

# City of San Marcos, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended  
**September 30, 2018**

Prepared by:  
City of San Marcos Finance Department  
**SANMARCOS**

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## **INTRODUCTORY SECTION**

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**CITY OF SAN MARCOS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2018**

**PRINCIPAL PUBLIC OFFICIALS**

**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, 2017**

*Christopher P. Morill*

Executive Director/CEO

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Transmittal Letter

For the Fiscal Year  
Ended  
September 30,  
2018

City of San Marcos  
San Marcos,  
Texas

March 5, 2019

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, 2018. 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, 2018. 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 \$91.3 million, on existing properties of \$393.7 million for a total valuation of \$ 5.1 billion for the 2018 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 2018 the City of San Marcos recognized a \$7.4M increase, or 26.9%, in sales tax collections. A large portion of this increase was generated by the Best Buy Call Center that began operations in 2017. Base sales taxes collections and Prime and Tanger outlet malls increased 1% and 6% respectively over the prior year for total collections of \$35.2 million in FY 2018.

The City is perhaps best known for its Outlet Malls – Premium and Tanger – which have made San Marcos a popular tourist destination in Texas. The Outlet Malls provide access to hundreds of stores in the 1.2 million square feet complex and attracts shoppers from all over the United States and internationally. The City has seen steady growth in sales tax revenues, with a slight decrease in 2016 and 2017, but this negative growth reversed in 2018. 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 2.8% rate in December 2018, lower than the state rate of 3.7% and the national rate of 3.7%. 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 FY 2018 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.

## CITY INITIATIVES

In January 2019, 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 Development
- ✓ Multi Model Transportation
- ✓ Workforce Housing
- ✓ Downtown Vitalization
- ✓ 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 2019 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 began in 2018 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 to be expensed during 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 was adopted in 2018. The City's Planning and Development Services Team worked 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 April 2018. 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 &amp; 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 re-appropriated 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, 2018, 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, 2017. 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 35 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.

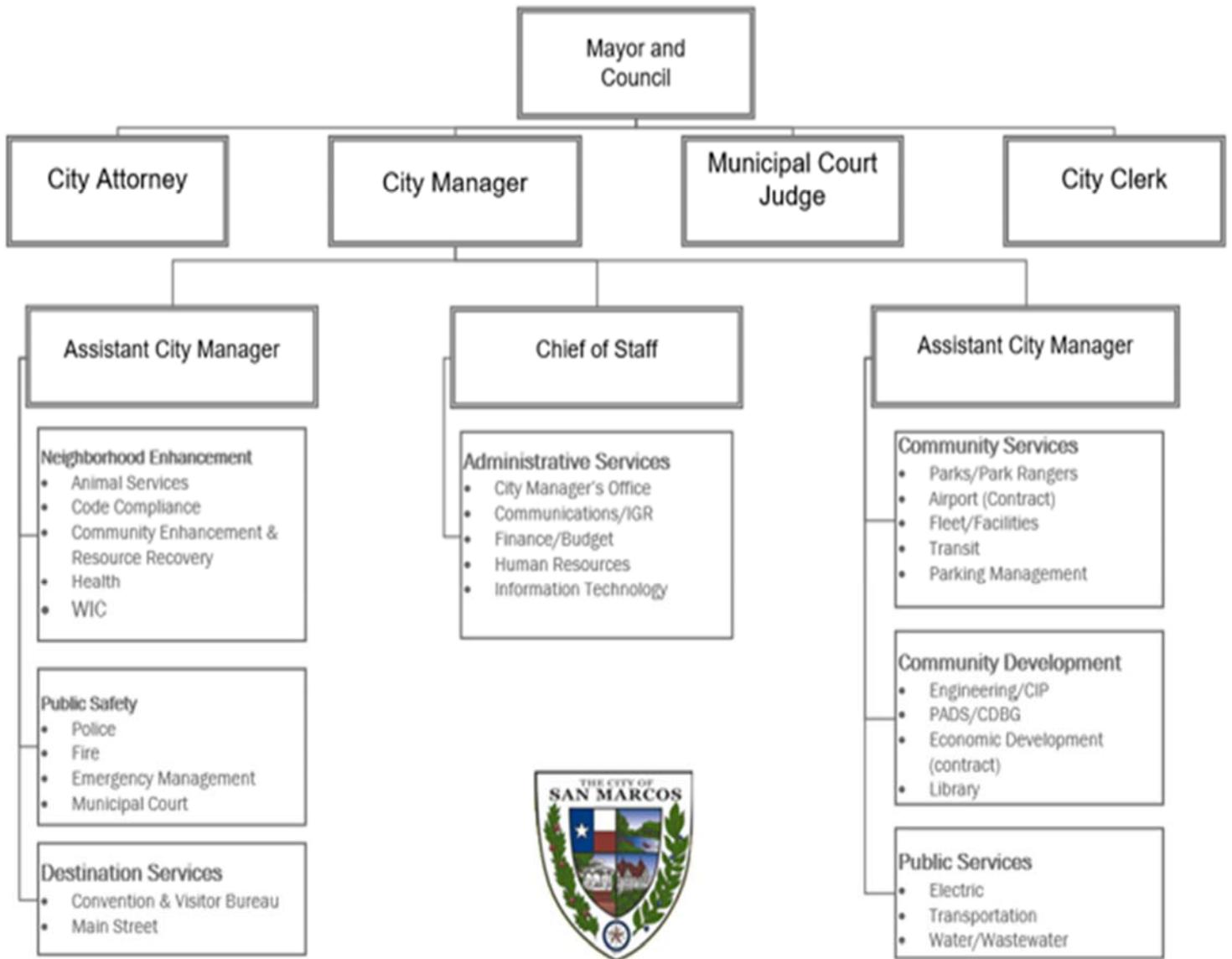
Respectfully submitted,

//signature on file//  
\_\_\_\_\_  
Bert Lumbreras  
City Manager

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

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# City of San Marcos 2017-2018 Organizational 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, 2018, 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, 2018, 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.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 5J, schedule of changes in the total OPEB liability - retiree health care plan, schedule of changes in net pension liability and related ratios, schedule of contributions - net pension liability, schedule of changes in total other postemployment benefit liability (OPEB) and related ratios - supplemental death benefit fund, schedule of contributions - supplemental death benefit fund, 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 5, 2019, 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

San Antonio, Texas  
March 5, 2019

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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, 2018. 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, 2018, by \$283.4 million (net position). Of this amount, \$63.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2018, the City of San Marcos' governmental funds reported combined ending fund balances of \$86.1 million, an increase of \$29.9 million in comparison with the prior fiscal year. This is primarily attributed to the issuance of bonds in the amount of \$33.9 million.
- 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 \$15.7 million, or 25% of total general fund expenditures.
- The City's total debt increased by \$32.4 million during the current fiscal year. The City issued \$24.9 million in general obligation bonds and \$29.0 million 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, Stormwater 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 - 55 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 69 - 107 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$283.4 million as of September 30, 2018. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$193.3 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 (81%) 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 \$63.0 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	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and Other Assets	\$ 99,330,618	\$ 67,106,557	\$ 183,993,612	\$ 167,123,840	\$ 283,324,230	\$ 234,230,397
Capital Assets	187,921,493	186,352,169	234,934,373	224,464,654	422,855,866	410,816,823
Total Assets	<u>287,252,111</u>	<u>253,458,726</u>	<u>418,927,985</u>	<u>391,588,494</u>	<u>706,180,096</u>	<u>645,047,220</u>
<b>Deferred Outflows</b>	<u>12,658,385</u>	<u>17,262,563</u>	<u>5,930,810</u>	<u>7,479,485</u>	<u>18,589,195</u>	<u>24,742,048</u>
<b>Liabilities</b>						
Long-Term Liabilities	182,226,715	163,107,971	204,323,766	196,148,665	386,550,481	359,256,636
Other Liabilities	23,203,205	20,987,015	26,311,343	26,455,770	49,514,548	47,442,785
Total Liabilities	<u>205,429,920</u>	<u>184,094,986</u>	<u>230,635,109</u>	<u>222,604,435</u>	<u>436,065,029</u>	<u>406,699,421</u>
<b>Deferred Inflows</b>	<u>4,383,154</u>	<u>998,011</u>	<u>962,155</u>	<u>219,076</u>	<u>5,345,309</u>	<u>1,217,087</u>
<b>Net Position</b>						
Net Investment in Capital Assets	89,842,218	80,034,686	113,115,001	92,125,543	202,957,219	172,160,229
Restricted	17,134,285	13,324,854	221,981	221,981	17,356,266	13,546,835
Unrestricted (deficit)	<u>(16,879,081)</u>	<u>(7,731,248)</u>	<u>79,924,549</u>	<u>83,896,944</u>	<u>63,045,468</u>	<u>76,165,696</u>
Total Net Position	<u>\$ 90,097,422</u>	<u>\$ 85,628,292</u>	<u>\$ 193,261,531</u>	<u>\$ 176,244,468</u>	<u>\$ 283,358,953</u>	<u>\$ 261,872,760</u>

**Governmental activities.** The City's governmental revenues increased when compared to the prior year by 23.5% or \$20,189,183. This increase is primarily due to an increase in property and sales tax revenue.

One of the more significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$33.7 million.

**Business-type activities.** Revenues of the City's business-type activities were \$119.4 million for the fiscal year ending September 30, 2018. Expenses for the City's business-type activities were \$102.5 million for the year, resulting in a net increase in net position of \$17.0 million. The net revenues are the result of several factors, including the following:

- The City's Water and Wastewater System recorded charges for services of \$46.3 million, which exceeded expenses of \$38.3 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 \$4.6 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 \$60.3 million, which exceeded expenses of \$54.8 million. The most significant expense of the electric fund was \$36.2 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 increased the City's net position (Table 2) by \$24.4 million.

**TABLE 2**  
**CITY OF SAN MARCOS' CHANGES IN NET POSITION**

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 19,348,892	\$ 16,132,723	\$ 116,459,314	\$ 108,790,932	\$ 135,808,206	\$ 124,923,655
Operating Grants and Contributions	5,238,213	4,440,897	-	1,784,902	5,238,213	6,225,799
Capital Grants and Contributions	2,956,568	3,448,810	981,779	253,915	3,938,347	3,702,725
General Revenues						
Property Taxes, Levied for General Purposes	28,724,211	21,254,699	-	-	28,724,211	21,254,699
Sales Taxes	34,733,037	27,364,450	-	-	34,733,037	27,364,450
Franchise Taxes	9,399,107	7,980,186	-	-	9,399,107	7,980,186
Hotel/Motel Taxes	3,720,944	3,795,566	-	-	3,720,944	3,795,566
Investment Earnings	1,018,563	238,708	1,989,509	916,988	3,008,072	1,155,696
Other	812,182	1,106,495	-	-	812,182	1,106,495
Total Revenues	<u>105,951,717</u>	<u>85,762,534</u>	<u>119,430,602</u>	<u>111,746,737</u>	<u>225,382,319</u>	<u>197,509,271</u>
<b>EXPENSES</b>						
General Government	39,538,297	45,271,507	-	-	39,538,297	45,271,507
Public Safety	33,731,134	33,904,923	-	-	33,731,134	33,904,923
Community Service	19,874,494	24,111,594	-	-	19,874,494	24,111,594
Interest and Fiscal Charges	5,338,567	4,890,031	-	-	5,338,567	4,890,031
Electric	-	-	54,804,049	52,007,700	54,804,049	52,007,700
Water and Sewer	-	-	38,337,335	36,005,404	38,337,335	36,005,404
Airport	-	-	684,607	636,669	684,607	636,669
Drainage	-	-	4,066,821	3,262,115	4,066,821	3,262,115
Transit	-	-	584,269	603,535	584,269	603,535
Resource Recovery	-	-	3,994,357	3,860,863	3,994,357	3,860,863
Total Expenses	<u>98,482,492</u>	<u>108,178,055</u>	<u>102,471,438</u>	<u>96,376,286</u>	<u>200,953,930</u>	<u>204,554,341</u>
Increases (Decreases) in Net Position before Transfers	7,469,225	(22,415,521)	16,959,164	15,370,451	24,428,389	(7,045,070)
Transfers	(592,144)	(562,374)	592,144	562,374	-	-
Change in Net Position	<u>6,877,081</u>	<u>(22,977,895)</u>	<u>17,551,308</u>	<u>15,932,825</u>	<u>24,428,389</u>	<u>(7,045,070)</u>
NET POSITION - BEGINNING	85,628,292	108,606,187	176,244,468	160,311,643	261,872,760	268,917,830
RESTATEMENT OF BEGINNING NET POSITION	(2,407,951)	-	(534,245)	-	(2,942,196)	-
NET POSITION AT BEGINNING OF YEAR - AS RESTATED	<u>83,220,341</u>	<u>108,606,187</u>	<u>175,710,223</u>	<u>160,311,643</u>	<u>258,930,564</u>	<u>268,917,830</u>
NET POSITION - ENDING	<u>\$ 90,097,422</u>	<u>\$ 85,628,292</u>	<u>\$ 193,261,531</u>	<u>\$ 176,244,468</u>	<u>\$ 283,358,953</u>	<u>\$ 261,872,760</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 \$86.1 million, an increase of \$29.9 million in comparison with the prior year. Approximately 18.24% 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 \$15.7 million, while total fund balance reached \$16.2 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 \$1,897,572 but actually added to fund balance. It is one of the City's financial policies to maintain fund balance in the general fund equal to 90 days' expenditures or 25%. This variance is primarily attributable to actual expenditures being less than originally budgeted. The debt service fund balance increased by \$382,817 from 2017 to 2018. 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 \$28.4 primarily due to a new bond issue of \$33.9 million. Increases in the general fund and other governmental fund balances contributed to the net increase in fund balances of \$29.9 million.

TABLE 3  
GOVERNMENTAL TAX REVENUES

	2018	2017	INCREASE (DECREASE)
Property	\$ 28,727,690	\$ 22,333,203	\$ 6,394,487
Sales	34,733,037	27,364,450	7,368,587
Franchise	9,399,107	7,980,186	1,418,921
Hotel/Motel	3,720,944	3,795,566	(74,622)
Mixed Drink	517,854	460,894	56,960
	<u>\$ 77,098,632</u>	<u>\$ 61,934,299</u>	<u>\$ 15,164,333</u>

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

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

Unrestricted net position of Water and Wastewater Fund at the end of the year amounted to \$37.7 million, and those for the Electric Fund amounted to \$32.5 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 FY2018, actual expenditures on a budgetary basis were \$70.5 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 FY2018, actual revenues on a budgetary basis were \$74.8 million as compared to the budget amount of \$63.3 million. This is primarily due to sales tax revenue collected in excess of the budget.

The City of San Marcos has a General Fund balance of \$16.2 million as of the fiscal year-end, compared to the budgeted fund balance of \$15.7 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 2018, the City had \$422.9 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 20,582,932	\$ 17,096,744	\$ 5,539,118	\$ 3,096,977	\$ 26,122,050	\$ 20,193,721
Buildings	25,263,024	26,016,731	2,239,327	2,356,895	27,502,351	28,373,626
Improvements Other than Buildings	73,325,060	80,033,162	74,340,747	81,204,111	147,665,807	161,237,273
Equipment	8,579,826	9,776,600	5,183,490	5,674,133	13,763,316	15,450,733
Construction in Progress	35,185,932	29,061,562	147,631,691	132,132,538	182,817,623	161,194,100
Infrastructure	24,984,719	24,367,370	-	-	24,984,719	24,367,370
<b>TOTAL CAPITAL ASSETS</b>	<b><u>\$ 187,921,493</u></b>	<b><u>\$ 186,352,169</u></b>	<b><u>\$ 234,934,373</u></b>	<b><u>\$ 224,464,654</u></b>	<b><u>\$ 422,855,866</u></b>	<b><u>\$ 410,816,823</u></b>

**Long-term Debt.** At year-end, the City had \$357.0 million in general obligation bonds, combination tax and revenue certificates of obligations capital leases, note payable, and revenue bonds outstanding as compared to \$319.4 million at the end of the prior fiscal year, an increase of 10.53%. 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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 95,105,000	\$ 78,050,000	\$ -	\$ -	\$ 95,105,000	\$ 78,050,000
Discount on Bonds	(69,550)	(77,060)	(128,959)	(140,682)	(198,509)	(217,742)
Premium on Bonds	12,288,506	9,382,478	11,693,846	9,933,795	23,982,352	19,316,273
Deferred Amounts on Refundings	(6,499,417)	(7,126,219)	(4,578,844)	(5,254,432)	(11,078,261)	(12,380,651)
Certificates of Obligations	48,710,000	41,840,000	-	-	48,710,000	41,840,000
Capital Leases	1,297,322	1,850,468	1,173,334	1,268,203	2,470,656	3,118,671
Notes Payable	-	-	4,760,000	4,850,000	4,760,000	4,850,000
Revenue Bonds	-	-	193,235,000	184,775,000	193,235,000	184,775,000
<b>TOTAL DEBT</b>	<b>\$ 150,831,861</b>	<b>\$ 123,919,667</b>	<b>\$ 206,154,377</b>	<b>\$ 195,431,884</b>	<b>\$ 356,986,238</b>	<b>\$ 319,351,551</b>

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 \$504,573 at September 30, 2018, compared to \$796,643 at September 30, 2017.

### 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 11 percent for Fiscal Year 2019 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 adopted budget of \$229,369,260 is an increase of \$15.2 million or 7.1% from the adopted fiscal year 2018 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 Fire personnel, School Resource Officer and Detective, Code Enforcement Officers, Animal Shelter staffing, Fleet and Building maintenance staff, Inspectors, Planner, and administrative support. In addition to personnel, the budget provides for appropriations to the Police and Fire meet and confer agreements adopted by Council in 2016.

The property tax rate will remain at 61.39 cents per \$100 valuation for fiscal year 2019. This rate reflects the increase of 8.37 cents per \$100 valuation adopted in fiscal year 2018. This increase was the result of the bond election that voters approved 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 \$485M and new improvements were \$91.3M of that total. This budget will raise \$3.0M more in total property tax revenue than last year's budget, and of that \$560K 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 \$19.6 million. The debt service rate is allocated to repay tax supported debt in the Debt Service Fund. The debt service revenue of \$11.5 million will be used to pay long-term debt.

Sales taxes represent 44% of total General Fund revenue projected for fiscal year 2019. 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 \$35.7.0M includes a 2% increase to the base sales taxes (\$305K), 2% increase to the sales taxes attributed to the Tanger and Prime Outlet Malls (\$109K), and revenues generated by the new Best Buy Call Center located in San Marcos (\$7.7M).

A Water/Wastewater rate study has been conducted every year for the last several years including 2019. The current year rate modeling indicates a need for a 5% rate adjustment for Water and a 2% rate adjustment for Wastewater. This rate adjustment is recommended by the Citizens Utility Advisory Board (CUAB) and is consistent with the anticipated small steady increase in rate to support efforts to secure future water supplies through the year 2060 as a member of Alliance Regional Water Authority (ARWA). Revenues are budgeted based on system and customer anticipated growth and historical trends.

The annual rate study conducted for the Electric Utility does not indicate a need for any rate adjustment so no rate adjustment is recommended by the Citizens Utility Advisory Board (CUAB) for the electric rates. Revenues are budgeted based on system and customer anticipated growth and historical trends.

