



# SAN MARCOS

## City of San Marcos, Texas

### Comprehensive Annual Financial Report

For the Fiscal Year Ended  
September 30, 2019

**PREPARED BY:**

**City of San Marcos Finance Department**

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**CITY OF SAN MARCOS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the year ended September 30, 2019**

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## **INTRODUCTORY SECTION**

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**CITY OF SAN MARCOS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the year ended September 30, 2019**

**PRINCIPAL PUBLIC OFFICIALS**

**CITY COUNCIL**

Jane Hughson – Mayor

Lisa Prewitt – Place 1

Saul Gonzales – Place 2

Ed Mihalkanin – Place 3

Mark Rockeymoore – Place 4

Joca Marquez – Place 5

Melissa Derrick – Place 6

**ADMINISTRATION**

Bert Lumbreras – City Manager  
Steve Parker – Assistant City Manager  
Stephanie Reyes – Interim 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, 2018**

*Christopher P. Morill*

Executive Director/CEO

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Transmittal Letter

For the Fiscal Year  
Ended  
September 30, 2019

City of San Marcos  
San Marcos, Texas

March 17, 2020

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, 2019. 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, 2019. 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 expanded the square footage by 16,000 sf in 2016. Phase II was financed with taxable bond issuance.

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 development of the adopted budget reflects the local and regional economic projections which have continued to remain extremely strong over the past several years. San Marcos and the surrounding areas have been recognized as one of the fastest growing areas in the United States. Property tax appraisals have increased by 11 percent for fiscal year 2020 and the City is seeing indications of continued growth for the future with the addition of residential developments, business growth, and continued economic development opportunities.

The General Fund continues to grow due to strong property valuation growth and increased sales tax collections. The average home value continues to increase with the strong residential growth. The average home value for tax year 2019 is \$208,000, an increase of \$13,000 or 6.7% from tax year 2018.

### 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 2019 the City of San Marcos recognized a \$1.2M increase, or 7.0%, in sales tax collections. Base sales taxes collections and Prime and Tanger outlet malls increased 7% and 6% respectively over the prior year for total collections of \$29.7M in FY 2019.

The City is perhaps best known for its Outlet Malls – Premium and Tanger – which have made San Marcos a popular tourist destination in Texas. The Outlet Malls provide access to hundreds of stores in the 1.2 million square foot complex and attracts shoppers from all over the United States and internationally. The City has seen steady growth in sales tax revenues, 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 2.6% rate in December 2019, lower than the state rate of 3.4% and the national rate of 3.5%. As a result of this low rate, San Marcos residents have greater job opportunities locally. San Marcos has added several large employers to the City over the past several years including Amazon, 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 2,400 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 increased 10% in FY 2019 over the previous year.

## 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 Vitality
- ✓ 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 2020 budget, the Citizens Utility Advisory Board (CUAB) recommends a 5% rate adjustment in water and 3% 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 Alliance Regional Water Authority (ARWA) formally the Hays County Public Utility Agency (HCPUA).

The City is continuing to explore future water supplies through the ARWA. 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 \$76.5 Million and is anticipated for the year 2023. 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, the Stormwater Master Plan was adopted in 2018 followed by the adoption of the Transportation Master Plan in 2019. 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 September 2019. 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, 2019, 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, 2018. 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 36 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.

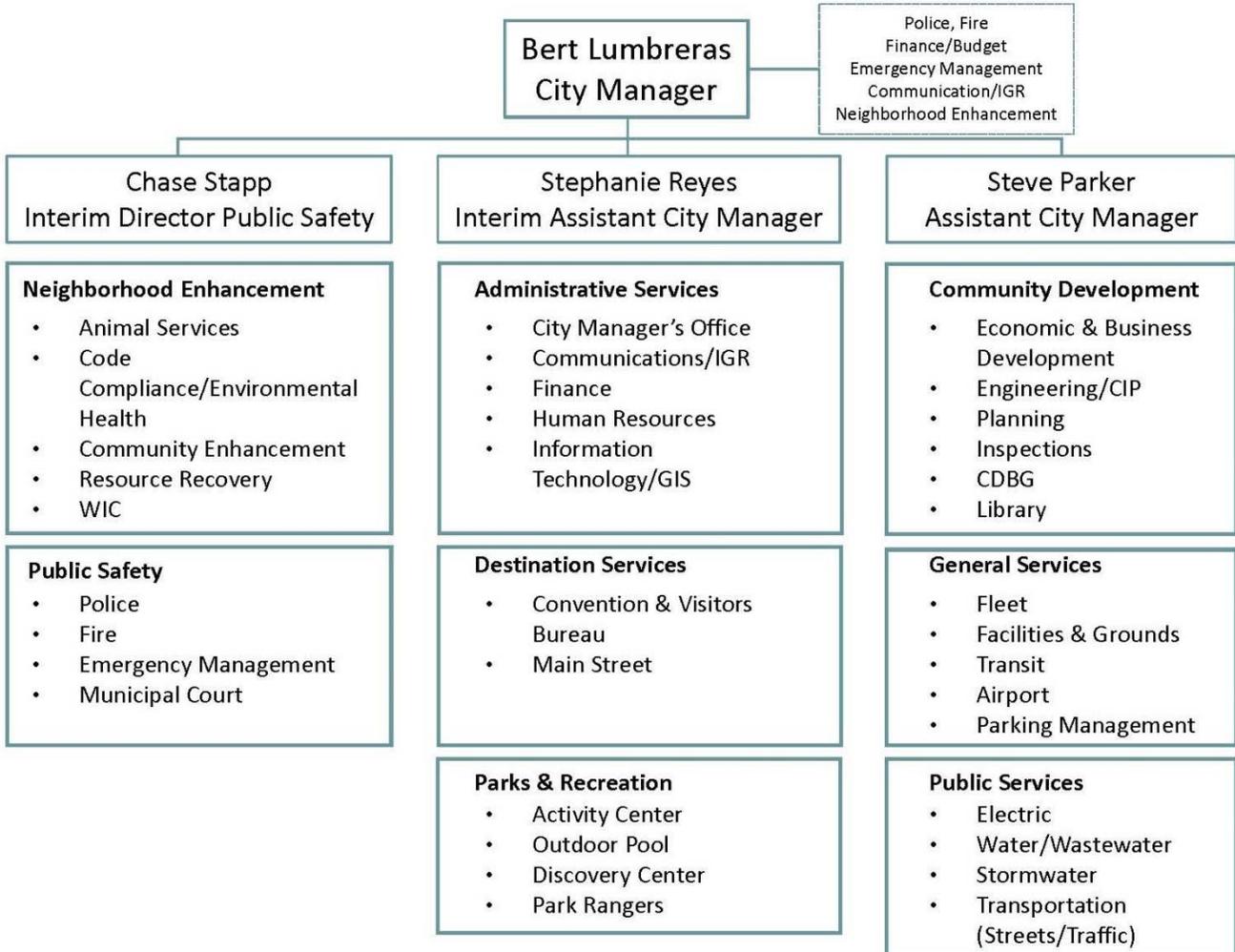
Respectfully submitted,

//signature on file//  
Bert Lumbreras  
City Manager

//signature on file//  
Melissa Ann Neel  
Assistant Director of Finance

**CITY OF SAN MARCOS, TEXAS**

**ORGANIZATIONAL CHART  
2018-2019**



## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' 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, 2019, 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.

***Auditors' 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, 2019, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 5H, 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 17, 2020, on our consideration of the City of San Marcos, Texas' 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 solely 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 the effectiveness of the City's 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 17, 2020

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# CITY OF SAN MARCOS, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2019

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, 2019. 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 x-xi of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City of San Marcos exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ending September 30, 2019, by \$299.2 million (net position). Of this amount, \$26.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2019, the City of San Marcos' governmental funds reported combined ending fund balances of \$91.0 million, an increase of \$5.0 million in comparison with the prior fiscal year. This is primarily attributed to the issuance of bonds in the amount of \$22.3 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 \$16.6 million, or 25% of total general fund expenditures.
- The City's total debt increased by \$21.3 million during the current fiscal year. The City issued \$30.3 million in certificate of obligation bonds and \$11.9 million in special assessment tax revenue bonds for approved CIP projects and developments.

### 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 – 11 of this report.

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

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

Because the focus of governmental funds are more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of San Marcos maintains 26 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 23 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

The basic governmental fund financial statements can be found on pages 12 – 16 of this report.

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

The City of San Marcos maintains six individual enterprise funds: electric, water and wastewater, airport, transit, 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 17 – 21 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 25 – 64 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 86 – 117 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net position was \$299.2 million as of September 30, 2019. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental activities net position is \$87.3 million and the business-type activities net position is \$211.8 million. This analysis focuses on the net position (Table 1) and changes in net position of the City's governmental and business-type activities (Table 2).

By far, the largest portion of the City's net position (66%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The deficit balance in the governmental activities unrestricted net position is primarily due to City expenses for assets owned by other entities. The City issues bonds to finance these projects that do not get capitalized on the City's financial statements. The net effect of these transactions leaves a liability balance on the City's financial statements for the bonds the City is still obligated to pay. The remaining balance of unrestricted net position \$26.3 million may be used to meet the government's ongoing obligations to citizens and creditors.

**TABLE 1**  
**CITY OF SAN MARCOS' NET POSITION**

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 107,996,752	\$ 99,330,618	\$ 197,858,854	\$ 183,993,612	\$ 305,855,606	\$ 283,324,230
Capital assets	197,890,401	187,921,493	252,731,410	234,934,373	450,621,811	422,855,866
Total assets	305,887,153	287,252,111	450,590,264	418,927,985	756,477,417	706,180,096
Deferred outflows of resources	21,023,297	12,658,385	7,272,743	5,930,810	28,296,040	18,589,195
<b>Liabilities</b>						
Long-term liabilities	212,892,283	182,226,715	215,821,668	204,323,766	428,713,951	386,550,481
Other liabilities	26,371,835	23,203,205	30,127,900	26,311,343	56,499,735	49,514,548
Total liabilities	239,264,118	205,429,920	245,949,568	230,635,109	485,213,686	436,065,029
Deferred inflows of resources	316,351	4,383,154	73,466	962,155	389,817	5,345,309
<b>Net position</b>						
Net investment in capital assets	81,220,093	89,842,218	117,499,938	113,115,001	198,720,031	202,957,219
Restricted	73,901,843	17,134,285	-	221,981	73,901,843	17,356,266
Unrestricted (deficit)	(67,791,955)	(16,879,081)	94,340,035	79,924,549	26,548,080	63,045,468
Total net position	\$ 87,329,981	\$ 90,097,422	\$ 211,839,973	\$ 193,261,531	\$ 299,169,954	\$ 283,358,953

**Governmental activities.** The City's governmental revenues increased when compared to the prior year by 10.6% or \$11,253,294. This increase is primarily due to an increase in property and sales tax revenue with a total tax revenue increase of \$5.1 million.

One of the more significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$37.1 million.

**Business-type activities.** Revenues of the City's business-type activities were \$117.7 million for the fiscal year ending September 30, 2019. Expenses for the City's business-type activities were \$104.3 million for the year, resulting in a net increase in net position of \$18.6 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 \$45.3 million, which exceeded expenses of \$37.6 million. The most significant expenses of the Water and Wastewater Fund are \$9.5 million for contracted services for the operation of the surface water and wastewater treatment plants along with the cost of surface water and \$5.3 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 \$56.2 million, which exceeded expenses of \$52.3 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 due to a combination of revenue from water, sewer, and electric sales from rate adjustments in water and sewer, growth in the number of customers for all three utilities, and an increase in interest earnings due to the positive change in the market that off-set the expenses within the corresponding water, sewer and electric funds.

Governmental and business-type activities increased the City's net position (Table 2) by \$15.8 million.

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

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 16,871,053	\$ 19,348,892	\$ 112,387,053	\$ 116,459,314	\$ 129,258,106	\$ 135,808,206
Operating grants and contributions	10,815,619	5,238,213	-	-	10,815,619	5,238,213
Capital grants and contributions	3,632,058	2,956,568	1,033,076	981,779	4,665,134	3,938,347
General revenues:						
Property taxes, levied for						
general purposes	31,473,324	28,724,211	-	-	31,473,324	28,724,211
Sales taxes	37,148,661	34,733,037	-	-	37,148,661	34,733,037
Franchise taxes	9,334,827	9,399,107	-	-	9,334,827	9,399,107
Hotel/motel taxes	3,964,926	3,720,944	-	-	3,964,926	3,720,944
Investment earnings	2,298,387	1,018,563	4,304,902	1,989,509	6,603,289	3,008,072
Other	1,666,156	812,182	14,005	-	1,680,161	812,182
Total revenues	<u>117,205,011</u>	<u>105,951,717</u>	<u>117,739,036</u>	<u>119,430,602</u>	<u>234,944,047</u>	<u>225,382,319</u>
<b>EXPENSES</b>						
General government	49,089,717	39,538,297	-	-	49,089,717	39,538,297
Public safety	37,061,552	33,731,134	-	-	37,061,552	33,731,134
Community service	21,820,704	19,874,494	-	-	21,820,704	19,874,494
Interest and fiscal charges	6,906,010	5,338,567	-	-	6,906,010	5,338,567
Electric	-	-	53,613,429	54,804,049	53,613,429	54,804,049
Water and sewer	-	-	40,207,034	38,337,335	40,207,034	38,337,335
Airport	-	-	769,537	684,607	769,537	684,607
Drainage	-	-	4,539,186	4,066,821	4,539,186	4,066,821
Transit	-	-	615,880	584,269	615,880	584,269
Resource recovery	-	-	4,509,997	3,994,357	4,509,997	3,994,357
Total expenses	<u>114,877,983</u>	<u>98,482,492</u>	<u>104,255,063</u>	<u>102,471,438</u>	<u>219,133,046</u>	<u>200,953,930</u>
Increases (decreases) in net position before transfers	2,327,028	7,469,225	13,483,973	16,959,164	15,811,001	24,428,389
Transfers	<u>(5,094,469)</u>	<u>(592,144)</u>	<u>5,094,469</u>	<u>592,144</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(2,767,441)</u>	<u>6,877,081</u>	<u>18,578,442</u>	<u>17,551,308</u>	<u>15,811,001</u>	<u>24,428,389</u>
NET POSITION - BEGINNING	90,097,422	85,628,292	193,261,531	176,244,468	283,358,953	261,872,760
RESTATEMENT OF BEGINNING NET POSITION	-	(2,407,951)	-	(534,245)	-	(2,942,196)
NET POSITION AT BEGINNING OF YEAR AS RESTATED	<u>90,097,422</u>	<u>83,220,341</u>	<u>193,261,531</u>	<u>175,710,223</u>	<u>283,358,953</u>	<u>258,930,564</u>
NET POSITION - ENDING	<u>\$ 87,329,981</u>	<u>\$ 90,097,422</u>	<u>\$ 211,839,973</u>	<u>\$ 193,261,531</u>	<u>\$ 299,169,954</u>	<u>\$ 283,358,953</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of San Marcos' governmental funds reported combined fund balances of \$91.0 million, an increase of \$5.0 million in comparison with the prior year. Approximately 18.3% of this total amount constitutes unassigned fund balance, which is available for use within the City's fund designation and fiscal policies. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase prepaid expenses of the prior period, 2) to pay debt service, 3) for capital projects, 4) to be used for general government, or 5) to be used for community services.

The general fund is the main operating fund of the City of San Marcos. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16.6 million, while total fund balance reached \$17.1 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 \$284,880 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 \$803,475 from 2018 to 2019. 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 \$991,778 primarily due to a new bond issue of \$10.4 million. Increases in the general fund and other governmental fund balances contributed to the net increase in fund balances of \$5.0 million.

TABLE 3  
GOVERNMENTAL TAX REVENUES

	2019	2018	INCREASE (DECREASE)
Property	\$ 31,376,804	\$ 28,727,690	\$ 2,649,114
Sales	37,148,661	34,733,037	2,415,624
Franchise	9,334,827	9,399,107	(64,280)
Hotel/motel	3,964,926	3,720,944	243,982
Mixed drink	509,070	517,854	(8,784)
	\$ 82,334,288	\$ 77,098,632	\$ 5,235,656

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

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

Unrestricted net position of water and wastewater fund at the end of the year amounted to \$52.3 million and those for the electric fund amounted to \$35.9 million. Other factors concerning the finances of these two funds have already been discussed in the discussion of the City of San Marcos’ business-type activities in the government-wide financial statements.

### GENERAL FUND BUDGETARY HIGHLIGHTS

For FY2019, actual expenditures on a budgetary basis were \$74.9 million compared to the budget amount of \$77.6 million. The \$2.7 million positive variance was due to savings achieved through salary vacancy savings and conservative spending.

For FY2019, actual revenues on a budgetary basis were \$80.8 million as compared to the budget amount of \$80.8 million.

The City of San Marcos has a general fund balance of \$17.1 million as of the fiscal year-end, compared to the budgeted fund balance of \$14.6 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 2019, the City had \$450.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater lines (See Table 4). For more detailed information on capital assets, please refer to the accompanying notes pages 40 – 41.

TABLE 4  
CITY OF SAN MARCOS’ CAPITAL ASSETS AT YEAR-END  
(Net of accumulated depreciation)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Land	\$ 25,893,226	\$ 20,582,932	\$ 5,539,118	\$ 5,539,118	\$ 31,432,344	\$ 26,122,050
Buildings	24,723,628	25,263,024	2,121,759	2,239,327	26,845,387	27,502,351
Improvements other than buildings	76,999,919	73,325,060	79,747,241	74,340,747	156,747,160	147,665,807
Equipment	8,018,272	8,579,826	4,788,002	5,183,490	12,806,274	13,763,316
Construction in progress	36,956,942	35,185,932	160,535,290	147,631,691	197,492,232	182,817,623
Infrastructure	25,298,414	24,984,719	-	-	25,298,414	24,984,719
 Total capital assets	 <u>\$ 197,890,401</u>	 <u>\$ 187,921,493</u>	 <u>\$ 252,731,410</u>	 <u>\$ 234,934,373</u>	 <u>\$ 450,621,811</u>	 <u>\$ 422,855,866</u>

**Long-term liabilities.** At year-end, the City had \$380.7 million in general obligation bonds, combination tax and revenue certificates of obligations capital leases, note payable, and revenue bonds outstanding as compared to \$357.0 million at the end of the prior fiscal year, an increase of 6.23%. For more detailed information on long term liabilities, please refer to the accompanying notes on pages 42-46.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 128,070,000	\$ 115,745,000	\$ -	\$ -	\$ 128,070,000	\$ 115,745,000
Discount on bonds	(62,040)	(69,550)	(117,235)	(128,959)	(179,275)	(198,509)
Premium on bonds	12,091,554	12,288,506	12,589,532	11,693,846	24,681,086	23,982,352
Deferred amounts on refundings	(5,872,615)	(6,499,417)	(3,936,976)	(4,578,844)	(9,809,591)	(11,078,261)
General obligation bonds - privately placed	29,310,000	28,070,000	-	-	29,310,000	28,070,000
Capital leases	1,548,089	1,297,322	1,452,745	1,173,334	3,000,834	2,470,656
Notes payable	-	-	4,665,000	4,760,000	4,665,000	4,760,000
Revenue bonds	-	-	196,415,000	188,400,000	196,415,000	188,400,000
Revenue bonds - privately placed	-	-	4,570,000	4,835,000	4,570,000	4,835,000
<b>Total debt</b>	<b>\$ 165,084,988</b>	<b>\$ 150,831,861</b>	<b>\$ 215,638,066</b>	<b>\$ 206,154,377</b>	<b>\$ 380,723,054</b>	<b>\$ 356,986,238</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 \$570,523 at September 30, 2019, compared to \$504,573 at September 30, 2018.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The development of the adopted budget reflects the local and regional economic projections which have continued to remain extremely strong over the past several years. San Marcos and the surrounding areas have been recognized as one of the fastest growing areas in the United States. The adopted budget of \$239,058,972 is an increase of \$9.7 million or 4.2% from the adopted fiscal year 2019 budget.

