,288	67,932	9,356	88,474
Materials and Supplies	52,172	50,254	42,384	7,870	53,164
Other Charges	<u>12,850</u>	<u>14,510</u>	<u>9,608</u>	<u>4,902</u>	<u>13,689</u>
Total Community Services	<u>455,716</u>	<u>655,402</u>	<u>632,046</u>	<u>23,356</u>	<u>777,714</u>
Library					
Personnel Services	1,400,355	1,420,229	1,420,229	-	1,359,941
Contracted Services	58,912	56,257	56,257	-	53,242
Materials and Supplies	167,141	171,465	171,465	-	162,194
Other Charges	<u>21,244</u>	<u>20,702</u>	<u>20,702</u>	<u>-</u>	<u>19,318</u>
Total Library	<u>1,647,652</u>	<u>1,668,653</u>	<u>1,668,653</u>	<u>-</u>	<u>1,594,695</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET -</u>	<u>2016</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE</u> <u>(NEGATIVE)</u>	
<u>EXPENDITURES (CONTINUED)</u>					
Parks and Recreation					
Personnel Services	\$ 3,546,705	\$ 3,466,838	\$ 3,466,838	\$ -	\$ 3,300,548
Contracted Services	1,543,830	1,466,832	1,411,091	55,741	1,255,414
Materials and Supplies	363,819	701,333	710,030	(8,697)	762,598
Other Charges	40,385	37,586	36,686	900	35,280
Capital Outlay	-	-	2,944	(2,944)	-
Total Parks and Recreation	<u>5,494,739</u>	<u>5,672,589</u>	<u>5,627,589</u>	<u>45,000</u>	<u>5,353,840</u>
Code Compliance					
Personnel Services	893,024	622,811	541,585	81,226	297,553
Contracted Services	28,485	32,923	18,312	14,611	21,623
Materials and Supplies	17,191	37,451	42,862	(5,411)	17,919
Other Charges	4,685	6,590	5,912	678	2,817
Total Code Compliance	<u>943,385</u>	<u>699,775</u>	<u>608,671</u>	<u>91,104</u>	<u>339,912</u>
Animal Services					
Personnel Services	940,958	1,001,525	1,001,525	-	883,754
Contracted Services	109,506	110,702	112,922	(2,220)	99,897
Materials and Supplies	119,537	129,768	130,789	(1,021)	143,205
Other Charges	20,615	10,524	10,524	-	13,480
Capital Outlay	-	-	-	-	-
Total Animal Services	<u>1,190,616</u>	<u>1,252,519</u>	<u>1,255,760</u>	<u>(3,241)</u>	<u>1,140,336</u>
Fleet Services					
Personnel Services	540,588	547,282	522,982	24,300	474,877
Contracted Services	11,295	13,185	7,577	5,608	7,867
Materials and Supplies	420,792	420,792	29,203	391,589	51,469
Other Charges	8,287	8,287	4,163	4,124	3,189
Total Fleet Services	<u>980,962</u>	<u>989,546</u>	<u>563,925</u>	<u>425,621</u>	<u>537,402</u>
Administration					
Personnel Services	727,647	726,136	720,788	5,348	621,128
Contracted Services	-	1,111	1,111	-	-
Materials and Supplies	6,200	6,600	5,157	1,443	1,982
Other Charges	3,325	3,325	225	3,100	427
Total Administration	<u>737,172</u>	<u>737,172</u>	<u>727,281</u>	<u>9,891</u>	<u>623,537</u>
Total Community Services	<u>11,450,242</u>	<u>11,675,656</u>	<u>11,083,925</u>	<u>591,731</u>	<u>10,367,436</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2016 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
General Services					
Social Services					
Other Charges	\$ 450,000	\$ 450,000	\$ 450,000	\$ -	\$ 450,000
Total Social Services	450,000	450,000	450,000	-	450,000
Special Services					
Personnel Services	772,192	67,970	8,295	59,675	10,268
Contracted Services	2,965,295	2,934,862	2,833,809	101,053	2,416,042
Materials and Supplies	30,100	32,439	7,439	25,000	9,456
Other Charges	2,795,870	3,472,300	2,547,711	924,589	1,555,454
Capital Outlay	-	60,108	60,108	-	-
Total Special Services	6,563,457	6,567,679	5,457,362	1,110,317	3,991,220
Total General Services	7,013,457	7,017,679	5,907,362	1,110,317	4,441,220
Cemetery					
Contracted Services	216,489	252,520	198,457	54,063	202,292
Materials and Supplies	2,000	969	969	-	962
Other Charges	-	-	-	-	-
Capital Outlay	-	-	(10,041)	10,041	1,777
Total Cemetery	218,489	253,489	189,385	64,104	205,031
Debt Service					
Principal	-	87,801	87,801	-	85,016
Interest	-	18,971	18,971	-	21,756
Total Debt Service	-	106,772	106,772	-	106,772
Total Expenditures	61,316,744	62,863,830	59,914,963	2,948,867	55,278,956
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,998,883	451,797	824,426	372,629	4,239,847
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	-	32,626	32,626	56,274
Transfers Out	(4,657,735)	(3,256,499)	(3,256,499)	-	(4,002,363)
Total Other Financing Sources (Uses)	(4,657,735)	(3,256,499)	(3,223,873)	32,626	(3,946,089)
Net Change in Fund Balance	(2,658,852)	(2,804,702)	(2,399,447)	405,255	293,758
<u>FUND BALANCE - BEGINNING</u>	18,293,245	18,293,245	18,293,245	-	17,999,487
FUND BALANCE - ENDING	\$ 15,634,393	\$ 15,488,543	\$ 15,893,798	\$ 405,255	\$ 18,293,245

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.

Community Development Block Grant

Public Education

Public Safety Grants

WIC Project

PARD Recreation Programs

Hotel Occupancy

Municipal Court Technology

Seized Assets

Library Memorial

Municipal Court Security Fee

Juvenile Case Manager Fee

PARD Special Contributions

TIRZ #2

TIRZ #3

TIRZ #5

TIRZ Loop 110

TIRZ Lone Star Rail

Municipal Judicial Efficiency

Miscellaneous Grants

TOW Forfeiture

NONMAJOR PERMANENT FUNDS

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

Cemetery Perpetual

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	SPECIAL	
	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 180,663	\$ 493,495
Investments		
Receivables - Net of Allowances for Uncollectibles		
Accounts	247,724	24,170
Taxes	-	-
Loans	-	-
Due from Other Funds	-	-
Due from Other Governments	-	-
Prepaid Items	-	-
TOTAL ASSETS	\$ 428,387	\$ 517,665
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 155,600	\$ -
Accrued Liabilities	3,866	-
Unearned Revenue	195,248	-
Customer Deposits	-	-
Due to Other Funds	-	-
Total Liabilities	354,714	\$ -
Fund Balances		
Nonspendable	-	-
Restricted for		
Public Safety	-	-
Community Services	73,673	517,665
Endowment	-	-
Total Fund Balances	73,673	517,665
TOTAL LIABILITIES AND FUND BALANCES	\$ 428,387	\$ 517,665

REVENUE

<u>PUBLIC SAFETY GRANTS</u>	<u>WIC PROJECT</u>	<u>PARD RECREATION PROGRAMS</u>	<u>HOTEL OCCUPANCY</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>	<u>SEIZED ASSETS</u>	<u>LIBRARY MEMORIAL</u>
\$ -	\$ -	\$ 110,158	\$ 838,745	\$ 152,936	\$ 154,820	\$ 34,388
-	-	-	-	-	-	-
-	-	-	286,338	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,011,052	466,215	-	-	-	-	-
<u>11,000</u>	<u>9,057</u>	<u>-</u>	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,022,052</u>	<u>\$ 475,272</u>	<u>\$ 110,158</u>	<u>\$ 1,128,983</u>	<u>\$ 152,936</u>	<u>\$ 154,820</u>	<u>\$ 34,388</u>
\$ -	\$ 6,751	\$ 1,827	\$ 295,235	\$ -	\$ -	\$ -
-	14,640	-	14,447	-	-	-
41,536	-	-	98	-	-	-
-	-	-	-	-	-	-
970,314	453,881	-	-	-	-	-
<u>1,011,850</u>	<u>475,272</u>	<u>1,827</u>	<u>309,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	3,900	-	-	-
10,202	-	-	-	152,936	154,820	-
-	-	108,331	815,303	-	-	34,388
-	-	-	-	-	-	-
<u>10,202</u>	<u>-</u>	<u>108,331</u>	<u>819,203</u>	<u>152,936</u>	<u>154,820</u>	<u>34,388</u>
<u>\$ 1,022,052</u>	<u>\$ 475,272</u>	<u>\$ 110,158</u>	<u>\$ 1,128,983</u>	<u>\$ 152,936</u>	<u>\$ 154,820</u>	<u>\$ 34,388</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2017

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	PARD SPECIAL CONTRIBUTIONS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 145,940	\$ 44,869	\$ 8,590
Investments	-	-	-
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	-	-
Taxes	-	-	-
Loans	-	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
	-	-	-
TOTAL ASSETS	\$ 145,940	\$ 44,869	\$ 8,590
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ 1,393	\$ -
Accrued Liabilities	636	596	-
Deferred Revenue	-	-	-
Customer Deposits	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	636	1,989	-
Fund Balances			
Nonspendable	-	-	-
Restricted for			
Public Safety	145,304	42,880	-
Community Services	-	-	8,590
Endowment	-	-	-
Total Fund Balances	145,304	42,880	8,590
TOTAL LIABILITIES AND FUND BALANCES	\$ 145,940	\$ 44,869	\$ 8,590