The FY2018-19 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 \$52.2 million, or 22.8% 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, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,546,503	\$ 10,061,501	\$ 14,608,004
Investments	83,319,311	153,248,786	236,568,097
Receivables - Net of Allowances for Uncollectibles:			
Taxes	957,986	-	957,986
Accounts	10,168,321	16,714,145	26,882,466
Due from Other Governments	858,513	-	858,513
Internal Balances	(1,000,261)	1,000,261	-
Inventories	433,138	2,959,743	3,392,881
Prepaid Items	47,107	9,176	56,283
Capital Assets			
Land	20,582,932	5,539,118	26,122,050
Construction in Progress	35,185,932	147,631,691	182,817,623
Buildings	36,622,325	5,897,675	42,520,000
Improvements Other than Buildings	154,500,460	210,861,880	365,362,340
Equipment	35,929,292	14,870,051	50,799,343
Infrastructure	42,716,358	-	42,716,358
Less: Accumulated Depreciation	(137,615,806)	(149,866,042)	(287,481,848)
Total Assets	<u>287,252,111</u>	<u>418,927,985</u>	<u>706,180,096</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pension	5,508,299	1,209,140	6,717,439
Deferred Outflows Related to Death Benefits	136,550	29,974	166,524
Deferred Outflows Related to Health Benefits	514,119	112,852	626,971
Deferred Charge on Bond Refunding	6,499,417	4,578,844	11,078,261
Total Deferred Outflows of Resources	<u>12,658,385</u>	<u>5,930,810</u>	<u>18,589,195</u>
<u>LIABILITIES</u>			
Accounts Payable	5,466,742	6,179,797	11,646,539
Accrued Liabilities	2,401,189	532,728	2,933,917
Unearned Revenues	3,165,348	-	3,165,348
Customer Deposits	-	4,755,769	4,755,769
Accrued Interest Payable	787,120	1,232,403	2,019,523
Noncurrent Liabilities			
Due Within One Year	11,382,806	13,610,646	24,993,452
Due in More than One Year	151,688,211	197,620,191	349,308,402
Net Pension Liability	26,180,758	5,746,997	31,927,755
OPEB Liability Related to Death Benefits	1,269,708	278,716	1,548,424
OPEB Liability Related to Health Benefits	3,088,038	677,862	3,765,900
Total Liabilities	<u>205,429,920</u>	<u>230,635,109</u>	<u>436,065,029</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pension	4,383,154	962,155	5,345,309
<u>NET POSITION</u>			
Net Investment in Capital Assets	89,842,218	113,115,001	202,957,219
Restricted for:			
Community Services	3,757,547	-	3,757,547
Other Capital Projects	2,654,196	-	2,654,196
Public Safety	558,140	-	558,140
Debt Service	9,079,839	-	9,079,839
Park and Cemetery Trust	1,084,563	-	1,084,563
Energy Incentive Programs	-	221,981	221,981
Unrestricted (deficit)	(16,879,081)	79,924,549	63,045,468
Total Net Position	<u>\$ 90,097,422</u>	<u>\$ 193,261,531</u>	<u>\$ 283,358,953</u>

CITY OF SAN MARCOS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<u>Primary Government</u>				
Governmental Activities				
General Government	\$ 39,538,297	\$ 16,110,526	\$ 546,205	\$ 2,258,061
Public Safety	33,731,134	1,510,540	666,838	462,204
Community Service	19,874,494	1,727,826	4,025,170	236,303
Interest and Other Fees	5,338,567	-	-	-
Total Governmental Activities	<u>98,482,492</u>	<u>19,348,892</u>	<u>5,238,213</u>	<u>2,956,568</u>
Business-Type Activities				
Electric	54,804,049	60,332,737	-	981,779
Water and Wastewater	38,337,335	46,329,180	-	-
Airport	684,607	572,192	-	-
Drainage	4,066,821	4,990,291	-	-
Transit	584,269	-	-	-
Resource Recovery	3,994,357	4,234,914	-	-
Total Business-Type Activities	<u>102,471,438</u>	<u>116,459,314</u>	<u>-</u>	<u>981,779</u>
TOTAL GOVERNMENT	<u>\$ 200,953,930</u>	<u>\$ 135,808,206</u>	<u>\$ 5,238,213</u>	<u>\$ 3,938,347</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

RESTATEMENT OF BEGINNING NET POSITION

NET POSITION AT BEGINNING OF YEAR - AS RESTATED

NET POSITION - ENDING

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
\$ (20,623,505)	\$ -	\$ (20,623,505)
(31,091,552)	-	(31,091,552)
(13,885,195)	-	(13,885,195)
<u>(5,338,567)</u>	<u>-</u>	<u>(5,338,567)</u>
<u>(70,938,819)</u>	<u>-</u>	<u>(70,938,819)</u>
-	6,510,467	6,510,467
-	7,991,845	7,991,845
-	(112,415)	(112,415)
-	923,470	923,470
-	(584,269)	(584,269)
-	240,557	240,557
<u>-</u>	<u>14,969,655</u>	<u>14,969,655</u>
<u>(70,938,819)</u>	<u>14,969,655</u>	<u>(55,969,164)</u>
28,724,211	-	28,724,211
34,733,037	-	34,733,037
9,399,107	-	9,399,107
3,720,944	-	3,720,944
517,854	-	517,854
1,018,563	1,989,509	3,008,072
294,328	-	294,328
<u>(592,144)</u>	<u>592,144</u>	<u>-</u>
<u>77,815,900</u>	<u>2,581,653</u>	<u>80,397,553</u>
<u>6,877,081</u>	<u>17,551,308</u>	<u>24,428,389</u>
<u>85,628,292</u>	<u>176,244,468</u>	<u>261,872,760</u>
<u>(2,407,951)</u>	<u>(534,245)</u>	<u>(2,942,196)</u>
<u>83,220,341</u>	<u>175,710,223</u>	<u>258,930,564</u>
<u>\$ 90,097,422</u>	<u>\$ 193,261,531</u>	<u>\$ 283,358,953</u>

CITY OF SAN MARCOS, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ 386,468	\$ -	\$ 3,327,009	\$ 3,713,477
Investments	24,104,443	40,645,149	16,031,374	1,050,382	81,831,348
Receivables - Net of Allowances for Uncollectibles					
Taxes, Net	310,052	-	298,836	349,098	957,986
Accounts	3,741,282	3,201,117	1,703,958	1,521,964	10,168,321
Due from Other Funds	-	13,518,206	-	1,256,144	14,774,350
Due from Other Governments	-	-	-	858,513	858,513
Inventories	433,138	-	-	-	433,138
Prepays	29,983	-	-	17,124	47,107
<b>TOTAL ASSETS</b>	<b><u>\$ 28,618,898</u></b>	<b><u>\$ 57,750,940</u></b>	<b><u>\$ 18,034,168</u></b>	<b><u>\$ 8,380,234</u></b>	<b><u>\$ 112,784,240</u></b>
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,756,713	\$ 1,343,896	\$ -	\$ 1,207,675	\$ 5,308,284
Accrued Liabilities	1,858,059	-	-	36,426	1,894,485
Unearned Revenue	2,698,640	-	-	466,708	3,165,348
Customer Deposits	-	-	-	2,131	2,131
Due to Other Funds	4,849,664	1,000,261	8,668,542	1,256,144	15,774,611
<b>Total Liabilities</b>	<b><u>12,163,076</u></b>	<b><u>2,344,157</u></b>	<b><u>8,668,542</u></b>	<b><u>2,969,084</u></b>	<b><u>26,144,859</u></b>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Property Taxes	292,133	-	285,787	-	577,920
<u>FUND BALANCES</u>					
Nonspendable:					
Inventories	433,138	-	-	-	433,138
Prepays	29,983	-	-	10,900	40,883
Endowment	-	-	-	1,084,563	1,084,563
Restricted for:					
Court Technology	-	-	-	178,585	178,585
Seized Assets	-	-	-	193,671	193,671
Court Security	-	-	-	134,511	134,511
Juvenile Case Manager	-	-	-	51,373	51,373
Community Services	-	-	-	3,757,547	3,757,547
Capital Projects	-	55,406,783	-	-	55,406,783
Debt Service	-	-	9,079,839	-	9,079,839
Unassigned	15,700,568	-	-	-	15,700,568
<b>Total Fund Balances</b>	<b><u>16,163,689</u></b>	<b><u>55,406,783</u></b>	<b><u>9,079,839</u></b>	<b><u>5,411,150</u></b>	<b><u>86,061,461</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 28,618,898</u></b>	<b><u>\$ 57,750,940</u></b>	<b><u>\$ 18,034,168</u></b>	<b><u>\$ 8,380,234</u></b>	<b><u>\$ 112,784,240</u></b>

CITY OF SAN MARCOS, TEXAS  
RECONCILIATION OF BALANCE SHEET -  
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 86,061,461

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. 187,921,493

Certain other long-term assets related to unavailable property taxes 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. 577,920

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. 1,657,958

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (186,121,410)

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$ 90,097,422

CITY OF SAN MARCOS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Taxes	\$ 61,134,745	\$ -	\$ 11,702,730	\$ 4,261,157	\$ 77,098,632
Licenses and Permits	3,338,087	-	-	-	3,338,087
Fees and Penalties	1,289,319	-	-	133,014	1,422,333
Charges for Services	7,042,721	-	-	227,453	7,270,174
Intergovernmental	533,934	462,204	3,266,265	5,153,213	9,415,616
Interest on Investments	438,949	338,414	228,458	12,742	1,018,563
Contributions and Donations	85,000	-	-	-	85,000
Miscellaneous	960,793	2,138,220	98,805	135,831	3,333,649
Total Revenues	<u>74,823,548</u>	<u>2,938,838</u>	<u>15,296,258</u>	<u>9,923,410</u>	<u>102,982,054</u>
<u>EXPENDITURES</u>					
Current					
General Government	26,238,963	1,477,210	-	2,465,314	30,181,487
Public Safety	32,247,436	-	-	493,234	32,740,670
Community Service	12,093,803	-	-	6,436,430	18,530,233
Capital Outlay	(43,094)	13,080,328	-	351,389	13,388,623
Debt Service					
Principal	-	-	9,985,000	-	9,985,000
Interest and Fiscal Charges	-	-	5,038,778	-	5,038,778
Bond Issuance Cost	-	421,832	-	-	421,832
Total Expenditures	<u>70,537,108</u>	<u>14,979,370</u>	<u>15,023,778</u>	<u>9,746,367</u>	<u>110,286,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,286,440</u>	<u>(12,040,532)</u>	<u>272,480</u>	<u>177,043</u>	<u>(7,304,569)</u>
<u>OTHER FINANCING SOURCES</u>					
Transfers In	44,856	2,733,000	2,417,105	2,450,249	7,645,210
Transfers Out	(4,061,405)	-	(2,306,768)	(1,869,181)	(8,237,354)
Insurance Recoveries	-	7,113	-	-	7,113
Capital Leases	-	-	-	-	-
Issuance of Debt	-	33,910,000	-	-	33,910,000
Premium on Debt Issued	-	3,847,332	-	-	3,847,332
Total Other Financing Sources	<u>(4,016,549)</u>	<u>40,497,445</u>	<u>110,337</u>	<u>581,068</u>	<u>37,172,301</u>
Net Change in Fund Balances	269,891	28,456,913	382,817	758,111	29,867,732
<u>FUND BALANCES - BEGINNING</u>	<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>
FUND BALANCES - ENDING	<u>\$ 16,163,689</u>	<u>\$ 55,406,783</u>	<u>\$ 9,079,839</u>	<u>\$ 5,411,150</u>	<u>\$ 86,061,461</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, 2018

<u>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u>	\$ 29,867,732
 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.	(688,737)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,254,582
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.	(27,219,186)
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.	1,380,720
The change in the net pension liability, other postemployment benefit liabilities, and the related deferred inflows and outflows does not consume a current financial resource and are therefore not reported as expenditures in the governmental funds.	574,002
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with governmental activities.	<u>707,968</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 6,877,081</u></u>

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, 2018

	<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	\$ 57,917,926	\$ 57,917,926	\$ 61,134,745	\$ 3,216,819
Licenses and Permits	2,911,423	2,911,423	3,338,087	426,664
Fines and Penalties	1,814,706	1,814,706	1,289,319	(525,387)
Charges for Services	7,181,201	7,181,201	7,042,721	(138,480)
Intergovernmental	453,549	453,549	533,934	80,385
Interest on Investments	134,000	134,000	438,949	304,949
Miscellaneous	987,482	987,482	1,045,793	58,311
Total Revenues	<u>71,400,287</u>	<u>71,400,287</u>	<u>74,823,548</u>	<u>3,423,261</u>
<u>EXPENDITURES</u>				
Current				
General Government	26,315,749	26,700,703	26,244,380	456,323
Public Safety	30,093,422	32,230,128	32,247,436	(17,308)
Community Service	12,498,556	12,244,710	12,045,292	199,418
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>68,907,727</u>	<u>71,175,541</u>	<u>70,537,108</u>	<u>638,433</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,492,560</u>	<u>224,746</u>	<u>4,286,440</u>	<u>4,061,694</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	35,000	35,000	44,856	9,856
Transfers Out	(4,456,405)	(3,256,499)	(4,061,405)	(804,906)
Total Other Financing Sources (Uses)	<u>(4,421,405)</u>	<u>(3,221,499)</u>	<u>(4,016,549)</u>	<u>(795,050)</u>
Net Change in Fund Balances	(1,928,845)	(2,996,753)	269,891	3,266,644
<u>FUND BALANCES - BEGINNING</u>	<u>15,893,798</u>	<u>15,893,798</u>	<u>15,893,798</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 13,964,953</u>	<u>\$ 12,897,045</u>	<u>\$ 16,163,689</u>	<u>\$ 3,266,644</u>

**CITY OF SAN MARCOS, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	INTERNAL SERVICE
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 2,212,512	\$ 7,014,671	\$ -	\$ 834,318	\$ 10,061,501	\$ 833,026
Investments	47,231,096	81,416,249	23,604,571	996,870	153,248,786	1,487,963
Receivables - Net of Allowances for Uncollectibles	8,191,617	7,296,101	640,771	585,656	16,714,145	-
Due from Other Funds	1,000,261	2,273,163	-	-	3,273,424	-
Inventories	2,344,497	615,246	-	-	2,959,743	-
Prepaid Items	9,176	-	-	-	9,176	-
Total Current Assets	<u>60,989,159</u>	<u>98,615,430</u>	<u>24,245,342</u>	<u>2,416,844</u>	<u>186,266,775</u>	<u>2,320,989</u>
<b>NONCURRENT ASSETS</b>						
Capital Assets:						
Land	1,252,765	3,598,369	34,844	653,140	5,539,118	-
Buildings	-	1,557,930	-	4,339,745	5,897,675	-
Improvements Other than Buildings	27,944,792	161,068,559	13,309,207	8,539,322	210,861,880	-
Furnishings and Equipment	5,474,658	7,867,170	1,428,920	99,303	14,870,051	-
Construction in Progress	<u>53,420,348</u>	<u>76,523,094</u>	<u>16,278,919</u>	<u>1,409,330</u>	<u>147,631,691</u>	-
Totals	88,092,563	250,615,122	31,051,890	15,040,840	384,800,415	-
Less: Accumulated Depreciation	<u>(19,129,821)</u>	<u>(114,338,288)</u>	<u>(5,956,834)</u>	<u>(10,441,099)</u>	<u>(149,866,042)</u>	-
Total Capital Assets - Net of Accumulated Depreciation	<u>68,962,742</u>	<u>136,276,834</u>	<u>25,095,056</u>	<u>4,599,741</u>	<u>234,934,373</u>	-
Total Noncurrent Assets	<u>68,962,742</u>	<u>136,276,834</u>	<u>25,095,056</u>	<u>4,599,741</u>	<u>234,934,373</u>	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Pension	616,661	532,048	48,365	12,066	1,209,140	-
Deferred Outflows - OPEB Death Benefit	15,287	12,589	1,199	899	29,974	-
Deferred Outflows - OPEB Health Benefit	57,556	47,399	4,514	3,383	112,852	-
Deferred Charge on Refunding	<u>298,751</u>	<u>3,589,766</u>	<u>690,327</u>	-	<u>4,578,844</u>	-
Total Deferred Outflows of Resources	<u>988,255</u>	<u>4,181,802</u>	<u>744,405</u>	<u>16,348</u>	<u>5,930,810</u>	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 130,940,156</u>	<u>\$ 239,074,066</u>	<u>\$ 50,084,803</u>	<u>\$ 7,032,933</u>	<u>\$ 427,131,958</u>	<u>\$ 2,320,989</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 3,431,695	1,964,711	316,670	\$ 466,721	\$ 6,179,797	\$ 158,458
Accrued Liabilities	361,086	110,637	12,661	48,344	532,728	-
Due to Other Funds	-	-	2,273,163	-	2,273,163	-
Claims Payable	-	-	-	-	-	504,573
Customer Deposits	3,021,435	1,527,100	1,179	206,055	4,755,769	-
Accrued Interest Payable	498,356	538,070	195,977	-	1,232,403	-
Compensated Absences	83,546	84,135	13,507	6,519	187,707	-
Current Maturities of Long-term Debt	<u>2,326,144</u>	<u>9,182,409</u>	<u>1,914,386</u>	-	<u>13,422,939</u>	-
Total Current Liabilities	<u>9,722,262</u>	<u>13,407,062</u>	<u>4,727,543</u>	<u>727,639</u>	<u>28,584,506</u>	<u>663,031</u>
<b>NONCURRENT LIABILITIES</b>						
Net Pension Liability	2,930,968	2,487,677	229,880	98,472	5,746,997	-
OPEB Liability - Death Benefit	142,145	117,061	11,149	8,361	278,716	-
OPEB Liability - Health Benefit	345,710	284,702	27,114	20,336	677,862	-
Compensated Absences	150,202	138,597	18,869	2,240	309,908	-
Long-Term Debt	<u>49,355,467</u>	<u>113,391,049</u>	<u>34,563,767</u>	-	<u>197,310,283</u>	-
Total Noncurrent Liabilities	<u>52,924,492</u>	<u>116,419,086</u>	<u>34,850,779</u>	<u>129,409</u>	<u>204,323,766</u>	-
Total Liabilities	<u>62,646,754</u>	<u>129,826,148</u>	<u>39,578,322</u>	<u>857,048</u>	<u>232,908,272</u>	<u>663,031</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - Pension	<u>490,700</u>	<u>407,107</u>	<u>38,486</u>	<u>25,862</u>	<u>962,155</u>	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	33,626,730	67,742,413	7,146,117	4,599,741	113,115,001	-
Restricted - Energy Incentive Programs	84,929	137,052	-	-	221,981	-
Unrestricted	<u>34,091,043</u>	<u>40,961,346</u>	<u>3,321,878</u>	<u>1,550,282</u>	<u>79,924,549</u>	<u>1,657,958</u>
Total Net Position	<u>67,802,702</u>	<u>108,840,811</u>	<u>10,467,995</u>	<u>6,150,023</u>	<u>193,261,531</u>	<u>1,657,958</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 130,940,156</u>	<u>\$ 239,074,066</u>	<u>\$ 50,084,803</u>	<u>\$ 7,032,933</u>	<u>\$ 427,131,958</u>	<u>\$ 2,320,989</u>

