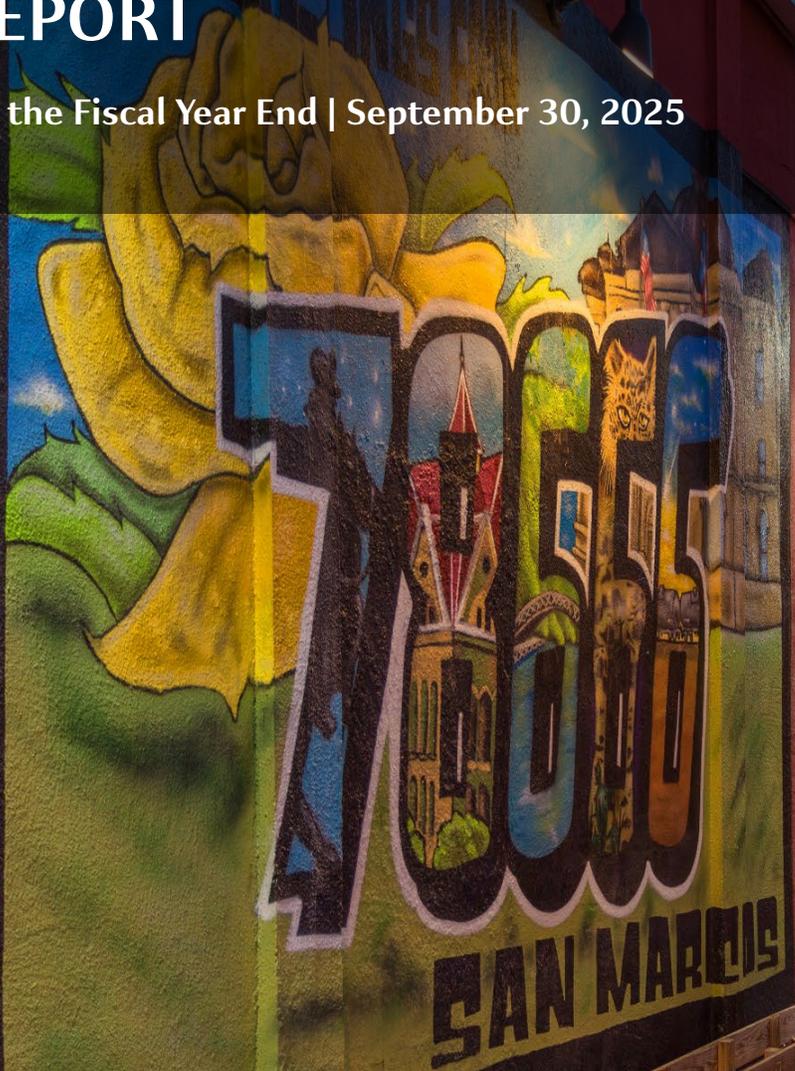


CITY OF SAN MARCOS | TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year End | September 30, 2025



PREPARED BY

FINANCE DEPARTMENT





CITY OF SAN MARCOS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Principal Public Officials	i
GFOA Certificate of Achievement	iii
Letter of Transmittal	v-xiii
Organizational Chart	xiv
FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	5-5H
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7-8
Statement of Activities	10-11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	16
Statement of Net Position – Proprietary Funds	17-18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20-21
Notes to Financial Statements	25-67

CITY OF SAN MARCOS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information:	
Schedule of Changes in Total Other Postemployment Benefit Liability - Retiree Health Care Plan	70-71
Texas Municipal Retirement System (TMRS)	
Schedule of Changes in Net Pension Liability and Related Ratios	72-73
Schedule of Contributions –Pension	74-75
Schedule of Changes in Other Postemployment Benefit Liability (OPEB) and Related Ratios – Supplemental Death Benefit Fund	76-77
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual – General Fund	85-89
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	92-96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	98-102
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Debt Service	103
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Community Development Block Grant	104
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Public Education	105
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – WIC Project	106
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Hotel Occupancy	107
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Municipal Court Technology	108