REVENUE

TIRZ #2	TIRZ #3	TIRZ #5	TIRZ LOOP 110	TIRZ LONE STAR RAIL	MUNICIPAL JUDICIAL EFFICIENCY
\$ -	\$ -	\$ 789,202	\$ 465,982	\$ 3,139	\$ 36,642
-	-	-	-	-	-
298,742	69,858	121,378	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 298,742</u>	<u>\$ 69,858</u>	<u>\$ 910,580</u>	<u>\$ 465,982</u>	<u>\$ 3,139</u>	<u>\$ 36,642</u>
\$ -	\$ -	\$ -	\$ 465,982	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,131	-	-	-	-	-
<u>296,611</u>	<u>66,858</u>	-	-	-	-
<u>298,742</u>	<u>66,858</u>	-	<u>465,982</u>	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,000	910,580	-	3,139	36,642
-	-	-	-	-	-
<u>-</u>	<u>3,000</u>	<u>910,580</u>	<u>-</u>	<u>3,139</u>	<u>36,642</u>
<u>\$ 298,742</u>	<u>\$ 69,858</u>	<u>\$ 910,580</u>	<u>\$ 465,982</u>	<u>\$ 3,139</u>	<u>\$ 36,642</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>SPECIAL REVENUE</u>		<u>PERMANENT</u>	<u>TOTALS</u>
	<u>MISCELLANEOUS GRANTS</u>	<u>TOW FORFEITURE FUND</u>	<u>CEMETERY PERPETUAL</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 315,284	\$ 9,760	\$ 45,718	\$ 3,830,331
Investments	23,582	-	1,014,058	1,037,640
Receivables - Net of Allowances for Uncollectibles				
Accounts	482,837	-	7,933	1,252,642
Taxes	-	-	-	286,338
Loans	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	1,477,267
Prepaid Items	-	-	1,250	25,207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 821,703</u>	<u>\$ 9,760</u>	<u>\$ 1,068,959</u>	<u>\$ 7,909,425</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts Payable	\$ 53,761	\$ -	\$ -	\$ 980,549
Accrued Liabilities	-	-	-	34,185
Deferred Revenue	214,975	-	-	451,857
Customer Deposits	-	-	-	2,131
Due to Other Funds	-	-	-	1,787,664
Total Liabilities	<u>268,736</u>	<u>-</u>	<u>-</u>	<u>3,256,386</u>
Fund Balances				
Nonspendable	-	-	1,068,959	1,072,859
Restricted for				
Public Safety	-	-	-	506,142
Community Services	552,967	9,760	-	3,074,038
Endowment	-	-	-	-
Total Fund Balances	<u>552,967</u>	<u>9,760</u>	<u>1,068,959</u>	<u>4,653,039</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 821,703</u>	<u>\$ 9,760</u>	<u>\$ 1,068,959</u>	<u>\$ 7,909,425</u>

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CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	SPECIAL	
	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>REVENUES</u>		
Taxes	\$ -	\$ 96,727
Fines and Penalties	-	-
Intergovernmental	1,370,045	-
Charges for Services	-	-
Investment Earnings	-	-
Miscellaneous	-	-
Total Revenues	1,370,045	96,727
<u>EXPENDITURES</u>		
Current		
General Government	-	400
Public Safety	-	-
Community Services	1,370,045	-
Capital Outlay	-	-
Total Expenditures	1,370,045	400
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	96,327
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	-	96,327
<u>FUND BALANCES - BEGINNING</u>	73,673	421,338
FUND BALANCES - ENDING	\$ 73,673	\$ 517,665

REVENUE

<u>PUBLIC SAFETY GRANTS</u>	<u>WIC PROJECT</u>	<u>PARD RECREATION PROGRAMS</u>	<u>HOTEL OCCUPANCY</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>	<u>SEIZED ASSETS</u>	<u>LIBRARY MEMORIAL</u>
\$ -	\$ -	\$ -	\$ 3,795,566	\$ -	\$ -	\$ -
-	-	-	-	26,015	35,742	-
482,497	1,561,723	-	-	-	-	-
-	-	189,785	-	-	-	-
-	-	-	-	-	-	-
<u>19,362</u>	<u>-</u>	<u>63,764</u>	<u>869</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>501,859</u>	<u>1,561,723</u>	<u>253,549</u>	<u>3,796,435</u>	<u>26,015</u>	<u>35,742</u>	<u>-</u>
-	-	-	-	-	-	-
501,859	-	-	-	78,647	3,082	-
-	1,561,723	229,902	2,630,001	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>501,859</u>	<u>1,561,723</u>	<u>229,902</u>	<u>2,630,001</u>	<u>78,647</u>	<u>3,082</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>23,647</u>	<u>1,166,434</u>	<u>(52,632)</u>	<u>32,660</u>	<u>-</u>
-	-	-	95,819	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,600,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,504,946)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	23,647	(338,512)	(52,632)	32,660	-
<u>10,202</u>	<u>-</u>	<u>84,684</u>	<u>1,157,715</u>	<u>205,568</u>	<u>122,160</u>	<u>34,388</u>
<u>\$ 10,202</u>	<u>\$ -</u>	<u>\$ 108,331</u>	<u>\$ 819,203</u>	<u>\$ 152,936</u>	<u>\$ 154,820</u>	<u>\$ 34,388</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, 2017

	<u>SPECIAL</u>		
	<u>MUNICIPAL</u>	<u>JUVENILE</u>	
	<u>COURT</u>	<u>CASE</u>	
	<u>SECURITY</u>	<u>MANAGER</u>	<u>PARD SPECIAL</u>
	<u>FEE</u>	<u>FEE</u>	<u>CONTRIBUTIONS</u>
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ -
Fines and Penalties	18,914	35,900	
Intergovernmental	-	-	-
Charges for Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	637
Total Revenues	<u>18,914</u>	<u>35,900</u>	<u>637</u>
<u>EXPENDITURES</u>			
Current			
General Government	-	-	-
Public Safety	27,895	30,311	-
Community Services	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>27,895</u>	<u>30,311</u>	<u>-</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(8,981)</u>	<u>5,589</u>	<u>637</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(8,981)	5,589	637
<u>FUND BALANCES - BEGINNING</u>	<u>154,285</u>	<u>37,291</u>	<u>7,953</u>
FUND BALANCES - ENDING	<u>\$ 145,304</u>	<u>\$ 42,880</u>	<u>\$ 8,590</u>

REVENUE

TIRZ #2	TIRZ #3	TIRZ #5	TIRZ LOOP 110	TIRZ LONE STAR RAIL	MUNICIPAL JUDICIAL EFFICIENCY
\$ 298,742	\$ 69,858	\$ 121,378	\$ -	\$ -	\$ -
-	-	-	-	-	4,082
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>298,742</u>	<u>69,858</u>	<u>121,378</u>	<u>-</u>	<u>-</u>	<u>4,082</u>
975,179	-	-	698,882	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>975,179</u>	<u>-</u>	<u>-</u>	<u>698,882</u>	<u>-</u>	<u>-</u>
<u>(676,437)</u>	<u>69,858</u>	<u>121,378</u>	<u>(698,882)</u>	<u>-</u>	<u>4,082</u>
676,437	127,019	173,695	465,982	-	-
<u>-</u>	<u>(196,877)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>676,437</u>	<u>(69,858)</u>	<u>173,695</u>	<u>465,982</u>	<u>-</u>	<u>-</u>
-	-	295,073	(232,900)	-	4,082
-	3,000	615,507	232,900	3,139	32,560
<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 910,580</u>	<u>\$ -</u>	<u>\$ 3,139</u>	<u>\$ 36,642</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, 2017

	<u>SPECIAL REVENUE</u>		<u>PERMANENT</u>	<u>TOTALS</u>
	<u>MISCELLANEOUS GRANTS</u>	<u>TOW FORFEITURE FUND</u>	<u>CEMETERY PERPETUAL</u>	
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ 4,382,271
Fines and Penalties	-	-	-	120,653
Intergovernmental	946,632	-	-	4,360,897
Charges for Services	-	4,250	-	194,035
Investment Earnings	-	-	64	64
Miscellaneous	53,760	-	2,260	140,652
Total Revenues	<u>1,000,392</u>	<u>4,250</u>	<u>2,324</u>	<u>9,198,572</u>
<u>EXPENDITURES</u>				
Current				
General Government	935,005	-	-	2,609,466
Public Safety	-	-	-	641,794
Community Services	-	-	-	5,791,671
Capital Outlay	23,000	-	-	23,000
Total Expenditures	<u>958,005</u>	<u>-</u>	<u>-</u>	<u>9,065,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,387</u>	<u>4,250</u>	<u>2,324</u>	<u>132,641</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	1,538,952
Transfers Out	-	-	-	(1,797,642)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(258,690)</u>
Net Change in Fund Balance	42,387	4,250	2,324	(126,049)
<u>FUND BALANCES - BEGINNING</u>	<u>510,580</u>	<u>5,510</u>	<u>1,066,635</u>	<u>4,779,088</u>
FUND BALANCES - ENDING	<u>\$ 552,967</u>	<u>\$ 9,760</u>	<u>\$ 1,068,959</u>	<u>\$ 4,653,039</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 8,249,536	\$ 8,249,536	\$ 8,720,509	\$ 470,973
Intergovernmental	3,030,000	3,030,000	3,926,968	896,968
Interest on Investments	26,000	(73,250)	7,540	80,790
Miscellaneous	<u>107,526</u>	<u>107,526</u>	<u>99,498</u>	<u>(8,028)</u>
Total Revenues	<u>11,413,062</u>	<u>11,313,812</u>	<u>12,754,515</u>	<u>1,440,703</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	7,870,000	7,870,000	7,870,000	-
Interest and Fiscal Charges	<u>4,962,909</u>	<u>4,962,909</u>	<u>4,941,586</u>	<u>21,323</u>
Total Expenditures	<u>12,832,909</u>	<u>12,832,909</u>	<u>12,811,586</u>	<u>21,323</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,419,847)</u>	<u>(1,519,097)</u>	<u>(57,071)</u>	<u>1,462,026</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	2,391,828	2,391,828	2,352,642	(39,186)
Transfers Out	<u>(452,548)</u>	<u>(452,548)</u>	<u>(1,443,133)</u>	<u>(990,585)</u>
Total Other Financing Sources (Uses)	<u>1,939,280</u>	<u>1,939,280</u>	<u>909,509</u>	<u>(1,029,771)</u>
Net Change in Fund Balances	519,433	420,183	852,438	(432,255)
<u>FUND BALANCES - BEGINNING</u>	<u>7,844,584</u>	<u>7,844,584</u>	<u>7,844,584</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 8,364,017</u>	<u>\$ 8,264,767</u>	<u>\$ 8,697,022</u>	<u>\$ 432,255</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, 2017

	<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	<u>\$ 525,164</u>	<u>\$ 525,164</u>	<u>\$ 1,370,045</u>	<u>\$ 844,881</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>525,164</u>	<u>524,713</u>	<u>1,370,045</u>	<u>(845,332)</u>
Net Change in Fund Balance	-	451	-	(451)
<u>FUND BALANCES - BEGINNING</u>	<u>73,673</u>	<u>73,673</u>	<u>73,673</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 73,673</u>	<u>\$ 74,124</u>	<u>\$ 73,673</u>	<u>\$ (451)</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUBLIC EDUCATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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	\$ 100,000	\$ 100,000	\$ 96,727	\$ (3,273)
<u>EXPENDITURES</u>				
Current				
General Government	-	372	400	(28)
Capital Outlay	200,000	229,468	-	229,468
Total Expenditures	200,000	229,840	400	229,440
Net Change in Fund Balance	100,000	99,628	96,327	(3,301)
<u>FUND BALANCES - BEGINNING</u>	421,338	421,338	421,338	-
FUND BALANCES - ENDING	\$ 521,338	\$ 520,966	\$ 517,665	\$ (3,301)