Property tax appraisals have increased by 11 percent for fiscal year 2020 and the City is seeing indications of continued growth for the future with the addition of residential developments, business growth, and continued economic development opportunities.

The General Fund continues to grow due to strong property valuation growth and increased sales tax collections. The FY20 property tax levy will be used to pay debt service on outstanding General Fund obligations and support General Fund maintenance and operations. Of the 61.39 cents per \$100 of valuation levied, 20.69 cents goes to debt payments and 40.7 cents goes to maintenance and operations. Operations include police and fire protection, parks operation and maintenance, activity center, library, animal services, road maintenance, traffic control, and other general governmental functions. General Fund obligations include certificate obligation bonds (COs) and voter approved general obligation bonds (GOs) used for the 2017 bond projects to renovate and expand the library, police headquarter renovations, two additional fire stations, and a fire training facility.

Sales taxes represent 44% of total general fund revenue or \$38 million projected for fiscal year 2020. 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 City's total headcount for FY20 is 850 which is an increase of 33 positions from the prior year adopted budget. The positions that were added were spread across all departments where needs had been identified.

The Water/Wastewater Utility continues to move forward to secure the future water supply for the next 50 years. Rates have been increased steadily, in small annual increments, over the past 5 years in preparation for this project. The first phase of the project of building a water line between Kyle, Buda and San Marcos is under construction and the second phase will begin in fiscal year 2020.

The Electric Utility continues to serve the City while improving infrastructure and expanding the utility to accommodate the growth in the area. This has been achieved without the need for a rate adjustment over the past several years.

San Marcos experienced major flooding during 2015 and additional smaller flood events over the past several years. The City was awarded \$33.7 million in Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to fund selected projects and for use in community and housing needs. In Fiscal Year 2019 the City was awarded a new grant of \$24 million (CDBG-MIT) focused on disaster mitigation.

The FY2019-20 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 \$56.6 million, or 23.6% 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, 2019**

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,150,275	\$ 13,895,366	\$ 25,045,641
Investments	75,725,243	171,985,792	247,711,035
Receivables - net of allowances for uncollectibles:			
Taxes	1,110,600	-	1,110,600
Accounts	9,683,633	17,622,150	27,305,783
Due from other governments	618,788	-	618,788
Internal balances	9,198,571	(9,198,571)	-
Inventories	484,993	3,537,419	4,022,412
Prepaid items	24,649	16,698	41,347
Capital assets:			
Land	25,893,226	5,539,118	31,432,344
Construction in progress	36,956,942	160,535,290	197,492,232
Buildings	36,838,075	5,897,675	42,735,750
Improvements other than buildings	167,802,275	227,296,153	395,098,428
Equipment	37,488,907	15,893,078	53,381,985
Infrastructure	44,718,279	-	44,718,279
Less: accumulated depreciation	<u>(151,807,303)</u>	<u>(162,429,904)</u>	<u>(314,237,207)</u>
Total assets	<u>305,887,153</u>	<u>450,590,264</u>	<u>756,477,417</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	13,994,749	3,072,021	17,066,770
Deferred outflows related to TMRS SDBF	117,575	35,814	153,389
Deferred outflows related to retiree healthcare	1,038,358	227,932	1,266,290
Deferred charge on bond refunding	<u>5,872,615</u>	<u>3,936,976</u>	<u>9,809,591</u>
Total deferred outflows of resources	<u>21,023,297</u>	<u>7,272,743</u>	<u>28,296,040</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2019**

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>LIABILITIES</b>			
Accounts payable	\$ 7,230,457	\$ 7,746,177	\$ 14,976,634
Accrued liabilities	3,343,254	266,670	3,609,924
Unearned revenues	3,112,474	1,390,943	4,503,417
Customer deposits	-	4,931,564	4,931,564
Accrued interest payable	839,649	1,274,272	2,113,921
Noncurrent liabilities:			
Due within one year	11,846,001	14,518,274	26,364,275
Due in more than one year	166,683,943	205,640,213	372,324,156
Net pension liability	40,800,176	8,994,295	49,794,471
OPEB liability related to TMRS SDBF	1,271,384	279,084	1,550,468
OPEB liability related to retiree healthcare	4,136,780	908,076	5,044,856
Total liabilities	239,264,118	245,949,568	485,213,686
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	230,489	54,618	285,107
Deferred inflows related to TMRS SDBF	85,862	18,848	104,710
Total deferred outflows of resources	316,351	73,466	389,817
<b>NET POSITION</b>			
Net investment in capital assets	81,220,093	117,499,938	198,720,031
Restricted for:			
Community services	7,128,043	-	7,128,043
Other capital projects	56,398,561	-	56,398,561
Public safety	491,925	-	491,925
Debt service	9,883,314	-	9,883,314
Unrestricted (deficit)	(67,791,955)	94,340,035	26,548,080
Total net position	\$ 87,329,981	\$ 211,839,973	\$ 299,169,954

The accompanying notes are an integral part of the financial statements.

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**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2019**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government				
Governmental activities				
General government	\$ 49,089,717	\$ 13,550,158	\$ 4,878,638	\$ 2,001,921
Public safety	37,061,552	1,402,992	113,426	347,332
Community service	21,820,704	1,917,903	5,823,555	1,282,805
Interest and other fees	<u>6,906,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>114,877,983</u>	<u>16,871,053</u>	<u>10,815,619</u>	<u>3,632,058</u>
Business-type activities				
Electric	53,613,429	56,189,627	-	1,033,076
Water and wastewater	40,207,034	45,316,631	-	-
Airport	769,537	529,059	-	-
Drainage	4,539,186	5,769,552	-	-
Transit	615,880	-	-	-
Resource recovery	<u>4,509,997</u>	<u>4,582,184</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>104,255,063</u>	<u>112,387,053</u>	<u>-</u>	<u>1,033,076</u>
Total government	<u>\$ 219,133,046</u>	<u>\$ 129,258,106</u>	<u>\$ 10,815,619</u>	<u>\$ 4,665,134</u>
General Revenues				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Hotel/motel taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
NET POSITION - BEGINNING				
NET POSITION - ENDING				

The accompanying notes are an integral part of the financial statements.

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (28,659,000)	\$ -	\$ (28,659,000)
(35,197,802)	-	(35,197,802)
(12,796,441)	-	(12,796,441)
<u>(6,906,010)</u>	<u>-</u>	<u>(6,906,010)</u>
<u>(83,559,253)</u>	<u>-</u>	<u>(83,559,253)</u>
-	3,609,274	3,609,274
-	5,109,597	5,109,597
-	(240,478)	(240,478)
-	1,230,366	1,230,366
-	(615,880)	(615,880)
-	72,187	72,187
<u>-</u>	<u>9,165,066</u>	<u>9,165,066</u>
<u>(83,559,253)</u>	<u>9,165,066</u>	<u>(74,394,187)</u>
31,473,324	-	31,473,324
37,148,661	-	37,148,661
9,334,827	-	9,334,827
3,964,926	-	3,964,926
509,070	-	509,070
2,298,387	4,304,902	6,603,289
1,157,086	14,005	1,171,091
<u>(5,094,469)</u>	<u>5,094,469</u>	<u>-</u>
<u>80,791,812</u>	<u>9,413,376</u>	<u>90,205,188</u>
<u>(2,767,441)</u>	<u>18,578,442</u>	<u>15,811,001</u>
<u>90,097,422</u>	<u>193,261,531</u>	<u>283,358,953</u>
<u>\$ 87,329,981</u>	<u>\$ 211,839,973</u>	<u>\$ 299,169,954</u>

**CITY OF SAN MARCOS, TEXAS**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**September 30, 2019**

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$ 287,440	\$ 4,570,271	\$ 45,185	\$ 5,995,035	\$ 10,897,931
Investments	20,996,125	37,776,684	12,857,754	1,101,323	72,731,886
Receivables - net of allowances for uncollectibles					
Taxes, net	442,622	-	367,618	300,360	1,110,600
Accounts	4,201,075	250,404	3,603,759	1,628,250	9,683,488
Due from other funds	-	15,873,136	-	874,205	16,747,341
Due from other governments	-	-	-	618,788	618,788
Inventories	484,993	-	-	-	484,993
Prepays	13,787	-	-	10,862	24,649
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 26,426,042</u>	<u>\$ 58,470,495</u>	<u>\$ 16,874,316</u>	<u>\$ 10,528,823</u>	<u>\$ 112,299,676</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,682,522	\$ 1,977,762	\$ -	\$ 1,495,724	\$ 7,156,008
Accrued liabilities	2,737,854	-	-	34,877	2,772,731
Unearned revenue	2,520,333	94,172	-	497,969	3,112,474
Customer deposits	-	-	-	2,131	2,131
Due to other funds	-	-	6,674,565	874,205	7,548,770
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>8,940,709</u>	<u>2,071,934</u>	<u>6,674,565</u>	<u>2,904,906</u>	<u>20,592,114</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	<u>358,003</u>	<u>-</u>	<u>316,437</u>	<u>-</u>	<u>674,440</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	484,993	-	-	-	484,993
Prepays	13,787	-	-	3,949	17,736
Restricted for:					
Court technology	-	-	-	203,160	203,160
Seized assets	-	-	-	110,742	110,742
Court security	-	-	-	121,245	121,245
Juvenile case manager	-	-	-	56,778	56,778
Community services	-	-	-	7,128,043	7,128,043
Capital projects	-	56,398,561	-	-	56,398,561
Debt service	-	-	9,883,314	-	9,883,314
Unassigned	16,628,550	-	-	-	16,628,550
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>17,127,330</u>	<u>56,398,561</u>	<u>9,883,314</u>	<u>7,623,917</u>	<u>91,033,122</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,426,042</u>	<u>\$ 58,470,495</u>	<u>\$ 16,874,316</u>	<u>\$ 10,528,823</u>	<u>\$ 112,299,676</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**RECONCILIATION OF BALANCE SHEET –  
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION**

**September 30, 2019**

Total fund balances - total governmental funds \$ 91,033,122

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. 197,890,401

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. 674,440

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. 2,603,005

Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (204,870,987)

Net position of governmental activities - statement of net position \$ 87,329,981

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**For the year ended September 30, 2019**

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 66,441,235	\$ -	\$ 11,418,011	\$ 4,475,042	\$ 82,334,288
Licenses and permits	3,480,906	-	-	-	3,480,906
Fees and penalties	1,286,335	-	-	120,471	1,406,806
Charges for services	7,521,939	-	-	204,937	7,726,876
Intergovernmental	686,211	1,622,232	3,603,738	6,538,725	12,450,906
Interest on investments	447,565	1,274,541	336,665	174,009	2,232,780
Contributions and donations	85,144	-	-	-	85,144
Miscellaneous	881,909	3,192,994	93,204	275,710	4,443,817
Total revenues	<u>80,831,244</u>	<u>6,089,767</u>	<u>15,451,618</u>	<u>11,788,894</u>	<u>114,161,523</u>
<b>EXPENDITURES</b>					
Current:					
General government	28,978,552	2,869,349	-	4,384,876	36,232,777
Public safety	33,654,880	-	-	201,477	33,856,357
Community service	12,073,332	-	-	6,963,321	19,036,653
Capital outlay	89,408	22,094,909	-	119,569	22,303,886
Debt service:					
Principal	93,210	253,633	8,715,000	-	9,061,843
Interest and fiscal charges	13,563	15,200	6,200,073	387,595	6,616,431
Bond issuance cost	-	124,993	-	458,225	583,218
Total expenditures	<u>74,902,945</u>	<u>25,358,084</u>	<u>14,915,073</u>	<u>12,515,063</u>	<u>127,691,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,928,299</u>	<u>(19,268,317)</u>	<u>536,545</u>	<u>(726,169)</u>	<u>(13,529,642)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	152,607	8,549,323	2,261,410	3,049,962	14,013,302
Transfers out	(5,117,265)	-	(1,994,480)	(11,996,026)	(19,107,771)
Capital lease	-	532,244	-	-	532,244
Issuance of debt	-	10,395,000	-	11,885,000	22,280,000
Premium on debt issued	-	783,528	-	-	783,528
Total other financing sources (uses)	<u>(4,964,658)</u>	<u>20,260,095</u>	<u>266,930</u>	<u>2,938,936</u>	<u>18,501,303</u>
Net change in fund balances	963,641	991,778	803,475	2,212,767	4,971,661
FUND BALANCES - BEGINNING	<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>
FUND BALANCES - ENDING	<u>\$ 17,127,330</u>	<u>\$ 56,398,561</u>	<u>\$ 9,883,314</u>	<u>\$ 7,623,917</u>	<u>\$ 91,033,122</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

**For the year ended September 30, 2019**

Net change in fund balances - total governmental funds \$ 4,971,661

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. 7,966,987

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,098,441

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. (14,599,295)

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. (1,538,963)

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. (2,611,319)

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. 945,047

Change in net position of governmental activities \$ (2,767,441)

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL - GENERAL FUND**

**For the year ended September 30, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 65,901,343	\$ 66,449,343	\$ 66,441,235	\$ (8,108)
Licenses and permits	2,994,741	2,994,741	3,480,906	486,165
Fines and penalties	1,510,912	1,510,912	1,286,335	(224,577)
Charges for services	7,703,465	7,703,465	7,521,939	(181,526)
Intergovernmental	691,068	691,068	686,211	(4,857)
Interest on investments	263,586	263,586	447,565	183,979
Contributions and donations	85,000	85,000	85,144	144
Miscellaneous	1,095,280	1,095,280	881,909	(213,371)
Total revenues	<u>80,245,395</u>	<u>80,793,395</u>	<u>80,831,244</u>	<u>37,849</u>
<b>EXPENDITURES</b>				
Current:				
General government	29,061,160	29,844,702	28,978,552	866,150
Public safety	32,848,195	34,050,145	33,654,880	395,265
Community service	13,232,138	13,570,551	12,073,332	1,497,219
Capital outlay	-	-	89,408	(89,408)
Debt service:				
Principal	50,000	93,210	93,210	-
Interest	-	13,563	13,563	-
Total expenditures	<u>75,191,493</u>	<u>77,572,171</u>	<u>74,902,945</u>	<u>2,669,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,053,902</u>	<u>3,221,224</u>	<u>5,928,299</u>	<u>2,707,075</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	188,750	188,750	152,607	(36,143)
Transfers out	<u>(5,527,532)</u>	<u>(5,022,265)</u>	<u>(5,117,265)</u>	<u>(95,000)</u>
Total other financing sources (uses)	<u>(5,338,782)</u>	<u>(4,833,515)</u>	<u>(4,964,658)</u>	<u>(131,143)</u>
Net change in fund balances	(284,880)	(1,612,291)	963,641	2,575,932
FUND BALANCES - BEGINNING	<u>16,163,689</u>	<u>16,163,689</u>	<u>16,163,689</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 15,878,809</u>	<u>\$ 14,551,398</u>	<u>\$ 17,127,330</u>	<u>\$ 2,575,932</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**September 30, 2019**

	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	\$ 10,562,395	\$ 1,650,638	\$ 601,323	\$ 1,081,010	\$ 13,895,366	\$ 252,344
Investments	43,681,148	104,456,137	22,839,467	1,009,040	171,985,792	2,993,357
Receivables - net of allowances for uncollectibles	8,686,213	7,535,563	662,470	737,904	17,622,150	145
Inventories	2,864,635	672,784	-	-	3,537,419	-
Prepaid items	<u>15,000</u>	<u>708</u>	<u>-</u>	<u>990</u>	<u>16,698</u>	<u>-</u>
Total current assets	<u>65,809,391</u>	<u>114,315,830</u>	<u>24,103,260</u>	<u>2,828,944</u>	<u>207,057,425</u>	<u>3,245,846</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	29,871,866	174,497,929	14,387,036	8,539,322	227,296,153	-
Furnishings and equipment	5,742,865	8,102,055	1,948,855	99,303	15,893,078	-
Construction in progress	<u>57,362,342</u>	<u>80,774,176</u>	<u>20,972,914</u>	<u>1,425,858</u>	<u>160,535,290</u>	<u>-</u>
Totals	94,229,838	268,530,459	37,343,649	15,057,368	415,161,314	-
Less: accumulated depreciation	<u>(20,669,202)</u>	<u>(124,013,824)</u>	<u>(7,136,276)</u>	<u>(10,610,602)</u>	<u>(162,429,904)</u>	<u>-</u>
Total capital assets - net of accumulated depreciation	<u>73,560,636</u>	<u>144,516,635</u>	<u>30,207,373</u>	<u>4,446,766</u>	<u>252,731,410</u>	<u>-</u>
Total noncurrent assets	<u>73,560,636</u>	<u>144,516,635</u>	<u>30,207,373</u>	<u>4,446,766</u>	<u>252,731,410</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows - pension	1,566,729	1,314,457	122,881	67,954	3,072,021	-
Deferred outflows - TMRS SDBF	18,265	15,042	1,433	1,074	35,814	-
Deferred outflows - retiree healthcare	116,246	95,732	9,115	6,839	227,932	-
Deferred charge on refunding	<u>250,550</u>	<u>3,074,368</u>	<u>612,058</u>	<u>-</u>	<u>3,936,976</u>	<u>-</u>
Total deferred outflows of resources	<u>1,951,790</u>	<u>4,499,599</u>	<u>745,487</u>	<u>75,867</u>	<u>7,272,743</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 141,321,817</u>	<u>\$ 263,332,064</u>	<u>\$ 55,056,120</u>	<u>\$ 7,351,577</u>	<u>\$ 467,061,578</u>	<u>\$ 3,245,846</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**September 30, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND	STORMWATER	OTHER	TOTAL	INTERNAL
		WASTEWATER	DRAINAGE	ENTERPRISE		SERVICE
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 3,147,700	\$ 2,646,801	\$ 1,197,829	\$ 753,847	\$ 7,746,177	\$ 72,318
Accrued liabilities	110,489	90,352	15,733	50,096	266,670	-
Due to other funds	-	9,198,571	-	-	9,198,571	-
Deferred revenue	1,390,943	-	-	-	1,390,943	-
Claims payable	-	-	-	-	-	570,523
Customer deposits	3,103,272	1,603,713	1,179	223,400	4,931,564	-
Accrued interest payable	511,311	559,201	203,760	-	1,274,272	-
Compensated absences	120,510	59,542	10,624	10,903	201,579	-
Current maturities of long-term debt	2,497,747	9,536,687	2,282,261	-	14,316,695	-
<b>Total current liabilities</b>	<u>10,881,972</u>	<u>23,694,867</u>	<u>3,711,386</u>	<u>1,038,246</u>	<u>39,326,471</u>	<u>642,841</u>
<b>NONCURRENT LIABILITIES</b>						
Net pension liability	4,587,090	3,851,542	359,772	195,891	8,994,295	-
OPEB liability - TMRS SDBF	142,333	117,215	11,164	8,372	279,084	-
OPEB liability - retiree healthcare	463,118	381,391	36,324	27,243	908,076	-
Compensated absences	147,782	208,770	21,822	3,492	381,866	-
Long-term debt	52,331,992	114,663,972	38,262,383	-	205,258,347	-
<b>Total noncurrent liabilities</b>	<u>57,672,315</u>	<u>119,222,890</u>	<u>38,691,465</u>	<u>234,998</u>	<u>215,821,668</u>	<u>-</u>
<b>Total liabilities</b>	<u>68,554,287</u>	<u>142,917,757</u>	<u>42,402,851</u>	<u>1,273,244</u>	<u>255,148,139</u>	<u>642,841</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pension	26,173	24,555	2,053	1,837	54,618	-
Deferred inflows - retiree healthcare	9,612	7,917	754	565	18,848	-
<b>Total deferred inflows of resources</b>	<u>35,785</u>	<u>32,472</u>	<u>2,807</u>	<u>2,402</u>	<u>73,466</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	36,809,299	68,082,123	8,161,750	4,446,766	117,499,938	-
Unrestricted	35,922,446	52,299,712	4,488,712	1,629,165	94,340,035	2,603,005
<b>Total net position</b>	<u>72,731,745</u>	<u>120,381,835</u>	<u>12,650,462</u>	<u>6,075,931</u>	<u>211,839,973</u>	<u>2,603,005</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 141,321,817</u>	<u>\$ 263,332,064</u>	<u>\$ 55,056,120</u>	<u>\$ 7,351,577</u>	<u>\$ 467,061,578</u>	<u>\$ 3,245,846</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**