CITY OF SAN MARCOS, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTAL	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE		INTERNAL SERVICE
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 59,293,652	\$ 44,994,526	\$ 4,944,619	\$ 4,727,523	\$ 113,960,320	\$ -
Intergovernmental	-	-	-	44,400	44,400	-
Employer Contributions	-	-	-	-	-	6,623,933
Employee Contributions	-	-	-	-	-	1,658,189
Retiree Contributions	-	-	-	-	-	329,439
Pharmacy Rebates	-	-	-	-	-	80,884
Miscellaneous	<u>1,039,085</u>	<u>1,334,654</u>	<u>45,672</u>	<u>35,183</u>	<u>2,454,594</u>	<u>-</u>
Total Operating Revenues	<u>60,332,737</u>	<u>46,329,180</u>	<u>4,990,291</u>	<u>4,807,106</u>	<u>116,459,314</u>	<u>8,692,445</u>
<u>OPERATING EXPENSES</u>						
Purchased Power	36,175,410	-	-	-	36,175,410	-
Personnel Services	5,036,670	4,563,405	647,592	406,442	10,654,109	-
Contracted Services	1,866,791	9,124,105	760,324	4,377,304	16,128,524	-
Materials and Supplies	713,603	1,078,595	104,497	111,190	2,007,885	-
Indirect Costs	2,130,807	4,732,593	264,002	-	7,127,402	-
Claims	-	-	-	-	-	7,041,359
Other Charges	5,516,202	5,368,810	16,273	202,228	11,103,513	952,710
Depreciation	<u>1,487,131</u>	<u>9,246,438</u>	<u>1,083,089</u>	<u>166,069</u>	<u>11,982,727</u>	<u>-</u>
Total Operating Expenses	<u>52,926,614</u>	<u>34,113,946</u>	<u>2,875,777</u>	<u>5,263,233</u>	<u>95,179,570</u>	<u>7,994,069</u>
Operating Income (Loss)	<u>7,406,123</u>	<u>12,215,234</u>	<u>2,114,514</u>	<u>(456,127)</u>	<u>21,279,744</u>	<u>698,376</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Investment Income (Loss)	496,081	1,208,685	286,489	(1,746)	1,989,509	9,592
Interest and Fiscal Charges	<u>(1,877,435)</u>	<u>(4,223,389)</u>	<u>(1,191,044)</u>	<u>-</u>	<u>(7,291,868)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(1,381,354)</u>	<u>(3,014,704)</u>	<u>(904,555)</u>	<u>(1,746)</u>	<u>(5,302,359)</u>	<u>9,592</u>
Income (Loss) before Transfers	6,024,769	9,200,530	1,209,959	(457,873)	15,977,385	707,968
Capital Contributions	981,779	-	-	-	981,779	-
Transfers In	-	-	-	662,000	662,000	-
Transfers Out	<u>-</u>	<u>(69,856)</u>	<u>-</u>	<u>-</u>	<u>(69,856)</u>	<u>-</u>
Change in Net Position	<u>7,006,548</u>	<u>9,130,674</u>	<u>1,209,959</u>	<u>204,127</u>	<u>17,551,308</u>	<u>707,968</u>
<u>TOTAL NET POSITION - BEGINNING</u>	61,067,859	99,925,816	9,282,793	5,968,000	176,244,468	949,990
RESTATEMENT OF BEGINNING NET POSITION	<u>(271,705)</u>	<u>(215,679)</u>	<u>(24,757)</u>	<u>(22,104)</u>	<u>(534,245)</u>	<u>-</u>
<u>NET POSITION AT BEGINNING OF YEAR - AS RESTATED</u>	<u>60,796,154</u>	<u>99,710,137</u>	<u>9,258,036</u>	<u>5,945,896</u>	<u>175,710,223</u>	<u>949,990</u>
TOTAL NET POSITION - ENDING	<u>\$ 67,802,702</u>	<u>\$ 108,840,811</u>	<u>\$ 10,467,995</u>	<u>\$ 6,150,023</u>	<u>\$ 193,261,531</u>	<u>\$ 1,657,958</u>

**CITY OF SAN MARCOS, TEXAS**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				TOTALS	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS		INTERNAL SERVICE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	\$ 60,431,944	\$ 44,447,440	\$ 4,865,723	\$ 4,801,488	\$ 114,546,595	\$ 8,646,188
Cash Paid to Suppliers	(46,821,226)	(23,272,704)	(85,945)	(4,286,808)	(74,466,683)	(8,287,087)
Cash Paid to Employees	(5,104,597)	(4,612,232)	(655,471)	(714,792)	(11,087,092)	-
Receipts from Other Funds	-	-	-	-	-	80,884
Net Cash Provided by (Used in) Operating Activities	<u>8,506,121</u>	<u>16,562,504</u>	<u>4,124,307</u>	<u>(200,112)</u>	<u>28,992,820</u>	<u>439,985</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from Other Funds	-	-	-	662,000	662,000	-
Transfers to Other Funds	-	(69,856)	-	-	(69,856)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(69,856)</u>	<u>-</u>	<u>662,000</u>	<u>592,144</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Capital Debt	3,685,000	7,340,000	9,124,233	-	20,149,233	-
Principal Paid on Debt	(1,925,519)	(8,435,665)	(1,512,918)	-	(11,874,102)	-
Interest and Fiscal Charges Paid on Debt	(1,468,146)	(3,179,076)	(57,145)	-	(4,704,367)	-
Acquisition of Capital Assets	(4,663,142)	(14,537,866)	(2,213,453)	(56,204)	(21,470,665)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(4,371,807)</u>	<u>(18,812,607)</u>	<u>5,340,717</u>	<u>(56,204)</u>	<u>(17,899,901)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale (Purchase) of Investment Securities	(5,586,781)	(3,791,482)	(9,751,513)	(998,616)	(19,129,776)	12,037
Interest Received	496,081	1,208,685	286,489	-	992,639	9,592
Net Cash Provided by (Used in) Investing Activities	<u>(5,090,700)</u>	<u>(2,582,797)</u>	<u>(9,465,024)</u>	<u>(998,616)</u>	<u>(18,137,137)</u>	<u>21,629</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(956,386)	(4,902,756)	-	(592,932)	(6,452,074)	461,614
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<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>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 2,212,512</u>	<u>\$ 7,014,671</u>	<u>\$ -</u>	<u>\$ 834,318</u>	<u>\$ 10,061,501</u>	<u>\$ 833,026</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 7,406,123	\$ 12,215,234	\$ 2,114,514	\$ (456,127)	\$ 21,279,744	\$ 698,376
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	1,487,131	9,246,438	1,083,089	166,069	11,982,727	-
Changes in Assets and Liabilities						
Decrease (Increase) in Assets						
Accounts Receivable	(26,097)	(2,226,771)	(124,568)	(22,281)	(2,399,717)	34,627
Due from Other Funds	1,179,252	(2,273,163)	-	-	(1,093,911)	-
Inventories	(621,288)	(189,096)	-	-	(810,384)	-
Prepaid Items	14,880	21	-	-	14,901	-
Increase (Decrease) in Liabilities						
Accounts Payable	(991,817)	(516,835)	(38,106)	104,118	(1,442,640)	(948)
Accrued Liabilities	560	10,472	3,346	4,828	19,206	-
Due to Other Funds	-	-	1,093,911	-	1,093,911	-
Claims Payable	-	-	-	-	-	(292,070)
Net Pension Liability	(44,898)	(36,979)	(3,521)	(8,880)	(94,278)	-
OPEB Liability	(19,361)	(15,943)	(1,519)	(1,860)	(38,683)	-
Compensated Absences	(3,668)	4,095	(2,839)	(2,642)	(5,054)	-
Customer Deposits	125,304	345,031	-	16,663	486,998	-
NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>\$ 8,506,121</u>	<u>\$ 16,562,504</u>	<u>\$ 4,124,307</u>	<u>\$ (200,112)</u>	<u>\$ 28,992,820</u>	<u>\$ 439,985</u>
<b>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</b>						
Actuarially Determined Change in						
Net Pension Liability	\$ 897,087	\$ 738,774	\$ 70,360	\$ 52,769	\$ 1,758,990	\$ -
Other Post-Employment Benefit Liability	68,418	56,343	5,367	4,021	134,149	-
Amortization of Deferred Bond Refunding	48,202	549,116	78,270	1,746	677,334	-
Transfer of Construction in Progress to Depreciable Assets	1,301,879	4,983,105	8,000	-	6,292,984	-
Amortization of Premium/Discount on Bonds	336,825	451,898	983,052	-	1,771,775	-
Contributed Capital	981,779	-	-	-	-	-

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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, 2018

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, 2018

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 and certificates of deposit 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, 2018

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, 2018.

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, 2018

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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Long-Term Obligations (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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Other Postemployment Benefits**

During the fiscal year 2018, the City changed accounting policies related to the other postemployment benefit (OPEB) liabilities, deferred outflows of resources, and deferred inflows of resources in the statement of net position by adopting GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Accordingly, the effect of the accounting change is reported in the statement net position and statement of activities for the current year. The OPEB liabilities have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liabilities, deferred outflows of resources, and deferred inflows of resources related to the OPEB liabilities and OPEB expenses.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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 \$186,121,410 difference are as follows:

General Obligation Bonds	\$(143,815,000)
Capital Leases	(1,297,322)
Discounts on Bonds	69,550
Premiums on Bonds	(12,288,506)
Accrued Interest Payable	(787,120)
Compensated Absences	(5,739,739)
Deferred Loss on Refunding	6,499,417
Net Pension Liability, net of related Deferred Inflows and Outflows of Resources	(25,055,613)
OPEB Liabilities, net of related Deferred Inflows and Outflows of Resources	<u>(3,707,077)</u>
NET ADJUSTMENT TO REDUCE FUND BALANCE –	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT	
NET POSITION – GOVERNMENTAL ACTIVITIES	
	<u>\$(186,121,410)</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 \$688,737 difference is as follows:

Capital Outlay	\$ 13,388,623
Depreciation Expense	<u>(14,077,360)</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES –	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET	
POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ (688,737)</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 \$2,254,582 difference is as follows:

Capital Contribution	\$ 2,258,061
Property Taxes	<u>(3,479)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES –	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET	
POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 2,254,582</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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 \$27,219,186 difference are as follows:

Debt Issued or Incurred:	
Issuance of General Obligation Bonds	\$ (33,910,000)
Premium on Bond Issuance	(3,847,332)
Principal Repayments:	
Capital Lease	553,146
General Obligation Debt	<u>9,985,000</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (27,219,186)</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 \$1,380,720 difference are as follows:

Net Change in Compensated Absences	\$ 1,258,677
Accrued Interest	(184,949)
Amortization of Deferred Charge on Refunding	(636,912)
Amortization of Bond Discounts	(7,510)
Amortization of Bond Premiums	<u>941,304</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,380,720</u>

Another element of that reconciliation states, "The change in the net pension liability, other postemployment benefit liabilities, and the related deferred inflows and outflows does not consume current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$574,002 difference are as follows:

Net Pension Liability	\$ 8,414,252
Other Postemployment Benefit Liability - Death Benefits	(192,057)
Other Postemployment Benefit Liability - Health Benefits	(246,143)
Deferred Inflows of Resources	(6,738,462)
Deferred Outflows of Resources	<u>(663,588)</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 574,002</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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, 2018, the carrying amount of the City's cash and cash equivalents on the government-wide financial statements is \$14,608,004 which includes \$5,000,785 in an escrow fund, \$9,525 of cash on hand, and deposits of \$9,597,692 with a bank balance of \$10,559,393. All deposits are insured by Federal depository insurance and/or collateralized with securities held by the City's agent in the City's name.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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 compliance with the requirements of the Act and with local parties.

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

1. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2018, 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, 2018 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 17% invested in municipal bonds, 14% invested in Federal Home Loan Mortgage Corporation, 10% invested in Federal Farm Credit Bank, 4% invested in Federal National Mortgage Association, and 10% invested in Federal Home Loan Bank as of September 30, 2018. The remaining 45% of the City’s investments are invested in external investment pools and money market fund, commercial paper, US Treasury Securities, and Farmer MAC.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

The City maintains money market mutual funds at Wells Fargo, Blackrock FedFund, and Federated Government Obligations. The money market funds are rated AAAM by Standard & Poors.

Texas Local Government Investment Pool (TexPool) is a public funds investment pool and is rated as AAAM by Standards & Poors 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.

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 Poors. 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.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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 that 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 in: 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.

The City’s investments at September 30, 2018, are shown below:

DESCRIPTION	CARRYING AMOUNT	RATING	RATING ORGANIZATION	WEIGHTED AVERAGE MATURITY (DAYS)
Local Government Investment Pools:				
Texas Term Texas Daily	\$ 3,395,420	AAAm	Standard & Poor	32
TexPool	520,370	AAAm	Standard & Poor	28
LOGIC	58,096,033	AAAm	Standard & Poor	31
TexStar	1,189,541	AAAm	Standard & Poor	32
Lone Star Liquidity Fund	609,152	AAAm	Standard & Poor	28
Texas Class	17,368,826	AAAm	Standard & Poor	22
Money Market Mutual Funds	2,172,285	AAAm	Standard & Poor	14
U.S. Agencies	90,383,275	AA+	Standard & Poor	283
U.S. Treasury Securities	4,767,750	AA+	Standard & Poor	273
Commercial Paper	16,834,971	A-1+	Standard & Poor	134
Municipal Bonds	<u>41,230,474</u>	AA	Standard & Poor	412
 TOTAL FAIR VALUE	 <u>\$236,568,097</u>			

Portfolio Weighted Average Maturity (Days)

205

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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, 2018:

	<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
Money Market Mutual Funds				
BlackRock FedFund	\$ 662,993	\$ -	\$ 662,993	\$ -
Federated Government Obligations	406,023	-	406,023	-
Wells Fargo	<u>1,103,269</u>	<u>-</u>	<u>1,103,269</u>	<u>-</u>
Total Money Market Mutual Funds	<u>2,172,285</u>	<u>-</u>	<u>2,172,285</u>	<u>-</u>
Debt Securities				
U.S. Treasury Securities	4,767,750	-	4,767,750	-
Federal Home Loan Mortgage Corporation	32,237,411	-	32,237,411	-
Commercial Paper	16,834,971	-	16,834,971	-
Federal Farm Credit Bank	23,349,812	-	23,349,812	-
Municipal Bonds	41,230,474	-	41,230,474	-
Federal Home Loan Bank	23,126,678	-	23,126,678	-
Federal National Mortgage Association	8,483,379	-	8,483,379	-
Farmer MAC	<u>3,185,995</u>	<u>-</u>	<u>3,185,995</u>	<u>-</u>
Total Debt Securities	<u>153,216,470</u>	<u>-</u>	<u>153,216,470</u>	<u>-</u>
 Total Investments Measured by Fair Value Level	 <u>155,388,755</u>	 <u>\$ -</u>	 <u>\$ 153,216,470</u>	 <u>\$ -</u>
Investments Measured at Amortized Cost:				
External Investment Pools				
TexPool	520,370			
Logic	58,096,033			
Texas Term Texas Daily	<u>3,395,420</u>			
Total Investments Measured at Amortized Costs	<u>62,011,823</u>			
Investments Measured at Net Asset Value:				
External Investment Pools				
Texas Class	17,368,826			
TexStar	1,189,541			
Lone Star Liquidity Fund	<u>609,152</u>			
Total Investments Measured at Net Asset Value	<u>19,167,519</u>			
 Total	 <u>\$ 236,568,097</u>			

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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	DEBT SERVICE	OTHER GOVERNMENTAL	ELECTRIC	WATER/ WASTEWATER	STORMWATER DRAINAGE	NONMAJOR ENTERPRISE	TOTAL
Receivables									
Taxes	\$ 341,243	\$ -	\$ 326,281	\$ 349,098	\$ -	\$ -	\$ -	\$ -	\$ 1,016,622
Accounts	3,741,282	3,201,117	1,703,958	1,521,964	9,288,303	7,740,279	708,522	806,035	28,711,460
Due from Other Governments	-	-	-	858,513	-	-	-	-	858,513
Loans	-	-	-	-	-	-	-	-	-
Gross Receivables	4,082,525	3,201,117	2,030,239	2,729,575	9,288,303	7,740,279	708,522	806,035	30,586,595
Less: Allowance for Uncollectibles	(31,191)	-	(27,445)	-	(1,096,686)	(444,178)	(67,751)	(220,379)	(1,887,630)
NET TOTAL RECEIVABLES	<u>\$ 4,051,334</u>	<u>\$ 3,201,117</u>	<u>\$ 2,002,794</u>	<u>\$ 2,729,575</u>	<u>\$ 8,191,617</u>	<u>\$ 7,296,101</u>	<u>\$ 640,771</u>	<u>\$ 585,656</u>	<u>\$ 28,698,965</u>

Governmental funds report deferred inflows of resources 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:

	<u>DEFERRED INFLOWS</u>	<u>UNEARNED</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 292,133	\$ -
Activity Center (General Fund)	-	145,802
Grant Drawdown (General Fund)	-	1,052,838
Hotel LLC Escrow (General Fund)	-	1,500,000
Delinquent Property Taxes Receivable (Debt Service)	285,787	-
Hotel Occupancy (Nonmajor Governmental)	-	98
Grant Drawdowns (Nonmajor Governmental)	-	466,610
<b>TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS</b>	<u><u>\$ 577,920</u></u>	<u><u>\$ 3,165,348</u></u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 17,096,744	\$ 3,486,188	\$ -	\$ 20,582,932
Construction in Progress	<u>29,061,562</u>	<u>12,454,983</u>	<u>(6,330,613)</u>	<u>35,185,932</u>
Total Capital Asset not being Depreciated	<u>46,158,306</u>	<u>15,941,171</u>	<u>(6,330,613)</u>	<u>55,768,864</u>
Capital Assets being Depreciated				
Buildings	36,622,325	-	-	36,622,325
Machinery and Equipment	35,357,742	1,271,119	(699,569)	35,929,292
Improvements other than Buildings	151,965,453	2,535,007	-	154,500,460
Infrastructure	<u>40,486,358</u>	<u>2,230,000</u>	<u>-</u>	<u>42,716,358</u>
Total Capital Asset being Depreciated	<u>264,431,878</u>	<u>6,036,126</u>	<u>(699,569)</u>	<u>269,768,435</u>
Less Accumulated Depreciation:				
Buildings	(10,605,594)	(753,707)	-	(11,359,301)
Machinery and Equipment	(25,581,142)	(2,467,893)	699,569	(27,349,466)
Improvements other than Buildings	(71,932,291)	(9,243,109)	-	(81,175,400)
Infrastructure	<u>(16,118,988)</u>	<u>(1,612,651)</u>	<u>-</u>	<u>(17,731,639)</u>
Total Accumulated Depreciation	<u>(124,238,015)</u>	<u>(14,077,360)</u>	<u>699,569</u>	<u>(137,615,806)</u>
Total Capital Assets being Depreciated - Net	<u>140,193,863</u>	<u>(8,041,234)</u>	<u>-</u>	<u>132,152,629</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 186,352,169</u>	<u>\$ 7,899,937</u>	<u>\$ (6,330,613)</u>	<u>\$ 187,921,493</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 3,096,977	\$ 2,442,141	\$ -	\$ 5,539,118
Construction in Progress	<u>132,132,538</u>	<u>21,848,341</u>	<u>(6,349,188)</u>	<u>147,631,691</u>
Total Assets not being Depreciated	<u>135,229,515</u>	<u>24,290,482</u>	<u>(6,349,188)</u>	<u>153,170,809</u>
Capital Assets being Depreciated				
Buildings	5,897,675	-	-	5,897,675
Machinery and Equipment	14,811,343	792,241	(733,533)	14,870,051
Improvements other than Buildings	<u>207,142,969</u>	<u>3,718,911</u>	<u>-</u>	<u>210,861,880</u>
Total Capital Assets being Depreciated	<u>227,851,987</u>	<u>4,511,152</u>	<u>(733,533)</u>	<u>231,629,606</u>
Less Accumulated Depreciation:				
Buildings	(3,540,780)	(117,568)	-	(3,658,348)
Machinery and Equipment	(9,137,210)	(1,282,884)	733,533	(9,686,561)
Improvements other than Buildings	<u>(125,938,858)</u>	<u>(10,582,275)</u>	<u>-</u>	<u>(136,521,133)</u>
Total Accumulated Depreciation	<u>(138,616,848)</u>	<u>(11,982,727)</u>	<u>733,533</u>	<u>(149,866,042)</u>
Total Capital Assets being Depreciated - Net	<u>89,235,139</u>	<u>(7,471,575)</u>	<u>-</u>	<u>81,763,564</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 224,464,654</u>	<u>\$ 16,818,907</u>	<u>\$ (6,349,188)</u>	<u>\$ 234,934,373</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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		\$ 10,635,074
Public Safety		1,700,575
Community Services		<u>1,741,711</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		<u>\$ 14,077,360</u>
 <u>Business-Type Activities</u>		
Electric		\$ 1,487,131
Water and Wastewater		9,246,438
Stormwater Drainage		1,083,089
Airport		152,650
Resource Recovery		<u>13,419</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES		<u>\$ 11,982,727</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2018, is as follows:

**Due to/from Other Funds:**

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Capital Project	General Fund	\$ 4,849,664
Capital Project	Debt Service	8,668,542
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,256,144
Electric Utility	Capital Project	1,000,261
Water Wastewater Utility	Drainage Utility	<u>2,273,163</u>
		<u>\$ 18,047,774</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, 2018

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	\$ -	\$ 2,733,000	\$ 547,924	\$ 143,481	\$ 637,000	\$ 4,061,405
Debt Service	-	-	-	2,306,768	-	2,306,768
Nonmajor Governmental	-	-	1,869,181	-	-	1,869,181
Water and Wastewater	44,856	-	-	-	25,000	69,856
	<u>44,856</u>	<u>2,733,000</u>	<u>2,417,105</u>	<u>2,450,249</u>	<u>662,000</u>	<u>8,307,210</u>
TOTALS	<u>\$ 44,856</u>	<u>\$ 2,733,000</u>	<u>\$ 2,417,105</u>	<u>\$ 2,450,249</u>	<u>\$ 662,000</u>	<u>\$ 8,307,210</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, 2018 are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2019	\$ 346,843	\$ 28,763	\$ 375,606	\$ 235,330	\$ 29,913	\$ 265,243
2020	273,028	21,517	294,545	241,691	23,552	265,243
2021	280,285	14,689	294,974	248,311	16,932	265,243
2022	208,877	7,952	216,829	239,178	10,168	249,346
2023	156,965	3,026	159,991	191,479	2,835	194,314
2024	31,324	416	31,740	17,345	260	17,605
	<u>\$ 1,297,322</u>	<u>\$ 76,363</u>	<u>\$ 1,373,685</u>	<u>\$ 1,173,334</u>	<u>\$ 83,660</u>	<u>\$ 1,256,994</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 the following:

- Combination Tax and Revenue Certificates of Obligation, Series 2018 of \$29,040,000 with a 3.5 - 5.0% interest rate that mature August 15, 2038.
- General Obligation Bonds, Series 2018 of \$24,885,000 with a 4.0-5.0% interest rate that mature August 15, 2038.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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>
2019	\$ 95,000	\$ 172,882
2020	95,000	170,981
2021	100,000	169,081
2022	95,000	167,081
2023	100,000	164,231
2024-2028	565,000	775,781
2029-2033	1,865,000	626,381
2034-2036	<u>1,845,000</u>	<u>116,563</u>
	<u>\$ 4,760,000</u>	<u>\$ 2,362,981</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%	\$ 71,990,000
Governmental Activities - Refunding	2.00 - 5.375%	71,825,000
Business-Type Activities	3.50 - 5.00%	137,080,000
Business-Type Activities - Refunding	2.00 - 5.00%	<u>56,155,000</u>
		<u>\$ 337,050,000</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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>
2019	\$ 8,620,000	\$ 6,219,528
2020	9,010,000	5,823,104
2021	9,120,000	5,447,659
2022	9,500,000	5,050,686
2023	9,770,000	4,652,568
2024-2028	48,150,000	16,491,267
2029-2033	33,210,000	7,027,729
2034-2038	<u>16,435,000</u>	<u>1,825,600</u>
	<u>\$ 143,815,000</u>	<u>\$ 52,538,141</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>
2019	\$ 12,180,000	\$ 7,580,799
2020	12,710,000	7,052,747
2021	11,175,000	6,644,199
2022	11,550,000	6,225,546
2023	11,900,000	5,789,462
2024-2028	62,735,000	20,982,285
2029-2033	46,260,000	9,821,884
2034-2038	<u>24,725,000</u>	<u>2,225,773</u>
	<u>\$ 193,235,000</u>	<u>\$ 66,322,695</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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, 2018, 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	\$ 119,890,000	\$ 33,910,000	\$ (9,985,000)	\$ 143,815,000	\$ 8,620,000
Discount on Bonds	(77,060)	-	7,510	(69,550)	(7,510)
Premium on Bonds	9,382,478	3,847,332	(941,304)	12,288,506	941,304
Capital Leases	1,850,468	-	(553,146)	1,297,322	346,843
Compensated Absences	6,998,416	872,737	(2,131,414)	5,739,739	1,482,169
TMRS Net Pension Liability	34,595,010	-	(8,414,252)	26,180,758	-
OPEB Liability - SDBF	-	1,269,708	-	1,269,708	-
OPEB Liability - Health Benefits	<u>1,472,064</u>	<u>1,615,974</u>	<u>-</u>	<u>3,088,038</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 174,111,376</u>	<u>\$ 41,515,751</u>	<u>\$ (22,017,606)</u>	<u>\$ 193,609,521</u>	<u>\$ 11,382,806</u>
<u>Business-Type Activities</u>					
Bonds Payable					
Revenue Bonds	\$ 184,775,000	\$ 20,015,000	\$ (11,555,000)	\$ 193,235,000	\$ 12,180,000
Premium on Bonds	9,933,795	2,684,382	(924,332)	11,693,845	924,332
Discount on Bonds	(140,682)	-	11,723	(128,959)	(11,723)
Capital Leases	1,268,203	134,233	(229,102)	1,173,334	235,330
Note Payable	4,850,000	-	(90,000)	4,760,000	95,000
Compensated Absences	508,907	399,595	(410,887)	497,615	187,707
TMRS Net Pension Liability	7,594,027	-	(1,847,030)	5,746,997	-
OPEB Liability - SDBF	-	278,716	-	278,716	-
OPEB Liability - Health Benefits	<u>318,190</u>	<u>359,672</u>	<u>-</u>	<u>677,862</u>	<u>-</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 209,107,440</u>	<u>\$ 23,871,598</u>	<u>\$ (15,044,628)</u>	<u>\$ 217,934,410</u>	<u>\$ 13,610,646</u>

For governmental activities, TMRS net pension liability, OPEB liability, and compensated absences are 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 health plan. Excess insurance (stop-loss) coverage is purchased to cover claims in excess of the \$150,000 attachment point as well as aggregate insurance. Excess insurance covers medical and pharmacy claims. Features of the medical plan include a preferred provider network, specialty networks, and a pharmacy benefit which includes a tiered co-pay structure and various techniques to provide incentives to utilize lower cost drugs, over the counter alternatives, and to manage utilization based on therapeutic equivalencies. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract. Funding levels are based on maximum plan exposure as calculated and recommended by an employee benefits specialty firm.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Information (Continued)

**Benefits Management (Continued)**

Projected claim costs are based on claims experience, lag studies, industry trends, census, aggregate factors and other fixed costs. A liability for claims is established based on estimated incurred but not recorded claims outstanding and anticipated insurance and administrative costs.

Employees are given premium incentives to participate in an annual health screening. This screening informs employees about the state of their health and provides an individual roadmap for the employee and aggregate data to the City to assist with program development and services to improve plan participant's 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 of their health and their benefit offerings.

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
2016	\$ 605,834	\$ 5,295,750	\$ 5,263,685	\$ 637,899
2017	637,899	8,941,016	8,782,272	796,643
2018	796,643	7,041,359	7,333,429	504,573

**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 .50% 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 approximately 50 Health and Safety vendors including safety demonstrations with over 425 employees participating in the Expo.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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 \$52,752,587 for governmental capital assets, \$45,689,271 for water and wastewater, \$16,046,848 for electric, and \$17,838,887 for drainage.

H. Defined Benefit Pension Plans

Plan Description

The City participates as one of 883 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](http://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, 2018

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	288
Inactive employees entitled to but not yet receiving benefits	259
Active employees	<u>631</u>
Total	1,178

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 17.50% and 17.45% for calendar years 2017 and 2018 respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$7,397,137, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2017, 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, 2017 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, 2018

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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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 2018 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, 2018

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)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at December 31, 2016	\$ 194,767,670	\$ 152,578,633	\$ 42,189,037
Changes for the year:			
Service Cost	6,900,642	-	6,900,642
Interest	13,126,553	-	13,126,553
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	548,309	-	548,309
Changes of Assumptions	-	-	-
Contributions - Employer	-	6,999,120	(6,999,120)
Contributions - Employee	-	2,802,407	(2,802,407)
Net Investment Income	-	21,150,405	(21,150,405)
Benefit Payments, Including Refunds of Employee Contributions	(7,501,093)	(7,501,093)	-
Administrative Expense	-	(109,592)	109,592
Other Changes	-	(5,554)	5,554
Net Changes	<u>13,074,411</u>	<u>23,335,693</u>	<u>(10,261,282)</u>
Balance at December 31, 2017	<u>\$ 207,842,081</u>	<u>\$ 175,914,326</u>	<u>\$ 31,927,755</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>
\$ 63,198,967	\$ 31,927,755	\$ 6,438,379

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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](http://www.tmr.com).

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

For the year ended September 30, 2018, the City recognized pension expense of \$6,912,886.

At September 30, 2018, 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	\$ 1,034,709	\$ 746,000
Changes in Actuarial Assumptions	6,970	-
Difference Between Projected and Actual Investment Earnings	-	4,599,309
Contributions Subsequent to the Measurement Date	<u>5,675,760</u>	<u>-</u>
Total	<u>\$ 6,717,439</u>	<u>\$ 5,345,309</u>

The City reported \$5,675,760 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ (127,990)
2020	(277,999)
2021	(1,878,188)
2022	(2,033,347)
2023	13,894
Thereafter	<u>-</u>
Total	<u>\$ (4,303,630)</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits

A. Supplemental Death Benefit Fund – Texas Municipal Retirement System

**Plan description**

The City participates in the defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which the City may elect, by ordinance, to provide group-term life insurance for active members, including retirees.

**Benefits provided**

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. The maximum life insurance benefit is \$150,000. Retired employees are insured for \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**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 contribution rate for the City was 0.16% for both calendar years 2017 and 2018. The City's contributions to TMRS for the year ended September 30, 2018 were \$67,780, and were equal to the required contributions.

**Employees Covered by Benefit Terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	215
Inactive employees entitled to but not yet receiving benefits	92
Active employees	<u>631</u>
	<u>938</u>

**OPEB liability**

The City's total OPEB liability of \$1,548,424 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

A. Supplemental Death Benefit Fund – Texas Municipal Retirement System (Continued)

**OPEB liability (Continued)**

Inflation	2.50%
Salary Increases	3.5% to 10.50% Including Inflation
Discount Rate*	3.31%
Administrative Expenses	All Administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in Total OPEB Liability

Balance at December 31, 2016	\$ 1,314,209
Changes for the year:	
Service cost	59,936
Interest on the total OPEB liability	50,582
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	135,684
Benefit payments	<u>(11,987)</u>
Net changes	<u>234,215</u>
Balance at December 31, 2017	<u>\$ 1,548,424</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

A. Supplemental Death Benefit Fund – Texas Municipal Retirement System (Continued)

OPEB liability (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City’s OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
\$ 1,903,572	\$ 1,548,424	\$ 1,278,051

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

For the year ended September 30, 2018, the city recognized OPEB expense of \$131,720.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	114,483	-
Difference Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	<u>52,041</u>	<u>-</u>
Total	<u>\$ 166,524</u>	<u>\$ -</u>

The City reported \$52,041 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$ 21,201
2020	21,201
2021	21,201
2022	21,201
2023	21,201
Thereafter	<u>8,478</u>
Total	<u>\$ 114,483</u>

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

B. Postemployment Health Care Coverage

**Plan Description and Benefits Provided**

The City provides medical insurance benefits through the San Marcos Medical Plan, a single employer benefit OPEB plan. This plan provides benefits for full-time and part-time employees in eligible classes. In compliance with Texas Local Government Code Chapter 175, the City of San Marcos provides employees who are eligible for retirement with our elected retirement system, the Texas Municipal Retirement System (TMRS), the right to purchase continued coverage if elected on the date of retirement and maintaining continuous coverage as outlined in the statute and in the City of San Marcos Medical Plan Book. The same level of benefit is provided for eligible retirees as to active employees. Retirees pay the full blended rate for coverage (the employer and employee contribution for active employees).

The Texas Municipal Retirement System provides a variety of retirement options. The City of San Marcos has elected service retirement with 20 years of service at any age or age 60 with at least 5 years of service. Retirees pay contributions for coverage in the OPEB programs.

Retirees are eligible for medical and prescription benefits as provided in the plan document. Upon the death of active employee or a covered retiree, covered dependents are eligible for coverage continuation through COBRA only.

Retirees are eligible for benefits immediately upon service retirement with the Texas Municipal Retirement System; however, this is a one-time election. If retiree opts out of coverage, the retiree is not eligible for re-enrollment at any other time.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Contributions**

The City contributes to the blended Medical Plan as approved through the annual approved budget. Retirees also contribute the equivalent of the City's contribution for active employees and the active employee contribution as reflected in the table below. The retiree medical contribution rates as of January 1, 2018 were as follows:

Medical Plan Monthly Rates	
Retiree Only	\$ 613.00
Retiree + Spouse	\$1,292.00
Retiree + Child(ren)	\$1,258.50
Retiree + Family	\$1,933.00

Contributions for post-employment benefits were recognized on a pay-as-you-go basis in the past. Contributions paid by retirees during the fiscal year ended September 30, 2018, were \$212,403.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

B. Postemployment Health Care Coverage (Continued)

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	30
Inactive, Nonretired Members	0
Active Members	<u>610</u>
	<u>640</u>

**OPEB Liability**

The City's total OPEB liability of \$3,765,900 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2016.

Actuarial Valuation Information:

Actuarial assumptions and other inputs - The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Salary increases	3.00% to 10.50%, including inflation
Discount rate	3.31% as of December 31, 2017
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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
Healthcare Cost Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years
Participants Rates	It was assumed that 30% of employees retiring between the ages of 50 and 64 would choose to receive retiree health care benefits through the City. No employees retiring prior to age 50 for reasons other than disability or after age 65 were assumed to choose to receive health care benefits through the City

The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

B. Postemployment Health Care Coverage (Continued)

**Changes in the Total OPEB Liability**

Balance at December 31, 2016	\$ 3,465,726
Changes for the year:	
Service cost	181,195
Interest on the total OPEB liability	130,158
Changes of benefit terms	-
Difference between expected and actual experience	105,312
Change of assumptions	163,733
Benefit payments	<u>(280,224)</u>
Net changes	<u>300,174</u>
Balance at December 31, 2017	<u><u>3,765,900</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates:

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
\$ 4,116,572	\$ 3,765,900	\$ 3,446,038

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using the trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

<u>1% Decrease</u>	<u>Current Health Cost Trend Rate Assumption</u>	<u>1% Increase</u>
\$ 3,316,395	\$ 3,765,900	\$ 4,301,592

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources as Related to OPEB**

For the year ended September 30, 2018, the City recognized OPEB expense of \$341,325.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Other Postemployment Benefits (Continued)

B. Postemployment Health Care Coverage (Continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources as Related to OPEB (Continued)**

As of September 30, 2018, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ 93,580	\$ -
Changes in Actuarial Assumptions	145,493	-
Difference Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	<u>387,898</u>	<u>-</u>
Total	<u>\$ 626,971</u>	<u>\$ -</u>

The City reported \$387,898 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

2019	\$	29,972
2020		29,972
2021		29,972
2022		29,972
2023		29,972
Thereafter		<u>89,213</u>
Total	\$	<u>239,073</u>

J. 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.

CITY OF SAN MARCOS, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Tax Abatements and Economic Incentives (Continued)

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>380 Agreements</u>	<u>2018 Actual</u>
Amazon.com.kydc,LLC	\$ 831,140
BestBuy.com LLC	4,933,727
Epic piping	63,003
Tanger	<u>289,436</u>
	<u>\$ 6,117,306</u>
 <u>TRZ</u>	
TIRZ #2-Blanco Vista	995,005
TIRZ #3-Conference Center	147,071
TIRZ #4-Kissing Tree	127,313
TIRZ #5-Downtown	370,498
TRZ #1-Loop 110	<u>774,556</u>
	<u>2,414,443</u>
 Total ED payments	 <u><u>\$ 8,531,749</u></u>

K. Restatement of Net Position

The City's implementation of GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", requires a restatement of beginning net position. The restatement has been made to record the City's Total Other Postemployment Benefit Liabilities as of September 30, 2017. The effect of this prior year restatement is as follows:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-</u> <u>TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<u>NET POSITION - BEGINNING</u>	\$ 85,628,292	\$ 176,244,468	\$ 261,872,760
RESTATEMENT OF BEGINNING NET POSITION	<u>(2,407,951)</u>	<u>(534,245)</u>	<u>(2,942,196)</u>
<u>NET POSITION AT BEGINNING OF YEAR - AS RESTATED</u>	<u><u>\$ 83,220,341</u></u>	<u><u>\$ 175,710,223</u></u>	<u><u>\$ 258,930,564</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SAN MARCOS, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
(OPEB) - RETIREE HEALTH CARE PLAN

FOR THE MEASUREMENT YEAR ENDED DECEMBER 31,

	2017
Total OPEB Liability	
Service Cost	\$ 181,195
Interest on the Total OPEB Liability	130,158
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	105,312
Change of Assumptions	163,733
Benefit Payments	(280,224)
Net Change in Total OPEB Liability	300,174
Total OPEB Liability - Beginning	3,465,726
Total OPEB Liability - Ending	\$ 3,765,900
Covered Payroll	\$ 39,967,203
Total OPEB Liability as a percentage of Covered Payroll	9.42%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