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, 2017

	<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	<u>\$ 2,048,531</u>	<u>\$ 2,048,531</u>	<u>\$ 1,561,723</u>	<u>\$ (486,808)</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>2,048,531</u>	<u>2,048,531</u>	<u>1,561,723</u>	<u>486,808</u>
Total Expenditures	<u>2,048,531</u>	<u>2,048,531</u>	<u>1,561,723</u>	<u>486,808</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 3,947,217	\$ 3,947,217	\$ 3,795,566	\$ (151,651)
Interest on Investments	1,000	1,000	-	(1,000)
Other	-	-	869	869
Total Revenues	<u>3,948,217</u>	<u>3,948,217</u>	<u>3,796,435</u>	<u>(151,782)</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>3,006,733</u>	<u>3,529,701</u>	<u>2,630,001</u>	<u>899,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>941,484</u>	<u>418,516</u>	<u>1,166,434</u>	<u>747,918</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	95,819	95,819	95,819	-
Transfers Out	<u>(1,645,998)</u>	<u>(1,645,998)</u>	<u>(1,600,765)</u>	<u>45,233</u>
Total Other Financing Sources (Uses)	<u>(1,550,179)</u>	<u>(1,550,179)</u>	<u>(1,504,946)</u>	<u>45,233</u>
Net Change in Fund Balance	(608,695)	(1,131,663)	(338,512)	793,151
<u>FUND BALANCES - BEGINNING</u>	<u>1,157,715</u>	<u>1,157,715</u>	<u>1,157,715</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 549,020</u>	<u>\$ 26,052</u>	<u>\$ 819,203</u>	<u>\$ 793,151</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, 2017

	<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	\$ 30,025	\$ 30,025	\$ 26,015	\$ (4,010)
<u>EXPENDITURES</u>				
Current				
Public Safety	5,000	5,000	78,647	(73,647)
Capital Outlay	25,000	101,530	-	101,530
Total Expenditures	30,000	106,530	78,647	27,883
Net Change in Fund Balance	25	(76,505)	(52,632)	23,873
<u>FUND BALANCES - BEGINNING</u>	<u>205,568</u>	<u>205,568</u>	<u>205,568</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 205,593</u>	<u>\$ 129,063</u>	<u>\$ 152,936</u>	<u>\$ 23,873</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	\$ 5,100	\$ 5,100	\$ 35,742	\$ 30,642
<u>EXPENDITURES</u>				
Current				
Public Safety	1,500	10,500	3,082	7,418
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,500</u>	<u>10,500</u>	<u>3,082</u>	<u>7,418</u>
Net Change in Fund Balance	3,600	(5,400)	32,660	38,060
<u>FUND BALANCES - BEGINNING</u>	<u>122,160</u>	<u>122,160</u>	<u>122,160</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 125,760</u>	<u>\$ 116,760</u>	<u>\$ 154,820</u>	<u>\$ 38,060</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, 2017

	<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	\$ 24,012	\$ 24,012	\$ 18,914	\$ (5,098)
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>23,637</u>	<u>23,637</u>	<u>27,895</u>	<u>(4,258)</u>
Net Change in Fund Balance	375	375	(8,981)	(9,356)
<u>FUND BALANCES - BEGINNING</u>	<u>154,285</u>	<u>154,285</u>	<u>154,285</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 154,660</u>	<u>\$ 154,660</u>	<u>\$ 145,304</u>	<u>\$ (9,356)</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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 35,900</u>	<u>\$ (4,100)</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>29,914</u>	<u>29,914</u>	<u>30,311</u>	<u>(397)</u>
Net Change in Fund Balance	10,086	10,086	5,589	(4,497)
<u>FUND BALANCES - BEGINNING</u>	<u>37,291</u>	<u>37,291</u>	<u>37,291</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 47,377</u>	<u>\$ 47,377</u>	<u>\$ 42,880</u>	<u>\$ (4,497)</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
TIRZ #2
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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>				
Taxes	<u>\$ 274,163</u>	<u>\$ 274,163</u>	<u>\$ 298,742</u>	<u>\$ 24,579</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>822,496</u>	<u>822,496</u>	<u>975,179</u>	<u>(152,683)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(548,333)</u>	<u>(548,333)</u>	<u>(676,437)</u>	<u>(128,104)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>548,333</u>	<u>548,333</u>	<u>676,437</u>	<u>128,104</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
TIRZ #3
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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	\$ 69,100	\$ 69,100	\$ 69,858	\$ 758
<u>EXPENDITURES</u>				
Current				
General Government	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,100	69,100	69,858	758
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	121,730	121,730	127,019	5,289
Transfer Out	(190,830)	(190,830)	(196,877)	(6,047)
Total Other Financing Sources (Uses)	(69,100)	(69,100)	(69,858)	(758)
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>	3,000	3,000	3,000	-
FUND BALANCES - ENDING	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
TIRZ #5
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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>\$ 155,000</u>	<u>\$ 155,000</u>	<u>\$ 121,378</u>	<u>\$ (33,622)</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>957,957</u>	<u>957,957</u>	<u>-</u>	<u>957,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(802,957)</u>	<u>(802,957)</u>	<u>121,378</u>	<u>924,335</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	<u>194,190</u>	<u>194,190</u>	<u>173,695</u>	<u>(20,495)</u>
Net Change in Fund Balance	<u>(608,767)</u>	<u>(608,767)</u>	<u>295,073</u>	<u>903,840</u>
<u>FUND BALANCES - BEGINNING</u>	<u>615,507</u>	<u>615,507</u>	<u>615,507</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 6,740</u>	<u>\$ 6,740</u>	<u>\$ 910,580</u>	<u>\$ 903,840</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
TIRZ LOOP 110
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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>EXPENDITURES</u>				
Current				
General Government	<u>230,000</u>	<u>230,000</u>	<u>698,882</u>	<u>(468,882)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,000)	(230,000)	(698,882)	(468,882)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	<u>230,000</u>	<u>230,000</u>	<u>465,982</u>	<u>235,982</u>
Net Change in Fund Balance	-	-	(232,900)	(232,900)
<u>FUND BALANCES - BEGINNING</u>	<u>232,900</u>	<u>232,900</u>	<u>232,900</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 232,900</u>	<u>\$ 232,900</u>	<u>\$ -</u>	<u>\$ (232,900)</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
TIRZ LONE STAR RAIL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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>EXPENDITURES</u>				
Current				
General Government	<u>50,000</u>	<u>50,000</u>	-	<u>50,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(50,000)	-	50,000
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	<u>50,000</u>	<u>50,000</u>	-	<u>(50,000)</u>
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>	<u>3,139</u>	<u>3,139</u>	<u>3,139</u>	-
FUND BALANCES - ENDING	<u>\$ 3,139</u>	<u>\$ 3,139</u>	<u>\$ 3,139</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL JUDICIAL EFFICIENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	\$ 3,000	\$ 3,000	\$ 4,082	\$ 1,082
Miscellaneous	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>(24,000)</u>
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>4,082</u>	<u>(22,918)</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Net Change in Fund Balance	3,000	3,000	4,082	1,082
<u>FUND BALANCES - BEGINNING</u>	<u>32,560</u>	<u>32,560</u>	<u>32,560</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 35,560</u>	<u>\$ 35,560</u>	<u>\$ 36,642</u>	<u>\$ 1,082</u>

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NONMAJOR ENTERPRISE FUNDS

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

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

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

Resource Recovery – This fund was created to account for waste collection and disposal services provided to residents of the City.

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CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2017

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 105,407	\$ 122,155	\$ 1,199,688	\$ 1,427,250
Accounts Receivable - Net	13,536	-	549,839	563,375
Total Current Assets	<u>118,943</u>	<u>122,155</u>	<u>1,749,527</u>	<u>1,990,625</u>
<u>NONCURRENT ASSETS</u>				
Capital Assets:				
Land	653,140	-	-	653,140
Buildings	4,339,745	-	-	4,339,745
Improvements Other than Buildings	8,483,118	-	-	8,483,118
Furnishings and Equipment	19,463	-	79,840	99,303
Construction in Progress	<u>1,409,330</u>	<u>-</u>	<u>-</u>	<u>1,409,330</u>
Totals	14,904,796	-	79,840	14,984,636
Less: Accumulated Depreciation	<u>(10,255,923)</u>	<u>-</u>	<u>(19,107)</u>	<u>(10,275,030)</u>
Total Capital Assets	<u>4,648,873</u>	<u>-</u>	<u>60,733</u>	<u>4,709,606</u>
Total Noncurrent Assets	<u>4,648,873</u>	<u>-</u>	<u>60,733</u>	<u>4,709,606</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows - Pension	<u>-</u>	<u>10,146</u>	<u>32,397</u>	<u>42,543</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,767,816</u>	<u>\$ 132,301</u>	<u>\$ 1,842,657</u>	<u>\$ 6,742,774</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 61,626	\$ 37,994	262,983	\$ 362,603
Accrued Liabilities	-	2,526	40,990	43,516
Compensated Absences	-	4,089	5,440	9,529
Customer Deposits	<u>7,319</u>	<u>-</u>	<u>182,073</u>	<u>189,392</u>
Total Current Liabilities	<u>68,945</u>	<u>44,609</u>	<u>491,486</u>	<u>605,040</u>
<u>NONCURRENT LIABILITIES</u>				
Net Pension Liability	-	38,971	114,912	153,883
Net OPEB Liability	723	674	2,774	4,171
Compensated Absences	<u>-</u>	<u>448</u>	<u>7,662</u>	<u>8,110</u>
Total Noncurrent Liabilities	<u>723</u>	<u>40,093</u>	<u>125,348</u>	<u>166,164</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows - Pension	<u>-</u>	<u>689</u>	<u>2,881</u>	<u>3,570</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	4,648,873	-	60,733	4,709,606
Unrestricted	<u>49,275</u>	<u>46,910</u>	<u>1,162,209</u>	<u>1,258,394</u>
Total Net Position	<u>4,698,148</u>	<u>46,910</u>	<u>1,222,942</u>	<u>5,968,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,767,816</u>	<u>\$ 132,301</u>	<u>\$ 1,842,657</u>	<u>\$ 6,742,774</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, 2017