**For the year ended September 30, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	ACTIVITIES
						INTERNAL SERVICE
OPERATING REVENUES						
Charges for services	\$ 55,168,419	\$ 43,827,518	\$ 5,728,480	\$ 5,078,543	\$ 109,802,960	\$ -
Employer contributions	-	-	-	-	-	6,626,957
Employee contributions	-	-	-	-	-	2,174,998
Pharmacy rebates	-	-	-	-	-	70,489
Miscellaneous	<u>1,021,208</u>	<u>1,489,113</u>	<u>41,072</u>	<u>46,705</u>	<u>2,598,098</u>	<u>-</u>
Total operating revenues	<u>56,189,627</u>	<u>45,316,631</u>	<u>5,769,552</u>	<u>5,125,248</u>	<u>112,401,058</u>	<u>8,872,444</u>
OPERATING EXPENSES						
Purchased power	36,185,476	-	-	-	36,185,476	-
Personnel services	5,926,361	5,298,385	803,456	615,576	12,643,778	-
Contracted services	1,802,360	9,511,891	719,729	4,715,141	16,749,121	-
Materials and supplies	629,136	1,461,229	107,480	160,763	2,358,608	-
Indirect costs	-	5,190,419	293,982	-	5,484,401	-
Claims	-	-	-	-	-	7,018,730
Other charges	5,493,310	3,969,446	24,508	234,430	9,721,694	974,274
Depreciation	<u>1,539,381</u>	<u>9,675,536</u>	<u>1,179,441</u>	<u>169,504</u>	<u>12,563,862</u>	<u>-</u>
Total operating expenses	<u>51,576,024</u>	<u>35,106,906</u>	<u>3,128,596</u>	<u>5,895,414</u>	<u>95,706,940</u>	<u>7,993,004</u>
Operating income (loss)	<u>4,613,603</u>	<u>10,209,725</u>	<u>2,640,956</u>	<u>(770,166)</u>	<u>16,694,118</u>	<u>879,440</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	1,359,769	2,599,420	309,639	36,074	4,304,902	65,607
Interest and fiscal charges	<u>(2,037,405)</u>	<u>(5,100,128)</u>	<u>(1,410,590)</u>	<u>-</u>	<u>(8,548,123)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(677,636)</u>	<u>(2,500,708)</u>	<u>(1,100,951)</u>	<u>36,074</u>	<u>(4,243,221)</u>	<u>65,607</u>
Income (loss) before transfers	3,935,967	7,709,017	1,540,005	(734,092)	12,450,897	945,047
Capital contributions	1,033,076	-	-	-	1,033,076	-
Transfers in	-	3,969,614	642,462	660,000	5,272,076	-
Transfers out	<u>(40,000)</u>	<u>(137,607)</u>	<u>-</u>	<u>-</u>	<u>(177,607)</u>	<u>-</u>
Change in net position	4,929,043	11,541,024	2,182,467	(74,092)	18,578,442	945,047
TOTAL NET POSITION - BEGINNING	<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 NET POSITION - ENDING	<u>\$ 72,731,745</u>	<u>\$ 120,381,835</u>	<u>\$ 12,650,462</u>	<u>\$ 6,075,931</u>	<u>\$ 211,839,973</u>	<u>\$ 2,603,005</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**

**Year ended September 30, 2019**

	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	\$ 55,776,868	\$ 45,153,782	\$ 5,747,853	\$ 4,990,345	\$ 111,668,848	\$ 8,872,299
Cash paid to suppliers	(42,529,035)	(8,037,407)	(2,537,703)	(4,824,198)	(57,928,343)	(8,013,194)
Cash paid to employees	(5,835,347)	(3,353,822)	(776,227)	(586,830)	(10,552,226)	-
Receipts from other funds	-	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>7,412,486</u>	<u>33,762,553</u>	<u>2,433,923</u>	<u>(420,683)</u>	<u>43,188,279</u>	<u>859,105</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	-	3,969,614	642,462	660,000	5,272,076	-
Transfers to other funds	(40,000)	(137,607)	-	-	(177,607)	-
Net cash provided by (used in) noncapital financing activities	<u>(40,000)</u>	<u>3,832,007</u>	<u>642,462</u>	<u>660,000</u>	<u>5,094,469</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	5,495,549	10,859,588	5,514,740	-	21,869,877	-
Principal paid on debt	(2,180,838)	(8,624,875)	(1,704,617)	-	(12,510,330)	-
Interest and fiscal charges paid on debt	(1,152,311)	(6,837,501)	(379,569)	-	(8,369,381)	-
Acquisition of capital assets	(6,137,275)	(17,915,337)	(6,291,759)	(16,528)	(30,360,899)	-
Net cash provided by (used in) capital and related financing activities	<u>(3,974,875)</u>	<u>(22,518,125)</u>	<u>(2,861,205)</u>	<u>(16,528)</u>	<u>(29,370,733)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale (purchase) of investment securities	3,579,948	(23,039,888)	76,504	(12,170)	(19,383,436)	(1,505,394)
Interest received	<u>1,372,324</u>	<u>2,599,420</u>	<u>309,639</u>	<u>36,074</u>	<u>4,269,213</u>	<u>65,607</u>
Net cash provided by (used in) investing activities	<u>4,952,272</u>	<u>(20,440,468)</u>	<u>386,143</u>	<u>23,904</u>	<u>(15,114,223)</u>	<u>(1,439,787)</u>
Net increase (decrease) in cash and cash equivalents	8,349,883	(5,364,033)	601,323	246,693	3,797,792	(580,682)
CASH AND CASH EQUIVALENTS - BEGINNING	<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>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 10,562,395</u>	<u>\$ 1,650,638</u>	<u>\$ 601,323</u>	<u>\$ 1,081,011</u>	<u>\$ 13,859,293</u>	<u>\$ 252,344</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAN MARCOS, TEXAS**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**

**Year ended September 30, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND	STORMWATER	OTHER	TOTALS	ACTIVITIES
		WASTEWATER	DRAINAGE	FUNDS		INTERNAL
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>						
<b>TO NET CASH PROVIDED BY (USED IN)</b>						
<b>OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 4,613,603	\$ 10,209,725	\$ 2,640,956	\$ (770,166)	\$ 16,694,118	\$ 879,440
Adjustments to reconcile operating income to net cash provided by Operating activities						
Depreciation	1,539,381	9,675,536	1,179,441	169,504	12,563,862	-
Changes in assets and liabilities						
Decrease (increase) in assets						
Accounts receivable	(494,596)	(239,462)	(21,699)	(152,248)	(908,005)	(145)
Due from other funds	1,000,261	2,273,163	-	-	3,273,424	-
Inventories	(520,138)	(57,538)	-	(990)	(578,666)	-
Prepaid items	(5,824)	(708)	-	-	(6,532)	-
Increase (decrease) in liabilities						
Accounts payable	(283,995)	682,090	881,159	287,126	1,566,380	(86,140)
Accrued liabilities	(250,597)	(20,285)	3,072	1,752	(266,058)	-
Due to other funds	-	9,198,571	(2,273,163)	-	6,925,408	-
Deferred Revenue	1,390,943	-	-	-	1,390,943	-
Claims payable	-	-	-	-	-	65,950
Net pension liability	241,527	1,763,722	18,943	5,636	2,029,828	-
OPEB liability	65,540	155,546	5,144	3,852	230,082	-
Compensated absences	34,544	45,580	70	17,506	97,700	-
Customer deposits	<u>81,837</u>	<u>76,613</u>	<u>-</u>	<u>17,345</u>	<u>175,795</u>	<u>-</u>
Net cash provided by (used in) operations	<u>\$ 7,412,486</u>	<u>\$ 33,762,553</u>	<u>\$ 2,433,923</u>	<u>\$ (420,683)</u>	<u>\$ 43,188,279</u>	<u>\$ 859,105</u>
<b>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</b>						
Actuarially determined change in						
Net pension liability	\$ 1,656,122	\$ 1,363,865	\$ 129,892	\$ 97,419	\$ 3,247,298	\$ -
Other postemployment benefit liability	117,596	96,843	9,225	6,918	230,582	-
Amortization of deferred bond refunding	48,202	515,399	78,269	-	641,870	-
Amortization of premium/discount on bonds	166,583	607,512	234,303	-	1,008,398	-
Contributed capital	1,033,076	-	-	-	1,033,076	-

The accompanying notes are an integral part of the financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(1) Summary of significant accounting policies

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.

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.

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**

**September 30, 2019**

(1) Summary of significant accounting policies (continued)

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.

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.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting and financial statement presentation (continued)

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.

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**

**September 30, 2019**

(1) Summary of significant accounting policies (continued)

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, 2019.

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**

**September 30, 2019**

(1) Summary of significant accounting policies (continued)

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:

ASSET	YEARS
Buildings	20 - 50 years
Improvements other than buildings	10 - 40 years
Infrastructure (streets and drainage)	35-125 years
Equipment	5 - 10 years

**Compensated absences**

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

**Long-term obligations**

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

**September 30, 2019**

(1) Summary of significant accounting policies (continued)

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**

**September 30, 2019**

(1) Summary of significant accounting policies (continued)

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**

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefits Fund (SDBF) and retiree healthcare plan have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other postemployment benefit (OPEB) liabilities, deferred outflows of resources, and deferred inflows of resources related to the other postemployment benefits, OPEB expenses, and information about additions to/deductions from the TMRS and retiree health care OPEB's fiduciary net positions. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(2) Reconciliation of government-wide and fund financial statements

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 \$204,870,987 difference are as follows:

General obligation bonds	\$(157,380,000)
Capital leases	(1,548,089)
Discounts on bonds	62,040
Premiums on bonds	(12,091,554)
Accrued interest payable	(839,649)
Compensated absences	(7,572,341)
Deferred loss on refunding	5,872,615
Net pension liability, net of related deferred inflows and outflows of resources	(27,035,916)
OPEB liabilities, net of related deferred inflows and outflows of resources	<u>(4,338,093)</u>
Net adjustment to reduce fund balance -	
Total government funds to arrive at net position –governmental activities	<u><u>\$(204,870,987)</u></u>

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 \$7,966,987 difference is as follows:

Capital outlay	\$ 22,303,886
Depreciation expense	<u>(14,336,899)</u>
Net adjustment to increase net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 7,966,987</u></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 \$2,089,312 difference is as follows:

Capital contribution	\$ 2,001,921
Property taxes	<u>96,520</u>
Net adjustment to increase net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 2,098,441</u></u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(2) Reconciliation of government-wide and fund financial statements (continued)

Explanation of certain differences between the governmental fund statement of revenues, 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 \$14,599,295 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (22,280,000)
Premium on bond issuance	(783,528)
Capital leases	(597,610)
Principal repayments:	
Capital lease	346,843
General obligation debt	<u>8,715,000</u>
Net adjustment to decrease net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (14,599,295)</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 \$1,538,963 difference are as follows:

Net change in compensated absences	\$ (1,832,602)
Accrued interest	(52,529)
Amortization of deferred charge on refunding	(626,802)
Amortization of bond discounts	(7,510)
Amortization of bond premiums	<u>980,480</u>
Net adjustment to decrease net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,538,963)</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 \$2,611,319 difference are as follows:

Net pension liability	\$ (14,619,418)
Other postemployment benefit liability – death benefits	(1,676)
Other postemployment benefit liability – health benefits	(1,048,740)
Deferred inflows of resources	4,066,803
Deferred outflows of resources	<u>8,991,712</u>
Net adjustment to decrease net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,611,319)</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(3) Stewardship, compliance and accountability

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, the Public Improvement Fund, 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.

(4) Detailed notes on all funds

Deposits and investments

As of September 30, 2019, the carrying amount of the City's cash and cash equivalents on the government-wide financial statements is \$25,045,641 which includes \$9,265,029 in an escrow fund, \$9,275 of cash on hand, and deposits of \$15,771,337 with a bank balance of \$16,755,056. 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**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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, 2019, 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, 2019 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 4% invested in municipal bonds, 8% invested in Federal Home Loan Mortgage Corporation, 16% invested in Federal Farm Credit Bank, and 1% invested in Federal Home Loan Bank as of September 30, 2019. The remaining 71% 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**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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, 2019, are shown below:

DESCRIPTION	CARRYING AMOUNT	RATING	RATING ORGANIZATION	WEIGHTED AVERAGE MATURITY (DAYS)
Local Government Investment Pools:				
Texas Term Texas Daily	\$ 57,789,377	AAAm	Standard & Poor's	42
TexPool	532,540	AAAm	Standard & Poor's	33
LOGIC	27,188,569	AAAm	Standard & Poor's	32
TexStar	1,217,305	AAAm	Standard & Poor's	27
Lone Star Liquidity Fund	624,311	AAAm	Standard & Poor's	32
Texas Class	23,263,585	AAAm	Standard & Poor's	50
Money Market Mutual Funds	53,157,897	AAAm	Standard & Poor's	34
U.S. Agencies	62,026,922	AA+	Standard & Poor's	647
Commercial Paper	10,947,039	A-1	Standard & Poor's	77
Municipal Bonds	3,008,980	A+	Standard & Poor's	185
Municipal Bonds	<u>7,954,510</u>	AA	Standard & Poor's	275
Total fair value	<u>\$ 247,711,035</u>			

Portfolio weighted average maturity (days)

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**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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, 2019:

	September 30, 2019	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Money Market Mutual Funds				
BlackRock FedFund	\$ 45,781,696	\$ 45,781,696	\$ -	\$ -
Federated Government Obligations	6,269,633	6,269,633	-	-
Wells Fargo	<u>1,106,568</u>	<u>1,106,568</u>	-	-
Total money market mutual funds	<u>53,157,897</u>	<u>53,157,897</u>	-	-
	53,157,897			
Debt Securities				
Federal Home Loan Mortgage Corporation	20,000,576	-	20,000,576	-
Commercial Paper	10,947,039	-	10,947,039	-
Federal Farm Credit Bank	37,996,328	-	37,996,328	-
Municipal Bonds	10,963,490	-	10,963,490	-
Federal Home Loan Bank	3,031,132	-	3,031,132	-
Federal National Mortgage Association	<u>998,886</u>	<u>-</u>	<u>998,886</u>	<u>-</u>
Total debt securities	<u>83,937,451</u>	<u>-</u>	<u>83,937,451</u>	<u>-</u>
 Total investments measured by fair value level	 <u>137,095,348</u>	 <u>\$ 53,157,897</u>	 <u>\$ 83,937,451</u>	 <u>\$ -</u>
Investments Measured at Amortized Cost:				
External Investment Pools				
TexPool	532,540			
Logic	27,188,569			
Texas Term Texas Daily	<u>57,789,377</u>			
Total investments measured at amortized costs	<u>85,510,486</u>			
Investments Measured at Net Asset Value:				
External Investment Pools				
Texas Class	23,263,585			
TexStar	1,217,305			
Lone Star Liquidity Fund	<u>624,311</u>			
Total investments measured at net asset value	<u>25,105,201</u>			
 Total	 <u>\$ 247,711,035</u>			

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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:

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>OTHER GOVERNMENTAL</u>	<u>ELECTRIC</u>	<u>WATER/ WASTEWATER</u>	<u>STORMWATER DRAINAGE</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTAL</u>
Receivables									
Taxes	\$ 489,981	\$ -	\$ 402,680	\$ 300,360	\$ -	\$ -	\$ -	\$ -	\$ 1,193,021
Accounts	4,214,959	250,404	3,603,759	1,628,250	9,487,371	7,862,350	725,287	925,768	28,698,293
Due from other governments	-	-	-	618,788	-	-	-	-	618,788
Gross receivables	4,704,940	250,404	4,006,439	2,547,398	9,487,371	7,862,350	725,287	925,768	30,510,102
Less: allowance for uncollectibles	(61,243)	-	(35,062)	-	(801,158)	(326,787)	(62,817)	(187,864)	(1,474,931)
Net total receivables	<u>\$ 4,643,697</u>	<u>\$ 250,404</u>	<u>\$ 3,971,377</u>	<u>\$ 2,547,398</u>	<u>\$ 8,686,213</u>	<u>\$ 7,535,563</u>	<u>\$ 662,470</u>	<u>\$ 737,904</u>	<u>\$ 29,035,171</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)	\$ 358,003	\$ -
Activity center (general fund)	-	147,635
Grant drawdown (general fund)	-	872,698
Hotel LLC escrow (general fund)	-	1,500,000
Grant drawdown (capital projects fund)	-	94,172
Delinquent property taxes receivable (debt service)	316,437	-
Hotel occupancy (nonmajor governmental)	-	98
Grant drawdowns (nonmajor governmental)	-	497,871
Total deferred/unearned revenue for governmental funds	<u>\$ 674,440</u>	<u>\$ 3,112,474</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 20,582,932	\$ 5,310,294	\$ -	\$ 25,893,226
Construction in progress	<u>35,185,932</u>	<u>20,655,637</u>	<u>(18,884,627)</u>	<u>36,956,942</u>
Total capital assets not being depreciated	<u>55,768,864</u>	<u>25,965,931</u>	<u>(18,884,627)</u>	<u>62,850,168</u>
Capital assets being depreciated				
Buildings	36,622,325	215,750	-	36,838,075
Machinery and equipment	35,929,292	1,705,017	(145,402)	37,488,907
Improvements other than buildings	154,500,460	13,301,815	-	167,802,275
Infrastructure	<u>42,716,358</u>	<u>2,001,921</u>	<u>-</u>	<u>44,718,279</u>
Total capital assets being depreciated	<u>269,768,435</u>	<u>17,224,503</u>	<u>(145,402)</u>	<u>286,847,536</u>
Less accumulated depreciaton:				
Buildings	(11,359,301)	(755,146)	-	(12,114,447)
Machinery and equipment	(27,349,466)	(2,266,571)	145,402	(29,470,635)
Improvements other than buildings	(81,175,400)	(9,626,956)	-	(90,802,356)
Infrastructure	<u>(17,731,639)</u>	<u>(1,688,226)</u>	<u>-</u>	<u>(19,419,865)</u>
Total accumulated depreciation	<u>(137,615,806)</u>	<u>(14,336,899)</u>	<u>145,402</u>	<u>(151,807,303)</u>
Total capital assets being depreciated - net	<u>132,152,629</u>	<u>2,887,604</u>	<u>-</u>	<u>135,040,233</u>
Governmental activities capital assets - net	<u>\$ 187,921,493</u>	<u>\$ 28,853,535</u>	<u>\$ (18,884,627)</u>	<u>\$ 197,890,401</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 5,539,118	\$ -	\$ -	\$ 5,539,118
Construction in progress	<u>147,631,691</u>	<u>29,168,956</u>	<u>(16,265,357)</u>	<u>160,535,290</u>
Total assets not being depreciated	<u>153,170,809</u>	<u>29,168,956</u>	<u>(16,265,357)</u>	<u>166,074,408</u>
Capital assets being depreciated				
Buildings	5,897,675	-	-	5,897,675
Machinery and equipment	14,870,051	1,023,027	-	15,893,078
Improvements other than buildings	<u>210,861,880</u>	<u>16,434,273</u>	<u>-</u>	<u>227,296,153</u>
Total capital assets being depreciated	<u>231,629,606</u>	<u>17,457,300</u>	<u>-</u>	<u>249,086,906</u>
Less accumulated depreciaton:				
Buildings	(3,658,348)	(117,568)	-	(3,775,916)
Machinery and equipment	(9,686,561)	(1,418,515)	-	(11,105,076)
Improvements other than buildings	<u>(136,521,133)</u>	<u>(11,027,779)</u>	<u>-</u>	<u>(147,548,912)</u>
Total accumulated depreciation	<u>(149,866,042)</u>	<u>(12,563,862)</u>	<u>-</u>	<u>(162,429,904)</u>
Total capital assets being depreciated - net	<u>81,763,564</u>	<u>4,893,438</u>	<u>-</u>	<u>86,657,002</u>
Business-type capital assets - net	<u>\$ 234,934,373</u>	<u>\$ 34,062,394</u>	<u>\$ (16,265,357)</u>	<u>\$ 252,731,410</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Capital assets (continued)

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

Governmental Activities		
General government	\$	10,978,612
Public safety		1,516,841
Community services		<u>1,841,446</u>
Total depreciation expense - governmental activities	\$	<u><u>14,336,899</u></u>
Business-Type Activities		
Electric	\$	1,539,381
Water and wastewater		9,675,536
Stormwater drainage		1,179,441
Airport		156,085
Resource recovery		<u>13,419</u>
Total depreciation expense - business-type activities	\$	<u><u>12,563,862</u></u>

Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2019, is as follows:

**Due to/from other funds:**

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
Capital project	Debt service	\$ 6,674,565
Nonmajor governmental funds	Nonmajor governmental funds	874,205
Capital project	Water wastewater utility	<u>9,198,571</u>
		<u><u>\$ 16,747,341</u></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**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Interfund receivables, payables and transfers (continued)

**Interfund transfers**

	TRANSFERS IN							TOTAL
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVERNMENTAL	WATER/ WASTEWATER	STORMWATER DRAINAGE	NONMAJOR ENTERPRISE	
Transfers out:								
General	\$ -	\$ 2,878,859	\$ 547,924	\$ 1,055,482	\$ -	\$ -	\$ 635,000	\$ 5,117,265
Debt service	-	-	-	1,994,480	-	-	-	1,994,480
Nonmajor governmental	-	5,670,464	1,713,486	-	3,969,614	642,462	-	11,996,026
Electric	40,000	-	-	-	-	-	-	40,000
Water and wastewater	112,607	-	-	-	-	-	25,000	137,607
Totals	<u>\$ 152,607</u>	<u>\$ 8,549,323</u>	<u>\$ 2,261,410</u>	<u>\$ 3,049,962</u>	<u>\$ 3,969,614</u>	<u>\$ 642,462</u>	<u>\$ 660,000</u>	<u>\$ 19,285,378</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.