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

FOR THE MEASUREMENT YEAR ENDED DECEMBER 31.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 6,900,642	\$ 6,447,988	\$ 5,741,822	\$ 5,118,797
Interest (on the Total Pension Liability)	13,126,553	12,261,584	11,963,523	11,242,134
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	548,309	968,779	(1,315,300)	(1,010,160)
Change of Assumptions	-	-	17,530	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(7,501,093)</u>	<u>(6,679,553)</u>	<u>(5,350,540)</u>	<u>(5,362,893)</u>
Net Change in Total Pension Liability	13,074,411	12,998,798	11,057,035	9,987,878
Total Pension Liability - Beginning	<u>194,767,670</u>	<u>181,768,872</u>	<u>170,711,837</u>	<u>160,723,959</u>
Total Pension Liability - Ending (a)	<u>\$ 207,842,081</u>	<u>\$ 194,767,670</u>	<u>\$ 181,768,872</u>	<u>\$ 170,711,837</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 6,999,120	\$ 6,544,860	\$ 6,251,205	\$ 5,799,742
Contributions - Employee	2,802,407	2,625,028	2,406,164	2,287,301
Net Investment Income	21,150,405	9,509,452	202,628	7,288,110
Benefit Payments, Including Refunds of Employee Contributions	(7,501,093)	(6,679,553)	(5,350,540)	(5,362,893)
Administrative Expense	(109,592)	(107,384)	(123,411)	(76,080)
Other	<u>(5,554)</u>	<u>(5,786)</u>	<u>(6,095)</u>	<u>(6,255)</u>
Net Change in Plan Fiduciary Net Position	23,335,693	11,886,617	3,379,951	9,929,925
Plan Fiduciary Net Position - Beginning	<u>152,578,633</u>	<u>140,692,016</u>	<u>137,312,065</u>	<u>127,382,140</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 175,914,326</u>	<u>\$ 152,578,633</u>	<u>\$ 140,692,016</u>	<u>\$ 137,312,065</u>
Net Pension Liability (a) - (b)	<u>\$ 31,927,755</u>	<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	84.64%	78.34%	77.40%	80.43%
Covered Payroll	\$ 39,957,397	\$ 37,357,981	\$ 34,361,593	\$ 32,674,655
Net Pension Liability as a Percentage of Total Covered Payroll	79.90%	112.93%	119.54%	102.22%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth 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 - PENSION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contributions	\$ 7,397,137	\$ 6,875,814	\$ 6,735,430	\$ 6,048,023
Contributions in Relation to the Actuarially Determined Contributions	<u>7,397,137</u>	<u>6,875,814</u>	<u>6,735,430</u>	<u>6,048,023</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 42,362,287</u>	<u>\$ 39,295,602</u>	<u>\$ 38,113,150</u>	<u>\$ 33,467,492</u>
Contributions as a Percentage of Covered Payroll	17.46%	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	28 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 2015 valuation pursuant to an experience study of the period 2010 - 2014.
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 fourth 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 CHANGES IN OTHER POSTEMPLOYMENT BENEFIT LIABILITY (OPEB)  
AND RELATED RATIOS - SUPPLEMENTAL DEATH BENEFIT FUND

FOR THE MEASUREMENT YEAR ENDED DECEMBER 31,

	2017
Total OPEB Liability	
Service Cost	\$ 59,936
Interest on the Total OPEB Liability	50,582
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Change of Assumptions	135,684
Benefit Payments	(11,987)
Net Change in Total OPEB Liability	234,215
Total OPEB Liability - Beginning	1,314,209
Total OPEB Liability - Ending	\$ 1,548,424
Covered Payroll	\$ 39,957,397
Total OPEB Liability as a percentage of Covered Payroll	3.88%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF SAN MARCOS, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT  
BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFIT FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30.

	2018
Actuarially Determined Contributions	\$ 67,780
Contributions in Relation to the Actuarially Determined Contributions	67,780
Contribution Deficiency (Excess)	\$ -
Covered Payroll	\$ 42,362,287
Contributions as a percentage of Covered Payroll	0.16%

**Note to Schedule of Contributions - SDBF**

Inflation	2.50%
Salary Increases	3.5% to 10.5% Including Inflation
Discount Rate*	3.31%
Administrative Expenses	All Administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**Other Information:**

There were no benefit changes during the year.

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

## **OTHER SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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## **GENERAL FUND**

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CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2017 ACTUAL
	ORIGINAL	FINAL			
<u>REVENUES</u>					
Taxes					
Property Taxes					
Current Ad Valorem Taxes	\$ 15,600,450	\$ 15,600,450	\$ 16,460,781	\$ 860,331	\$ 13,009,079
Delinquent Ad Valorem Taxes	206,945	206,945	54,631	(152,314)	62,960
Penalty and Interest on Delinquent Taxes	111,432	111,432	68,853	(42,579)	50,677
Franchise	9,500,464	9,500,464	9,299,589	(200,875)	7,883,459
Sales	32,002,025	32,002,025	34,733,037	2,731,012	27,364,450
Mixed Drink	496,610	496,610	517,854	21,244	460,894
Total Taxes	<u>57,917,926</u>	<u>57,917,926</u>	<u>61,134,745</u>	<u>3,216,819</u>	<u>48,831,519</u>
Licenses and Permits					
Professional and Occupational	64,002	64,002	56,032	(7,970)	61,725
Building	1,383,397	1,383,397	1,637,481	254,084	986,279
Development	214,113	214,113	274,520	60,407	192,583
Plumbing	65,767	65,767	102,763	36,996	70,987
Food	209,144	209,144	208,403	(741)	177,954
Cemetery	55,000	55,000	87,481	32,481	57,927
Other	920,000	920,000	971,407	51,407	810,792
Total Licenses and Permits	<u>2,911,423</u>	<u>2,911,423</u>	<u>3,338,087</u>	<u>426,664</u>	<u>2,358,247</u>
Fines and Penalties					
Parking	157,372	157,372	155,367	(2,005)	135,696
Traffic	632,827	632,827	565,792	(67,035)	608,006
Complaints	259,865	259,865	324,397	64,532	280,360
Library	72,248	72,248	53,419	(18,829)	58,420
Other	692,394	692,394	190,344	(502,050)	242,991
Total Fines and Penalties	<u>1,814,706</u>	<u>1,814,706</u>	<u>1,289,319</u>	<u>(525,387)</u>	<u>1,325,473</u>
Charges for Services					
Vital Statistics	50,423	50,423	44,108	(6,315)	72,243
Pound Charges	125,495	125,495	94,201	(31,294)	102,186
Charges to Other Funds	5,754,115	5,754,115	5,693,020	(61,095)	5,126,933
Building Rental	152,412	152,412	166,454	14,042	147,545
Recreation Program	500,581	500,581	446,470	(54,111)	424,479
Other Services	598,175	598,175	598,468	293	608,218
Total Charges for Services	<u>7,181,201</u>	<u>7,181,201</u>	<u>7,042,721</u>	<u>(138,480)</u>	<u>6,481,604</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2017 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>REVENUES (CONTINUED)</u>					
Intergovernmental	\$ 453,549	\$ 453,549	\$ 533,934	\$ 80,385	\$ 512,669
Investment Earnings	134,000	134,000	438,949	304,949	217,834
Other					
Donations	80,000	80,000	85,000	5,000	80,000
Miscellaneous	907,482	907,482	960,793	53,311	932,043
Total Other	987,482	987,482	1,045,793	58,311	1,012,043
Total Revenues	71,400,287	71,400,287	74,823,548	3,423,261	60,739,389
<u>EXPENDITURES</u>					
General Government					
Personnel Services	2,562,484	2,771,953	2,771,953	-	2,537,417
Contracted Services	185,455	176,252	176,002	250	294,423
Materials and Supplies	90,129	72,820	72,820	-	93,234
Other Charges	449,908	400,974	401,693	(719)	351,602
Total General Government	3,287,976	3,421,999	3,422,468	(469)	3,276,676
Human Resources					
Personnel Services	1,041,468	964,062	964,062	-	1,000,956
Contracted Services	139,471	102,820	102,820	-	86,392
Materials and Supplies	12,000	18,627	18,627	-	27,658
Other Charges	45,443	35,951	35,951	-	23,648
Total Human Resources	1,238,382	1,121,460	1,121,460	-	1,138,654
Finance					
Personnel Services	1,754,891	1,724,794	1,724,794	-	1,544,499
Contracted Services	49,537	44,757	44,757	-	38,756
Materials and Supplies	34,119	37,601	37,601	-	34,329
Other Charges	62,680	57,726	57,726	-	46,089
Total Finance	1,901,227	1,864,878	1,864,878	-	1,663,673

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET -	<u>2017 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		POSITIVE (NEGATIVE)	
<u>EXPENDITURES (CONTINUED)</u>					
Municipal Court					
Personnel Services	\$ 615,285	\$ 573,768	\$ 573,768	\$ -	\$ 593,504
Contracted Services	158,292	111,214	111,214	-	112,136
Materials and Supplies	19,277	10,650	10,650	-	13,586
Other Charges	<u>16,710</u>	<u>9,156</u>	<u>9,156</u>	-	<u>5,803</u>
Total Municipal Court	<u>809,564</u>	<u>704,788</u>	<u>704,788</u>	-	<u>725,029</u>
Technology Services					
Personnel Services	1,773,822	1,703,376	1,703,376	-	1,553,927
Contracted Services	211,755	160,910	160,910	-	227,272
Materials and Supplies	42,413	28,478	28,478	-	42,513
Other Charges	<u>113,824</u>	<u>97,240</u>	<u>97,240</u>	-	<u>93,631</u>
Total Technology Services	<u>2,141,814</u>	<u>1,990,004</u>	<u>1,990,004</u>	-	<u>1,917,343</u>
Development Services					
Personnel Services	2,089,642	1,780,039	1,780,039	-	1,824,408
Contracted Services	196,797	195,987	195,987	-	145,487
Materials and Supplies	29,789	42,554	42,554	-	41,294
Other Charges	<u>88,375</u>	<u>72,295</u>	<u>72,295</u>	-	<u>59,993</u>
Total Development Services	<u>2,404,603</u>	<u>2,090,875</u>	<u>2,090,875</u>	-	<u>2,071,182</u>
Engineering Department					
Personnel Services	1,902,177	2,202,710	2,202,710	-	1,907,174
Contracted Services	175,129	147,026	147,026	-	145,769
Materials and Supplies	37,345	46,692	41,275	5,417	39,702
Other Charges	65,770	59,421	59,421	-	58,582
Capital Outlay	-	-	5,417	(5,417)	-
Total Engineering Department	<u>2,180,421</u>	<u>2,455,849</u>	<u>2,455,849</u>	<u>5,417</u>	<u>2,151,227</u>
Fire					
Personnel Services	8,374,825	8,512,452	8,512,452	-	8,063,646
Contracted Services	141,572	92,460	92,460	-	130,916
Materials and Supplies	246,607	508,086	508,086	-	458,733
Other Charges	<u>153,672</u>	<u>155,588</u>	<u>155,588</u>	-	<u>121,278</u>
Total Fire	<u>8,916,676</u>	<u>9,268,586</u>	<u>9,268,586</u>	-	<u>8,774,573</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<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>2017</u> <u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Police					
Personnel Services	\$ 14,517,672	\$ 15,746,025	\$ 15,761,036	\$ (15,011)	\$ 14,678,682
Contracted Services	684,213	852,450	852,450	-	573,773
Materials and Supplies	620,379	798,780	800,100	(1,320)	808,844
Other Charges	102,790	123,048	123,048	-	119,211
Total Police	<u>15,925,054</u>	<u>17,520,303</u>	<u>17,536,634</u>	<u>(16,331)</u>	<u>16,180,510</u>
Public Services					
Personnel Services	2,660,616	2,663,349	2,663,349	-	2,402,408
Contracted Services	414,686	414,979	415,956	(977)	453,846
Materials and Supplies	1,965,556	2,223,654	2,223,654	-	1,611,671
Other Charges	210,834	139,257	139,257	-	260,727
Total Public Services	<u>5,251,692</u>	<u>5,441,239</u>	<u>5,442,216</u>	<u>(977)</u>	<u>4,728,652</u>
Marshal Services					
Personnel Services	617,715	742,510	713,522	28,988	512,122
Contracted Services	81,665	83,427	83,427	-	67,932
Materials and Supplies	62,172	72,009	72,033	(24)	42,384
Other Charges	446,730	697,369	523,406	173,963	9,608
Total Marshal Services	<u>1,208,282</u>	<u>1,595,315</u>	<u>1,392,388</u>	<u>202,927</u>	<u>632,046</u>
Library					
Personnel Services	1,462,135	1,495,477	1,495,477	-	1,420,229
Contracted Services	58,912	52,826	52,826	-	56,257
Materials and Supplies	171,298	176,390	176,390	-	171,465
Other Charges	21,244	21,636	21,636	-	20,702
Total Library	<u>1,713,589</u>	<u>1,746,329</u>	<u>1,746,329</u>	<u>-</u>	<u>1,668,653</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET -	<u>2017 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		POSITIVE (NEGATIVE)	
<u>EXPENDITURES (CONTINUED)</u>					
Parks and Recreation					
Personnel Services	\$ 3,820,195	\$ 3,672,289	\$ 3,672,289	\$ -	\$ 3,466,838
Contracted Services	1,595,094	1,389,703	1,391,753	(2,050)	1,411,091
Materials and Supplies	375,119	613,026	613,240	(214)	710,030
Other Charges	42,085	26,784	26,854	(70)	36,686
Capital Outlay	-	-	-	-	2,944
Total Parks and Recreation	<u>5,832,493</u>	<u>5,701,802</u>	<u>5,704,136</u>	<u>(2,334)</u>	<u>5,627,589</u>
Code Compliance					
Personnel Services	615,375	585,468	585,468	-	541,585
Contracted Services	31,450	22,251	22,251	-	18,312
Materials and Supplies	30,141	15,717	15,717	-	42,862
Other Charges	4,685	2,214	2,214	-	5,912
Total Code Compliance	<u>681,651</u>	<u>625,650</u>	<u>625,650</u>	<u>-</u>	<u>608,671</u>
Animal Services					
Personnel Services	1,016,697	1,029,947	1,029,947	-	1,001,525
Contracted Services	115,486	120,089	121,264	(1,175)	112,922
Materials and Supplies	119,537	150,885	150,885	-	130,789
Other Charges	20,615	11,677	11,677	-	10,524
Total Animal Services	<u>1,272,335</u>	<u>1,312,598</u>	<u>1,313,773</u>	<u>(1,175)</u>	<u>1,255,760</u>
Fleet Services					
Personnel Services	569,078	572,295	572,295	-	522,982
Contracted Services	11,295	6,539	6,539	-	7,577
Materials and Supplies	420,792	41,556	41,556	-	29,203
Other Charges	8,287	7,186	7,186	-	4,163
Total Fleet Services	<u>1,009,452</u>	<u>627,576</u>	<u>627,576</u>	<u>-</u>	<u>563,925</u>
Administration					
Personnel Services	771,229	627,156	627,156	-	720,788
Contracted Services	-	341	341	-	1,111
Materials and Supplies	6,200	3,794	3,794	-	5,157
Other Charges	3,325	4,149	4,149	-	225
Total Administration	<u>780,754</u>	<u>635,440</u>	<u>635,440</u>	<u>-</u>	<u>727,281</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>	<u>2017 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
<u>EXPENDITURES (CONTINUED)</u>					
Social Services					
Other Charges	\$ 450,000	\$ 450,000	\$ 450,000	\$ -	\$ 450,000
Total Social Services	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Special Services					
Personnel Services	647,368	1,083	1,083	-	8,295
Contracted Services	2,786,247	3,331,696	3,331,696	-	2,833,809
Materials and Supplies	30,100	9,390	9,390	-	7,439
Other Charges	8,201,774	8,959,806	8,692,961	266,845	2,547,711
Capital Outlay	-	60,108	(54,423)	114,531	60,108
Total Special Services	<u>11,665,489</u>	<u>12,362,083</u>	<u>11,980,707</u>	<u>381,376</u>	<u>5,457,362</u>
Cemetery					
Contracted Services	234,273	236,767	155,822	80,945	198,457
Materials and Supplies	2,000	2,000	1,617	383	969
Capital Outlay	-	-	5,912	(5,912)	(10,041)
Total Cemetery	<u>236,273</u>	<u>238,767</u>	<u>163,351</u>	<u>75,416</u>	<u>189,385</u>
Debt Service					
Principal	-	-	-	-	87,801
Interest	-	-	-	-	18,971
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,772</u>
Total Expenditures	<u>68,907,727</u>	<u>71,175,541</u>	<u>70,537,108</u>	<u>643,850</u>	<u>59,914,963</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,492,560</u>	<u>224,746</u>	<u>4,286,440</u>	<u>4,067,111</u>	<u>824,426</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	35,000	35,000	44,856	9,856	32,626
Transfers Out	(4,456,405)	(3,256,499)	(4,061,405)	(804,906)	(3,256,499)
Total Other Financing Sources (Uses)	<u>(4,421,405)</u>	<u>(3,221,499)</u>	<u>(4,016,549)</u>	<u>(795,050)</u>	<u>(3,223,873)</u>
Net Change in Fund Balance	(1,928,845)	(2,996,753)	269,891	3,272,061	(2,399,447)
<u>FUND BALANCE - BEGINNING</u>	<u>15,893,798</u>	<u>15,893,798</u>	<u>15,893,798</u>	<u>-</u>	<u>18,293,245</u>
FUND BALANCE - ENDING	<u>\$ 13,964,953</u>	<u>\$ 12,897,045</u>	<u>\$ 16,163,689</u>	<u>\$ 3,266,644</u>	<u>\$ 15,893,798</u>

## NONMAJOR SPECIAL REVENUE FUNDS

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

### 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 #4

#### 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, 2018

	SPECIAL	
	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 197,531
Investments		
Receivables - Net of Allowances for Uncollectibles		
Accounts	834,402	24,829
Taxes	-	-
Loans	-	-
Due from Other Funds	-	322,889
Due from Other Governments	-	-
Prepaid Items	7,000	-
TOTAL ASSETS	\$ 841,402	\$ 545,249
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 246,770	\$ -
Accrued Liabilities	2,823	-
Unearned Revenue	195,247	-
Customer Deposits	-	-
Due to Other Funds	322,889	-
Total Liabilities	767,729	-
Fund Balances		
Nonspendable	7,000	-
Restricted for		
Public Safety	-	-
Community Services	66,673	545,249
Endowment	-	-
Total Fund Balances	73,673	545,249
TOTAL LIABILITIES AND FUND BALANCES	\$ 841,402	\$ 545,249

REVENUE

PUBLIC SAFETY GRANTS	WIC PROJECT	PARD RECREATION PROGRAMS	HOTEL OCCUPANCY	MUNICIPAL COURT TECHNOLOGY	SEIZED ASSETS	LIBRARY MEMORIAL
\$ -	\$ -	\$ 240,576	\$ 69,294	\$ 178,585	\$ 193,671	\$ 39,388
-	-	7,086	-	-	-	-
-	-	-	349,098	-	-	-
-	-	-	-	-	-	-
-	-	-	482,237	-	-	-
325,786	532,727	-	-	-	-	-
-	6,224	-	3,900	-	-	-
<u>\$ 325,786</u>	<u>\$ 538,951</u>	<u>\$ 247,662</u>	<u>\$ 904,529</u>	<u>\$ 178,585</u>	<u>\$ 193,671</u>	<u>\$ 39,388</u>
\$ 9,595	\$ 37,131	\$ 30	\$ 145,620	\$ -	\$ -	\$ -
-	19,583	-	12,899	-	-	-
26,644	-	50,000	98	-	-	-
-	-	-	-	-	-	-
289,547	482,237	-	-	-	-	-
<u>325,786</u>	<u>538,951</u>	<u>50,030</u>	<u>158,617</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	3,900	-	-	-
-	-	-	-	178,585	193,671	-
-	-	197,632	742,012	-	-	39,388
-	-	-	-	-	-	-
-	-	<u>197,632</u>	<u>745,912</u>	<u>178,585</u>	<u>193,671</u>	<u>39,388</u>
<u>\$ 325,786</u>	<u>\$ 538,951</u>	<u>\$ 247,662</u>	<u>\$ 904,529</u>	<u>\$ 178,585</u>	<u>\$ 193,671</u>	<u>\$ 39,388</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
SEPTEMBER 30, 2018