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 427,594	\$ -	\$ 3,927,372	\$ 4,354,966
Intergovernmental	48,748	-	-	48,748
Miscellaneous	-	-	3,020	3,020
Total Operating Revenues	<u>476,342</u>	<u>-</u>	<u>3,930,392</u>	<u>4,406,734</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	-	126,251	253,666	379,917
Contracted Services	399,613	476,249	3,345,196	4,221,058
Materials and Supplies	87,178	1,035	18,598	106,811
Other Charges	-	-	231,640	231,640
Depreciation	149,878	-	11,763	161,641
Total Operating Expenses	<u>636,669</u>	<u>603,535</u>	<u>3,860,863</u>	<u>5,101,067</u>
Operating Income (Loss)	<u>(160,327)</u>	<u>(603,535)</u>	<u>69,529</u>	<u>(694,333)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Investment Income	-	-	10,262	10,262
Transfer In	60,000	535,000	25,000	620,000
Total Non-Operating Revenue (Expenses)	<u>60,000</u>	<u>535,000</u>	<u>35,262</u>	<u>630,262</u>
Change in Net Position	<u>(100,327)</u>	<u>(68,535)</u>	<u>104,791</u>	<u>(64,071)</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>4,798,475</u>	<u>115,445</u>	<u>1,118,151</u>	<u>6,032,071</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,698,148</u>	<u>\$ 46,910</u>	<u>\$ 1,222,942</u>	<u>\$ 5,968,000</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 619,079	\$ -	\$ 3,935,490	\$ 4,554,569
Cash Paid to Suppliers for Goods and Services	(524,924)	(479,260)	(3,583,908)	(4,588,092)
Cash Paid to Employees for Services	-	(115,915)	(201,024)	(316,939)
Net Cash Provided by (Used in) Operating Activities	<u>94,155</u>	<u>(595,175)</u>	<u>150,558</u>	<u>(350,462)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers from Other Funds	<u>60,000</u>	<u>535,000</u>	<u>25,000</u>	<u>620,000</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>60,000</u>	<u>535,000</u>	<u>25,000</u>	<u>620,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	<u>(48,748)</u>	<u>-</u>	<u>(61,481)</u>	<u>(110,229)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(48,748)</u>	<u>-</u>	<u>(61,481)</u>	<u>(110,229)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Sale (Purchase) of Investment Securities	-	-	1,013,505	1,013,505
Interest Received	-	-	10,262	10,262
Net Increase (Decrease) in Cash and Cash Equivalents	105,407	(60,175)	1,137,844	1,183,076
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>-</u>	<u>182,330</u>	<u>61,844</u>	<u>244,174</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 105,407</u>	<u>\$ 122,155</u>	<u>\$ 1,199,688</u>	<u>\$ 1,427,250</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ (160,327)	\$ (603,535)	\$ 69,529	\$ (694,333)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Depreciation	149,878	-	11,763	161,641
Changes in Assets and Liabilities				
Decrease (Increase) in Assets				
Accounts Receivable	141,852	-	(9,084)	132,768
Due from Other Funds	-	36,369	-	36,369
Increase (Decrease) in Liabilities				
Accounts Payable	(1,764)	(38,345)	11,526	(28,583)
Accrued Liabilities	-	2,526	32,809	35,335
Due to Other Funds	(36,369)	-	-	(36,369)
Customer Deposits	885	-	14,182	15,067
Compensated Absences	-	4,537	13,102	17,639
OPEB Liability	-	124	431	555
Net Pension Liability	-	3,149	6,300	9,449
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 94,155</u>	<u>\$ (595,175)</u>	<u>\$ 150,558</u>	<u>\$ (350,462)</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 26

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

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

TABLE 1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>GOVERNMENTAL ACTIVITIES</u>										
Net Investment in Capital Assets	\$ 52,331,211	\$ 69,504,636	\$ 66,361,134	\$ 74,247,634	\$ 82,639,548	\$ 88,391,028	\$ 94,693,282	\$ 84,584,182	\$ 95,798,543	\$ 80,034,686
Restricted	13,656,718	11,771,448	11,086,463	9,972,700	20,848,878	19,474,094	10,636,613	12,689,714	13,088,699	13,324,854
Unrestricted	<u>21,549,724</u>	<u>19,093,354</u>	<u>22,795,807</u>	<u>18,807,912</u>	<u>8,808,763</u>	<u>11,236,165</u>	<u>14,521,718</u>	<u>5,834,774</u>	<u>(281,055)</u>	<u>(7,731,248)</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	<u>\$ 87,537,653</u>	<u>\$ 100,369,438</u>	<u>\$ 100,243,404</u>	<u>\$ 103,028,246</u>	<u>\$ 112,297,189</u>	<u>\$ 119,101,287</u>	<u>\$ 119,851,613</u>	<u>\$ 103,108,670</u>	<u>\$ 108,606,187</u>	<u>\$ 85,628,292</u>
<u>BUSINESS-TYPE ACTIVITIES</u>										
Net Investment in Capital Assets	\$ 63,950,063	\$ 76,798,160	\$ 84,316,321	\$ 76,737,408	\$ 77,417,956	\$ 85,172,984	\$ 88,667,413	\$ 88,165,145	\$ 85,343,273	\$ 92,125,543
Restricted	-	-	-	-	-	-	-	221,981	221,981	221,981
Unrestricted	<u>55,197,775</u>	<u>45,845,181</u>	<u>36,486,413</u>	<u>46,484,731</u>	<u>50,448,724</u>	<u>45,632,481</u>	<u>46,343,182</u>	<u>58,292,590</u>	<u>74,746,389</u>	<u>83,896,944</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	<u>\$ 119,147,838</u>	<u>\$ 122,643,341</u>	<u>\$ 120,802,734</u>	<u>\$ 123,222,139</u>	<u>\$ 127,866,680</u>	<u>\$ 130,805,465</u>	<u>\$ 135,010,595</u>	<u>\$ 146,679,716</u>	<u>\$ 160,311,643</u>	<u>\$ 176,244,468</u>
<u>PRIMARY GOVERNMENT</u>										
Net Investment in Capital Assets	\$ 116,281,274	\$ 146,302,796	\$ 150,677,455	\$ 150,985,042	\$ 160,057,504	\$ 173,564,012	\$ 183,360,695	\$ 172,749,327	\$ 181,141,816	\$ 172,160,229
Restricted	13,656,718	11,771,448	11,086,463	9,972,700	20,848,878	19,474,094	10,636,613	12,911,695	13,310,680	13,546,835
Unrestricted	<u>76,747,499</u>	<u>64,938,535</u>	<u>59,282,220</u>	<u>65,292,643</u>	<u>59,257,487</u>	<u>56,868,646</u>	<u>60,864,900</u>	<u>64,127,364</u>	<u>74,465,334</u>	<u>76,165,696</u>
TOTAL PRIMARY GOVERNMENT NET POSITION	<u>\$ 206,685,491</u>	<u>\$ 223,012,779</u>	<u>\$ 221,046,138</u>	<u>\$ 226,250,385</u>	<u>\$ 240,163,869</u>	<u>\$ 249,906,752</u>	<u>\$ 254,862,208</u>	<u>\$ 249,788,386</u>	<u>\$ 268,917,830</u>	<u>\$ 261,872,760</u>

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

TABLE 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES										
Governmental Activities										
General Government	\$ 12,565,540	\$ 11,789,804	\$ 14,811,677	\$ 15,419,706	\$ 17,452,471	\$ 17,295,573	\$ 26,744,625	\$ 26,503,022	\$ 29,623,894	\$ 45,271,507
Public Safety	16,406,242	18,223,349	22,337,053	18,040,389	19,367,969	24,117,348	26,179,672	27,779,641	30,282,359	33,904,923
Community Service	9,114,632	9,120,980	10,463,722	10,092,399	10,399,904	13,360,590	14,192,299	14,822,198	15,728,115	24,111,594
Interest and Fiscal Charges	<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>	<u>5,433,836</u>	<u>5,359,852</u>	<u>4,977,996</u>	<u>4,890,031</u>
Total Governmental Activities	<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>72,550,432</u>	<u>74,464,713</u>	<u>80,612,364</u>	<u>108,178,055</u>
Business-Type Activities										
Water/Wastewater	23,872,986	24,443,838	25,878,300	26,701,908	27,890,126	28,152,501	28,549,309	32,839,079	33,372,074	36,005,404
Electric	49,224,186	46,068,424	45,746,937	43,413,456	45,590,881	44,265,224	48,780,157	53,751,942	47,962,128	52,007,700
Airport	768,419	733,621	694,070	710,558	601,781	895,001	647,653	569,932	581,290	636,669
Drainage	811,057	1,482,765	1,959,180	1,897,978	2,491,018	2,355,020	2,398,250	2,549,146	2,885,187	3,262,115
Transit	-	-	-	-	-	-	300,791	387,448	582,522	603,535
Resource Recovery	<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>	<u>2,624,743</u>	<u>2,616,527</u>	<u>3,920,819</u>	<u>3,860,863</u>
Total Business-Type Activities	<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>	<u>83,300,903</u>	<u>92,714,074</u>	<u>89,304,020</u>	<u>96,376,286</u>
Total Primary Government Expenses	<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>155,851,335</u>	<u>167,178,787</u>	<u>169,916,384</u>	<u>204,554,341</u>
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	1,252,334	1,076,738	1,010,309	1,283,941	1,246,616	6,724,853	10,432,734	13,209,783	13,754,748	12,942,500
Public Safety	1,455,835	1,716,212	1,807,346	1,653,099	1,682,378	1,739,043	1,846,293	1,667,317	1,763,014	1,543,969
Community Service	626,210	653,368	574,537	639,534	769,467	1,029,617	1,026,696	860,427	1,407,839	1,646,254
Operating Grants and Contributions	3,452,451	9,981,272	3,145,119	2,619,600	3,250,996	6,005,044	8,738,278	7,515,298	5,529,214	4,440,897
Capital Grants and Contributions	<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>	<u>1,054,196</u>	<u>680,726</u>	<u>2,177,251</u>	<u>3,448,810</u>
Total Governmental Activities Program Revenues	<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>23,098,197</u>	<u>23,933,551</u>	<u>24,632,066</u>	<u>24,022,430</u>
Business-Type Activities										
Charges for Services										
Electric	49,787,885	49,461,030	48,768,174	48,453,727	51,783,661	48,848,992	55,440,398	66,548,588	55,932,644	58,234,989
Water and Wastewater	28,352,029	26,279,549	25,241,695	26,986,572	28,139,268	29,743,387	32,720,309	35,231,959	37,421,054	41,211,800
Airport	203,780	273,788	178,432	256,710	580,554	913,152	292,432	296,241	440,244	476,342
Drainage	1,379,198	1,390,465	1,478,191	2,108,913	2,553,844	2,673,393	2,885,937	3,163,498	3,764,990	4,937,409
Resource Recovery	1,307,481	1,392,717	1,595,550	1,909,152	2,298,847	2,516,548	2,628,929	2,970,156	3,609,478	3,930,392
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	1,784,902
Capital Grants and Contributions	<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>	<u>1,117,888</u>	<u>1,400,371</u>	<u>536,836</u>	<u>253,915</u>
Total Business-Type Activities Program Revenues	<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>	<u>95,085,893</u>	<u>109,610,813</u>	<u>101,705,246</u>	<u>110,829,749</u>
Total Primary Government Program Revenues	<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>	<u>118,184,090</u>	<u>133,544,364</u>	<u>126,337,312</u>	<u>134,852,179</u>