Long-term liabilities

**Capital leases**

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Assets:		
Equipment	\$ 2,400,741	\$ 1,402,300
Less: Accumulated depreciation	<u>1,419,358</u>	<u>778,363</u>
Total	<u>\$ 981,383</u>	<u>\$ 623,937</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

**Capital leases (continued)**

Principal and interest requirements to maturity as of September 30, 2019 are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2020	\$ 376,583	\$ 42,792	\$ 419,375	\$ 338,296	\$ 39,921	\$ 378,217
2021	387,179	32,197	419,376	347,989	30,229	378,218
2022	319,217	21,572	340,789	342,025	20,294	362,319
2023	222,876	12,635	235,511	297,597	10,691	308,288
2024	99,385	7,410	106,795	126,838	3,742	130,580
2025	70,279	4,657	74,936	-	-	-
2026	72,570	2,366	74,936	-	-	-
	<u>\$ 1,548,089</u>	<u>\$ 123,629</u>	<u>\$ 1,671,718</u>	<u>\$ 1,452,745</u>	<u>\$ 104,877</u>	<u>\$ 1,557,622</u>

**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 2019 of \$28,390,000 with a 3.5 - 5.0% interest rate that mature August 15, 2039.
- Combination Tax and Revenue Certificates of Obligation, Series 2018 of \$1,935,000 with a 0.26%-1.24% interest rate that mature August 15, 2038.
- Special Assessment Revenue Bonds, Series 2019 of \$11,885,000 with a 0.26-1.24% interest rate that matures September 1, 2048.

**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, 2019 for this note payable is as follows:

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

**Bond refunding (continued)**

YEAR ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST
2020	\$ 95,000	\$ 170,981
2021	100,000	169,081
2022	95,000	167,081
2023	100,000	164,231
2024	110,000	161,231
2025-2029	575,000	760,555
2030-2034	2,340,000	538,030
2035-2036	1,250,000	58,907
	<u>\$ 4,665,000</u>	<u>\$ 2,190,097</u>

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

PURPOSE	INTEREST RATES	AMOUNT
Governmental activities	3.50 - 4.61%	\$ 85,555,000
Governmental activities - refunding	2.00 - 5.375%	71,825,000
Business-type activities	3.50 - 5.00%	144,830,000
Business-type activities - refunding	2.00 - 5.00%	<u>56,155,000</u>
		<u>\$ 358,365,000</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

**General obligation bonds**

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

YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES								
	Bonds Payable			Privately Placed Debt			Total		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2020	\$ 8,570,000	\$ 5,576,880	\$ 14,146,880	\$ 715,000	\$ 1,293,747	\$ 2,008,747	\$ 9,285,000	\$ 6,870,627	\$ 16,155,627
2021	8,165,000	5,186,651	13,351,651	1,330,000	1,265,889	2,595,889	9,495,000	6,452,540	15,947,540
2022	8,495,000	4,836,802	13,331,802	1,395,000	1,205,079	2,600,079	9,890,000	6,041,881	15,931,881
2023	8,845,000	4,488,289	13,333,289	1,455,000	1,141,006	2,596,006	10,300,000	5,629,295	15,929,295
2024	8,665,000	4,083,601	12,748,601	1,520,000	1,073,923	2,593,923	10,185,000	5,157,524	15,342,524
2025-2029	42,930,000	14,452,691	57,382,691	8,140,000	4,239,419	12,379,419	51,070,000	18,692,110	69,762,110
2030-2034	25,675,000	6,577,478	32,252,478	7,510,000	2,433,572	9,943,572	33,185,000	9,011,050	42,196,050
2035-2039	10,915,000	2,826,020	13,741,020	7,245,000	714,079	7,959,079	18,160,000	3,540,099	21,700,099
2040-2044	2,865,000	1,359,588	4,224,588	-	-	-	2,865,000	1,359,588	4,224,588
2045-2048	2,945,000	435,275	3,380,275	-	-	-	2,945,000	435,275	3,380,275
	<u>\$ 128,070,000</u>	<u>\$ 49,823,275</u>	<u>\$ 177,893,275</u>	<u>\$ 29,310,000</u>	<u>\$ 13,366,714</u>	<u>\$ 42,676,714</u>	<u>\$ 157,380,000</u>	<u>\$ 63,189,989</u>	<u>\$ 220,569,989</u>

**Revenue bonds**

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

YEAR ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES								
	Bonds Payable			Privately Placed Debt			Total		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2020	\$ 12,610,000	\$ 7,916,104	\$ 20,526,104	\$ 265,000	\$ 51,910	\$ 316,910	\$ 12,875,000	\$ 7,968,014	\$ 20,843,014
2021	11,390,000	7,362,990	18,752,990	265,000	51,909	316,909	11,655,000	7,414,899	19,069,899
2022	11,835,000	6,920,607	18,755,607	265,000	51,640	316,640	12,100,000	6,972,247	19,072,247
2023	12,270,000	6,457,777	18,727,777	265,000	50,884	315,884	12,535,000	6,508,661	19,043,661
2024	12,785,000	5,930,634	18,715,634	270,000	49,702	319,702	13,055,000	5,980,336	19,035,336
2025-2029	63,920,000	21,044,390	84,964,390	1,205,000	216,100	1,421,100	65,125,000	21,260,490	86,385,490
2030-2034	48,790,000	9,592,466	58,382,466	1,240,000	136,336	1,376,336	50,030,000	9,728,802	59,758,802
2035-2038	22,815,000	1,935,266	24,750,266	795,000	29,899	824,899	23,610,000	1,965,165	25,575,165
	<u>\$ 196,415,000</u>	<u>\$ 67,160,234</u>	<u>\$ 263,575,234</u>	<u>\$ 4,570,000</u>	<u>\$ 638,380</u>	<u>\$ 5,208,380</u>	<u>\$ 200,985,000</u>	<u>\$ 67,798,614</u>	<u>\$ 268,783,614</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2019, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<b>Governmental Activities</b>					
General obligation bonds	\$ 115,745,000	\$ 20,345,000	\$ (8,020,000)	\$ 128,070,000	\$ 8,570,000
General obligation bonds - privately placed	28,070,000	1,935,000	(695,000)	29,310,000	715,000
Discount on bonds	(69,550)	-	7,510	(62,040)	(7,510)
Premium on bonds	12,288,506	783,528	(980,480)	12,091,554	980,480
Capital leases - direct borrowing	1,297,322	597,610	(346,843)	1,548,089	376,583
Compensated absences	5,739,739	3,314,771	(1,482,169)	7,572,341	1,211,448
TMRS net pension liability	26,180,758	14,619,418	-	40,800,176	-
OPEB liability - TMRS SDBF	1,269,708	1,676	-	1,271,384	-
OPEB liability - retiree healthcare	3,088,038	1,048,742	-	4,136,780	-
GOVERNMENTAL ACTIVIT Y LONG-TERM LIABILITIES	<u>\$ 193,609,521</u>	<u>\$ 42,645,745</u>	<u>\$ (11,516,982)</u>	<u>\$ 224,738,284</u>	<u>\$ 11,846,001</u>
<b>Business-Type Activities</b>					
Bonds payable					
Revenue bonds	\$ 188,400,000	\$ 19,930,000	\$ (11,915,000)	\$ 196,415,000	\$ 12,610,000
Revenue bonds - privately placed	4,835,000	-	(265,000)	4,570,000	265,000
Premium on bonds	11,693,845	1,915,809	(1,020,122)	12,589,532	1,020,122
Discount on bonds	(128,959)	-	11,724	(117,235)	(11,723)
Capital leases - direct borrowing	1,173,334	514,740	(235,329)	1,452,745	338,296
Note payable	4,760,000	-	(95,000)	4,665,000	95,000
Compensated absences	497,615	273,537	(187,707)	583,445	201,579
TMRS net pension liability	5,746,997	3,247,298	-	8,994,295	-
OPEB liability - TMRS SDBF	278,716	368	-	279,084	-
OPEB liability - retiree healthcare	677,862	230,214	-	908,076	-
BUSINESS-TYPE ACTIVIT Y LONG-TERM LIABILITIES	<u>\$ 217,934,410</u>	<u>\$ 26,111,966</u>	<u>\$ (13,706,434)</u>	<u>\$ 230,339,942</u>	<u>\$ 14,518,274</u>

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

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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 copay structure and various techniques to provide incentives to utilize lower cost drugs, over the counter alternatives, and to manage utilization based on therapeutic equivalencies. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract. Funding levels are based on maximum plan exposure as calculated and recommended by an employee benefits specialty firm.

Projected claim costs are based on claims experience, lag studies, industry trends, census, aggregate factors and 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:

<u>YEAR ENDED</u> <u>SEPTEMBER 30,</u>	<u>BEGINNING</u> <u>LIABILITY</u>	<u>CURRENT YEAR</u> <u>CLAIMS AND</u> <u>CHANGES IN</u> <u>ESTIMATE</u>	<u>CLAIM</u> <u>PAYMENTS</u>	<u>ENDING</u> <u>LIABILITY</u>
2017	\$ 637,899	\$ 8,941,016	\$ 8,782,272	\$ 796,643
2018	796,643	7,041,359	7,333,429	504,573
2019	504,573	8,041,674	7,975,724	570,523

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other information (continued)

**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.

**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.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other information (continued)

**Commitments** (continued)

The capital improvements programs (CIP) for fiscal years 2018–2027 recognizes City Council priorities and demonstrates a commitment to address the growth-related challenges facing the community. Growth issues, the economy, and the quality of life of the citizens are all impacted by the effectiveness of the City’s thoroughfare system, and the CIP reflects a focus on future financial resources toward streets, and drainage projects. Past CIPs have indicated a strong City Council commitment to upgrading and building the City’s water and wastewater systems and building new facilities to provide better services to the public. These and other past projects, such as the construction of a new library, fire station, and activity center have been part of City Council’s commitment to the CIP program.

Estimated costs to complete construction in progress at year-end totals approximately \$54,287,295 for governmental capital assets, \$47,766,147 for water and wastewater, \$18,078,402 for electric, and \$18,499,021 for drainage.

Defined benefit pension plans

**Plan description**

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits provided**

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

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

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	315
Inactive employees entitled to but not yet receiving benefits	270
Active employees	<u>650</u>
Total	<u>1,235</u>

**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 17.45% and 17.34% for calendar years 2018 and 2019 respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$7,856,525, and were equal to the required contributions.

Net pension liability

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

**September 30, 2019**

(4) Detailed notes on all funds (continued)

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 Table 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 Table with Blue Collar Adjustments 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 rate (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 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).

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Defined benefit pension plans (continued)

Net pension liability (continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 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%	4.30%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.39%
Real return	10.0%	3.78%
Real estate	10.0%	4.44%
Absolute return	10.0%	3.56%
Private equity	5.0%	7.75%
Total	<u>100.0%</u>	

**Discount rate**

The discount rate used to measure the total pension asset 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.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Defined benefit pension plans (continued)

Net pension liability (continued)

**Changes in the net pension liability**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	\$ 207,842,081	\$ 175,914,326	\$ 31,927,755
Changes for the year:			
Service cost	7,467,890	-	7,467,890
Interest	14,025,269	-	14,025,269
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,501,153	-	1,501,153
Changes of assumptions	-	-	-
Contributions - employer	-	7,497,962	(7,497,962)
Contributions - employee	-	3,007,781	(3,007,781)
Net investment income	-	(5,270,985)	5,270,985
Benefit payments, including refunds of employee contributions	(7,588,523)	(7,588,523)	-
Administrative expense	-	(101,841)	101,841
Other changes	-	(5,321)	5,321
Net changes	<u>15,405,789</u>	<u>(2,460,927)</u>	<u>17,866,716</u>
Balance at December 31, 2018	<u>\$ 223,247,870</u>	<u>\$ 173,453,399</u>	<u>\$ 49,794,471</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:

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
<u>\$ 83,306,735</u>	<u>\$ 49,794,471</u>	<u>\$ 22,486,273</u>

**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.tmrs.com](http://www.tmrs.com).

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Defined benefit pension plans (continued)

Net pension liability (continued)

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**

For the year ended September 30, 2019, the City recognized pension expense of \$10,313,718.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 1,946,888	\$ 285,107
Changes in actuarial assumptions	3,450	-
Difference between projected and actual investment earnings	9,082,100	-
Contributions subsequent to the measurement date	6,034,332	-
Total	\$ 17,066,770	\$ 285,107

The City reported \$6,034,332 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

September 30,		
2020	\$	3,445,386
2021		1,845,197
2022		1,690,038
2023		3,737,277
2024		29,433
Thereafter		-
Total	\$	10,747,331

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB)

Supplemental death benefit fund – Texas Municipal Retirement System

**Plan description**

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

**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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. 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% and 0.15% for calendar years 2018 and 2019, respectively. The City's contributions to TMRS SDBF the year ended September 30, 2019 were \$68,908, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	236
Inactive employees entitled to but not yet receiving benefits	97
Active employees	<u>650</u>
	<u>983</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Supplemental death benefit fund – Texas Municipal Retirement System (continued)

**OPEB liability**

The City’s total OPEB liability of \$1,550,468 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.5% to 10.50% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
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.

Other information: There were no benefit changes during the year.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Supplemental death benefit fund – Texas Municipal Retirement System (continued)

Changes in total OPEB liability

Balance at December 31, 2017	\$ 1,548,424
Changes for the year:	
Service cost	77,343
Interest on the total OPEB liability	52,320
Changes of benefit terms	-
Difference between expected and actual experience	9,371
Change of assumptions	(124,101)
Benefit payments	<u>(12,889)</u>
Net changes	<u>2,044</u>
Balance at December 31, 2018	<u><u>\$ 1,550,468</u></u>

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 3.71%, as well as what the City’s OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

<u>1% Decrease in</u> <u>Discount Rate (2.71%)</u>	<u>Discount Rate (3.71%)</u>	<u>1% Increase in</u> <u>Discount Rate (4.71%)</u>
<u>\$ 1,888,182</u>	<u>\$ 1,550,468</u>	<u>\$ 1,291,374</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$132,937.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Supplemental death benefit fund – Texas Municipal Retirement System (continued)

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 7,907	\$ -
Changes in actuarial assumptions	93,282	104,710
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	52,200	-
Total	\$ 153,389	\$ 104,710

The City reported \$52,200 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability for the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

September 30,		
2020	\$	3,274
2021		3,274
2022		3,274
2023		3,274
2024		(9,449)
Thereafter		(7,168)
Total	\$	(3,521)

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).

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

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, 2019 were as follows:

Medical plan monthly rates:

Retiree only	\$ 643.50
Retiree + spouse	\$1,356.60
Retiree + child(ren)	\$1,320.90
Retiree + family	\$2,029.62

Contributions for postemployment benefits were recognized on a pay-as-you-go basis in the past. Contributions paid by retirees during the fiscal year ended September 30, 2019, were \$415,349.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	37
Inactive, nonretired members	0
Active members	<u>636</u>
	<u>673</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

**OPEB liability**

The City's total OPEB liability of \$5,044,856 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial valuation information:

Actuarial assumptions and other inputs - The total OPEB liability in the December 31, 2018 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	3.50% to 10.50%, including inflation
Discount rate	3.71% as of December 31, 2018
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 35% 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.

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018, and updates to the participation rate and health care trend assumptions.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

**Changes in the total OPEB liability**

Balance at December 31, 2017	\$ 3,765,900
Changes for the year:	
Service cost	241,628
Interest on the total OPEB liability	126,566
Changes of benefit terms	-
Difference between expected and actual experience	465,058
Change of assumptions	571,635
Benefit payments	<u>(125,931)</u>
Net changes	<u>1,278,956</u>
Balance at December 31, 2018	<u><u>\$ 5,044,856</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 3.71%, 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 (2.71%) or 1 percentage point higher (4.71%) than the current rate.

<u>1% Decrease in</u> <u>Discount Rate (2.71%)</u>	<u>Discount Rate (3.71%)</u>	<u>1% Increase in</u> <u>Discount Rate (4.71%)</u>
<u>\$ 5,546,005</u>	<u>\$ 5,044,856</u>	<u>\$ 4,592,343</u>

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</u> <u>Trend Rate Assumption</u>	<u>1% Increase</u>
<u>\$ 4,469,807</u>	<u>\$ 5,044,856</u>	<u>\$ 5,729,099</u>

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

**OPEB expense and deferred outflows of resources and deferred inflows of resources as related to OPEB**

For the year ended September 30, 2019, the City recognized OPEB expense of \$514,346.