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	SPARD SPECIAL CONTRIBUTIONS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 135,089	\$ 53,380	\$ 9,082
Investments	-	-	-
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	-	-
Taxes	-	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
	-	-	-
TOTAL ASSETS	\$ 135,089	\$ 53,380	\$ 9,082
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ 1,464	\$ -
Accrued Liabilities	578	543	-
Deferred Revenue	-	-	-
Customer Deposits	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	578	2,007	-
Fund Balances			
Nonspendable	-	-	-
Restricted for			
Public Safety	134,511	51,373	-
Community Services	-	-	9,082
Total Fund Balances	134,511	51,373	9,082
TOTAL LIABILITIES AND FUND BALANCES	\$ 135,089	\$ 53,380	\$ 9,082

REVENUE

<u>TIRZ #2</u>	<u>TIRZ #3</u>	<u>TIRZ #4</u>	<u>TIRZ #5</u>	<u>TIRZ LOOP 110</u>	<u>TIRZ LONE STAR RAIL</u>	<u>MUNICIPAL JUDICIAL EFFICIENCY</u>
\$ -	\$ -	\$ 50,925	\$ 1,117,827	\$ 740,797	\$ 3,139	\$ 40,990
-	-	-	-	-	-	-
99,960	66,642	33,120	240,973	-	-	-
-	-	-	-	-	-	-
-	-	-	161,471	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 99,960</u>	<u>\$ 66,642</u>	<u>\$ 84,045</u>	<u>\$ 1,520,271</u>	<u>\$ 740,797</u>	<u>\$ 3,139</u>	<u>\$ 40,990</u>
\$ -	\$ -	\$ -	\$ -	\$ 740,797	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,131	-	-	-	-	-	-
<u>97,829</u>	<u>63,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>99,960</u>	<u>63,642</u>	<u>-</u>	<u>-</u>	<u>740,797</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>3,000</u>	<u>84,045</u>	<u>1,520,271</u>	<u>-</u>	<u>3,139</u>	<u>40,990</u>
-	<u>3,000</u>	<u>84,045</u>	<u>1,520,271</u>	<u>-</u>	<u>3,139</u>	<u>40,990</u>
<u>\$ 99,960</u>	<u>\$ 66,642</u>	<u>\$ 84,045</u>	<u>\$ 1,520,271</u>	<u>\$ 740,797</u>	<u>\$ 3,139</u>	<u>\$ 40,990</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	<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	\$ 197,145	\$ 9,760	\$ 49,830	\$ 3,327,009
Investments	23,582	-	1,026,800	1,050,382
Receivables - Net of Allowances for Uncollectibles				
Accounts	207,019	-	7,933	1,521,964
Taxes	-	-	-	349,098
Due from Other Funds	289,547	-	-	1,256,144
Due from Other Governments	-	-	-	858,513
Prepaid Items	-	-	-	17,124
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 717,293</u>	<u>\$ 9,760</u>	<u>\$ 1,084,563</u>	<u>\$ 8,380,234</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts Payable	\$ 26,268	\$ -	\$ -	\$ 1,207,675
Accrued Liabilities	-	-	-	36,426
Deferred Revenue	194,719	-	-	466,708
Customer Deposits	-	-	-	2,131
Due to Other Funds	-	-	-	1,256,144
Total Liabilities	<u>220,987</u>	<u>-</u>	<u>-</u>	<u>2,969,084</u>
Fund Balances				
Nonspendable	-	-	1,084,563	1,095,463
Restricted for				
Public Safety	-	-	-	558,140
Community Services	496,306	9,760	-	3,757,547
Total Fund Balances	<u>496,306</u>	<u>9,760</u>	<u>1,084,563</u>	<u>5,411,150</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 717,293</u>	<u>\$ 9,760</u>	<u>\$ 1,084,563</u>	<u>\$ 8,380,234</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, 2018

	SPECIAL	
	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>REVENUES</u>		
Taxes	\$ -	\$ 99,518
Fines and Penalties	-	-
Intergovernmental	2,358,439	-
Charges for Services	-	-
Investment Earnings	-	-
Miscellaneous	-	-
Total Revenues	2,358,439	99,518
<u>EXPENDITURES</u>		
Current		
General Government	-	299
Public Safety	-	-
Community Services	2,358,439	-
Capital Outlay	-	71,635
Total Expenditures	2,358,439	71,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	27,584
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	-	27,584
<u>FUND BALANCES - BEGINNING</u>	73,673	517,665
FUND BALANCES - ENDING	\$ 73,673	\$ 545,249

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>
\$ -	\$ -	\$ -	\$ 3,720,944	\$ -	\$ -	\$ -
-	-	-	-	25,754	48,433	-
666,838	1,581,731	-	-	-	-	-
-	-	227,453	-	-	-	-
-	-	-	-	-	-	-
<u>26,714</u>	<u>-</u>	<u>68,522</u>	<u>6,501</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<u>693,552</u>	<u>1,581,731</u>	<u>295,975</u>	<u>3,727,445</u>	<u>25,754</u>	<u>48,433</u>	<u>5,000</u>
-	-	-	-	-	-	-
426,768	-	-	-	105	9,582	-
-	1,581,731	206,674	2,289,586	-	-	-
<u>276,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>703,754</u>	<u>1,581,731</u>	<u>206,674</u>	<u>2,289,586</u>	<u>105</u>	<u>9,582</u>	<u>-</u>
<u>(10,202)</u>	<u>-</u>	<u>89,301</u>	<u>1,437,859</u>	<u>25,649</u>	<u>38,851</u>	<u>5,000</u>
-	-	-	143,481	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,654,631)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,511,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(10,202)	-	89,301	(73,291)	25,649	38,851	5,000
<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>\$ -</u>	<u>\$ -</u>	<u>\$ 197,632</u>	<u>\$ 745,912</u>	<u>\$ 178,585</u>	<u>\$ 193,671</u>	<u>\$ 39,388</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, 2018

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	PARD SPECIAL CONTRIBUTIONS
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ -
Fines and Penalties	18,607	35,872	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	492
Total Revenues	<u>18,607</u>	<u>35,872</u>	<u>492</u>
<u>EXPENDITURES</u>			
Current			
General Government	-	-	-
Public Safety	29,400	27,379	-
Community Services	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>29,400</u>	<u>27,379</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,793)</u>	<u>8,493</u>	<u>492</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	(10,793)	8,493	492
<u>FUND BALANCES - BEGINNING</u>	<u>145,304</u>	<u>42,880</u>	<u>8,590</u>
FUND BALANCES - ENDING	<u>\$ 134,511</u>	<u>\$ 51,373</u>	<u>\$ 9,082</u>

REVENUE

<u>TIRZ #2</u>	<u>TIRZ #3</u>	<u>TIRZ #4</u>	<u>TIRZ #5</u>	<u>TIRZ LOOP 110</u>	<u>TIRZ LONE STAR RAIL</u>	<u>MUNICIPAL JUDICIAL EFFICIENCY</u>
\$ 99,960	\$ 66,642	\$ 33,120	\$ 240,973	\$ -	\$ -	\$ -
-	-	-	-	-	-	4,348
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>99,960</u>	<u>66,642</u>	<u>33,120</u>	<u>240,973</u>	<u>-</u>	<u>-</u>	<u>4,348</u>
1,098,380	-	-	-	740,797	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,098,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,797</u>	<u>-</u>	<u>-</u>
<u>(998,420)</u>	<u>66,642</u>	<u>33,120</u>	<u>240,973</u>	<u>(740,797)</u>	<u>-</u>	<u>4,348</u>
998,420	147,908	50,925	368,718	740,797	-	-
-	(214,550)	-	-	-	-	-
<u>998,420</u>	<u>(66,642)</u>	<u>50,925</u>	<u>368,718</u>	<u>740,797</u>	<u>-</u>	<u>-</u>
-	-	84,045	609,691	-	-	4,348
-	3,000	-	910,580	-	3,139	36,642
<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 84,045</u>	<u>\$ 1,520,271</u>	<u>\$ -</u>	<u>\$ 3,139</u>	<u>\$ 40,990</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, 2018

	<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	\$ -	\$ -	\$ -	\$ 4,261,157
Fines and Penalties	-	-	-	133,014
Intergovernmental	546,205	-	-	5,153,213
Charges for Services	-	-	-	227,453
Investment Earnings	-	-	12,742	12,742
Miscellaneous	25,740	-	2,862	135,831
Total Revenues	<u>571,945</u>	<u>-</u>	<u>15,604</u>	<u>9,923,410</u>
<u>EXPENDITURES</u>				
Current				
General Government	625,838	-	-	2,465,314
Public Safety	-	-	-	493,234
Community Services	-	-	-	6,436,430
Capital Outlay	2,768	-	-	351,389
Total Expenditures	<u>628,606</u>	<u>-</u>	<u>-</u>	<u>9,746,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,661)</u>	<u>-</u>	<u>15,604</u>	<u>177,043</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	2,450,249
Transfers Out	-	-	-	(1,869,181)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>581,068</u>
Net Change in Fund Balance	(56,661)	-	15,604	758,111
<u>FUND BALANCES - BEGINNING</u>	<u>552,967</u>	<u>9,760</u>	<u>1,068,959</u>	<u>4,653,039</u>
FUND BALANCES - ENDING	<u>\$ 496,306</u>	<u>\$ 9,760</u>	<u>\$ 1,084,563</u>	<u>\$ 5,411,150</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, 2018

	<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	\$ 11,447,855	\$ 11,447,855	\$ 11,702,730	\$ 254,875
Intergovernmental	3,030,000	3,030,000	3,266,265	236,265
Interest on Investments	90,000	90,000	228,458	138,458
Miscellaneous	102,608	102,608	98,805	(3,803)
Total Revenues	<u>14,670,463</u>	<u>14,670,463</u>	<u>15,296,258</u>	<u>625,795</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	10,825,000	9,985,000	9,985,000	-
Interest and Fiscal Charges	4,728,739	5,104,317	5,038,778	65,539
Total Expenditures	<u>15,553,739</u>	<u>15,089,317</u>	<u>15,023,778</u>	<u>65,539</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(883,276)</u>	<u>(418,854)</u>	<u>272,480</u>	<u>691,334</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	3,999,256	3,999,256	2,417,105	(1,582,151)
Transfers Out	(1,839,572)	(2,303,994)	(2,306,768)	(2,774)
Total Other Financing Sources (Uses)	<u>2,159,684</u>	<u>1,695,262</u>	<u>110,337</u>	<u>(1,584,925)</u>
Net Change in Fund Balances	1,276,408	1,276,408	382,817	893,591
<u>FUND BALANCES - BEGINNING</u>	<u>8,697,022</u>	<u>8,697,022</u>	<u>8,697,022</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 9,973,430</u>	<u>\$ 9,973,430</u>	<u>\$ 9,079,839</u>	<u>\$ (893,591)</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, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Intergovernmental	<u>\$ 562,798</u>	<u>\$ 562,798</u>	<u>\$ 2,358,439</u>	<u>\$ 1,795,641</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>562,798</u>	<u>576,620</u>	<u>2,358,439</u>	<u>(1,781,819)</u>
Net Change in Fund Balance	-	(13,822)	-	13,822
<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>\$ 59,851</u>	<u>\$ 73,673</u>	<u>\$ 13,822</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, 2018

	<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>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 99,518</u>	<u>\$ (482)</u>
<u>EXPENDITURES</u>				
Current				
General Government	25,000	13,365	299	13,066
Capital Outlay	<u>-</u>	<u>71,635</u>	<u>71,635</u>	<u>-</u>
Total Expenditures	<u>25,000</u>	<u>85,000</u>	<u>71,934</u>	<u>13,066</u>
Net Change in Fund Balance	75,000	86,635	27,584	(59,051)
<u>FUND BALANCES - BEGINNING</u>	<u>517,665</u>	<u>517,665</u>	<u>517,665</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 592,665</u>	<u>\$ 604,300</u>	<u>\$ 545,249</u>	<u>\$ (59,051)</u>

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
WIC PROJECT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Intergovernmental	<u>\$ 1,997,355</u>	<u>\$ 1,997,355</u>	<u>\$ 1,581,731</u>	<u>\$ (415,624)</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>1,997,355</u>	<u>1,997,355</u>	<u>1,581,731</u>	<u>415,624</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, 2018

	<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	\$ 3,957,786	\$ 3,947,217	\$ 3,720,944	\$ (226,273)
Interest on Investments	1,000	1,000	-	(1,000)
Other	<u>1,000</u>	<u>1,000</u>	<u>6,501</u>	<u>5,501</u>
Total Revenues	<u>3,959,786</u>	<u>3,949,217</u>	<u>3,727,445</u>	<u>(221,772)</u>
<u>EXPENDITURES</u>				
Current				
Community Service	<u>2,514,290</u>	<u>3,173,402</u>	<u>2,289,586</u>	<u>883,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,445,496</u>	<u>775,815</u>	<u>1,437,859</u>	<u>662,044</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	143,481	143,481	143,481	-
Transfers Out	<u>(1,654,631)</u>	<u>(1,654,631)</u>	<u>(1,654,631)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,511,150)</u>	<u>(1,511,150)</u>	<u>(1,511,150)</u>	<u>-</u>
Net Change in Fund Balance	(65,654)	(735,335)	(73,291)	662,044
<u>FUND BALANCES - BEGINNING</u>	<u>819,203</u>	<u>819,203</u>	<u>819,203</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 753,549</u>	<u>\$ 83,868</u>	<u>\$ 745,912</u>	<u>\$ 662,044</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, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	\$ 30,025	\$ 30,025	\$ 25,754	\$ (4,271)
<u>EXPENDITURES</u>				
Current				
Public Safety	5,000	5,000	105	4,895
Capital Outlay	<u>75,000</u>	<u>75,000</u>	-	<u>75,000</u>
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>105</u>	<u>79,895</u>
Net Change in Fund Balance	(49,975)	(49,975)	25,649	75,624
<u>FUND BALANCES - BEGINNING</u>	<u>152,936</u>	<u>152,936</u>	<u>152,936</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 102,961</u>	<u>\$ 102,961</u>	<u>\$ 178,585</u>	<u>\$ 75,624</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, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Fines and Penalties	<u>\$ 5,100</u>	<u>\$ 5,100</u>	<u>\$ 48,433</u>	<u>\$ 43,333</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>5,000</u>	<u>14,000</u>	<u>9,582</u>	<u>4,418</u>
Net Change in Fund Balance	<u>100</u>	<u>(8,900)</u>	<u>38,851</u>	<u>47,751</u>
<u>FUND BALANCES - BEGINNING</u>	<u>154,820</u>	<u>154,820</u>	<u>154,820</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 154,920</u>	<u>\$ 145,920</u>	<u>\$ 193,671</u>	<u>\$ 47,751</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, 2018

	<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	\$ 22,012	\$ 22,012	\$ 18,607	\$ (3,405)
<u>EXPENDITURES</u>				
Current				
Public Safety	74,962	74,962	29,400	45,562
Net Change in Fund Balance	(52,950)	(52,950)	(10,793)	42,157
<u>FUND BALANCES - BEGINNING</u>	<u>145,304</u>	<u>145,304</u>	<u>145,304</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 92,354</u>	<u>\$ 92,354</u>	<u>\$ 134,511</u>	<u>\$ 42,157</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, 2018

	<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	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 35,872</u>	<u>\$ (4,128)</u>
<u>EXPENDITURES</u>				
Current				
Public Safety	<u>31,379</u>	<u>31,379</u>	<u>27,379</u>	<u>4,000</u>
Net Change in Fund Balance	8,621	8,621	8,493	(128)
<u>FUND BALANCES - BEGINNING</u>	<u>42,880</u>	<u>42,880</u>	<u>42,880</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 51,501</u>	<u>\$ 51,501</u>	<u>\$ 51,373</u>	<u>\$ (128)</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, 2018

	<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>\$ 363,339</u>	<u>\$ 363,339</u>	<u>\$ 99,960</u>	<u>\$ (263,379)</u>
<u>EXPENDITURES</u>				
Current				
General Government	<u>1,298,481</u>	<u>1,298,481</u>	<u>1,098,380</u>	<u>200,101</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(935,142)</u>	<u>(935,142)</u>	<u>(998,420)</u>	<u>(63,278)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>935,143</u>	<u>935,143</u>	<u>998,420</u>	<u>63,277</u>
Net Change in Fund Balance	1	1	-	(1)
<u>FUND BALANCES - BEGINNING</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</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, 2018

	<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	\$ 71,942	\$ 71,942	\$ 66,642	\$ (5,300)
<u>EXPENDITURES</u>				
Current				
General Government	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,942	71,942	66,642	(5,300)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	147,908	147,908	147,908	-
Transfer Out	(219,850)	(219,850)	(214,550)	5,300
Total Other Financing Sources (Uses)	(71,942)	(71,942)	(66,642)	5,300
Net Change in Fund Balance	-	-	-	-
<u>FUND BALANCES - BEGINNING</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
TIRZ #4  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<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	\$ 8,689	\$ 8,689	\$ 33,120	\$ 24,431
<u>EXPENDITURES</u>				
Current				
General Government	59,954	59,954	-	59,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,265)	(51,265)	33,120	84,385
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	51,265	51,265	50,925	(340)
Net Change in Fund Balance	-	-	84,045	84,045
<u>FUND BALANCES - BEGINNING</u>				
FUND BALANCES - ENDING	\$ -	\$ -	\$ 84,045	\$ 84,045

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, 2018

	<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	\$ 174,310	\$ 174,310	\$ 240,973	\$ 66,663
<u>EXPENDITURES</u>				
Current				
General Government	1,346,639	1,346,639	-	1,346,639
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,172,329)	(1,172,329)	240,973	1,413,302
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	257,574	257,574	368,718	111,144
Net Change in Fund Balance	(914,755)	(914,755)	609,691	1,524,446
<u>FUND BALANCES - BEGINNING</u>	910,580	910,580	910,580	-
FUND BALANCES - ENDING	\$ (4,175)	\$ (4,175)	\$ 1,520,271	\$ 1,524,446

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, 2018

	<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>443,682</u>	<u>443,682</u>	<u>740,797</u>	<u>(297,115)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(443,682)	(443,682)	(740,797)	(297,115)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	<u>230,000</u>	<u>230,000</u>	<u>740,797</u>	<u>510,797</u>
Net Change in Fund Balance	-	-	-	213,682
<u>FUND BALANCES - BEGINNING</u>	<u>232,900</u>	<u>232,900</u>	-	-
FUND BALANCES - ENDING	<u>\$ 232,900</u>	<u>\$ 232,900</u>	<u>\$ -</u>	<u>\$ 213,682</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, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Current				
General Government	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<u>OTHER FINANCIING SOURCES (USES)</u>				
Transfer In	4,000	4,000	-	(4,000)
Net Change in Fund Balance	-	-	-	(4,000)
<u>FUND BALANCES - BEGINNING</u>	<u>3,139</u>	<u>3,139</u>	<u>3,139</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,139</u>	<u>\$ 3,139</u>	<u>\$ 3,139</u>	<u>\$ (4,000)</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, 2018