(CONTINUED)

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

TABLE 2 (CONTINUED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Net (Expense) Revenues</u>										
Governmental Activities	\$ (35,248,096)	\$ (30,610,632)	\$ (45,227,203)	\$ (42,619,522)	\$ (38,281,503)	\$ (43,414,792)	\$ (49,452,235)	\$ (50,531,162)	\$ (55,980,298)	\$ (84,155,625)
Business-Type Activities	6,299,001	6,055,106	2,372,178	6,303,844	7,946,411	8,206,067	11,784,990	16,896,739	12,402,226	14,453,463
Total Primary Government										
Net Expenses	(28,949,095)	(24,555,526)	(42,855,025)	(36,315,678)	(30,335,092)	(35,208,725)	(37,667,245)	(33,634,423)	(43,578,072)	(69,702,162)
<u>GOVERNMENTAL REVENUES AND OTHER</u>										
<u>CHANGES IN NET POSITION</u>										
<u>Governmental Activities</u>										
Taxes										
Property Taxes	11,696,800	12,401,892	14,332,003	14,236,642	14,448,102	16,453,797	17,493,449	17,074,411	21,309,785	21,254,699
Franchise Taxes	7,695,811	1,281,674	1,477,463	1,447,569	1,436,152	1,612,147	6,891,720	8,177,576	7,657,376	7,980,186
Sales Taxes	18,347,135	17,989,392	18,398,707	19,854,399	21,079,582	22,852,364	24,020,619	25,876,303	28,429,648	27,364,450
Other Taxes	1,698,905	2,030,247	2,266,391	2,381,483	2,601,079	3,097,818	3,300,290	3,737,773	4,187,749	4,256,460
Investment Earnings	2,590,329	3,571,867	587,646	319,091	261,704	331,996	95,989	129,205	275,637	238,708
Miscellaneous	572,276	1,963,080	1,854,367	753,366	1,337,721	442,726	367,775	40,274	322,346	645,601
Gain on Sale of Capital Assets	-	-	64,974	121,129	-	-	-	-	-	-
Transfers	85,853	5,759,854	6,119,618	6,290,865	6,386,106	5,428,042	5,265,193	(156,698)	(704,726)	(562,374)
Total Governmental Activities	42,687,109	44,998,006	45,101,169	45,404,544	47,550,446	50,218,890	57,435,035	54,878,844	61,477,815	61,177,730
<u>Business-Type Activities</u>										
Investment Earnings	2,801,982	2,098,305	569,393	376,915	303,932	160,760	187,380	202,049	525,975	916,988
Other	618,072	1,101,946	1,337,440	2,029,511	2,780,304	-	46,822	-	-	-
Transfers	(85,853)	(5,759,854)	(6,119,618)	(6,290,865)	(6,386,106)	(5,428,042)	-	156,698	704,726	562,374
Total Business-Type Activities	3,334,201	(2,559,603)	(4,212,785)	(3,884,439)	(3,301,870)	(5,267,282)	234,202	358,747	1,230,701	1,479,362
Total Primary Government	46,021,310	42,438,403	40,888,384	41,520,105	44,248,576	44,951,608	57,669,237	55,237,591	62,708,516	62,657,092
<u>CHANGES IN NET POSITION</u>										
Governmental Activities	7,439,013	14,387,374	(126,034)	2,785,022	9,268,943	6,804,098	2,717,157	4,347,682	5,497,517	(22,977,895)
Business-Type Activities	9,633,202	3,495,503	(1,840,607)	2,419,405	4,644,541	2,938,785	6,753,999	17,255,486	13,631,927	15,932,825
TOTAL PRIMARY GOVERNMENT	\$ 17,072,215	\$ 17,882,877	\$ (1,966,641)	\$ 5,204,427	\$ 13,913,484	\$ 9,742,883	\$ 9,471,156	\$ 21,603,168	\$ 19,129,444	\$ (7,045,070)

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

TABLE 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>GENERAL FUND</u>										
Reserved	\$ 129,929	\$ 97,494	\$ 228,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,476,666	12,804,776	13,148,100	-	-	-	-	-	-	-
Nonspendable	-	-	-	214,915	385,498	545,006	507,534	466,007	497,560	661,113
Restricted	-	-	-	-	980,103	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	238,569	238,569	238,569
Unassigned	-	-	-	13,588,909	13,559,284	16,430,320	15,513,680	17,294,911	17,557,116	14,994,116
TOTAL GENERAL FUND	<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>\$ 16,021,214</u>	<u>\$ 17,999,487</u>	<u>\$ 18,293,245</u>	<u>\$ 15,893,798</u>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>										
Reserved	\$ 1,315,807	\$ 2,365,271	\$ 1,744,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Special Revenue Funds	1,879,330	1,111,235	1,174,555	-	-	-	-	-	-	-
Capital Project Funds	76,612,241	74,318,614	55,426,183	-	-	-	-	-	-	-
Debt Service Funds	10,494,115	8,544,491	8,879,062	-	-	-	-	-	-	-
Nonspendable	-	-	-	12,527	10,985	11,177	122,218	-	1,077,965	1,072,859
Restricted	-	-	-	52,216,441	49,888,108	43,339,895	34,353,926	33,621,845	37,681,443	39,227,072
Unassigned	-	-	-	(120,908)	116,111	108,905	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<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>	<u>\$ 34,476,144</u>	<u>\$ 33,621,845</u>	<u>\$ 38,759,408</u>	<u>\$ 40,299,931</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 classifications.

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

TABLE 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>REVENUES</u>										
Taxes	\$ 39,303,487	\$ 33,617,042	\$ 36,401,012	\$ 37,858,603	\$ 39,630,897	\$ 42,925,701	\$ 45,695,630	\$ 56,382,985	\$ 60,714,819	\$ 61,934,299
Licenses and Permits	813,976	847,678	821,853	994,123	1,039,855	2,194,788	2,280,529	2,456,668	2,157,846	2,358,247
Fees and Penalties	1,504,429	1,722,705	1,851,308	1,720,669	1,738,142	1,641,420	1,431,419	1,614,015	1,621,785	1,446,126
Charges for Services	4,941,970	4,978,075	4,954,980	5,021,489	5,235,552	5,333,670	5,442,092	5,580,914	6,045,723	6,675,639
Intergovernmental	4,168,351	10,925,601	5,254,713	3,354,206	11,443,228	9,002,953	10,583,927	11,069,999	8,748,281	9,194,944
Investment Earnings	2,590,329	2,431,751	587,645	319,093	261,704	331,996	95,989	128,263	275,637	238,708
Contributions	-	918,930	-	-	30,000	80,000	84,121	60,000	1,259,265	80,000
Other Revenues	955,223	1,579,752	2,139,993	1,291,858	1,427,583	1,701,482	2,327,923	2,511,503	2,342,754	1,648,342
Total Revenues	<u>54,277,765</u>	<u>57,021,534</u>	<u>52,011,504</u>	<u>50,560,041</u>	<u>60,806,961</u>	<u>63,212,010</u>	<u>67,941,630</u>	<u>79,804,347</u>	<u>83,166,110</u>	<u>83,576,305</u>
<u>EXPENDITURES</u>										
General Government	15,663,181	14,983,807	14,548,005	15,750,709	16,595,158	16,234,004	18,894,202	17,265,118	21,462,783	22,762,861
Public Safety	15,833,503	16,962,418	18,997,394	20,291,056	20,527,494	22,636,788	24,554,982	26,537,571	28,756,301	30,325,529
Community Service	8,542,826	8,071,623	9,549,374	9,453,846	9,305,394	12,507,187	13,204,031	13,895,842	14,724,847	16,872,652
Capital Outlay	26,710,357	27,655,480	30,093,216	15,259,308	9,225,694	13,091,604	16,643,915	13,786,208	10,597,501	9,485,064
Debt Service										
Interest	4,907,332	7,414,683	6,450,663	6,504,097	6,152,503	5,854,923	5,521,479	5,098,347	5,044,846	5,034,716
Principal	4,749,496	4,594,059	4,780,000	5,870,000	6,620,000	6,890,920	7,039,799	7,452,512	8,315,016	7,957,801
Total Expenditures	<u>76,406,695</u>	<u>79,682,070</u>	<u>84,418,652</u>	<u>73,129,016</u>	<u>68,426,243</u>	<u>77,215,426</u>	<u>85,858,408</u>	<u>84,035,598</u>	<u>88,901,294</u>	<u>92,438,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,128,930)</u>	<u>(22,660,536)</u>	<u>(32,407,148)</u>	<u>(22,568,975)</u>	<u>(7,619,282)</u>	<u>(14,003,416)</u>	<u>(17,916,778)</u>	<u>(4,231,251)</u>	<u>(5,735,184)</u>	<u>(8,862,318)</u>