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 494,788	\$ -
Changes in actuarial assumptions	634,826	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	136,676	-
Total	\$ 1,266,290	\$ -

The City reported \$136,676 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability for the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

September 30,		
2020	\$	146,152
2021		146,152
2022		146,152
2023		146,152
2024		146,152
Thereafter		398,854
Total	\$	1,129,614

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

Postemployment health care coverage (continued)

**Summary of other postemployment benefit plans**

	OPEB TMRS - SDBF	OPEB Retiree healthcare	TOTAL
Total OPEB liability	\$ 1,550,468	\$ 5,044,856	\$ 6,595,324
Plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 1,550,468</u>	<u>\$ 5,044,856</u>	<u>\$ 6,595,324</u>
Total deferred outflows of resources	\$ 101,189	\$ 1,129,614	\$ 1,230,803
Total deferred inflows of resources	\$ 104,710	\$ -	\$ 104,710
Contributions subsequent to the measurement date	\$ 52,200	\$ 136,676	\$ 188,876
Total OPEB expense	\$ 132,937	\$ 514,346	\$ 647,283

Tax abatements and economic incentives

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes.

The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

**CITY OF SAN MARCOS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019**

(4) Detailed notes on all funds (continued)

Tax abatements and economic incentives (continued)

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

<u>Economic Development</u>	<u>2019 Actual</u>
<u>380 Agreements</u>	
Amazon.com.kydc, LLC	\$ 1,320,324
BestBuy.com LLC	6,335,042
Epic Piping	-
HEB Grocery	56,440
Tanger	333,089
	8,044,895
 <u>TRZ</u>	
TIRZ #2-Blanco Vista	1,211,421
TIRZ #3-Conference Center	139,411
TIRZ #4-Kissing Tree	76,147
TIRZ #5-Downtown	509,532
TRZ #1-Loop 110	969,970
	2,906,481
 Total economic development payments	 \$ 10,951,376

**REQUIRED SUPPLEMENTARY INFORMATION**

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**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,**

	2018	2017
Total OPEB liability		
Service cost	\$ 241,628	\$ 181,195
Interest on the total OPEB liability	126,566	130,158
Changes of benefit terms	-	-
Difference between expected and actual experience	465,058	105,312
Change of assumptions	571,635	163,733
Benefit payments	(125,931)	(280,224)
Net change in total OPEB liability	1,278,956	300,174
Total OPEB liability - beginning	3,765,900	3,465,726
Total OPEB liability - ending	\$ 5,044,856	\$ 3,765,900
Covered payroll	\$ 43,253,608	\$ 39,967,203
Total OPEB liability as a percentage of covered payroll	11.66%	9.42%

Actuarial cost method	Entry age normal
Inflation	0.025
Salary increases	3.5% to 10.50% including inflation
Discount rate*	3.71% as of December 31, 2018
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For health retirees, the gender-distinct RP2000 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.
Health care trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	It was assumed that 35% 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.
Other information:	
Notes	The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018. Additionally, the participation rates and health care trend rates were updated to better reflect the plan's anticipated experience.

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the second 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,**

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 7,467,890	\$ 6,900,642	\$ 6,447,988	\$ 5,741,822	\$ 5,118,797
Interest (on the total pension liability)	14,025,269	13,126,553	12,261,584	11,963,523	11,242,134
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	1,501,153	548,309	968,779	(1,315,300)	(1,010,160)
Change of assumptions	-	-	-	17,530	-
Benefit payments, including refunds of employee contributions	<u>(7,588,523)</u>	<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	15,405,789	13,074,411	12,998,798	11,057,035	9,987,878
Total pension liability - beginning	<u>207,842,081</u>	<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>\$ 223,247,870</u>	<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	\$ 7,497,962	\$ 6,999,120	\$ 6,544,860	\$ 6,251,205	\$ 5,799,742
Contributions - employee	3,007,781	2,802,407	2,625,028	2,406,164	2,287,301
Net investment income	(5,270,985)	21,150,405	9,509,452	202,628	7,288,110
Benefit payments, including refunds of employee contributions	(7,588,523)	(7,501,093)	(6,679,553)	(5,350,540)	(5,362,893)
Administrative expense	(101,841)	(109,592)	(107,384)	(123,411)	(76,080)
Other	<u>(5,321)</u>	<u>(5,554)</u>	<u>(5,786)</u>	<u>(6,095)</u>	<u>(6,255)</u>
Net change in plan fiduciary net position	(2,460,927)	23,335,693	11,886,617	3,379,951	9,929,925
Plan fiduciary net position - beginning	<u>175,914,326</u>	<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>\$ 173,453,399</u>	<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>\$ 49,794,471</u>	<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	<u>77.70%</u>	<u>84.64%</u>	<u>78.34%</u>	<u>77.40%</u>	<u>80.43%</u>
Covered payroll	<u>\$ 42,968,297</u>	<u>\$ 39,957,397</u>	<u>\$ 37,357,981</u>	<u>\$ 34,361,593</u>	<u>\$ 32,674,655</u>
Net pension liability as a percentage of total covered payroll	<u>86.29%</u>	<u>79.90%</u>	<u>112.93%</u>	<u>119.54%</u>	<u>102.22%</u>

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fifth 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 7,856,525	\$ 7,397,137	\$ 6,875,814	\$ 6,735,430	\$ 6,048,023
Contributions in relation to the actuarially determined contributions	<u>7,856,525</u>	<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>				
Covered payroll	<u>\$ 45,242,434</u>	<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	<u>17.37%</u>	<u>17.46%</u>	<u>17.50%</u>	<u>17.67%</u>	<u>18.07%</u>

**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	27 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 fifth 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,**

	2018	2017
Total OPEB liability		
Service cost	\$ 77,343	\$ 59,936
Interest on the total OPEB liability	52,320	50,582
Changes of benefit terms	-	-
Difference between expected and actual experience	9,372	-
Change of assumptions	(124,101)	135,684
Benefit payments	(12,890)	(11,987)
Net change in total OPEB liability	2,044	234,215
Total OPEB liability - beginning	1,548,424	1,314,209
Total OPEB liability - ending	\$ 1,550,468	\$ 1,548,424
Covered payroll	\$ 42,968,297	\$ 39,957,397
Total OPEB liability as a percentage of covered payroll	<u>3.61%</u>	<u>3.88%</u>

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the second 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,**

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 68,908	\$ 67,780
Contributions in relation to the actuarially determined contributions	<u>68,908</u>	<u>67,780</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 45,242,434</u>	<u>\$ 42,362,287</u>
Contributions as a percentage of covered payroll	0.15%	0.16%

Inflation 2.50%

Salary increases 3.5% to 10.50% including inflation

Discount rate\* 3.71%

Retirees' share of benefit-related costs \$0

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.

Other information: There were no benefit changes during the year.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

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

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**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, 2019**

	BUDGETED AMOUNTS		2019 ACTUAL	VARIANCE WITH FINAL BUDGET -	2018 ACTUAL
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	
<b>REVENUES</b>					
Taxes					
Property taxes:					
Current ad valorem taxes	\$ 19,234,163	\$ 19,234,163	\$ 19,371,310	\$ 137,147	\$ 16,460,781
Delinquent ad valorem taxes	255,147	255,147	88,787	(166,360)	54,631
Penalty and interest on delinquent taxes	137,387	137,387	80,583	(56,804)	68,853
Franchise	10,034,094	10,034,094	9,242,824	(791,270)	9,299,589
Sales	35,719,111	36,267,111	37,148,661	881,550	34,733,037
Mixed drink	521,441	521,441	509,070	(12,371)	517,854
Total taxes	<u>65,901,343</u>	<u>66,449,343</u>	<u>66,441,235</u>	<u>(8,108)</u>	<u>61,134,745</u>
Licenses and permits:					
Professional and occupational	66,426	66,426	60,330	(6,096)	56,032
Building	1,258,325	1,258,325	1,936,496	678,171	1,637,481
Development	276,091	276,091	308,522	32,431	274,520
Plumbing	90,893	90,893	130,544	39,651	102,763
Food	237,774	237,774	152,686	(85,088)	208,403
Cemetery	55,500	55,500	118,008	62,508	87,481
Other	1,009,732	1,009,732	774,320	(235,412)	971,407
Total licenses and permits	<u>2,994,741</u>	<u>2,994,741</u>	<u>3,480,906</u>	<u>486,165</u>	<u>3,338,087</u>
Fines and penalties:					
Parking	180,000	180,000	174,575	(5,425)	155,367
Traffic	620,000	620,000	568,264	(51,736)	565,792
Complaints	365,000	365,000	287,472	(77,528)	324,397
Library	62,246	62,246	62,562	316	53,419
Other	283,666	283,666	193,462	(90,204)	190,344
Total fines and penalties	<u>1,510,912</u>	<u>1,510,912</u>	<u>1,286,335</u>	<u>(224,577)</u>	<u>1,289,319</u>
Charges for services:					
Vital statistics	61,749	61,749	36,967	(24,782)	44,108
Pound charges	115,544	115,544	56,217	(59,327)	94,201
Charges to other funds	6,123,542	6,123,542	6,052,569	(70,973)	5,693,020
Building rental	153,257	153,257	148,436	(4,821)	166,454
Recreation program	483,598	483,598	435,619	(47,979)	446,470
Other services	765,775	765,775	792,131	26,356	598,468
Total charges for services	<u>7,703,465</u>	<u>7,703,465</u>	<u>7,521,939</u>	<u>(181,526)</u>	<u>7,042,721</u>
Intergovernmental	<u>691,068</u>	<u>691,068</u>	<u>686,211</u>	<u>(4,857)</u>	<u>533,934</u>
Investment earnings	<u>263,586</u>	<u>263,586</u>	<u>447,565</u>	<u>183,979</u>	<u>438,949</u>
Other:					
Donations	85,000	85,000	85,144	144	85,000
Miscellaneous	1,095,280	1,095,280	881,909	(213,371)	960,793
Total other	<u>1,180,280</u>	<u>1,180,280</u>	<u>967,053</u>	<u>(213,227)</u>	<u>1,045,793</u>
Total revenues	<u>80,245,395</u>	<u>80,793,395</u>	<u>80,831,244</u>	<u>37,849</u>	<u>74,823,548</u>

**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, 2019**

	BUDGETED AMOUNTS		2019 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2018 ACTUAL
	ORIGINAL	FINAL			
<b>EXPENDITURES</b>					
<b>General government:</b>					
Personnel services	\$ 2,962,477	\$ 3,009,225	\$ 3,006,437	\$ 2,788	\$ 2,771,953
Contracted services	187,255	188,260	178,021	10,239	176,002
Materials and supplies	88,809	78,933	75,746	3,187	72,820
Other charges	435,328	389,482	342,821	46,661	401,693
Total general government	<u>3,673,869</u>	<u>3,665,900</u>	<u>3,603,025</u>	<u>62,875</u>	<u>3,422,468</u>
<b>Human resources:</b>					
Personnel services	1,086,425	1,091,403	1,088,470	2,933	964,062
Contracted services	135,068	118,943	113,567	5,376	102,820
Materials and supplies	17,500	13,592	13,257	335	18,627
Other charges	44,346	26,553	26,553	-	35,951
Total human resources	<u>1,283,339</u>	<u>1,250,491</u>	<u>1,241,847</u>	<u>8,644</u>	<u>1,121,460</u>
<b>Finance:</b>					
Personnel services	1,852,168	1,895,788	1,895,788	-	1,724,794
Contracted services	49,537	38,839	25,683	13,156	44,757
Materials and supplies	34,115	47,614	47,614	-	37,601
Other charges	62,680	49,923	47,277	2,646	57,726
Total finance	<u>1,998,500</u>	<u>2,032,164</u>	<u>2,016,362</u>	<u>15,802</u>	<u>1,864,878</u>
<b>Municipal court:</b>					
Personnel services	646,534	753,404	753,404	-	573,768
Contracted services	163,803	122,487	120,800	1,687	111,214
Materials and supplies	18,860	14,196	13,861	335	10,650
Other charges	17,100	11,945	11,449	496	9,156
Total municipal court	<u>846,297</u>	<u>902,032</u>	<u>899,514</u>	<u>2,518</u>	<u>704,788</u>
<b>Office of emergency management:</b>					
Personnel services	287,691	249,610	237,243	12,367	-
Contracted services	32,704	19,043	17,839	1,204	-
Materials and supplies	5,500	13,687	13,321	366	-
Other charges	11,570	11,111	8,321	2,790	-
Total office of emergency mgmt.	<u>337,465</u>	<u>293,451</u>	<u>276,724</u>	<u>16,727</u>	<u>-</u>
<b>Technology services:</b>					
Personnel services	1,941,059	1,784,912	1,782,163	2,749	1,703,376
Contracted services	211,755	168,414	143,665	24,749	160,910
Materials and supplies	45,878	32,809	29,719	3,090	28,478
Other charges	113,824	67,100	65,815	1,285	97,240
Total technology services	<u>2,312,516</u>	<u>2,053,235</u>	<u>2,021,362</u>	<u>31,873</u>	<u>1,990,004</u>

(continued)

**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, 2019**

	BUDGETED AMOUNTS		2019 ACTUAL	VARIANCE WITH FINAL BUDGET -	2018 ACTUAL
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	
EXPENDITURES (CONTINUED)					
Development services:					
Personnel services	\$ 2,173,951	\$ 2,157,282	\$ 1,985,201	\$ 172,081	\$ 1,780,039
Contracted services	195,461	224,382	206,935	17,447	195,987
Materials and supplies	41,215	46,896	40,998	5,898	42,554
Other charges	90,200	108,022	101,952	6,070	72,295
Total development services	<u>2,500,827</u>	<u>2,536,582</u>	<u>2,335,086</u>	<u>201,496</u>	<u>2,090,875</u>
Engineering department:					
Personnel services	2,017,615	2,216,953	2,216,953	-	2,202,710
Contracted services	130,831	96,983	96,983	-	147,026
Materials and supplies	38,697	40,681	40,681	-	41,275
Other charges	62,135	47,247	47,247	-	59,421
Total engineering department	<u>2,249,278</u>	<u>2,401,864</u>	<u>2,401,864</u>	<u>-</u>	<u>2,455,849</u>
Real estate department:					
Personnel services	155,294	170,326	170,326	-	-
Contracted services	18,800	10,368	10,368	-	-
Materials and supplies	1,200	1,700	1,700	-	-
Other charges	3,635	3,389	3,484	(95)	-
Total real estate department	<u>178,929</u>	<u>185,783</u>	<u>185,878</u>	<u>(95)</u>	<u>-</u>
Fire:					
Personnel services	9,640,246	9,413,435	9,413,435	-	8,512,452
Contracted services	134,072	168,747	146,033	22,714	92,460
Materials and supplies	362,224	505,415	389,198	116,217	508,086
Other charges	209,167	195,378	191,286	4,092	155,588
Capital outlay	-	14,581	14,581	-	-
Total fire	<u>10,345,709</u>	<u>10,297,556</u>	<u>10,154,533</u>	<u>143,023</u>	<u>9,268,586</u>
Police:					
Personnel services	15,128,086	16,364,194	16,364,194	-	15,761,036
Contracted services	792,710	672,781	672,781	-	852,450
Materials and supplies	686,913	783,384	783,384	-	800,100
Other charges	102,790	125,439	125,439	-	123,048
Capital outlay	-	11,850	11,850	-	-
Total police	<u>16,710,499</u>	<u>17,957,648</u>	<u>17,957,648</u>	<u>-</u>	<u>17,536,634</u>
Public services:					
Personnel services	2,768,939	2,783,763	2,692,122	91,641	2,663,349
Contracted services	413,411	444,797	420,101	24,696	415,956
Materials and supplies	2,022,767	2,011,749	1,940,556	71,193	2,223,654
Other charges	249,405	242,606	239,627	2,979	139,257
Capital outlay	-	18,575	18,575	-	-
Total public services	<u>5,454,522</u>	<u>5,501,490</u>	<u>5,310,981</u>	<u>190,509</u>	<u>5,442,216</u>

(continued)

**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, 2019**

	BUDGETED AMOUNTS		2019 ACTUAL	VARIANCE WITH FINAL BUDGET -	2018 ACTUAL
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	
<b>EXPENDITURES (CONTINUED)</b>					
<b>Marshal services:</b>					
Personnel services	\$ 414,421	\$ 423,331	\$ 330,837	\$ 92,494	\$ 713,522
Contracted services	66,384	49,772	10,874	38,898	83,427
Materials and supplies	55,821	73,896	42,944	30,952	72,033
Other charges	462,880	660,436	235,301	425,135	523,406
Total marshal services	999,506	1,207,435	619,956	587,479	1,392,388
<b>Library:</b>					
Personnel services	1,547,227	1,568,415	1,523,137	45,278	1,495,477
Contracted services	58,912	60,921	60,293	628	52,826
Materials and supplies	174,380	178,279	176,107	2,172	176,390
Other charges	21,244	21,654	20,216	1,438	21,636
Total library	1,801,763	1,829,269	1,779,753	49,516	1,746,329
<b>Parks and recreation:</b>					
Personnel services	3,926,508	3,969,538	3,859,093	110,445	3,672,289
Contracted services	1,604,779	1,479,765	1,413,090	66,675	1,391,753
Materials and supplies	463,610	637,963	605,940	32,023	613,240
Other charges	48,155	45,711	34,544	11,167	26,854
Total parks and recreation	6,043,052	6,132,977	5,912,667	220,310	5,704,136
<b>Code compliance:</b>					
Personnel services	737,704	612,879	507,082	105,797	585,468
Contracted services	39,570	101,041	100,541	500	22,251
Materials and supplies	56,112	58,441	22,072	36,369	15,717
Other charges	5,265	9,946	9,946	-	2,214
Total code compliance	838,651	782,307	639,641	142,666	625,650
<b>Animal services:</b>					
Personnel services	1,107,906	1,101,548	1,101,548	-	1,029,947
Contracted services	205,153	213,893	213,893	-	121,264
Materials and supplies	116,706	200,954	200,954	-	150,885
Other charges	19,140	20,974	20,974	-	11,677
Total animal services	1,448,905	1,537,369	1,537,369	-	1,313,773
<b>Fleet services:</b>					
Personnel services	629,049	630,438	596,806	33,632	572,295
Contracted services	9,120	11,446	7,754	3,692	6,539
Materials and supplies	368,865	340,617	43,565	297,052	41,556
Other charges	20,462	22,858	10,064	12,794	7,186
Total fleet services	1,027,496	1,005,359	658,189	347,170	627,576
<b>Administration:</b>					
Personnel services	873,811	810,989	681,753	129,236	627,156
Contracted services	-	54,986	46,107	8,879	341
Materials and supplies	16,700	16,702	4,644	12,058	3,794
Other charges	3,325	7,375	7,375	-	4,149
Total administration	893,836	890,052	739,879	150,173	635,440

(continued)

**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, 2019**

	BUDGETED AMOUNTS		2019 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2018 ACTUAL
	ORIGINAL	FINAL			
<b>EXPENDITURES (CONTINUED)</b>					
Social services:					
Other charges	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ 450,000
Total social services	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>450,000</u>
Special services:					
Personnel services	723,125	20,750	20,750	-	1,083
Contracted services	3,173,133	3,374,037	3,374,037	-	3,331,696
Materials and supplies	5,100	-	-	-	9,390
Other charges	9,555,952	10,868,423	10,361,556	506,867	8,586,189
Capital outlay	-	-	44,063	(44,063)	(54,423)
Total special services	<u>13,457,310</u>	<u>14,263,210</u>	<u>13,800,406</u>	<u>462,804</u>	<u>11,873,935</u>
Cemetery:					
Contracted services	237,224	236,526	200,790	35,736	155,822
Materials and supplies	2,000	2,359	2,359	-	1,617
Capital outlay	-	339	339	-	5,912
Total cemetery	<u>239,224</u>	<u>239,224</u>	<u>203,488</u>	<u>35,736</u>	<u>163,351</u>
Debt service:					
Principal	50,000	93,210	93,210	-	90,465
Interest	-	13,563	13,563	-	16,307
Total debt service	<u>50,000</u>	<u>106,773</u>	<u>106,773</u>	<u>-</u>	<u>106,772</u>
Total expenditures	<u>75,191,493</u>	<u>77,572,171</u>	<u>74,902,945</u>	<u>2,669,226</u>	<u>70,537,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,053,902</u>	<u>3,221,224</u>	<u>5,928,299</u>	<u>(2,631,377)</u>	<u>4,286,440</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	188,750	188,750	152,607	(36,143)	44,856
Transfers out	<u>(5,527,532)</u>	<u>(5,022,265)</u>	<u>(5,117,265)</u>	<u>(95,000)</u>	<u>(4,061,405)</u>
Total other financing sources (uses)	<u>(5,338,782)</u>	<u>(4,833,515)</u>	<u>(4,964,658)</u>	<u>(131,143)</u>	<u>(4,016,549)</u>
Net change in fund balance	(284,880)	(1,612,291)	963,641	(2,762,520)	269,891
FUND BALANCE - BEGINNING	<u>16,163,689</u>	<u>16,163,689</u>	<u>16,163,689</u>	<u>-</u>	<u>15,893,798</u>
FUND BALANCE - ENDING	<u>\$ 15,878,809</u>	<u>\$ 14,551,398</u>	<u>\$ 17,127,330</u>	<u>\$ 2,575,932</u>	<u>\$ 16,163,689</u>