	<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	\$ 4,348	\$ 1,348
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>4,348</u>	<u>(22,652)</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	4,348	1,348
<u>FUND BALANCES - BEGINNING</u>	<u>36,642</u>	<u>36,642</u>	<u>36,642</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 39,642</u>	<u>\$ 39,642</u>	<u>\$ 40,990</u>	<u>\$ 1,348</u>

## NONMAJOR ENTERPRISE FUNDS

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

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

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

**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  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 154,889	\$ 180,304	\$ 499,125	\$ 834,318
Investments	-	-	996,870	996,870
Accounts Receivable - Net	3,601	-	582,055	585,656
Total Current Assets	<u>158,490</u>	<u>180,304</u>	<u>2,078,050</u>	<u>2,416,844</u>
<u>NONCURRENT ASSETS</u>				
Capital Assets:				
Land	653,140	-	-	653,140
Buildings	4,339,745	-	-	4,339,745
Improvements Other than Buildings	8,539,322	-	-	8,539,322
Furnishings and Equipment	19,463	-	79,840	99,303
Construction in Progress	1,409,330	-	-	1,409,330
Totals	14,961,000	-	79,840	15,040,840
Less: Accumulated Depreciation	<u>(10,408,573)</u>	-	<u>(32,526)</u>	<u>(10,441,099)</u>
Total Capital Assets	<u>4,552,427</u>	-	<u>47,314</u>	<u>4,599,741</u>
Total Noncurrent Assets	<u>4,552,427</u>	-	<u>47,314</u>	<u>4,599,741</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows - Pension	-	1,786	10,280	12,066
Deferred Outflows - OPEB Death Benefit	-	300	599	899
Deferred Outflows - OPEB Health Benefit	-	1,126	2,257	3,383
Total Deferred Outflows of Resources	-	<u>3,212</u>	<u>13,136</u>	<u>16,348</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,710,917</u>	<u>\$ 183,516</u>	<u>\$ 2,138,500</u>	<u>\$ 7,032,933</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 90,495	\$ 75,000	301,226	\$ 466,721
Accrued Liabilities	-	2,565	45,779	48,344
Compensated Absences	-	1,079	5,440	6,519
Customer Deposits	7,689	-	198,366	206,055
Total Current Liabilities	<u>98,184</u>	<u>78,644</u>	<u>550,811</u>	<u>727,639</u>
<u>NONCURRENT LIABILITIES</u>				
Net Pension Liability	-	20,500	77,972	98,472
OPEB Liability - Death Benefit	-	2,787	5,574	8,361
OPEB Liability - Health Benefit	-	6,778	13,558	20,336
Compensated Absences	-	90	2,150	2,240
Total Noncurrent Liabilities	-	<u>30,155</u>	<u>99,254</u>	<u>129,409</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows - Pension	-	9,919	15,943	25,862
<u>NET POSITION</u>				
Net Investment in Capital Assets	4,552,427	-	47,314	4,599,741
Unrestricted	<u>60,306</u>	<u>64,798</u>	<u>1,425,178</u>	<u>1,550,282</u>
Total Net Position	<u>4,612,733</u>	<u>64,798</u>	<u>1,472,492</u>	<u>6,150,023</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,710,917</u>	<u>\$ 183,516</u>	<u>\$ 2,138,500</u>	<u>\$ 7,032,933</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, 2018

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 527,792	\$ -	\$ 4,199,731	\$ 4,727,523
Intergovernmental	44,400	-	-	44,400
Miscellaneous	-	-	35,183	35,183
Total Operating Revenues	<u>572,192</u>	<u>-</u>	<u>4,234,914</u>	<u>4,807,106</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	-	123,453	282,989	406,442
Contracted Services	448,933	451,650	3,476,721	4,377,304
Materials and Supplies	83,024	6,618	21,548	111,190
Other Charges	-	2,548	199,680	202,228
Depreciation	152,650	-	13,419	166,069
Total Operating Expenses	<u>684,607</u>	<u>584,269</u>	<u>3,994,357</u>	<u>5,263,233</u>
Operating Income (Loss)	<u>(112,415)</u>	<u>(584,269)</u>	<u>240,557</u>	<u>(456,127)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Investment Income (Loss)	-	-	(1,746)	(1,746)
Transfer In	27,000	610,000	25,000	662,000
Total Non-Operating Revenue (Expenses)	<u>27,000</u>	<u>610,000</u>	<u>23,254</u>	<u>660,254</u>
Change in Net Position	<u>(85,415)</u>	<u>25,731</u>	<u>263,811</u>	<u>204,127</u>
<u>TOTAL NET POSITION - BEGINNING</u>	4,698,148	46,910	1,222,942	5,968,000
RESTATEMENT OF BEGINNING NET POSITION	<u>-</u>	<u>(7,843)</u>	<u>(14,261)</u>	<u>(22,104)</u>
<u>NET POSITION AT BEGINNING OF YEAR - AS RESTATED</u>	<u>4,698,148</u>	<u>39,067</u>	<u>1,208,681</u>	<u>5,945,896</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,612,733</u>	<u>\$ 64,798</u>	<u>\$ 1,472,492</u>	<u>\$ 6,150,023</u>

CITY OF SAN MARCOS, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 582,497	\$ -	\$ 4,218,991	\$ 4,801,488
Cash Paid to Suppliers for Goods and Services	(503,811)	(128,080)	(3,654,917)	(4,286,808)
Cash Paid to Employees for Services	-	(423,771)	(291,021)	(714,792)
Net Cash Provided by (Used in) Operating Activities	<u>78,686</u>	<u>(551,851)</u>	<u>273,053</u>	<u>(200,112)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers from Other Funds	<u>27,000</u>	<u>610,000</u>	<u>25,000</u>	<u>662,000</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>27,000</u>	<u>610,000</u>	<u>25,000</u>	<u>662,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	<u>(56,204)</u>	<u>-</u>	<u>-</u>	<u>(56,204)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(56,204)</u>	<u>-</u>	<u>-</u>	<u>(56,204)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Sale (Purchase) of Investment Securities	<u>-</u>	<u>-</u>	<u>(998,616)</u>	<u>(998,616)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	49,482	58,149	(700,563)	(592,932)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>105,407</u>	<u>122,155</u>	<u>1,199,688</u>	<u>1,427,250</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 154,889</u>	<u>\$ 180,304</u>	<u>\$ 499,125</u>	<u>\$ 834,318</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ (112,415)	\$ (584,269)	\$ 240,557	\$ (456,127)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Depreciation	152,650	-	13,419	166,069
Changes in Assets and Liabilities				
Decrease (Increase) in Assets				
Accounts Receivable	9,935	-	(32,216)	(22,281)
Increase (Decrease) in Liabilities				
Accounts Payable	28,869	37,006	38,243	104,118
Accrued Liabilities	-	39	4,789	4,828
Customer Deposits	370	-	16,293	16,663
Compensated Absences	-	(3,368)	(5,512)	(8,880)
OPEB Liability	(723)	(378)	(759)	(1,860)
Net Pension Liability	<u>-</u>	<u>(881)</u>	<u>(1,761)</u>	<u>(2,642)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 78,686</u>	<u>\$ (551,851)</u>	<u>\$ 273,053</u>	<u>\$ (200,112)</u>
<u>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</u>				
Actuarially Determined Change in Net Pension Liability	\$ -	\$ 17,590	\$ 35,179	\$ 52,769
Other Post-Employment Benefit Liability	-	1,339	2,682	4,021
Investment Loss	-	-	1,746	1,746

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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.

<u>Contents</u>	<u>Schedules</u>
<b>Financial Trends</b> These schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	1 through 4
<b>Revenue Capacity</b> 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 7. Additionally, information about property tax and sales tax revenue is provided.	5 through 16
<b>Debt Capacity</b> 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.	17 through 20
<b>Economic and Demographic Indicators</b> These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	21 through 23
<b>Operating Information</b> 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.	24 through 27
<b>Sources:</b> 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>GOVERNMENTAL ACTIVITIES</u>										
Net Investment in Capital Assets	\$ 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	\$ 89,842,218
Restricted	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	17,134,285
Unrestricted	<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>	<u>(16,879,081)</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	<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>\$ 90,097,422</u>
<u>BUSINESS-TYPE ACTIVITIES</u>										
Net Investment in Capital Assets	\$ 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	\$ 113,115,001
Restricted	-	-	-	-	-	-	221,981	221,981	221,981	221,981
Unrestricted	<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>	<u>79,924,549</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	<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>\$ 193,261,531</u>
<u>PRIMARY GOVERNMENT</u>										
Net Investment in Capital Assets	\$ 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	\$ 202,957,219
Restricted	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	17,356,266
Unrestricted	<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>	<u>63,045,468</u>
TOTAL PRIMARY GOVERNMENT NET POSITION	<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>	<u>\$ 283,358,953</u>

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

**TABLE 2**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>EXPENSES</b>										
<b>Governmental Activities</b>										
General Government	\$ 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	\$ 39,538,297
Public Safety	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	33,731,134
Community Service	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	19,874,494
Interest and Fiscal Charges	<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>	<u>5,338,567</u>
Total Governmental Activities	<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>	<u>98,482,492</u>
<b>Business-Type Activities</b>										
Water/Wastewater	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	38,337,335
Electric	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	54,804,049
Airport	733,621	694,070	710,558	601,781	895,001	647,653	569,932	581,290	636,669	684,607
Drainage	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	4,066,821
Transit	-	-	-	-	-	300,791	387,448	582,522	603,535	584,269
Resource Recovery	<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>	<u>3,994,357</u>
Total Business-Type Activities	<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>	<u>102,471,438</u>
Total Primary Government Expenses	<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>	<u>200,953,930</u>
<b>PROGRAM REVENUES</b>										
<b>Governmental Activities</b>										
Charges for Services										
General Government	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	16,110,526
Public Safety	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	1,510,540
Community Service	653,368	574,537	639,534	769,467	1,029,617	1,026,696	860,427	1,407,839	1,646,254	1,727,826
Operating Grants and Contributions	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	5,238,213
Capital Grants and Contributions	<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>	<u>2,956,568</u>
Total Governmental Activities Program Revenues	<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>	<u>27,543,673</u>
<b>Business-Type Activities</b>										
Charges for Services										
Electric	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	60,332,737
Water and Wastewater	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	46,329,180
Airport	273,788	178,432	256,710	580,554	913,152	292,432	296,241	440,244	476,342	572,192
Drainage	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	4,990,291
Resource Recovery	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	4,234,914
Operating Grants and Contributions	-	-	-	-	-	-	-	-	1,784,902	-
Capital Grants and Contributions	<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>	<u>981,779</u>
Total Business-Type Activities Program Revenues	<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>	<u>117,441,093</u>
Total Primary Government Program Revenues	<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>	<u>144,984,766</u>

(CONTINUED)

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

TABLE 2 (CONTINUED)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Net (Expense) Revenues</u>										
Governmental Activities	\$ (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)	\$ (70,938,819)
Business-Type Activities	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	15,089,574
Total Primary Government										
Net Expenses	(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)	(55,849,245)
<u>GOVERNMENTAL REVENUES AND OTHER</u>										
<u>CHANGES IN NET POSITION</u>										
<u>Governmental Activities</u>										
Taxes										
Property Taxes	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	28,724,211
Franchise Taxes	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	9,399,107
Sales Taxes	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	34,733,037
Other Taxes	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	4,238,798
Investment Earnings	3,571,867	587,646	319,091	261,704	331,996	95,989	129,205	275,637	238,708	1,018,563
Miscellaneous	1,963,080	1,854,367	753,366	1,337,721	442,726	367,775	40,274	322,346	645,601	294,328
Gain on Sale of Capital Assets	-	64,974	121,129	-	-	-	-	-	-	-
Transfers	5,759,854	6,119,618	6,290,865	6,386,106	5,428,042	5,265,193	(156,698)	(704,726)	(562,374)	(592,144)
Total Governmental Activities	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	77,815,900
<u>Business-Type Activities</u>										
Investment Earnings	2,098,305	569,393	376,915	303,932	160,760	187,380	202,049	525,975	916,988	1,989,509
Other	1,101,946	1,337,440	2,029,511	2,780,304	-	46,822	-	-	-	-
Transfers	(5,759,854)	(6,119,618)	(6,290,865)	(6,386,106)	(5,428,042)	-	156,698	704,726	562,374	592,144
Total Business-Type Activities	(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	2,581,653
Total Primary Government	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	80,397,553
<u>CHANGES IN NET POSITION</u>										
Governmental Activities	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)	6,877,081
Business-Type Activities	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	17,551,308
TOTAL PRIMARY GOVERNMENT	\$ 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)	\$ 24,428,389

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

TABLE 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>GENERAL FUND</u>										
Reserved	\$ 97,494	\$ 228,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,804,776	13,148,100	-	-	-	-	-	-	-	-
Nonspendable	-	-	214,915	385,498	545,006	507,534	466,007	497,560	661,113	463,121
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	15,700,568
TOTAL GENERAL FUND	<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>\$ 16,163,689</u>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>										
Reserved	\$ 2,365,271	\$ 1,744,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Special Revenue Funds	1,111,235	1,174,555	-	-	-	-	-	-	-	-
Capital Project Funds	74,318,614	55,426,183	-	-	-	-	-	-	-	-
Debt Service Funds	8,544,491	8,879,062	-	-	-	-	-	-	-	-
Nonspendable	-	-	12,527	10,985	11,177	122,218	-	1,077,965	1,072,859	1,095,463
Restricted	-	-	52,216,441	49,888,108	43,339,895	34,353,926	33,621,845	37,681,443	39,227,072	68,802,309
Unassigned	-	-	(120,908)	116,111	108,905	-	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<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>	<u>\$ 69,897,772</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>REVENUES</u>										
Taxes	\$ 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	\$ 77,098,632
Licenses and Permits	847,678	821,853	994,123	1,039,855	2,194,788	2,280,529	2,456,668	2,157,846	2,358,247	3,338,087
Fees and Penalties	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	1,422,333
Charges for Services	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	7,270,174
Intergovernmental	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	9,415,616
Investment Earnings	2,431,751	587,645	319,093	261,704	331,996	95,989	128,263	275,637	238,708	1,018,563
Contributions	918,930	-	-	30,000	80,000	84,121	60,000	1,259,265	80,000	85,000
Other Revenues	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	3,333,649
Total Revenues	<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>102,982,054</u>
<u>EXPENDITURES</u>										
General Government	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	30,181,487
Public Safety	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	32,740,670
Community Service	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	18,530,233
Capital Outlay	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	13,388,623
Debt Service										
Principal	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	9,985,000
Interest	7,414,683	6,450,663	6,504,097	6,152,503	5,707,374	5,221,176	4,624,372	4,857,003	4,960,557	5,038,778
Bond Issuance Costs	-	-	-	77,783	147,549	300,303	473,975	187,843	74,159	421,832
Total Expenditures	<u>79,682,070</u>	<u>84,418,652</u>	<u>73,129,016</u>	<u>68,504,026</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>	<u>110,286,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,660,536)</u>	<u>(32,407,148)</u>	<u>(22,568,975)</u>	<u>(7,697,065)</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>	<u>(7,304,569)</u>

(CONTINUED)

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

TABLE 4 (CONTINUED)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>OTHER FINANCING SOURCES (USES)</u>										
Bond Sales	\$ 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	\$ 33,910,000
Proceeds from Capital Leases	-	-	-	-	337,327	220,916	-	1,098,389	348,089	-
Discount on Debt Issued	(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	3,847,332
Other	708,611	71,163	121,129	35,245	287,629	205,838	-	259,689	501,984	7,113
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	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	7,645,210
Transfers Out	(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)	(8,237,354)
Total Other Financing Sources (Uses)	<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>	<u>37,172,301</u>
NET CHANGE IN FUND BALANCES	<u>\$ (3,110,618)</u>	<u>\$ (18,640,449)</u>	<u>\$ (14,689,548)</u>	<u>\$ (1,049,578)</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>	<u>\$ 29,867,732</u>
Debt Service as a Percentage of Noncapital Expenditures	23.7%	20.2%	22.8%	21.5%	19.6%	17.7%	17.2%	16.8%	15.6%	15.5%

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

TABLE 5

<u>FISCAL YEAR</u>	<u>REAL PROPERTY ASSESSED VALUE</u>	<u>REAL PROPERTY ESTIMATED ACTUAL VALUE</u>	<u>PERSONAL PROPERTY ASSESSED VALUE</u>	<u>PERSONAL PROPERTY ESTIMATED ACTUAL VALUE</u>	<u>LESS: TAX-EXEMPT PROPERTY</u>	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>
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
2018	4,757,531,850	4,757,531,850	854,951,914	854,951,914	308,403,541	5,304,080,223	0.6139	5,304,080,223

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  
SALES TAX RATES AND COLLECTIONS  
LAST TEN FISCAL YEARS

TABLE 6

<u>FISCAL YEAR</u>	<u>SALES TAX ASSESSED RATES</u>	<u>SALES TAX COLLECTIONS</u>
2009	0.015	\$ 17,989,392
2010	0.015	18,398,707
2011	0.015	19,854,399
2012	0.015	21,079,582
2013	0.015	22,852,364
2014	0.015	24,020,619
2015	0.015	25,876,303
2016	0.015	28,429,648
2017	0.015	27,364,450
2018	0.015	34,733,037

Source: Texas Comptroller of Public Accounts

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

TABLE 7

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
2018	\$ 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
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

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

TABLE 8

<u>YEAR</u>	<u>COMMERCIAL</u>	<u>RESIDENTIAL</u>	<u>TOTAL USAGE</u>
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
2018	32,181,737	20,244,116	52,425,853

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

TABLE 9

<u>YEAR</u>	<u>COMMERCIAL</u>	<u>RESIDENTIAL</u>	<u>TOTAL USAGE</u>	<u>TOTAL PURCHASED</u>	<u>LOSS %</u>
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%
2018	386,180,845	242,929,403	629,110,248	674,719,817	6.76%

CITY OF SAN MARCOS, TEXAS  
TEN LARGEST ELECTRIC CUSTOMERS  
SEPTEMBER 30, 2018

TABLE 10

<u>CUSTOMER</u>	<u>CONSUMPTION (kWh)</u>	<u>AMOUNT BILLED</u>	<u>% OF TOTAL kWh</u>
Texas State University, COGEN	99,586,377	\$7,334,246	15.83%
Amazon.com.kydc, Inc.	20,445,570	1,815,227	3.25%
H E Butt Grocery	14,062,531	1,730,481	2.24%
Texas State University	13,205,478	1,174,897	1.48%
City of San Marcos	9,291,297	856,177	1.48%
SMCISD	8,432,947	785,239	1.34%
CTMC	8,842,293	773,190	1.41%
El Milagro of Texas, Inc.	7,183,320	602,135	1.14%
Hays County Government Center	7,027,412	589,485	1.12%
Thermon Manufacturing	6,319,280	542,151	1.00%

Note: % of consumption based on total kWh of: 629,110,248

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

TABLE 11

<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>
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
2018	0.6139	1.4141	0.4337	0.0438	2.5055

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 12

<u>TAXPAYER</u>	<u>2018</u>	
	<u>TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
Amazon	\$ 143,542,812	2.71%
Hays Energy Ltd. Partnership	103,132,659	1.94%
HEB Warehouse	75,412,368	1.42%
Tanger San Marcos	48,921,471	0.92%
San Marcos Factory Stores	40,553,447	0.76%
Prime Outlets at San Marcos	30,751,351	0.58%
CCSHP San Marcos	30,588,339	0.58%
REL P Ind San Marcos, LLC	28,889,303	0.54%
CFAN	28,748,419	0.54%
Woods of San Marcos, LLC	<u>25,783,800</u>	0.49%
TOTAL	<u>\$ 556,323,969</u>	<u>10.49%</u>
	<u>2009</u>	
<u>TAXPAYER</u>	<u>TAXABLE ASSESSED VALUE</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
Hays Energy, LP	\$ 114,303,522	4.36%
HEB Warehouse	54,600,151	2.08%
San Marcos Factory Stores	22,372,218	0.85%
Prime Outlets at San Marcos	18,373,831	0.70%
JDHQ Hotels LLC	14,380,673	0.55%
1610 Frontage Rd, LP	11,081,922	0.42%
Cabana Beach of San Marcos, LP	10,665,106	0.41%
29SC Lodge, LP	9,705,878	0.37%
Cole MT San Marcos Tx, LLC	9,493,900	0.36%
Sanctuary Lofts LLC	<u>9,013,400</u>	0.34%
TOTAL	<u>\$ 273,990,601</u>	<u>10.44%</u>

Information provided by Hays County Tax Office.