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

TABLE 4 (CONTINUED)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>OTHER FINANCING SOURCES (USES)</u>										
Bond Sales	\$ 62,695,000	\$ 22,895,000	\$ 8,625,000	\$ 11,245,000	\$ 5,520,000	\$ 8,825,000	\$ 26,510,000	\$ 37,685,000	\$ 19,920,000	\$ 7,200,000
Proceeds from Capital Leases	-	-	-	-	-	337,327	220,916	-	1,098,389	348,089
Discount on Debt Issued	(522,859.00)	(63,173)	-	-	-	-	-	-	-	-
Premium on Debt Issued	-	487,099	-	590,248	576,210	805,797	3,051,492	3,891,469	2,192,123	515,695
Other	-	708,611	71,163	121,129	35,245	287,629	205,838	-	259,689	501,984
Payment to Refunded Bond Escrow Agent	-	(9,875,296)	-	(11,680,362)	(6,016,992)	(5,885,165)	(27,274,606)	(35,614,546)	(11,598,970)	-
Transfers In	4,375,113.00	9,084,781	9,434,616	11,149,525	9,807,734	9,587,514	11,521,424	5,676,305	5,562,449	5,934,900
Transfers Out	(4,289,260)	(3,687,104)	(4,364,080)	(3,546,113)	(3,274,710)	(4,459,472)	(6,256,231)	(6,283,003)	(6,267,175)	(6,497,274)
Total Other Financing Sources (Uses)	<u>62,257,994</u>	<u>19,549,918</u>	<u>13,766,699</u>	<u>7,879,427</u>	<u>6,647,487</u>	<u>9,498,630</u>	<u>7,978,833</u>	<u>5,355,225</u>	<u>11,166,505</u>	<u>8,003,394</u>
NET CHANGE IN FUND BALANCES	<u>\$ 40,129,064</u>	<u>\$ (3,110,618)</u>	<u>\$ (18,640,449)</u>	<u>\$ (14,689,548)</u>	<u>\$ (971,795)</u>	<u>\$ (4,504,786)</u>	<u>\$ (9,937,945)</u>	<u>\$ 1,123,974</u>	<u>\$ 5,431,321</u>	<u>\$ (858,924)</u>
Debt Service as a Percentage of Noncapital Expenditures	18.4%	23.7%	20.2%	22.8%	23.1%	19.8%	18.2%	17.9%	17.1%	15.7%

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

TABLE 5

FISCAL YEAR	REAL PROPERTY ASSESSED VALUE	REAL PROPERTY ESTIMATED ACTUAL VALUE	PERSONAL PROPERTY ASSESSED VALUE	PERSONAL PROPERTY ESTIMATED ACTUAL VALUE	LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE
2008	\$ 2,179,929,050	\$ 2,179,929,050	\$ 477,501,560	\$ 477,501,560	\$ 380,495,763	\$ 2,276,934,847	\$ 0	\$ 2,276,934,847
2009	2,508,719,271	2,508,719,271	499,821,131	499,821,131	385,175,216	2,623,365,186	0.5302	2,623,365,185
2010	2,401,078,222	2,401,078,222	538,901,712	538,901,712	435,944,478	2,504,035,456	0.5302	2,504,035,456
2011	2,452,170,753	2,452,170,753	548,200,983	548,200,983	367,414,019	2,452,170,753	0.5302	2,632,957,717
2012	2,456,366,767	2,456,366,767	595,247,414	595,247,414	205,308,589	2,846,305,592	0.5302	2,846,305,592
2013	2,676,859,874	2,676,859,874	631,435,988	631,435,988	214,525,982	3,093,769,880	0.5302	3,093,769,880
2014	2,984,210,423	2,984,210,423	628,566,205	628,566,205	296,727,347	3,316,049,281	0.5302	3,316,049,281
2015	3,299,525,551	3,299,525,551	658,337,706	658,337,706	360,983,531	3,596,879,726	0.5302	3,596,879,726
2016	3,991,714,182	3,991,714,182	672,109,825	672,109,825	549,770,787	4,114,053,220	0.5302	4,114,053,220
2017	4,249,665,476	4,249,665,476	763,166,485	763,166,485	329,140,028	4,683,691,933	0.5302	4,683,691,933

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
2017	\$ 9.29	\$ 0.0208	\$ 10.92	\$ 0.0208	\$ 49.14	\$ 0.0010	\$ 3.61	\$ 218.40	\$ 0.0102	\$ 3.44	\$ 764.80	\$ 0.0081	\$ 3.17
2016	9.29	0.0208	10.92	0.0208	49.14	0.0010	3.61	218.40	0.0102	3.44	764.80	0.0081	3.17
2015	9.29	0.0208	10.92	0.0208	49.14	0.0010	3.61	218.40	0.0102	3.44	764.80	0.0081	3.17
2014	9.29	0.0208	10.92	0.0208	49.14	0.0010	3.61	218.40	0.0102	3.44	764.80	0.0081	3.17
2013	8.93	0.0200	10.50	0.0200	47.25	0.0098	3.47	210.00	0.0098	3.31	735.00	0.0078	3.05
2012	8.93	0.0200	10.50	0.0200	47.25	0.0098	3.47	210.00	0.0098	3.31	735.00	0.0078	3.05
2011	8.93	0.0200	10.50	0.0200	47.25	0.0098	3.47	210.00	0.0098	3.31	735.00	0.0078	3.05
2010	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90
2009	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90
2008	8.50	0.0190	10.00	0.0190	45.00	0.0093	3.30	200.00	0.0093	3.15	700.00	0.0074	2.90

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

TABLE 7

<u>YEAR</u>	<u>COMMERCIAL</u>	<u>RESIDENTIAL</u>	<u>TOTAL USAGE</u>
2008	28,517,068	15,836,725	44,353,793
2009	28,942,450	15,648,779	44,591,229
2010	29,518,678	16,420,286	45,938,964
2011	30,148,212	17,354,788	47,503,000
2012	30,094,586	16,692,706	46,787,292
2013	29,427,490	16,787,702	46,215,192
2014	30,142,333	19,040,143	49,182,476
2015	30,210,458	19,140,551	49,351,009
2016	31,013,796	18,917,278	49,931,074
2017	32,142,272	19,260,308	51,402,581

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>
2008	342,204,187	190,040,702	532,244,889	565,300,166	5.85%
2009	347,308,566	187,785,353	535,093,919	568,397,378	5.86%
2010	354,224,141	197,043,431	551,267,572	583,284,525	5.49%
2011	361,778,549	208,257,452	570,036,001	603,401,092	5.53%
2012	361,131,427	200,312,476	561,443,903	602,102,557	6.75%
2013	353,129,880	201,452,419	554,582,299	588,222,155	5.72%
2014	361,707,994	228,481,721	590,189,715	620,207,502	4.84%
2015	362,525,494	229,686,614	592,212,108	627,592,392	5.64%
2016	372,165,549	227,007,338	599,172,887	631,843,730	5.17%
2017	385,707,268	231,123,700	616,830,968	659,044,109	6.40%

CITY OF SAN MARCOS, TEXAS
TEN LARGEST ELECTRIC CUSTOMERS
SEPTEMBER 30, 2017

TABLE 9

<u>CUSTOMER</u>	<u>CONSUMPTION (kWh)</u>	<u>AMOUNT BILLED</u>	<u>% OF TOTAL kWh</u>
Texas State University, COGEN	99,874,262	\$ 7,180,205	16.19%
Amazon, Inc.	20,899,044	1,793,584	3.39%
H E Butt Grocery	11,442,384	1,769,898	1.86%
Texas State University	11,228,650	977,252	1.82%
City of San Marcos	9,440,360	831,895	1.53%
CTMC	9,235,476	774,143	1.50%
SMCISD	8,130,798	736,493	1.32%
Hays County Government Center	8,053,320	648,215	1.31%
Thermon Manufacturing	6,162,644	513,935	1.00%
El Milagro of Texas, Inc.	6,197,600	508,639	1.00%

Note: % of consumption based on total kWh of: 616,830,968

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>
2008	0.5302	1.3700	0.3749	0.0801	2.3552
2009	0.5302	1.3700	0.4181	0.0511	2.3694
2010	0.5302	1.3500	0.4248	0.0444	2.3494
2011	0.5302	1.3500	0.4248	0.0444	2.3494
2012	0.5302	1.3500	0.4252	0.0438	2.3492
2013	0.5302	1.4141	0.4252	0.0438	2.4133
2014	0.5302	1.4141	0.4252	0.0438	2.4133
2015	0.5302	1.4141	0.4252	0.0438	2.4133
2016	0.5302	1.4141	0.4162	0.0438	2.4043
2017	0.6139	1.4141	0.4012	0.0438	2.4730

Information provided by Hays County Tax Office (512) 393-5545

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

TABLE 11

<u>TAXPAYER</u>	<u>2017</u>	
	<u>TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
Hays Energy Ltd. Partnership	\$ 167,466,790	3.58%
Amazon	140,074,503	2.99%
HEB Warehouse	128,832,364	2.75%
San Marcos Factory Stores	62,513,347	1.33%
CFAN	56,900,317	1.21%
CCSHP San Marcos	53,414,920	1.14%
Prime Outlets at San Marcos	47,398,314	1.01%
REL P Ind San Marcos , LLC	47,058,647	1.00%
Jefferson Loft, LLC	45,198,671	0.97%
Wood of San Marcos, LLC	<u>42,750,000</u>	0.91%
TOTAL	<u>\$ 791,607,873</u>	<u>16.89%</u>
<u>TAXPAYER</u>	<u>2008</u>	
	<u>TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
HEB Warehouse	\$ 83,574,490	3.87%
CFAN	41,458,010	1.92%
Tanger Properties	38,377,934	1.78%
San Marcos Factory Stores	31,559,417	1.46%
Prime Outlets at San Marcos	29,154,620	1.35%
University Heights	21,206,950	0.98%
The Sanctuary Lofts, LP	21,076,540	0.98%
Cabana Beach of San Marcos, LP	19,892,760	0.92%
Grands Communications	19,669,240	0.91%
Morgan Stanley Mtg Capital	<u>18,250,980</u>	0.85%
TOTAL	<u>\$ 324,220,941</u>	<u>15.02%</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 AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2008	\$ 11,451,045	\$ 11,291,991	98.61%	\$ 134,882	\$ 11,426,873	99.79%
2009	12,147,748	11,964,114	98.49%	164,150	12,128,264	99.84%
2010	14,099,916	13,907,121	98.63%	163,349	14,070,470	99.79%
2011	13,970,763	13,809,687	98.85%	137,344	13,947,031	99.83%
2012	14,396,631	14,265,714	99.09%	93,244	14,358,958	99.74%
2013	15,105,625	14,978,410	99.16%	109,778	15,088,188	99.88%
2014	16,358,498	16,280,315	99.52%	67,117	16,347,432	99.93%
2015	18,034,695	17,926,661	99.40%	110,107	18,036,768	99.84%
2016	19,829,368	19,728,493	99.40%	49,702	19,778,195	99.74%
2017	21,758,602	21,657,891	99.54%	-	21,657,891	99.54%

CITY OF SAN MARCOS, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2017

TABLE 13

<u>RANK</u>	<u>NAME</u>	<u>REVENUE</u>	<u>GALLONS</u>
1	City of San Marcos, Texas	\$ 597,183	66,823,470
2	Copper Beech Townhomes	290,795	36,721,797
3	MTC Gary Job Corps	288,813	29,620,735
4	Texas State University	285,079	31,720,276
5	Brookfield Residential	256,507	103,276,088 *
6	HRA Zone, LLC	223,600	28,138,216
7	University Heights San Marcos	218,511	27,682,046
8	Hays County Government Center	185,191	22,759,531
9	San Marcos CISD	183,107	20,126,545
10	CTMC	175,139	22,253,635