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## **NONMAJOR SPECIAL REVENUE FUNDS**

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

**Community Development Block Grant**

**Public Education**

**Public Safety Grants**

**WIC Project**

**PARD Recreation Programs**

**Hotel Occupancy**

**Municipal Court Technology**

**Seized Assets**

**Public Improvement District**

**Library Memorial**

**Municipal Court Security Fee**

**Juvenile Case Manager Fee**

**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, 2019**

	SPECIAL		
	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION	PUBLIC SAFETY GRANTS
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 592,404	\$ -
Investments	-	-	-
Receivables - net of allowances for uncollectibles			
Accounts	730,298	18,110	-
Taxes	-	-	-
Loans	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	158,245
Prepaid items	-	-	-
	-	-	-
Total assets	\$ 730,298	\$ 610,514	\$ 158,245
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 189,839	\$ -	\$ 1,155
Accrued liabilities	-	-	-
Unearned revenue	195,247	-	37,905
Customer deposits	-	-	-
Due to other funds	271,539	-	119,185
Total liabilities	656,625	-	158,245
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted for			
Public safety	-	-	-
Community services	73,673	610,514	-
Endowment	-	-	-
Total fund balances	73,673	610,514	-
Total liabilities and fund balances	\$ 730,298	\$ 610,514	\$ 158,245

REVENUE

WIC PROJECT	PARD RECREATION PROGRAMS	HOTEL OCCUPANCY	MUNICIPAL COURT TECHNOLOGY	SEIZED ASSETS	PUBLIC IMPROVEMENT DISTRICT	LIBRARY MEMORIAL
\$ -	\$ 317,282	\$ 170,448	\$ 203,160	\$ 134,936	\$ 1,444,240	\$ 41,388
-	-	1,077,653	-	-	-	-
-	-	-	-	-	-	-
-	-	300,360	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
460,543	-	-	-	-	-	-
<u>6,913</u>	<u>-</u>	<u>3,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 467,456</u>	<u>\$ 317,282</u>	<u>\$ 1,552,410</u>	<u>\$ 203,160</u>	<u>\$ 134,936</u>	<u>\$ 1,444,240</u>	<u>\$ 41,388</u>
\$ 25,520	\$ 22,157	\$ 142,371	\$ -	\$ 24,194	\$ -	\$ -
18,702	-	15,450	-	-	-	-
-	50,000	98	-	-	-	-
-	-	-	-	-	-	-
<u>423,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>467,456</u>	<u>72,157</u>	<u>157,919</u>	<u>-</u>	<u>24,194</u>	<u>-</u>	<u>-</u>
-	-	3,949	-	-	-	-
-	-	-	203,160	110,742	-	-
-	245,125	1,390,542	-	-	1,444,240	41,388
-	-	-	-	-	-	-
<u>-</u>	<u>245,125</u>	<u>1,394,491</u>	<u>203,160</u>	<u>110,742</u>	<u>1,444,240</u>	<u>41,388</u>
<u>\$ 467,456</u>	<u>\$ 317,282</u>	<u>\$ 1,552,410</u>	<u>\$ 203,160</u>	<u>\$ 134,936</u>	<u>\$ 1,444,240</u>	<u>\$ 41,388</u>

(continued)

**CITY OF SAN MARCOS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2019**

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	SPECIAL CONTRIBUTIONS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 121,970	\$ 57,977	\$ 98,781
Investments	-	-	-
Receivables - net of allowances for uncollectibles			
Accounts	-	-	2,709
Taxes	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 121,970</u>	<u>\$ 57,977</u>	<u>\$ 101,490</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 1,199	\$ -
Accrued liabilities	725	-	-
Deferred revenue	-	-	-
Customer deposits	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>725</u>	<u>1,199</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted for			
Public safety	121,245	56,778	-
Community services	-	-	101,490
Total fund balances	<u>121,245</u>	<u>56,778</u>	<u>101,490</u>
Total liabilities and fund balances	<u>\$ 121,970</u>	<u>\$ 57,977</u>	<u>\$ 101,490</u>

REVENUE

TIRZ #2	TIRZ #3	TIRZ #4	TIRZ #5	TIRZ LOOP 110	TIRZ LONE STAR RAIL	MUNICIPAL JUDICIAL EFFICIENCY
\$ 2,131	\$ -	\$ 160,192	\$ 1,155,598	\$ 969,970	\$ 3,139	\$ 45,444
-	-	-	-	-	-	-
-	60,247	47,171	310,695	-	-	-
-	-	-	-	-	-	-
-	-	-	874,205	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,131</u>	<u>\$ 60,247</u>	<u>\$ 207,363</u>	<u>\$ 2,340,498</u>	<u>\$ 969,970</u>	<u>\$ 3,139</u>	<u>\$ 45,444</u>
\$ -	\$ -	\$ -	\$ -	\$ 969,970	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,131	-	-	-	-	-	-
-	60,247	-	-	-	-	-
<u>2,131</u>	<u>60,247</u>	<u>-</u>	<u>-</u>	<u>969,970</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	207,363	2,340,498	-	3,139	45,444
-	-	207,363	2,340,498	-	3,139	45,444
<u>\$ 2,131</u>	<u>\$ 60,247</u>	<u>\$ 207,363</u>	<u>\$ 2,340,498</u>	<u>\$ 969,970</u>	<u>\$ 3,139</u>	<u>\$ 45,444</u>

(continued)

**CITY OF SAN MARCOS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2019**

	SPECIAL REVENUE		PERMANENT	
	MISCELLANEOUS GRANTS	TOW FORFEITURE FUND	CEMETERY PERPETUAL	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 466,215	\$ 9,760	\$ -	\$ 5,995,035
Investments	23,670	-	-	1,101,323
Receivables - net of allowances for uncollectibles				
Accounts	459,020	-	-	1,628,250
Taxes	-	-	-	300,360
Due from other funds	-	-	-	874,205
Due from other governments	-	-	-	618,788
Prepaid items	-	-	-	10,862
Total assets	\$ 948,905	\$ 9,760	\$ -	\$ 10,528,823
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 119,319	\$ -	\$ -	\$ 1,495,724
Accrued liabilities	-	-	-	34,877
Deferred revenue	214,719	-	-	497,969
Customer deposits	-	-	-	2,131
Due to other funds	-	-	-	874,205
Total liabilities	334,038	-	-	2,904,906
<b>Fund balances</b>				
Nonspendable	-	-	-	3,949
Restricted for				
Public safety	-	-	-	491,925
Community services	614,867	9,760	-	7,128,043
Total fund balances	614,867	9,760	-	7,623,917
Total liabilities and fund balances	\$ 948,905	\$ 9,760	\$ -	\$ 10,528,823

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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, 2019**

	SPECIAL		
	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION	PUBLIC SAFETY GRANTS
<b>REVENUES</b>			
Taxes	\$ -	\$ 92,003	\$ -
Fines and penalties	-	-	-
Intergovernmental	3,060,307	-	113,426
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	3,060,307	92,003	113,426
<b>EXPENDITURES</b>			
Current			
General government	-	1,350	-
Public safety	-	-	113,426
Community services	3,060,307	-	-
Capital outlay	-	25,388	-
Debt service:			
Interest and fiscal charges	-	-	-
Bond issuance cost	-	-	-
Total expenditures	3,060,307	26,738	113,426
Excess (deficiency) of revenues over (under) expenditures	-	65,265	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	65,265	-
<b>FUND BALANCES - BEGINNING</b>	<b>73,673</b>	<b>545,249</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 73,673</b>	<b>\$ 610,514</b>	<b>\$ -</b>

REVENUE

WIC PROJECT	PARD RECREATION PROGRAMS	HOTEL OCCUPANCY	MUNICIPAL COURT TECHNOLOGY	SEIZED ASSETS	PUBLIC IMPROVEMENT DISTRICT	LIBRARY MEMORIAL
\$ -	\$ -	\$ 3,964,926	\$ -	\$ -	\$ -	\$ -
-	-	-	24,575	40,091	-	-
1,542,230	-	-	-	-	830,500	-
-	204,937	-	-	-	-	-
-	-	77,745	-	-	52,582	-
-	<u>73,078</u>	<u>38,949</u>	-	-	<u>1,592</u>	<u>2,000</u>
<u>1,542,230</u>	<u>278,015</u>	<u>4,081,620</u>	<u>24,575</u>	<u>40,091</u>	<u>884,674</u>	<u>2,000</u>
-	-	-	-	-	1,328,345	-
-	-	-	-	28,839	-	-
1,542,230	230,522	2,065,693	-	-	-	-
-	-	-	-	94,181	-	-
-	-	-	-	-	387,595	-
-	-	-	-	-	<u>458,225</u>	-
<u>1,542,230</u>	<u>230,522</u>	<u>2,065,693</u>	-	<u>123,020</u>	<u>2,174,165</u>	-
-	<u>47,493</u>	<u>2,015,927</u>	<u>24,575</u>	<u>(82,929)</u>	<u>(1,289,491)</u>	<u>2,000</u>
-	-	-	-	-	11,885,000	-
-	-	143,480	-	-	-	-
-	-	<u>(1,510,828)</u>	-	-	<u>(9,151,269)</u>	-
-	-	<u>(1,367,348)</u>	-	-	<u>2,733,731</u>	-
-	47,493	648,579	24,575	(82,929)	1,444,240	2,000
-	<u>197,632</u>	<u>745,912</u>	<u>178,585</u>	<u>193,671</u>	-	<u>39,388</u>
<u>\$ -</u>	<u>\$ 245,125</u>	<u>\$ 1,394,491</u>	<u>\$ 203,160</u>	<u>\$ 110,742</u>	<u>\$ 1,444,240</u>	<u>\$ 41,388</u>

(continued)

**CITY OF SAN MARCOS, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**For the year ended September 30, 2019**

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	SPECIAL CONTRIBUTIONS
REVENUES			
Taxes	\$ -	\$ -	\$ -
Fines and penalties	17,659	33,692	
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	156,977
Total revenues	17,659	33,692	156,977
EXPENDITURES			
Current			
General government	-	-	-
Public safety	30,925	28,287	-
Community services	-	-	64,569
Capital outlay	-	-	-
Debt service:			
Interest and fiscal charges	-	-	-
Bond issuance cost	-	-	-
Total expenditures	30,925	28,287	64,569
Excess (deficiency) of revenues over (under) expenditures	(13,266)	5,405	92,408
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(13,266)	5,405	92,408
FUND BALANCES - BEGINNING	134,511	51,373	9,082
FUND BALANCES - ENDING	\$ 121,245	\$ 56,778	\$ 101,490

REVENUE

TIRZ #2	TIRZ #3	TIRZ #4	TIRZ #5	TIRZ LOOP 110	TIRZ LONE STAR RAIL	MUNICIPAL JUDICIAL EFFICIENCY
\$ -	\$ 60,247	\$ 47,171	\$ 310,695	\$ -	\$ -	\$ -
-	-	-	-	-	-	4,454
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	60,247	47,171	310,695	-	-	4,454
1,211,422	-	-	-	969,970	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,211,422	-	-	-	969,970	-	-
(1,211,422)	60,247	47,171	310,695	(969,970)	-	4,454
-	-	-	-	-	-	-
1,211,422	139,411	76,147	509,532	969,970	-	-
-	(202,658)	-	-	-	-	-
1,211,422	(63,247)	76,147	509,532	969,970	-	-
-	(3,000)	123,318	820,227	-	-	4,454
-	3,000	84,045	1,520,271	-	3,139	40,990
\$ -	\$ -	\$ 207,363	\$ 2,340,498	\$ -	\$ 3,139	\$ 45,444

**CITY OF SAN MARCOS, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**For the year ended September 30, 2019**

	SPECIAL REVENUE		PERMANENT		
	TOW				
	MISCELLANEOUS GRANTS	FORFEITURE FUND	CEMETERY PERPETUAL	TOTALS	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 4,475,042	
Fines and penalties	-	-	-	120,471	
Intergovernmental	992,262	-	-	6,538,725	
Charges for services	-	-	-	204,937	
Investment earnings	88	-	43,594	174,009	
Miscellaneous	-	-	3,114	275,710	
Total revenues	992,350	-	46,708	11,788,894	
<b>EXPENDITURES</b>					
Current					
General government	873,789	-	-	4,384,876	
Public safety	-	-	-	201,477	
Community services	-	-	-	6,963,321	
Capital outlay	-	-	-	119,569	
Debt service:					
Interest and fiscal charges	-	-	-	387,595	
Bond issuance cost	-	-	-	458,225	
Total expenditures	873,789	-	-	12,515,063	
Excess (deficiency) of revenues over (under) expenditures	118,561	-	46,708	(726,169)	
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	-	-	11,885,000	
Transfers in	-	-	-	3,049,962	
Transfers out	-	-	(1,131,271)	(11,996,026)	
Total other financing sources and uses	-	-	(1,131,271)	2,938,936	
Net change in fund balance	118,561	-	(1,084,563)	2,212,767	
FUND BALANCES - BEGINNING	496,306	9,760	1,084,563	5,411,150	
FUND BALANCES - ENDING	\$ 614,867	\$ 9,760	\$ -	\$ 7,623,917	

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 11,451,017	\$ 11,451,017	\$ 11,418,011	\$ (33,006)
Intergovernmental	3,030,000	3,030,000	3,603,738	573,738
Interest on investments	90,000	90,000	336,665	246,665
Miscellaneous	<u>102,608</u>	<u>102,608</u>	<u>93,204</u>	<u>(9,404)</u>
Total revenues	<u>14,673,625</u>	<u>14,673,625</u>	<u>15,451,618</u>	<u>777,993</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	10,235,000	10,053,902	8,715,000	1,338,902
Interest and fiscal charges	<u>7,440,978</u>	<u>7,463,168</u>	<u>6,200,073</u>	<u>1,263,095</u>
Total expenditures	<u>17,675,978</u>	<u>17,517,070</u>	<u>14,915,073</u>	<u>2,601,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,002,353)</u>	<u>(2,843,445)</u>	<u>536,545</u>	<u>3,379,990</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,855,453	3,855,453	2,261,410	(1,594,043)
Transfers out	<u>(1,839,572)</u>	<u>(1,998,480)</u>	<u>(1,994,480)</u>	<u>4,000</u>
Total other financing sources (uses)	<u>2,015,881</u>	<u>1,856,973</u>	<u>266,930</u>	<u>(1,590,043)</u>
Net change in fund balances	(986,472)	(986,472)	803,475	(1,789,947)
FUND BALANCES - BEGINNING	<u>9,079,839</u>	<u>9,079,839</u>	<u>9,079,839</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 8,093,367</u>	<u>\$ 8,093,367</u>	<u>\$ 9,883,314</u>	<u>\$ 1,789,947</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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 649,948	\$ 649,948	\$ 3,060,307	\$ 2,410,359
EXPENDITURES				
Current				
Community service	649,948	649,948	3,060,307	(2,410,359)
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	73,673	73,673	73,673	-
FUND BALANCES - ENDING	\$ 73,673	\$ 73,673	\$ 73,673	\$ -

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 97,000	\$ 97,000	\$ 92,003	\$ (4,997)
EXPENDITURES				
Current				
General government	-	-	1,350	(1,350)
Capital outlay	<u>100,000</u>	<u>100,000</u>	<u>25,388</u>	<u>74,612</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>26,738</u>	<u>73,262</u>
Net change in fund balance	97,000	97,000	65,265	(31,735)
FUND BALANCES - BEGINNING	<u>545,249</u>	<u>545,249</u>	<u>545,249</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 642,249</u>	<u>\$ 642,249</u>	<u>\$ 610,514</u>	<u>\$ (31,735)</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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 2,033,209	\$ 2,033,209	\$ 1,542,230	\$ (490,979)
EXPENDITURES				
Current				
Community service	2,033,209	2,033,209	1,542,230	490,979
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,599,013	\$ 3,599,013	\$ 3,964,926	\$ 365,913
Interest on investments	1,000	1,000	77,745	76,745
Other	<u>1,000</u>	<u>1,000</u>	<u>38,949</u>	<u>37,949</u>
Total revenues	<u>3,601,013</u>	<u>3,601,013</u>	<u>4,081,620</u>	<u>480,607</u>
EXPENDITURES				
Current				
Community service	<u>2,283,222</u>	<u>3,251,486</u>	<u>2,065,693</u>	<u>1,185,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,317,791</u>	<u>349,527</u>	<u>2,015,927</u>	<u>1,666,400</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	143,481	143,481	143,480	(1)
Transfers out	<u>(1,510,828)</u>	<u>(1,510,828)</u>	<u>(1,510,828)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,367,347)</u>	<u>(1,367,347)</u>	<u>(1,367,348)</u>	<u>(1)</u>
Net change in fund balance	(49,556)	(1,017,820)	648,579	1,666,399
FUND BALANCES - BEGINNING	<u>745,912</u>	<u>745,912</u>	<u>745,912</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 696,356</u>	<u>\$ (271,908)</u>	<u>\$ 1,394,491</u>	<u>\$ 1,666,399</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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 25,000	\$ 25,000	\$ 24,575	\$ (425)
EXPENDITURES				
Current				
Public safety	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Net change in fund balance	20,000	20,000	24,575	4,575
FUND BALANCES - BEGINNING	178,585	178,585	178,585	-
FUND BALANCES - ENDING	<u>\$ 198,585</u>	<u>\$ 198,585</u>	<u>\$ 203,160</u>	<u>\$ 4,575</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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 5,000	\$ 5,000	\$ 40,091	\$ 35,091
EXPENDITURES				
Current				
Public safety	5,000	5,000	28,839	(23,839)
Capital outlay	68,180	133,180	94,181	38,999
Total expenditures	73,180	138,180	123,020	15,160
Net change in fund balance	(68,180)	(133,180)	(82,929)	50,251
FUND BALANCES - BEGINNING	193,671	193,671	193,671	-
FUND BALANCES - ENDING	\$ 125,491	\$ 60,491	\$ 110,742	\$ 50,251

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 18,500	\$ 18,500	\$ 17,659	\$ (841)
EXPENDITURES				
Current				
Public safety	87,073	87,073	30,925	56,148
Net change in fund balance	(68,573)	(68,573)	(13,266)	55,307
FUND BALANCES - BEGINNING	134,511	134,511	134,511	-
FUND BALANCES - ENDING	\$ 65,938	\$ 65,938	\$ 121,245	\$ 55,307

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 36,000	\$ 36,000	\$ 33,692	\$ (2,308)
EXPENDITURES				
Current				
Public safety	29,363	29,363	28,287	1,076
Net change in fund balance	6,637	6,637	5,405	(1,232)
FUND BALANCES - BEGINNING	51,373	51,373	51,373	-
FUND BALANCES - ENDING	\$ 58,010	\$ 58,010	\$ 56,778	\$ (1,232)