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

TABLE 13

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
2009	\$ 12,147,748	\$ 11,964,114	98.49%	\$ 169,328	\$ 12,133,442	99.88%
2010	14,099,916	13,907,121	98.63%	174,040	14,081,161	99.87%
2011	13,970,763	13,809,687	98.85%	146,602	13,956,289	99.90%
2012	14,396,631	14,265,714	99.09%	118,401	14,384,115	99.91%
2013	15,105,625	14,978,410	99.16%	109,042	15,087,452	99.88%
2014	16,358,498	16,280,315	99.52%	63,908	16,344,223	99.91%
2015	18,034,695	17,926,661	99.40%	88,101	18,014,762	99.89%
2016	19,829,368	19,728,493	99.49%	69,557	19,798,050	99.84%
2017	21,758,602	21,657,891	99.54%	59,354	21,717,245	99.81%
2018	28,171,670	28,039,818	99.53%	-	28,039,818	99.53%

CITY OF SAN MARCOS, TEXAS  
TOP TEN WATER CUSTOMERS  
SEPTEMBER 30, 2018

TABLE 14

<u>RANK</u>	<u>NAME</u>	<u>REVENUE</u>	<u>GALLONS</u>
1	City of San Marcos, Texas	\$622,741	65,663,750
2	Texas State University	311,041	33,062,284
3	Copper Beech Townhomes	274,675	32,798,302
4	The Retreat	259,889	31,642,024
5	Brookfield Residential	240,416	132,311,329 *
6	Castlerock San Marcos	203,098	24,290,783
7	San Marcos CISD	187,361	19,394,330
8	MTC Gary Job Corps	185,968	18,279,784
9	NRP Contractors, LLC	184,844	22,032,825
10	Woods of San Marcos, LLC	173,112	20,967,630

\* includes reclaimed water of 117,563,850 gallons

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

TABLE 15

<u>FISCAL YEAR</u>	<u>WASTEWATER</u>	<u>WATER</u>
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
2018	11,014	13,705

CITY OF SAN MARCOS, TEXAS  
WATER AND SEWER RATES  
SEPTEMBER 30, 2018

TABLE 16

**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	23.16	First 6,000 Gallons - Minimum	28.96
6,001 - 9,000 Gallons	6.79	6,001 - 9,000 Gallons	8.49
9,001- 12,000 Gallons	7.77	9,001- 12,000 Gallons	9.70
12,001- 20,000 Gallons	8.74	12,001- 20,000 Gallons	10.91
20,001- 50,000 Gallons	9.70	20,001- 50,000 Gallons	12.13
Over 50,000 Gallons	11.64	Over 50,000 Gallons	14.56
<u>5/8" - 3/4" Water Meter</u>		<u>5/8" - 3/4" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	23.16	Minimum Charge	28.96
0 - 6,000 Gallons	3.88	0 - 6,000 Gallons	4.86
6,001 - 9,000 Gallons	6.79	6,001 - 9,000 Gallons	8.49
9,001- 12,000 Gallons	7.77	9,001- 12,000 Gallons	9.70
12,001- 20,000 Gallons	8.74	12,001- 20,000 Gallons	10.91
20,001- 50,000 Gallons	9.70	20,001- 50,000 Gallons	12.13
Over 50,000 Gallons	11.64	Over 50,000 Gallons	14.56
<u>1" Water Meter</u>		<u>1" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	57.90	Minimum Charge	72.38
0 - 4,000 Gallons	2.50	0 - 4,000 Gallons	3.13
4,001 - 10,000 Gallons	3.01	4,001 - 10,000 Gallons	3.75
10,001- 25,000 Gallons	7.51	10,001- 25,000 Gallons	9.39
Over 25,000 Gallons	8.51	Over 25,000 Gallons	10.64
<u>1 1/2" Water Meter</u>		<u>1 1/2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	115.81	Minimum Charge	144.76
0 - 8,000 Gallons	2.50	0 - 8,000 Gallons	3.13
8,001 - 10,000 Gallons	3.01	8,001 - 10,000 Gallons	3.75
10,001- 25,000 Gallons	7.51	10,001- 25,000 Gallons	9.39
Over 25,000 Gallons	8.51	Over 25,000 Gallons	10.64
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
Minimum Charge	185.29	Minimum Charge	231.61
0 - 13,000 Gallons	2.50	0 - 13,000 Gallons	3.13
13,001- 25,000 Gallons	7.51	13,001- 25,000 Gallons	9.39
Over 25,000 Gallons	8.51	Over 25,000 Gallons	10.64

(CONTINUED)

CITY OF SAN MARCOS, TEXAS  
WATER AND SEWER RATES (CONTINUED)  
SEPTEMBER 30, 2018

TABLE 16 (CONTINUED)

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

<b>INSIDE-CITY SEWER RATES</b>		<b>OUTSIDE-CITY SEWER RATES</b>	
<u>Lifeline Rate*</u>		<u>Lifeline Rate*</u>	
Maximum	25.51	Maximum	31.89
<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	25.51	First 2,000 Gallons - Minimum	31.89
Over 2,000 Gallons	7.36	Over 2,000 Gallons	9.18
<u>1" Water Meter*</u>		<u>1" Water Meter*</u>	
	<u>RATE</u>		<u>RATE</u>
First 4,000 Gallons - Minimum	50.95	First 4,000 Gallons - Minimum	63.67
Over 4,000 Gallons	7.36	Over 4,000 Gallons	9.18
<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	101.87	First 8,000 Gallons - Minimum	127.33
Over 8,000 Gallons	7.36	Over 8,000 Gallons	9.18
<u>2" Water Meter</u>		<u>2" Water Meter</u>	
	<u>RATE</u>		<u>RATE</u>
First 13,000 Gallons - Minimum	163.02	First 13,000 Gallons - Minimum	203.76
Over 13,000 Gallons	7.36	Over 13,000 Gallons	9.18

\*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 17

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES					TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	REVENUE AND LIMITED TAX BONDS	CAPITAL LEASES	WATER REVENUE BONDS	ELECTRIC REVENUE BONDS	DRAINAGE CERTIFICATE OF OBLIGATION	CAPITAL LEASES	NOTE PAYABLE			
2009	\$ 19,815,000	\$ 58,145,000	\$ -	\$ -	\$ 102,010,000	\$ 8,740,000	\$ 16,900,000	\$ -	\$ -	\$ 205,610,000	2.87%	\$ 3,814
2010	17,480,000	64,325,000	-	-	106,265,000	9,480,000	19,080,000	-	-	216,630,000	3.01%	48,925
2011	15,975,000	60,865,000	-	-	102,590,000	16,490,000	18,440,000	-	-	214,460,000	2.81%	4,594
2012	27,180,000	44,800,000	-	-	96,810,000	15,395,000	17,545,000	-	-	201,730,000	2.69%	4,315
2013	32,980,000	58,380,000	34,420,000	321,407	96,265,000	35,845,000	17,675,000	-	-	275,886,407	3.43%	5,518
2014	49,940,000	44,110,000	26,630,000	1,300,251	94,305,000	36,955,000	18,410,000	1,462,114	-	273,112,365	3.10%	5,051
2015	84,274,205	37,947,173	5,060,779	1,170,282	99,284,091	40,841,777	19,722,172	1,304,037	-	289,604,516	3.23%	5,266
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%	5,639
2017	85,574,015	43,621,403	-	1,850,468	118,148,401	48,819,818	27,599,894	1,268,203	4,850,000	331,732,202	3.59%	5,352
2018	104,522,704	51,511,252	-	1,297,322	117,036,871	51,625,071	36,137,944	1,173,334	4,760,000	368,064,498	3.98%	5,836

Authorized but Unissued Debt – The City does have authorized but unissued bonds remaining in the aggregate amount of \$7,315,000 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.

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

TABLE 18

<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>
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%	1,679
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%	1,097
2018	102,925,000	9,079,839	93,845,161	1.77%	1,488

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, 2018

TABLE 19

<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	\$ 102,925,000	100.000%	<u>\$ 102,925,000</u>
Hays County	322,918,475	100.000%	<u>322,918,475</u>
Subtotal Overlapping Debt			<u>322,918,475</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u><u>\$ 425,843,475</u></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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 227,693,485	\$ 259,260,471	\$ 269,982,028	\$ 284,630,559
Total Net Debt Applicable to Limit	<u>70,760,996</u>	<u>73,240,069</u>	<u>76,840,000</u>	<u>71,980,000</u>
LEGAL DEBT MARGIN	<u>\$ 156,932,489</u>	<u>\$ 186,020,402</u>	<u>\$ 193,142,028</u>	<u>\$ 212,650,559</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.12%	3.11%	2.82%	2.53%

TABLE 20

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2018

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2018					
2013	2014	2015	2016	2017	2018
\$ 309,376,988	\$ 339,404,523	\$ 366,735,917	\$ 407,076,868	\$ 457,734,357	\$ 530,408,022
<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>102,925,000</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>	<u>\$ 427,483,022</u>
2.28%	2.09%	1.95%	1.84%	1.68%	1.94%

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

TABLE 21

WATER REVENUE BONDS							
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	
				PRINCIPAL	INTEREST		
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	
2018	46,329,180	24,867,508	21,461,672	8,205,000	4,006,660	1.76	

ELECTRIC							
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	
				PRINCIPAL	INTEREST		
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	
2018	60,332,737	51,439,483	8,893,254	1,915,000	1,903,759	2.33	

DRAINAGE							
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	
				PRINCIPAL	INTEREST		
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	
2018	4,990,291	1,792,688	3,197,603	1,435,000	1,010,811	1.31	

\* excluding depreciation expense.

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

TABLE 22

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>UNEMPLOYMENT RATE</u>
2009	53,913	861,466,554	15,979	6.9%
2010	44,894	718,793,973	16,011	7.0%
2011	46,685	762,122,715	16,043	6.6%
2012	46,750	750,337,500	16,050	5.7%
2013	50,001	803,016,060	16,060	5.2%
2014	54,076	879,762,444	16,269	4.2%
2015	55,000	896,500,000	16,300	3.4%
2016	55,200	910,800,000	16,500	3.3%
2017	61,980	925,200,000	16,800	3.1%
2018	63,071	926,000,000	16,800	3.2%

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 23

<u>EMPLOYER</u>	<u>2018</u>	
	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Amazon	3,650	6.55%
Texas State University	3,100	5.56%
San Marcos Premium Outlets	1,700	3.05%
Tanger Factory Outlets	1,600	2.87%
San Marcos CISD	1,300	2.33%
Hays County	820	1.47%
CFAN	810	1.46%
Central Texas Medical Center	700	1.26%
H.E.B. Distribution Center	700	1.26%
City of San Marcos	<u>700</u>	<u>1.26%</u>
TOTAL	<u>15,080</u>	<u>27.07%</u>
TOTAL CITY/COUNTY EMPLOYEES	<u>55,750</u>	
<u>EMPLOYER</u>	<u>2009</u>	
	<u>EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Texas State University	3,350	7.80%
Prime Outlets San Marcos	2,200	3.30%
Tanger Factory Outlet Center	1,620	2.40%
San Marcos CISD	1,200	1.75%
Grande Communications	875	1.35%
Hays County	855	1.34%
Hunter Industry	655	1.00%
Central Texas Medical Center	650	1.00%
H.E.B. Distribution Center	590	0.89%
Gary Job Corps	<u>580</u>	<u>0.87%</u>
TOTAL	<u>12,575</u>	<u>21.70%</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 24

<u>FUNCTION/PROGRAM</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>2018</u>
General Government										
Administration	19.00	19.00	19.50	20.38	18.00	20.00	21.00	21.00	22.00	24.00
Human Resources	10.00	9.00	9.00	10.00	11.00	10.00	11.00	11.00	11.00	11.00
Finance	32.64	15.54	15.54	15.54	17.54	18.00	19.00	19.00	21.00	22.00
Municipal Court	-	9.60	9.98	10.48	10.48	12.00	13.00	13.00	14.00	13.00
Technology Services	-	10.00	10.00	10.00	11.00	13.00	19.00	19.00	21.00	21.00
Development Services	10.00	10.50	10.50	9.50	23.50	22.00	21.00	21.00	22.00	27.00
Permit Center	9.50	5.50	5.50	10.50	-	-	-	-	-	-
Police										
Operations	86.00	88.00	85.00	85.00	87.00	91.00	145.00	149.00	152.00	154.00
Fire										
Firefighters and Officers	55.00	60.50	64.00	65.00	66.00	70.00	73.00	73.00	76.00	88.00
Main Street	1.48	1.48	1.48	1.48	1.48	2.00	2.00	2.00	3.00	3.00
Public Services	32.50	35.00	35.00	35.00	30.00	28.00	33.00	37.00	38.00	37.00
CIP/Engineering	12.98	9.48	9.48	12.48	18.00	10.00	12.50	16.00	17.00	24.00
Community Services	49.62	53.14	51.64	52.57	55.73	119.00	185.34	193.68	197.00	201.00
Capital Improvements Fund	-	-	-	-	-	-	8.00	2.00	-	-
Water/Wastewater	54.00	51.50	51.50	51.50	48.50	49.00	56.00	58.83	63.00	65.00
Electric	50.50	49.00	49.00	49.00	52.00	56.00	61.00	60.83	66.00	67.00
Drainage	-	2.00	2.00	2.00	2.00	3.00	6.00	6.00	9.00	11.00
Solid Waste	-	-	-	-	1.33	2.34	1.33	2.33	4.00	7.00
Transit	-	-	-	-	0.83	1.33	1.33	1.33	1.00	1.00
WIC	24.00	26.00	26.00	28.00	26.00	23.00	26.00	26.00	26.00	26.00
Hotel Occupancy Tax Fund	-	-	-	-	-	-	2.00	2.00	10.00	10.00
CDBG	-	-	-	-	-	-	2.00	2.00	3.00	3.00
TOTAL	<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>	<u>815.00</u>

Source: Finance Department

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

TABLE 25

FUNCTION/PROGRAM	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building Permits Issued	2,200	2,200	2,400	2,600	2,600	2,700	2,750	4,553	4,825	4,900
Police										
Physical Arrests	2,698	2,602	2,647	2,943	2,281	2,309	2,401	2,577	2,437	2,499
Parking Violations	4,484	6,185	5,799	4,883	3,504	6,540	7,919	6,579	6,889	9,399
Traffic Violations	12,486	10,135	10,325	7,849	6,615	6,645	6,557	6,508	7,318	6,344
Fire										
Emergency Responses	3,125	3,000	3,308	2,648	4,424	4,303	4,601	4,635	5,419	5,797
Fires Extinguished	145	122	210	210	155	165	149	210	185	171
Prevention/Safety Education	15,000	15,000	10,000	10,000	10,250	10,500	22,000	22,000	11,500	11,200
Other Public Works										
Street Resurfacing (Miles)	8	8	6	13	18	18	20	20	20	20
Potholes Repaired	175	200	223	250	220	220	220	220	220	220
Parks and Recreation										
Facility Rental Bookings	5,500	5,500	5,500	5,500	5,500	5,600	5,700	5,800	5,500	5,600
Community Center Admissions	2,450	2,500	150,000	150,000	150,000	155,000	157,000	158,000	165,000	166,000
Library										
Volumes in Collection	148,900	149,500	154,500	156,000	157,000	162,500	162,500	162,500	165,000	168,000
Total Volumes Borrowed	449,000	471,800	481,000	486,000	469,000	467,500	462,500	462,500	474,000	495,000
Water										
New Connections	100	224	200	300	300	400	400	400	550	600
Water Main Breaks	300	100	200	350	350	300	300	300	240	240
Average Daily Consumption (thousands of gallons)	6,667	7,091	7,221	6,954	6,792	6,663	7,019	7,453	7,430	8,034
Peak Daily Consumption (thousands of gallons)	10,652	11,383	10,268	10,994	9,298	9,361	10,933	11,254	9,018	10,161
Wastewater										
Average Daily Sewage Treatment (samples collected/tested)	5,700	5,700	5,700	5,700	5,700	6,000	6,400	5,024	6,400	6,400

Source: Various City Departments

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

TABLE 26

FUNCTION/PROGRAM	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	118	117	118	118	118	118	131	149	146	145
Fire										
Stations	4	5	5	5	5	5	5	5	5	6
Other Public Works										
Streets (Miles)	309	309	302	302	311	311	311	311	377	382
Streetlights	3,517	3,518	3,559	3,575	3,575	3,575	3,575	3,710	3,821	3,888
Traffic Signals	52	54	48	48	48	48	48	46	61	63
Parks and Recreation										
Acreage	1,178	1,699	1,699	1,806	1,826	2,120	2,200	2,300	2,300	1,796
Playgrounds	39	50	59	59	60	60	60	60	60	45
Baseball/Softball Diamonds	9	9	9	13	13	13	13	13	13	13
Soccer/Football Fields	9	10	10	10	10	10	10	10	10	11
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Fire Hydrants	1,727	1,775	1,551	1,611	1,691	1,750	1,825	1,862	1,919	2,006
Wastewater										
Sanitary Sewers (Miles)	198	205	206	209	215	209	213	217	223	229
Storm Sewers (Miles)	43	52	55	55	61	56	63	73	83	89
Treatment Capacity (thousands of gallons)	9 MGD*									

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

CITY OF SAN MARCOS, TEXAS  
ECONOMIC DEVELOPMENT

TABLE 27

**Economic Development**  
**380 Agreements**

<u>Business Name</u>	<u>2018 Incentive Total</u>	<u>Year Agreement Began</u>	<u>Year Agreement Expires</u>	<u>Incentive Given</u>
Amazon.com.kydc, LLC	\$ 831,140	2018	2037	Rebate of real and personal ad valorem tax
BestBuy.com, LLC	4,933,727	2018	2047	Rebate of sales taxes and personal property ad valorem tax
Corvac Composites, LLC	-	2013	2024	Rebate of real and personal ad valorem tax
Epic piping	63,003	2016	2025	Rebate of real and personal ad valorem tax
HEB Warehouse	-	2008	2029	Rebate of real ad valorem tax
Tanger	289,436	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, 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, 2018, 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 5, 2019.

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

San Antonio, Texas  
March 5, 2019