* includes reclaimed water of 83,835,110 gallons

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

TABLE 14

<u>FISCAL YEAR</u>	<u>WASTEWATER</u>	<u>WATER</u>
2008	7,657	9,231
2009	7,707	9,323
2010	7,949	9,620
2011	8,289	9,918
2012	8,392	10,144
2013	9,060	11,317
2014	9,382	11,707
2015	9,654	12,075
2016	9,981	12,473
2017	10,420	13,001

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES
SEPTEMBER 30, 2017

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	22.06	First 6,000 Gallons - Minimum	27.58
6,001 - 9,000 Gallons	6.47	6,001 - 9,000 Gallons	8.09
9,001- 12,000 Gallons	7.40	9,001- 12,000 Gallons	9.24
12,001- 20,000 Gallons	8.33	12,001- 20,000 Gallons	10.40
20,001- 50,000 Gallons	9.24	20,001- 50,000 Gallons	11.55
Over 50,000 Gallons	11.09	Over 50,000 Gallons	13.87
<u>5/8" - 3/4" Water Meter</u>		<u>5/8" - 3/4" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	22.06	Minimum Charge	27.58
0 - 6,000 Gallons	3.70	0 - 6,000 Gallons	4.63
6,001 - 9,000 Gallons	6.47	6,001 - 9,000 Gallons	8.09
9,001- 12,000 Gallons	7.40	9,001- 12,000 Gallons	9.24
12,001- 20,000 Gallons	8.33	12,001- 20,000 Gallons	10.40
20,001- 50,000 Gallons	9.24	20,001- 50,000 Gallons	11.55
Over 50,000 Gallons	11.09	Over 50,000 Gallons	13.87
<u>1" Water Meter</u>		<u>1" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	55.15	Minimum Charge	68.93
0 - 4,000 Gallons	2.38	0 - 4,000 Gallons	2.98
4,001 - 10,000 Gallons	2.87	4,001 - 10,000 Gallons	3.57
10,001- 25,000 Gallons	7.15	10,001- 25,000 Gallons	8.95
Over 25,000 Gallons	8.11	Over 25,000 Gallons	10.13
<u>1 1/2" Water Meter</u>		<u>1 1/2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	110.29	Minimum Charge	137.87
0 - 8,000 Gallons	2.38	0 - 8,000 Gallons	2.98
8,001 - 10,000 Gallons	2.87	8,001 - 10,000 Gallons	3.57
10,001- 25,000 Gallons	7.15	10,001- 25,000 Gallons	8.95
Over 25,000 Gallons	8.11	Over 25,000 Gallons	10.13
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	176.46	Minimum Charge	220.58
0 - 13,000 Gallons	2.38	0 - 13,000 Gallons	2.98
13,001- 25,000 Gallons	7.15	13,001- 25,000 Gallons	8.95
Over 25,000 Gallons	8.11	Over 25,000 Gallons	10.13

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
WATER AND SEWER RATES (CONTINUED)
SEPTEMBER 30, 2017

TABLE 15 (CONTINUED)

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

<u>INSIDE-CITY SEWER RATES</u>		<u>OUTSIDE-CITY SEWER RATES</u>	
<u>Lifeline Rate*</u>		<u>Lifeline Rate*</u>	
Maximum	25.01	Maximum	31.26
<u>5/8" - 3/4" Water Meter*</u>		<u>5/8" - 3/4" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 2,000 Gallons - Minimum	25.01	First 2,000 Gallons - Minimum	31.26
Over 2,000 Gallons	7.21	Over 2,000 Gallons	9.00
<u>1" Water Meter*</u>		<u>1" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 4,000 Gallons - Minimum	49.95	First 4,000 Gallons - Minimum	62.42
Over 4,000 Gallons	7.21	Over 4,000 Gallons	9.00
<u>1 1/2" Water Meter*</u>		<u>1 1/2" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 8,000 Gallons - Minimum	99.87	First 8,000 Gallons - Minimum	124.84
Over 8,000 Gallons	7.21	Over 8,000 Gallons	9.00
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
First 13,000 Gallons - Minimum	159.82	First 13,000 Gallons - Minimum	199.77
Over 13,000 Gallons	7.21	Over 13,000 Gallons	9.00

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

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

TABLE 16

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES					TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME
	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	NOTE PAYABLE		
2008	\$ 15,200,000	\$ 114,210,000	\$ -	\$ 14,059	\$ 96,420,000	\$ 9,605,000	\$ 12,315,000	\$ -	\$ -	\$ 247,764,059	5.93%
2009	19,815,000	58,145,000	-	-	102,010,000	8,740,000	16,900,000	-	-	205,610,000	5.70%
2010	17,480,000	64,325,000	-	-	106,265,000	9,480,000	19,080,000	-	-	216,630,000	3.01%
2011	15,975,000	60,865,000	-	-	102,590,000	16,490,000	18,440,000	-	-	214,460,000	5.10%
2012	27,180,000	44,800,000	-	-	96,810,000	15,395,000	17,545,000	-	-	201,730,000	5.75%
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%
2014	49,940,000	44,110,000	26,630,000	1,300,251	94,305,000	36,955,000	18,410,000	1,462,114	-	273,112,365	3.08%
2015	84,274,205	37,947,173	5,060,779	1,170,282	99,284,091	40,841,777	19,722,172	1,304,037	-	289,604,516	3.07%
2016	89,171,112	39,226,282	1,700,000	1,925,200	109,590,821	44,823,181	23,374,723	1,473,816	-	311,285,135	3.42%

Authorized but Unissued Debt – The City does have authorized but unissued bonds remaining in the aggregate amount of \$32,200,000 for Public Safety Facilities and City Library Facilities, as authorized by the City’s voters at an election held May 6, 2017. The City may incur non-voted debt payable from or secured by its collection of ad valorem taxes and other sources of revenue, including tax notes, certificates of obligation, public property finance contractual obligations, and leases for various purposes.

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

TABLE 17

<u>FISCAL YEAR</u>	<u>GROSS BONDED DEBT</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>	<u>PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY</u>	<u>PER CAPITA</u>
2008	\$ 77,010,000	\$ 6,003,239	\$ 71,006,761	3.12%	\$ 1,411
2009	77,960,000	7,199,004	70,760,996	3.11%	1,313
2010	81,805,000	6,428,387	75,376,613	2.87%	1,333
2011	76,840,000	7,913,022	68,926,978	2.55%	1,476
2012	71,980,000	10,973,198	61,006,802	2.49%	1,305
2013	70,580,000	10,404,537	60,175,463	2.45%	1,203
2014	70,995,000	6,940,500	64,054,500	1.89%	1,185
2015	71,430,000	8,085,061	63,344,939	1.74%	1,152
2016	75,000,000	7,844,584	67,155,416	1.65%	1,217
2017	76,700,000	8,697,022	68,002,978	1.49%	1,084

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, 2017

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	\$ 131,045,886	100.000%	<u>\$ 131,045,886</u>
Hays County	354,775,000	100.000%	<u>354,775,000</u>
Subtotal Overlapping Debt			<u>354,775,000</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 485,820,886</u>

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

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

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 227,693,485	\$ 227,693,485	\$ 259,260,471	\$ 269,982,028
Total Net Debt Applicable to Limit	<u>71,006,761</u>	<u>70,760,996</u>	<u>73,240,069</u>	<u>76,840,000</u>
LEGAL DEBT MARGIN	<u>\$ 156,686,724</u>	<u>\$ 156,932,489</u>	<u>\$ 186,020,402</u>	<u>\$ 193,142,028</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.00%	3.12%	3.11%	2.82%

TABLE 19

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2017

Assessed Value						\$ 4,577,343,557
Debt Limit (10% of Assessed Value)						457,734,357
Debt Applicable to Limit						
General Obligation Bonds (Debt to be Repaid with Property Taxes)						76,700,000
Less: Amount Set Aside for Repayment of General Obligation Debt						<u>8,697,022</u>
Total Net Debt Applicable to Limit						<u>68,002,978</u>
LEGAL DEBT MARGIN						<u>\$ 389,731,379</u>
	2012	2013	2014	2015	2016	2017
	\$ 284,630,559	\$ 309,376,988	\$ 339,404,523	\$ 366,735,917	\$ 407,076,868	\$ 457,734,357
	<u>71,980,000</u>	<u>70,580,000</u>	<u>70,995,000</u>	<u>71,430,000</u>	<u>75,000,000</u>	<u>76,700,000</u>
	<u>\$ 212,650,559</u>	<u>\$ 238,796,988</u>	<u>\$ 268,409,523</u>	<u>\$ 295,305,917</u>	<u>\$ 332,076,868</u>	<u>\$ 381,034,357</u>
	2.53%	2.28%	2.09%	1.95%	1.84%	1.68%

CITY OF SAN MARCOS, TEXAS
PLEGDED 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		
2007	\$ 24,138,588	\$ 17,796,700	\$ 6,341,888	\$ 3,195,000	\$ 3,633,942	0.93	
2008	28,352,029	19,568,829	8,783,200	3,620,000	3,383,614	1.25	
2009	26,279,549	19,637,393	6,642,156	4,065,000	4,531,610	0.77	
2010	25,241,695	14,630,182	10,611,513	4,585,000	4,626,338	1.15	
2011	26,986,572	14,874,577	12,111,995	4,895,000	5,034,288	1.22	
2012	28,139,268	15,342,453	12,796,815	5,655,000	4,336,835	1.28	
2013	29,743,387	15,927,532	13,815,855	5,825,000	3,930,199	1.42	
2014	32,720,309	16,347,440	16,372,869	6,130,000	3,660,102	1.67	
2015	35,231,959	20,031,444	15,200,515	6,435,000	3,090,380	1.60	
2016	37,421,054	20,469,973	16,951,081	6,905,000	3,616,990	1.61	
2017	41,211,800	22,773,111	18,438,689	7,340,000	3,836,437	1.65	