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,307,833	\$ 1,307,833	\$ -	\$ (1,307,833)
EXPENDITURES				
Current				
General government	1,107,833	1,107,833	1,211,422	(103,589)
Excess (deficiency) of revenues over (under) expenditures	200,000	200,000	(1,211,422)	(1,411,422)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,211,422	1,211,422
Net change in fund balance	200,000	200,000	-	(200,000)
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 224,422	\$ 224,422	\$ 60,247	\$ (164,175)
EXPENDITURES				
Current				
General government	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	224,422	224,422	60,247	(164,175)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	139,411	139,411
Transfer out	(224,422)	(224,422)	(202,658)	21,764
Total other financing sources (uses)	(224,422)	(224,422)	(63,247)	161,175
Net change in fund balance	-	-	(3,000)	(3,000)
FUND BALANCES - BEGINNING	3,000	3,000	3,000	-
FUND BALANCES - ENDING	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	<u>\$ 107,703</u>	<u>\$ 107,703</u>	<u>\$ 47,171</u>	<u>\$ (60,532)</u>
EXPENDITURES				
Current				
General government	<u>107,703</u>	<u>107,703</u>	<u>-</u>	<u>107,703</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	47,171	47,171
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>-</u>	<u>-</u>	<u>76,147</u>	<u>76,147</u>
Net change in fund balance	-	-	123,318	123,318
FUND BALANCES - BEGINNING	<u>84,045</u>	<u>84,045</u>	<u>84,045</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 84,045</u></u>	<u><u>\$ 84,045</u></u>	<u><u>\$ 207,363</u></u>	<u><u>\$ 123,318</u></u>

**CITY OF SAN MARCOS, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
TIRZ #5**

**For the year ended September 30, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,058,322	\$ 1,058,322	\$ 310,695	\$ (747,627)
EXPENDITURES				
Current				
General government	2,500,000	2,500,000	-	2,500,000
Excess (deficiency) of revenues over (under) expenditures	(1,441,678)	(1,441,678)	310,695	1,752,373
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	509,532	509,532
Net change in fund balance	(1,441,678)	(1,441,678)	820,227	2,261,905
FUND BALANCES - BEGINNING	1,520,271	1,520,271	1,520,271	-
FUND BALANCES - ENDING	\$ 78,593	\$ 78,593	\$ 2,340,498	\$ 2,261,905

**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, 2019**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,257,129	\$ 1,257,129	\$ -	\$ (1,257,129)
EXPENDITURES				
Current				
General government	1,257,129	1,257,129	969,970	287,159
Excess (deficiency) of revenues over (under) expenditures	-	-	(969,970)	(969,970)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	969,970	969,970
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -

**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, 2019**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET -
				POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current				
General government	-	-	-	-
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	<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>\$ -</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, 2019**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET -
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	POSITIVE <u>(NEGATIVE)</u>
<b>REVENUES</b>				
Fines and penalties	\$ 4,000	\$ 4,000	\$ 4,454	\$ 454
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>4,454</u>	<u>454</u>
<b>EXPENDITURES</b>				
Current				
General government	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	(16,000)	(16,000)	4,454	20,454
FUND BALANCES - BEGINNING	<u>40,990</u>	<u>40,990</u>	<u>40,990</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 24,990</u>	<u>\$ 24,990</u>	<u>\$ 45,444</u>	<u>\$ 20,454</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.

***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, 2019**

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 8,324	\$ 145,925	\$ 926,761	\$ 1,081,010
Investments	-	-	1,009,040	1,009,040
Accounts receivable - net	83,008	14,005	640,891	737,904
Prepaid expenses	-	-	990	990
Total current assets	<u>91,332</u>	<u>159,930</u>	<u>2,577,682</u>	<u>2,828,944</u>
<b>NONCURRENT ASSETS</b>				
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	16,528	-	1,425,858
Totals	14,961,000	16,528	79,840	15,057,368
Less: accumulated depreciation	<u>(10,564,657)</u>	<u>-</u>	<u>(45,945)</u>	<u>(10,610,602)</u>
Total capital assets	<u>4,396,343</u>	<u>16,528</u>	<u>33,895</u>	<u>4,446,766</u>
Total noncurrent assets	<u>4,396,343</u>	<u>16,528</u>	<u>33,895</u>	<u>4,446,766</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	-	20,416	47,538	67,954
Deferred outflows - OPEB death benefit	-	358	716	1,074
Deferred outflows - OPEB health benefit	-	2,279	4,560	6,839
Total deferred outflows of resources	<u>-</u>	<u>23,053</u>	<u>52,814</u>	<u>75,867</u>
Total assets and deferred outflows of resources	<u>\$ 4,487,675</u>	<u>\$ 199,511</u>	<u>\$ 2,664,391</u>	<u>\$ 7,351,577</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 82,731	\$ 55,006	616,110	\$ 753,847
Accrued liabilities	-	1,851	48,245	50,096
Compensated absences	-	3,137	7,766	10,903
Customer deposits	7,689	-	215,711	223,400
Total current liabilities	<u>90,420</u>	<u>59,994</u>	<u>887,832</u>	<u>1,038,246</u>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	-	52,973	142,918	195,891
OPEB liability - death benefit	-	2,791	5,581	8,372
OPEB liability - health benefit	-	9,081	18,162	27,243
Compensated absences	-	750	2,742	3,492
Total noncurrent liabilities	<u>-</u>	<u>65,595</u>	<u>169,403</u>	<u>234,998</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pension	-	811	1,026	1,837
Deferred inflows - OPEB health benefit	-	188	377	565
Total deferred inflows of resources	<u>-</u>	<u>999</u>	<u>1,403</u>	<u>2,402</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,396,343	16,528	33,895	4,446,766
Unrestricted	912	56,395	1,571,858	1,629,165
Total net position	<u>4,397,255</u>	<u>72,923</u>	<u>1,605,753</u>	<u>6,075,931</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,487,675</u>	<u>\$ 199,511</u>	<u>\$ 2,664,391</u>	<u>\$ 7,351,577</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, 2019**

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 529,059	\$ -	\$ 4,549,484	\$ 5,078,543
Intergovernmental	-	-	-	-
Miscellaneous	-	14,005	32,700	46,705
Total operating revenues	<u>529,059</u>	<u>14,005</u>	<u>4,582,184</u>	<u>5,125,248</u>
<b>OPERATING EXPENSES</b>				
Personnel services	-	142,614	472,962	615,576
Contracted services	499,618	464,026	3,751,497	4,715,141
Materials and supplies	113,834	609	46,320	160,763
Other charges	-	8,631	225,799	234,430
Depreciation	<u>156,085</u>	<u>-</u>	<u>13,419</u>	<u>169,504</u>
Total operating expenses	<u>769,537</u>	<u>615,880</u>	<u>4,509,997</u>	<u>5,895,414</u>
Operating income (loss)	<u>(240,478)</u>	<u>(601,875)</u>	<u>72,187</u>	<u>(770,166)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	-	-	36,074	36,074
Transfer in	<u>25,000</u>	<u>610,000</u>	<u>25,000</u>	<u>660,000</u>
Total non-operating revenue (expenses)	<u>25,000</u>	<u>610,000</u>	<u>61,074</u>	<u>696,074</u>
Change in net position	(215,478)	8,125	133,261	(74,092)
TOTAL NET POSITION - BEGINNING	<u>4,612,733</u>	<u>64,798</u>	<u>1,472,492</u>	<u>6,150,023</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,397,255</u>	<u>\$ 72,923</u>	<u>\$ 1,605,753</u>	<u>\$ 6,075,931</u>

**CITY OF SAN MARCOS, TEXAS**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS**

**For the year ended September 30 30, 2019**

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 449,652	\$ -	\$ 4,540,693	\$ 4,990,345
Cash paid to suppliers for goods and services	(621,216)	(493,260)	(3,709,722)	(4,824,198)
Cash paid to employees for services	-	(134,591)	(452,239)	(586,830)
Net cash provided by (used in) operating activities	<u>(171,564)</u>	<u>(627,851)</u>	<u>378,732</u>	<u>(420,683)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	25,000	610,000	25,000	660,000
Net cash provided by (used in) noncapital financing activities	<u>25,000</u>	<u>610,000</u>	<u>25,000</u>	<u>660,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	(16,528)	-	(16,528)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(16,528)</u>	<u>-</u>	<u>(16,528)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale (purchase) of investment securities	-	-	(12,170)	(12,170)
Interest Received	-	-	36,074	36,074
Net increase (decrease) in cash and cash equivalents	(146,564)	(34,379)	427,636	246,693
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>154,889</u>	<u>180,304</u>	<u>499,125</u>	<u>834,318</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 8,325</u>	<u>\$ 145,925</u>	<u>\$ 926,761</u>	<u>\$ 1,081,011</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (240,478)	\$ (601,875)	\$ 72,187	\$ (770,166)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) Operating activities				
Depreciation	156,085	-	13,419	169,504
Changes in assets and liabilities				
Decrease (increase) in assets				
Accounts receivable	(79,407)	(14,005)	(58,836)	(152,248)
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Prepaid Items	-	-	(990)	(990)
Increase (decrease) in liabilities				
Accounts payable	(7,764)	(19,994)	314,884	287,126
Accrued liabilities	-	(714)	2,466	1,752
Customer deposits	-	-	17,345	17,345
Compensated absences	-	2,718	2,918	5,636
OPEB liability	-	1,284	2,568	3,852
Net pension liability	-	4,735	12,771	17,506
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (171,564)</u>	<u>\$ (627,851)</u>	<u>\$ 378,732</u>	<u>\$ (420,683)</u>
<b>SCHEDULE OF NONCASH CAPITAL ACTIVITIES</b>				
Actuarially determined change in				
Net pension liability	\$ -	\$ 32,473	\$ 64,946	\$ 97,419
Other postemployment benefit liability	-	2,307	4,611	6,918

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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 21
<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.	22 through 24
<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.	25 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 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	\$ 81,220,093
Restricted	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	73,901,843
Unrestricted	<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>	<u>(67,791,955)</u>
Total governmental activities - Net position	<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>\$ 87,329,981</u>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 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	\$ 117,499,938
Restricted	-	-	-	-	-	221,981	221,981	221,981	221,981	-
Unrestricted	<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>	<u>94,340,035</u>
Total business-type activities - Net position	<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>\$ 211,839,973</u>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 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	\$ 198,720,031
Restricted	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	73,901,843
Unrestricted	<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>	<u>26,548,080</u>
Total primary government net position	<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>	<u>\$ 299,169,954</u>

**CITY OF SAN MARCOS, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

TABLE 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>EXPENSES</b>										
<b>Governmental Activities</b>										
General government	\$ 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	\$ 49,089,717
Public safety	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	37,061,552
Community service	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	21,820,704
Interest and fiscal charges	<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>	<u>6,906,010</u>
Total governmental activities	<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>	<u>114,877,983</u>
<b>Business-Type Activities</b>										
Water/wastewater	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	53,613,429
Electric	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	40,207,034
Airport	694,070	710,558	601,781	895,001	647,653	569,932	581,290	636,669	684,607	769,537
Drainage	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	4,539,186
Transit	-	-	-	-	300,791	387,448	582,522	603,535	584,269	615,880
Resource recovery	<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>	<u>4,509,997</u>
Total business-type activities	<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>	<u>104,255,063</u>
Total primary government expenses	<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>	<u>219,133,046</u>
<b>PROGRAM REVENUES</b>										
<b>Governmental Activities</b>										
<b>Charges for services</b>										
General government	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	13,550,158
Public safety	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	1,402,992
Community service	574,537	639,534	769,467	1,029,617	1,026,696	860,427	1,407,839	1,646,254	1,727,826	1,917,903
Operating grants and contributions	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	10,815,619
Capital grants and contributions	<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>	<u>3,632,058</u>
Total governmental activities program revenues	<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>	<u>31,318,730</u>
<b>Business-Type Activities</b>										
<b>Charges for services</b>										
Electric	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	56,189,627
Water and wastewater	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	45,316,631
Airport	178,432	256,710	580,554	913,152	292,432	296,241	440,244	476,342	572,192	529,059
Drainage	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	5,769,552
Resource recovery	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	4,582,184
Operating grants and contributions	-	-	-	-	-	-	-	1,784,902	-	-
Capital grants and contributions	<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>	<u>1,033,076</u>
Total business-type activities program revenues	<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>	<u>113,420,129</u>
Total primary government program revenues	<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>	<u>144,738,859</u>

(continued)

**CITY OF SAN MARCOS, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

TABLE 2 (continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense) revenues										
Governmental activities	\$ (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)	\$ (83,559,253)
Business-type activities	<u>2,372,178</u>	<u>6,303,844</u>	<u>7,946,411</u>	<u>8,206,067</u>	<u>11,784,990</u>	<u>16,896,739</u>	<u>12,402,226</u>	<u>14,453,463</u>	<u>15,089,574</u>	<u>9,165,066</u>
Total primary government net expenses	<u>(42,855,025)</u>	<u>(36,315,678)</u>	<u>(30,335,092)</u>	<u>(35,208,725)</u>	<u>(37,667,245)</u>	<u>(33,634,423)</u>	<u>(43,578,072)</u>	<u>(69,702,162)</u>	<u>(55,849,245)</u>	<u>(74,394,187)</u>
GOVERNMENTAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities										
Taxes										
Property taxes	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	31,473,324
Franchise taxes	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	9,334,827
Sales taxes	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	37,148,661
Other taxes	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	4,473,996
Investment earnings	587,646	319,091	261,704	331,996	95,989	129,205	275,637	238,708	1,018,563	2,298,387
Miscellaneous	1,854,367	753,366	1,337,721	442,726	367,775	40,274	322,346	645,601	294,328	1,157,086
Gain on sale of capital assets	64,974	121,129	-	-	-	-	-	-	-	-
Transfers	<u>6,119,618</u>	<u>6,290,865</u>	<u>6,386,106</u>	<u>5,428,042</u>	<u>5,265,193</u>	<u>(156,698)</u>	<u>(704,726)</u>	<u>(562,374)</u>	<u>(592,144)</u>	<u>(5,094,469)</u>
Total governmental activities	<u>45,101,169</u>	<u>45,404,544</u>	<u>47,550,446</u>	<u>50,218,890</u>	<u>57,435,035</u>	<u>54,878,844</u>	<u>61,477,815</u>	<u>61,177,730</u>	<u>77,815,900</u>	<u>80,791,812</u>
Business-Type Activities										
Investment earnings	569,393	376,915	303,932	160,760	187,380	202,049	525,975	916,988	1,989,509	4,304,902
Other	1,337,440	2,029,511	2,780,304	-	46,822	-	-	-	-	14,005
Transfers	<u>(6,119,618)</u>	<u>(6,290,865)</u>	<u>(6,386,106)</u>	<u>(5,428,042)</u>	<u>-</u>	<u>156,698</u>	<u>704,726</u>	<u>562,374</u>	<u>592,144</u>	<u>5,094,469</u>
Total business-type activities	<u>(4,212,785)</u>	<u>(3,884,439)</u>	<u>(3,301,870)</u>	<u>(5,267,282)</u>	<u>234,202</u>	<u>358,747</u>	<u>1,230,701</u>	<u>1,479,362</u>	<u>2,581,653</u>	<u>9,413,376</u>
Total primary government	<u>40,888,384</u>	<u>41,520,105</u>	<u>44,248,576</u>	<u>44,951,608</u>	<u>57,669,237</u>	<u>55,237,591</u>	<u>62,708,516</u>	<u>62,657,092</u>	<u>80,397,553</u>	<u>90,205,188</u>
CHANGES IN NET POSITION										
Governmental activities	(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	(2,767,441)
Business-type activities	<u>(1,840,607)</u>	<u>2,419,405</u>	<u>4,644,541</u>	<u>2,938,785</u>	<u>6,753,999</u>	<u>17,255,486</u>	<u>13,631,927</u>	<u>15,932,825</u>	<u>17,551,308</u>	<u>18,578,442</u>
Total primary government	<u>\$ (1,966,641)</u>	<u>\$ 5,204,427</u>	<u>\$ 13,913,484</u>	<u>\$ 9,742,883</u>	<u>\$ 9,471,156</u>	<u>\$ 21,603,168</u>	<u>\$ 19,129,444</u>	<u>\$ (7,045,070)</u>	<u>\$ 24,428,389</u>	<u>\$ 15,811,001</u>

**CITY OF SAN MARCOS, TEXAS**

**FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

TABLE 3

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>GENERAL FUND</b>										
Reserved	\$ 228,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,148,100	-	-	-	-	-	-	-	-	-
Nonspendable	-	214,915	385,498	545,006	507,534	466,007	497,560	661,113	463,121	498,780
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	16,628,550
<b>Total general fund</b>	<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>\$ 17,127,330</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ 1,744,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,174,555	-	-	-	-	-	-	-	-	-
Capital project funds	55,426,183	-	-	-	-	-	-	-	-	-
Debt service funds	8,879,062	-	-	-	-	-	-	-	-	-
Nonspendable	-	12,527	10,985	11,177	122,218	-	1,077,965	1,072,859	1,095,463	3,949
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	73,901,843
Unassigned	-	(120,908)	116,111	108,905	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<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>	<u>\$ 73,905,792</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 - GOVEREMNTAL FUNDS**  
**LAST TEN FISCAL YEARS**

TABLE 4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>REVENUES</b>										
Taxes	\$ 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	\$ 82,334,288
Licenses and permits	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	3,480,906
Fees and penalties	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	1,406,806
Charges for services	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	7,726,876
Intergovernmental	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	12,450,906
Investment earnings	587,645	319,093	261,704	331,996	95,989	128,263	275,637	238,708	1,018,563	2,232,780
Contributions	-	-	30,000	80,000	84,121	60,000	1,259,265	80,000	85,000	85,144
Other revenues	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	4,443,817
Total revenues	<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>114,161,523</u>
<b>EXPENDITURES</b>										
General government	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	36,232,777
Public safety	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	33,856,357
Community service	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	19,036,653
Capital outlay	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	22,303,886
Debts service										
Principal	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	9,061,843
Interest	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	6,616,431
Bond issuance costs	-	-	77,783	147,549	300,303	473,975	187,843	74,159	421,832	583,218
Total expenditures	<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>	<u>127,691,165</u>
Excess (deficiency) of revenues over (under) expenditures	<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>	<u>(13,529,642)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Bond sales	\$ 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	\$ 22,280,000
Proceeds from capital leases	-	-	-	337,327	220,916	-	1,098,389	348,089	-	532,244
Premium on debt issued	-	590,248	576,210	805,797	3,051,492	3,891,469	2,192,123	515,695	3,847,332	783,528
Other	71,163	121,129	35,245	287,629	205,838	-	259,689	501,984	7,113	-
Payment to refunded bond escrow agent	-	(11,680,362)	(6,016,992)	(5,885,165)	(27,274,606)	(35,614,546)	(11,598,970)	-	-	-
Transfers in	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	14,013,302
Transfers out	(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)	(19,107,771)
Total other financing sources (uses)	<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>	<u>18,501,303</u>
Net change in fund balances	<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>	<u>\$ 4,971,661</u>
Debt service as a percentage of noncapital expenditures	20.2%	22.8%	21.5%	19.6%	17.7%	17.2%	16.8%	15.6%	15.5%	14.9%

**CITY OF SAN MARCOS, TEXAS**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

TABLE 5

FISCAL YEAR	REAL PROPERTY ASSESSED VALUE	REAL PROPERTY ESTIMATED ACTUAL VALUE	PERSONAL PROPERTY ASSESSED VALUE	PERSONAL PROPERTY ESTIMATED ACTUAL VALUE	LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE
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
2019	5,367,407,593	5,367,407,593	1,114,293,007	1,114,293,007	332,039,853	6,149,660,747	0.6139	6,149,660,747

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>
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
2019	0.015	37,148,661

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
2019	\$ 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
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

**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>
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	51,402,580
2018	32,181,737	20,244,116	52,425,853
2019	32,393,174	20,088,283	52,481,457

**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>
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%
2019	388,718,083	241,059,400	629,777,483	667,791,715	5.69%

**CITY OF SAN MARCOS, TEXAS**  
**TEN LARGEST ELECTRIC CUSTOMERS**

**September 30, 2019**

TABLE 10

CUSTOMER	CONSUMPTION (kWh)	AMOUNT BILLED	% OF TOTAL kWh
Texas State University, COGEN	97,227,610	\$ 6,939,115	15.44%
H E Butt Grocery	21,945,112	1,772,747	3.48%
Amazon.com.kydc, Inc.	20,331,875	1,718,470	3.23%
Texas State University	13,077,198	1,120,713	2.08%
City of San Marcos	9,570,454	843,418	1.52%
CTMC	8,849,048	742,919	1.41%
SMCISD	7,763,060	706,820	1.23%
El Milagro of Texas, Inc.	7,862,400	628,467	1.25%
Hays County Government Center	6,811,978	546,819	1.08%
Thermon Manufacturing	6,218,368	509,826	0.99%

Note: % of consumption based on total kWh of:

629,777,483

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

TABLE 11

FISCAL YEAR	BASIC RATE	SCHOOL DISTRICT	COUNTY	OTHER SPECIAL ROAD	TOTAL DIRECT RATE
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
2019	0.6139	1.3139	0.4237	0.0338	2.3853

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

**CITY OF SAN MARCOS, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**LAST TEN FISCAL YEARS**

TABLE 12

TAXPAYER	2019	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Amazon	\$ 227,774,309	4.50%
Hays Energy LLC	178,238,960	3.52%
HEB Grocery	162,713,736	3.21%
Tanger San Marcos	92,423,722	1.83%
San Marcos Factory Stores	76,164,342	1.50%
CFAN	56,278,428	1.11%
CCSHP San Marcos LP	54,200,040	1.07%
Prime Outlets at San Marcos	52,306,798	1.03%
RELP Ind San Marcos	49,271,056	0.97%
ACC OP (Retreat SM)	45,971,702	0.91%
Total	\$ 995,343,093	<u>19.65%</u>

TAXPAYER	2010	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Hays Energy LP	\$ 114,303,522	4.36%
HEB Grocery	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	9,013,400	0.34%
Total	\$ 273,990,601	<u>10.44%</u>

Information provided by Hays County Central Appraisal District

**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
2010	\$ 14,099,916	\$ 13,907,121	98.63%	\$ 175,533	\$ 14,082,654	99.88%
2011	13,970,763	13,809,687	98.85%	148,265	13,957,952	99.91%
2012	14,396,631	14,265,714	99.09%	119,689	14,385,403	99.92%
2013	15,105,625	14,978,410	99.16%	110,725	15,089,135	99.89%
2014	16,358,498	16,280,315	99.52%	66,504	16,346,819	99.93%
2015	18,034,695	17,926,661	99.40%	122,243	18,048,904	100.08%
2016	19,829,368	19,728,493	99.49%	72,637	19,801,130	99.86%
2017	21,758,602	21,657,891	99.54%	66,864	21,724,755	99.84%
2018	28,171,670	28,039,818	99.53%	62,966	28,102,784	99.76%
2019	30,806,222	30,522,804	99.08%	-	30,522,804	99.08%

**CITY OF SAN MARCOS, TEXAS**

**TOP TEN WATER CUSTOMERS**

**September 30, 2019**

TABLE 14

<u>RANK</u>	<u>NAME</u>	<u>REVENUE</u>	<u>GALLONS</u>
1	Brookfield Residential	\$ 601,110	146,145,053
2	City of San Marcos, Texas	506,178	57,346,871
3	Gary Job Corps Center	313,467	29,165,446
4	Copper Beech Townhomes	298,987	34,066,257
5	The Retreat	251,459	29,045,147
6	Texas State University	239,436	22,460,428
7	San Marcos CISD	227,418	23,024,386
8	The Heights II at San Marcos	219,226	24,937,523
9	Rescare Inc.	216,901	25,033,075
10	29SC Lodge LP	199,242	23,169,789

**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>
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
2019	11,485	14,268

**CITY OF SAN MARCOS, TEXAS**

**WATER AND SEWER RATES**

**September 30, 2019**

TABLE 16

**WATER RATES**

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

<b>INSIDE-CITY WATER RATES</b>		<b>OUTSIDE-CITY WATER RATES</b>	
<u>LIFELINE RATE</u>	<u>RATE</u>	<u>LIFELINE RATE</u>	<u>RATE</u>
First 6,000 gallons - Minimum	24.32	First 6,000 gallons - Minimum	30.41
6,001 - 9,000 gallons	7.13	6,001 - 9,000 gallons	8.91
9,001 - 12,000 gallons	8.16	9,001 - 12,000 gallons	10.19
12,001 - 20,000 gallons	9.18	12,001 - 20,000 gallons	11.46
20,001 - 50,000 gallons	10.19	20,001 - 50,000 gallons	12.73
Over 50,000 gallons	12.22	Over 50,000 gallons	15.29
<hr/>		<hr/>	
<u>5/8" - 3/4" Water Meter</u>	<u>RATE</u>	<u>5/8" - 3/4" Water Meter</u>	<u>RATE</u>
Minimum Charge	24.32	Minimum Charge	30.41
0 - 6,000 gallons	4.07	0 - 6,000 gallons	5.11
6,001 - 9,000 gallons	7.13	6,001 - 9,000 gallons	8.91
9,001 - 12,000 gallons	8.16	9,001 - 12,000 gallons	10.19
12,001 - 20,000 gallons	9.18	12,001 - 20,000 gallons	11.46
20,001 - 50,000 gallons	10.19	20,001 - 50,000 gallons	12.73
Over 50,000 gallons	12.22	Over 50,000 gallons	15.29
<hr/>		<hr/>	
<u>1" Water Meter</u>	<u>RATE</u>	<u>1" Water Meter</u>	<u>RATE</u>
Minimum Charge	60.80	Minimum Charge	76.00
0 - 4,000 gallons	2.63	0 - 4,000 gallons	3.29
4,001 - 10,000 gallons	3.16	4,001 - 10,000 gallons	3.94
10,001 - 25,000 gallons	7.88	10,001 - 25,000 gallons	9.86
Over 25,000 gallons	8.94	Over 25,000 gallons	11.17
<hr/>		<hr/>	
<u>1 1/2" Water Meter</u>	<u>RATE</u>	<u>1 1/2" Water Meter</u>	<u>RATE</u>
Minimum Charge	121.60	Minimum Charge	152.00
0 - 8,000 gallons	2.63	0 - 8,000 gallons	3.29
8,001 - 10,000 gallons	3.16	8,001 - 10,000 gallons	3.94
10,001 - 25,000 gallons	7.88	10,001 - 25,000 gallons	9.86
Over 25,000 gallons	8.94	Over 25,000 gallons	11.17
<hr/>		<hr/>	
<u>2" Water Meter</u>	<u>RATE</u>	<u>2" Water Meter</u>	<u>RATE</u>
Minimum Charge	194.55	Minimum Charge	243.19
0 - 13,000 gallons	2.63	0 - 13,000 gallons	3.29
13,001 - 25,000 gallons	7.88	13,001 - 25,000 gallons	9.86
Over 25,000 gallons	8.94	Over 25,000 gallons	11.17
<hr/>		<hr/>	

(continued)

**CITY OF SAN MARCOS, TEXAS**

**WATER AND SEWER RATES**

**September 30, 2019**

TABLE 16 (Continued)

**SEWER RATES**

(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>RATE</u>	<u>Lifeline Rate*</u>	<u>RATE</u>
Maximum	26.28	Maximum	32.84
<u>5/8" - 3/4" Water Meter*</u>	<u>RATE</u>	<u>5/8" - 3/4" Water Meter*</u>	<u>RATE</u>
First 2,000 gallons - Minimum	26.28	First 2,000 gallons - Minimum	32.84
Over 2,000 gallons	7.58	Over 2,000 gallons	9.45
<u>1" Water Meter*</u>	<u>RATE</u>	<u>1" Water Meter*</u>	<u>RATE</u>
First 4,000 gallons - Minimum	52.48	First 4,000 gallons - Minimum	65.58
Over 4,000 gallons	7.58	Over 4,000 gallons	9.45
<u>1 1/2" Water Meter*</u>	<u>RATE</u>	<u>1 1/2" Water Meter*</u>	<u>RATE</u>
First 8,000 gallons - Minimum	104.92	First 8,000 gallons - Minimum	131.15
Over 8,000 gallons	7.58	Over 8,000 gallons	9.45
<u>2" Water Meter</u>	<u>RATE</u>	<u>2" Water Meter</u>	<u>RATE</u>
First 13,000 gallons - Minimum	167.91	First 13,000 gallons - Minimum	209.88
Over 13,000 gallons	7.58	Over 13,000 gallons	9.45

\*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			
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
2019	121,114,197	48,295,317	-	1,548,089	118,903,947	54,784,037	39,769,312	1,452,745	4,665,000	390,532,644	2.74%	5,987

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>
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
2019	170,957,603	9,883,314	161,074,289	2.85%	1,532

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, 2019**

TABLE 19

GOVERNMENT UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT
Debt Repaid with Property Taxes			
City of San Marcos - City direct debt	\$ 170,957,603	100.000%	<u>\$ 170,957,603</u>
Hays County	323,235,442	100.000%	<u>323,235,442</u>
Subtotal overlapping debt			<u>323,235,442</u>
Total direct and overlapping debt			<u><u>\$ 494,193,045</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 259,260,471	\$ 269,982,028	\$ 284,630,559	\$ 309,376,988
Total net debt applicable to limit	<u>73,240,069</u>	<u>76,840,000</u>	<u>71,980,000</u>	<u>70,580,000</u>
Legal debt margin	<u>\$ 186,020,402</u>	<u>\$ 193,142,028</u>	<u>\$ 212,650,559</u>	<u>\$ 238,796,988</u>
Total net debt applicable to the limit as a percentage of debt limit	3.11%	2.82%	2.53%	2.28%

TABLE 20

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2019

Assessed value	\$ 5,644,609,342
Debt limit (10% of assessed value)	564,460,934
Debt applicable to limit	
General Obligation Bonds (debt to be repaid with property taxes)	170,957,603
Less: amount set aside for repayment of general obligation debt	<u>9,883,314</u>
Total net debt applicable to limit	<u>161,074,289</u>
 LEGAL DEBT MARGIN	 <u><u>\$ 403,386,645</u></u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 339,404,523	\$ 366,735,917	\$ 407,076,868	\$ 457,734,357	\$ 530,408,022	\$ 564,460,934
<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>170,957,603</u>
<u><u>\$ 268,409,523</u></u>	<u><u>\$ 295,305,917</u></u>	<u><u>\$ 332,076,868</u></u>	<u><u>\$ 381,034,357</u></u>	<u><u>\$ 427,483,022</u></u>	<u><u>\$ 393,503,331</u></u>
2.09%	1.95%	1.84%	1.68%	1.94%	3.03%

**CITY OF SAN MARCOS, TEXAS**  
**PLEDGED 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	
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
2019	45,316,631	25,431,370	19,885,261	8,385,000	4,243,921	1.57

ELECTRIC						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
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
2019	56,189,627	50,036,643	6,152,984	2,170,000	2,074,698	1.45

DRAINAGE						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
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
2019	5,769,552	1,949,155	3,820,397	1,625,000	1,494,150	1.22

\* excluding depreciation expense.

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

TABLE 22

CALENDAR YEAR	POPULATION	PERSONAL INCOME	PER CAPITA PERSONAL INCOME	UNEMPLOYMENT RATE
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	1,221,405,088	19,232	3.2%
2019	65,234	1,424,058,220	21,830	3.4%

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

EMPLOYER	2019	
	EMPLOYEES	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Texas State University	3,730	6.57%
Amazon	2,200	6.20%
San Marcos Premium Outlets	1,600	3.10%
Tanger Factory Outlets	1,540	3.08%
SMCISD	1,400	2.40%
Hays County	885	1.50%
City of San Marcos	817	1.49%
HEB Distribution Center	750	1.38%
Central Tx Medical Center	675	1.22%
CFAN	<u>600</u>	<u>1.11%</u>
TOTAL	<u><u>14,197</u></u>	<u><u>28.05%</u></u>

EMPLOYER	2010	
	EMPLOYEES	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Texas State University	3,350	7.80%
Prime Outlets San Marcos	2,200	3.30%
Tanger Factory Outlet Center	1,620	2.40%
SMCISD	1,200	1.75%
Grande Communications	875	1.35%
Hays County	855	1.34%
Hunter Ind	655	1.00%
CTMC	650	1.00%
Gary Job Corps	580	0.87%
HEB Dist Center	<u>590</u>	<u>0.89%</u>
TOTAL	<u><u>12,575</u></u>	<u><u>21.70%</u></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>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>	<u>2019</u>
General Government										
Administration	19.00	19.50	20.38	18.00	20.00	21.00	21.00	22.00	24.00	28.00
Human Resources	9.00	9.00	10.00	11.00	10.00	11.00	11.00	11.00	11.00	11.00
Finance	15.54	15.54	15.54	17.54	18.00	19.00	19.00	21.00	22.00	22.00
Municipal Court	9.60	9.98	10.48	10.48	12.00	13.00	13.00	14.00	13.00	14.00
Technology Services	10.00	10.00	10.00	11.00	13.00	19.00	19.00	21.00	21.00	19.00
Development Services	10.50	10.50	9.50	23.50	22.00	21.00	21.00	22.00	27.00	29.00
Permit Center	5.50	5.50	10.50	-	-	-	-	-	-	-
GIS	-	-	-	-	-	-	-	-	-	5.00
Police										
Operations	88.00	85.00	85.00	87.00	91.00	145.00	149.00	152.00	154.00	157.00
Fire										
Firefighters and Officers	60.50	64.00	65.00	66.00	70.00	73.00	73.00	76.00	88.00	89.00
Office of Emergency Mgmt.	-	-	-	-	-	-	-	-	-	3.00
Main Street	1.48	1.48	1.48	1.48	2.00	2.00	2.00	3.00	3.00	3.00
CVB	-	-	-	-	-	-	-	-	-	8.00
Public Services	35.00	35.00	35.00	30.00	28.00	33.00	37.00	38.00	37.00	37.00
CIP/Engineering	9.48	9.48	12.48	18.00	10.00	12.50	16.00	17.00	24.00	24.00
Community Services	53.14	51.64	52.57	55.73	119.00	185.34	193.68	197.00	201.00	-
Neighborhood Enhancement	-	-	-	-	-	-	-	-	-	40.00
General Services	-	-	-	-	-	-	-	-	-	168.00
Capital Improvements Fund	-	-	-	-	-	8.00	2.00	-	-	-
Water/Wastewater	51.50	51.50	51.50	48.50	49.00	56.00	58.83	63.00	65.00	70.00
Electric	49.00	49.00	49.00	52.00	56.00	61.00	60.83	66.00	67.00	72.00
Drainage	2.00	2.00	2.00	2.00	3.00	6.00	6.00	9.00	11.00	17.00
Solid Waste	-	-	-	1.33	2.34	1.33	2.33	4.00	7.00	7.00
Transit	-	-	-	0.83	1.33	1.33	1.33	1.00	1.00	2.00
WIC	26.00	26.00	28.00	26.00	23.00	26.00	26.00	26.00	26.00	25.00
Hotel Occupancy Tax Fund	-	-	-	-	-	2.00	2.00	10.00	10.00	-
CDBG	-	-	-	-	-	2.00	2.00	3.00	3.00	-
<b>TOTAL</b>	<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>	<u>850.00</u>

Source: Finance Department

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

TABLE 25

FUNCTION/PROGRAM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Building Permits Issued	2,200	2,400	2,600	2,600	2,700	2,750	4,553	4,825	4,900	5,100
Police										
Physical Arrests	2,602	2,647	2,943	2,281	2,309	2,401	2,577	2,437	2,499	2,324
Parking Violations	6,185	5,799	4,883	3,504	6,540	7,919	6,579	6,889	9,399	10,754
Traffic Violations	10,135	10,325	7,849	6,615	6,645	6,557	6,508	7,318	6,344	4,918
Fire										
Emergency Responses	3,000	3,308	2,648	4,424	4,303	4,601	4,635	5,419	5,797	6,114
Fires Extinguished	122	210	210	155	165	149	210	185	171	168
Prevention/Safety Education	15,000	10,000	10,000	10,250	10,500	22,000	22,000	11,500	11,200	11,220
Other Public Works										
Street Resurfacing (Miles)	8	6	13	18	18	20	20	20	20	22
Potholes Repaired	200	223	250	220	220	220	220	220	220	225
Parks and Recreation										
Facility Rental Bookings	5,500	5,500	5,500	5,500	5,600	5,700	5,800	5,500	5,600	5,700
Community Center Admissions	2,500	150,000	150,000	150,000	155,000	157,000	158,000	165,000	166,000	168,000
Library										
Volumes in Collection	149,500	154,500	156,000	157,000	162,500	162,500	162,500	165,000	168,000	190,000
Total Volumes Borrowed	471,800	481,000	486,000	469,000	467,500	462,500	462,500	474,000	495,000	520,000
Water										
New Connections	224	200	300	300	400	400	400	550	600	650
Water Main Breaks	100	200	350	350	300	300	300	240	240	288
Average Daily Consumption (thousands of gallons)	7,091	7,221	6,954	6,792	6,663	7,019	7,453	7,430	8,034	7,833
Peak Daily Consumption (thousands of gallons)	11,383	10,268	10,994	9,298	9,361	10,933	11,254	9,018	10,161	11,230
Wastewater										
Average Daily Sewage Treatment (samples collected/tested)	5,700	5,700	5,700	5,700	6,000	6,400	5,024	6,400	6,400	4,802

Source: Various City Departments

**CITY OF SAN MARCOS, TEXAS**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS**

TABLE 26

FUNCTION/PROGRAM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	117	118	118	118	118	131	149	146	145	175
Fire										
Stations	5	5	5	5	5	5	5	5	6	6
Other Public Works										
Streets (Miles)	309	302	302	311	311	311	311	377	382	385
Streetlights	3,518	3,559	3,575	3,575	3,575	3,575	3,710	3,821	3,888	3,890
Traffic Signals	54	48	48	48	48	48	46	61	63	65
Parks and Recreation										
Acreage	1,699	1,699	1,806	1,826	2,120	2,200	2,300	2,300	1,796	1,796
Playgrounds	50	59	59	60	60	60	60	60	45	73
Baseball/Softball Diamonds	9	9	13	13	13	13	13	13	13	13
Soccer/Football Fields	10	10	10	10	10	10	10	10	11	11
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Fire Hydrants	1,775	1,551	1,611	1,691	1,750	1,825	1,862	1,919	2,006	2,102
Wastewater										
Sanitary Sewers (Miles)	205	206	209	215	209	213	217	223	229	236
Storm Sewers (Miles)	52	55	55	61	56	63	73	83	89	92
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>2019 INCENTIVE TOTAL</u>	<u>YEAR AGREEMENT BEGAN</u>	<u>YEAR AGREEMENT EXPIRES</u>	<u>INCENTIVE GIVEN</u>
Amazon.com.kydc, LLC	\$ 1,320,324	2018	2037	Rebate of real and personal ad valorem tax
BestBuy.com, LLC	6,335,042	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	-	2016	2025	Rebate of real and personal ad valorem tax
HEB Warehouse	56,440	2008	2029	Rebate of real ad valorem tax
Tanger	333,089	2016	2025	Rebate of real ad valorem tax and sales tax
Urban Mining	-	2017	2027	Rebate of real and personal ad valorem 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, 2019, 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 17, 2020.

**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 17, 2020