ELECTRIC							
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	
				PRINCIPAL	INTEREST		
2007	\$ 45,038,579	\$ 40,134,868	\$ 4,903,711	\$ 790,000	\$ 414,457	4.07	
2008	49,787,885	48,713,986	1,073,899	825,000	451,891	0.84	
2009	49,461,030	45,689,134	3,771,896	865,000	394,994	2.99	
2010	48,768,174	44,500,751	4,267,423	900,000	364,006	3.38	
2011	48,453,727	42,144,555	6,309,172	980,000	438,706	4.45	
2012	51,783,661	44,236,219	7,547,442	1,035,000	560,859	4.73	
2013	48,848,992	43,237,059	5,611,933	1,180,000	596,376	3.16	
2014	55,440,398	46,886,182	8,554,216	625,000	1,241,193	4.58	
2015	66,548,588	51,562,916	14,985,672	815,000	1,478,123	6.54	
2016	55,932,644	45,653,796	10,278,848	1,295,000	1,593,389	3.56	
2017	58,234,989	49,067,758	9,167,231	1,630,000	1,781,012	2.69	

DRAINAGE							
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	
				PRINCIPAL	INTEREST		
2007	\$ 1,424,761	\$ 577,461	\$ 847,300	\$ 175,000	\$ 266,998	1.92	
2008	1,373,094	811,057	562,037	315,000	349,000	0.85	
2009	1,390,465	866,427	524,038	350,000	957,806	0.40	
2010	1,478,191	871,308	606,883	595,000	786,466	0.44	
2011	2,108,913	771,837	1,337,076	730,000	892,251	0.82	
2012	2,553,844	1,113,528	1,440,316	775,000	822,308	0.90	
2013	2,673,393	1,059,148	1,614,245	800,000	785,000	1.02	
2014	2,885,937	1,054,349	1,831,588	820,000	768,987	1.15	
2015	3,163,498	1,299,053	1,864,445	935,000	800,863	1.07	
2016	3,764,990	1,478,160	2,286,830	1,010,000	767,395	1.29	
2017	4,937,409	1,590,650	3,346,759	1,190,000	896,558	1.60	

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>
2008	50,317	\$ 802,392,217	\$ 44,317	3.4%
2009	50,913	861,466,554	45,646	4.7%
2010	53,913	718,793,973	45,259	5.4%
2011	47,505	762,122,715	16,043	6.0%
2012	46,750	750,337,500	16,050	4.7%
2013	50,001	803,016,060	16,060	4.7%
2014	54,076	879,762,444	16,269	4.7%
2015	55,000	896,500,000	16,300	4.7%
2016	55,200	910,800,000	16,500	4.7%
2017	61,980	925,200,000	16,800	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>2017</u>	
	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Texas State University	3,606	6.53%
Amazon	3,000	5.43%
San Marcos Premium Outlets	1,600	2.90%
Tanger Factory Outlets	1,540	2.79%
San Marcos CISD	1,116	2.02%
H.E.B. Retail	810	1.47%
Hays County	807	1.46%
Central Texas Medical Center	700	1.27%
H.E.B. Distribution Center	680	1.23%
City of San Marcos	<u>679</u>	<u>1.23%</u>
 TOTAL	 <u>14,538</u>	 <u>26.33%</u>
 TOTAL CITY/COUNTY EMPLOYEES	 <u>55,240</u>	
<u>EMPLOYER</u>	<u>2008</u>	
	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Southwest Texas State University	3,300	7.70%
Prime Outlets San Marcos	2,100	3.23%
Tanger Factory Outlet Center	1,540	2.37%
San Marcos CISD	1,114	1.72%
Grande Communications	850	1.31%
Hays County	850	1.31%
Hunter Industry	650	1.00%
Central Texas Medical Center	650	1.00%
H.E.B. Distribution Center	580	0.89%
Gary Job Corps	<u>567</u>	<u>0.87%</u>
 TOTAL	 <u>12,201</u>	 <u>21.40%</u>

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

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

TABLE 23

<u>FUNCTION/PROGRAM</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Administration	19.00	19.00	19.00	19.50	20.38	18.00	20.00	21.00	21.00	22.00
Human Resources	9.00	10.00	9.00	9.00	10.00	11.00	10.00	11.00	11.00	11.00
Finance	32.64	32.64	15.54	15.54	15.54	17.54	18.00	19.00	19.00	21.00
Municipal Court	-	-	9.60	9.98	10.48	10.48	12.00	13.00	13.00	14.00
Technology Services	-	-	10.00	10.00	10.00	11.00	13.00	19.00	19.00	21.00
Development Services	10.00	10.00	10.50	10.50	9.50	23.50	22.00	21.00	21.00	22.00
Permit Center	9.50	9.50	5.50	5.50	10.50	-	-	-	-	-
Police										
Operations	81.00	86.00	88.00	85.00	85.00	87.00	91.00	145.00	149.00	152.00
Fire										
Firefighters and Officers	52.00	55.00	60.50	64.00	65.00	66.00	70.00	73.00	73.00	76.00
Main Street	1.48	1.48	1.48	1.48	1.48	1.48	2.00	2.00	2.00	3.00
Public Services	32.50	32.50	35.00	35.00	35.00	30.00	28.00	33.00	37.00	38.00
CIP/Engineering	12.98	12.98	9.48	9.48	12.48	18.00	10.00	12.50	16.00	17.00
Community Services	49.04	49.62	53.14	51.64	52.57	55.73	119.00	185.34	193.68	197.00
Capital Improvements Fund	-	-	-	-	-	-	-	8.00	2.00	-
Water/Wastewater	52.50	54.00	51.50	51.50	51.50	48.50	49.00	56.00	58.83	63.00
Electric	50.50	50.50	49.00	49.00	49.00	52.00	56.00	61.00	60.83	66.00
Drainage	-	-	2.00	2.00	2.00	2.00	3.00	6.00	6.00	9.00
Solid Waste	-	-	-	-	-	1.33	2.34	1.33	2.33	4.00
Transit	-	-	-	-	-	0.83	1.33	1.33	1.33	1.00
WIC	23.00	24.00	26.00	26.00	28.00	26.00	23.00	26.00	26.00	26.00
Hotel Occupancy Tax Fund	-	-	-	-	-	-	-	2.00	2.00	10.00
CDBG	-	-	-	-	-	-	-	2.00	2.00	3.00
TOTAL	<u>435.14</u>	<u>447.22</u>	<u>455.24</u>	<u>455.12</u>	<u>468.43</u>	<u>480.39</u>	<u>549.67</u>	<u>718.50</u>	<u>736.00</u>	<u>776.00</u>

Source: Finance Department

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

TABLE 24

FUNCTION/PROGRAM	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building Permits Issued	2,205	2,200	2,200	2,400	2,600	2,600	2,700	2,750	4,553	4,825
Police										
Physical Arrests	2,126	2,698	2,602	2,647	2,943	2,281	2,309	2,401	2,577	2,437
Parking Violations	5,260	4,484	6,185	5,799	4,883	3,504	6,540	7,919	6,579	6,889
Traffic Violations	9,683	12,486	10,135	10,325	7,849	6,615	6,645	6,557	6,508	7,318
Fire										
Emergency Responses	3,550	3,125	3,000	3,308	2,648	4,424	4,303	4,601	4,635	5,419
Fires Extinguished	201	145	122	210	210	155	165	149	210	185
Prevention/Safety Education	10,000	15,000	15,000	10,000	10,000	10,250	10,500	22,000	22,000	11,500
Other Public Works										
Street Resurfacing (Miles)	8	8	8	6	13	18	18	20	20	20
Potholes Repaired	220	175	200	223	250	220	220	220	220	220
Parks and Recreation										
Facility Rental Bookings	1,400	5,500	5,500	5,500	5,500	5,500	5,600	5,700	5,800	5,500
Community Center Admissions	2,600	2,450	2,500	150,000	150,000	150,000	155,000	157,000	158,000	165,000
Library										
Volumes in Collection	143,000	148,900	149,500	154,500	156,000	157,000	162,500	162,500	162,500	165,000
Total Volumes Borrowed	404,300	449,000	471,800	481,000	486,000	469,000	467,500	462,500	462,500	474,000
Water										
New Connections	100	100	224	200	300	300	400	400	400	550
Water Main Breaks	10	300	100	200	350	350	300	300	300	240
Average Daily Consumption (thousands of gallons)	6,447	6,667	7,091	7,221	6,954	6,792	6,663	7,019	7,453	7,430
Peak Daily Consumption (thousands of gallons)	10,153	10,652	11,383	10,268	10,994	9,298	9,361	10,933	11,254	9,018
Wastewater										
Average Daily Sewage Treatment (samples collected/tested)	5,600	5,700	5,700	5,700	5,700	5,700	6,000	6,400	5,024	6,400

Source: Various City Departments

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

TABLE 25

FUNCTION/PROGRAM	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	84	118	117	118	118	118	118	131	149	146
Fire										
Stations	4	4	5	5	5	5	5	5	5	5
Other Public Works										
Streets (Miles)	292	309	309	302	302	311	311	311	311	377
Streetlights	3,591	3,517	3,518	3,559	3,575	3,575	3,575	3,575	3,710	3,821
Traffic Signals	49	52	54	48	48	48	48	48	46	61
Parks and Recreation										
Acreage	1,154	1,178	1,699	1,699	1,806	1,826	2,120	2,200	2,300	2,300
Playgrounds	39	39	50	59	59	60	60	60	60	60
Baseball/Softball Diamonds	9	9	9	9	13	13	13	13	13	13
Soccer/Football Fields	9	9	10	10	10	10	10	10	10	10
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Fire Hydrants	1,484	1,727	1,775	1,551	1,611	1,691	1,750	1,825	1,862	1,919
Wastewater										
Sanitary Sewers (Miles)	196	198	205	206	209	215	209	213	217	223
Storm Sewers (Miles)	41	43	52	55	55	61	56	63	73	83
Treatment Capacity (thousands of gallons)	9 MGD*									

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

CITY OF SAN MARCOS, TEXAS
ECONOMIC DEVELOPMENT

TABLE 26

**Economic Development
380 Agreements**

<u>Business Name</u>	<u>2017 Incentive Total</u>	<u>Year Agreement Began</u>	<u>Year Agreement Expires</u>	<u>Incentive Given</u>
Clovis Barker Business Park	\$43,821	2013	2016	Rebate of real ad valorem tax
Corvac Composites, LLC	\$0	2013	2024	Rebate of real and personal ad valorem tax
Epic piping	\$51,828	2016	2025	Rebate of real and personal ad valorem tax
Hays County Developer	\$0	2012	6 Years after completion of first building	Rebate of real ad valorem tax
HEB Warehouse	\$0	2008		2029
Tanger	\$206,699	2016	2025	Rebate of real ad valorem tax and Sales tax

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas, (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of San Marcos, Texas' basic financial statements, and have issued our report thereon dated March 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

March 20, 2018