CITY OF SAN MARCOS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Other Supplementary Information (continued):	
Nonmajor Governmental Funds (continued):	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Seized Assets	109
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Municipal Court Security Fee	110
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Juvenile Case Manager Fee	111
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – TIRZ #3	112
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – TIRZ #4	113
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – TIRZ #5	114
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – TRZ # Loop 110	115
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Municipal Judicial Efficiency	116
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – American Rescue Plan	117
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Consolidated Court Security and Technology	118
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Parkland Development Fee	119
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Fee in Lieu of Trees	120
Nonmajor Enterprise Funds:	
Combining Statement of Net Position	122-123
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	124
Combining Statement of Cash Flows	125

CITY OF SAN MARCOS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

TABLE OF CONTENTS

	<u>TABLE</u>	<u>PAGE</u>
STATISTICAL SECTION (UNAUDITED)		
Net Position by Component	1	129
Changes in Net Position	2	130-131
Fund Balances - Governmental Funds	3	132
Changes in Fund Balances - Governmental Funds	4	133
Assessed Value and Estimated Actual Value of Taxable Property	5	134
State Tax Rates and Collections	6	135
Electric Utility Rate Comparison	7	136
Total Average kWh per Year Comparison	8	137
Total KWh per Year Comparison	9	138
Ten Largest Electric Customers	10	139
Direct and Overlapping Property Tax Rates	11	140
Principal Property Taxpayers	12	141
Property Tax Levies and Collections	13	142
Top Ten Water Customers	14	143
Water/Wastewater Customer Counts	15	144
Water and Sewer Rates	16	145-146
Ratios of Outstanding Debt by Type	17	147
Ratios of Net General Bonded Debt Outstanding	18	148
Direct and Overlapping Governmental Activities Debt	19	149
Legal Debt Margin Information	20	150-151
Pledged Revenue Coverage	21	152
Demographic and Economic Statistics	22	153
Principal Employers	23	154

CITY OF SAN MARCOS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

TABLE OF CONTENTS

	<u>TABLE</u>	<u>PAGE</u>
STATISTICAL SECTION (Continued)		
Full-Time Equivalent City Governmental Employees by Function/Program	24	155
Operating Indicators by Function/Program	25	156
Capital Asset Statistics by Function/Program	26	157
Economic Development	27	158
COMPLIANCE SECTION		
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 <i>Government Auditing Standards</i>		161-162



INTRODUCTORY SECTION



CITY OF SAN MARCOS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

PRINCIPAL PUBLIC OFFICIALS

CITY COUNCIL

Jane Hughson – Mayor

Matthew Mendoza – Place 1

Saul Gonzales – Place 2

Alyssa Garza – Place 3

Shane Scott – Place 4

Lorenzo Gonzalez – Place 5

Amanda Rodriguez – Place 6

ADMINISTRATION

Stephanie Reyes – City Manager
Joe Pantalion – Assistant City Manager
Lonzo Anderson – Assistant City Manager
Rodney Gonzales – Assistant City Manager

Jon Locke – Director of Finance
Ismael Garcia – Assistant Director of Finance
Jesse Garcia – Accounting Manager

Presented by
The Finance Department





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Marcos
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morill

Executive Director/CEO





City Manager's Office

March 25, 2026

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 Annual Comprehensive Financial Report of the City of San Marcos, Texas (the City) for the fiscal year ended September 30, 2025. 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, 2025. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's 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 Annual Comprehensive Financial Report 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, stormwater 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 with 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 2020 census population of 67,553 with an estimated 2024 population of 74,316 and daytime population of 88,000. The City covers approximately 40.0 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 44,000 enrolled students, making the university the 7th largest public university by enrollment in Texas, as well as the 35th largest public university by enrollment in the United States. Texas State University is composed of 9 academic colleges and about 50 schools and departments across multiple disciplines, including nationally recognized programs in Geography, Theatre, Criminal Justice, Business, Healthcare professions, Science and Engineering, and Music and offering 104 bachelor’s, 94 master’s and 23 doctoral degrees.

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 Fahrenheit and is used year-round for recreational activities.

In 2021, the City of San Marcos was officially named the Mermaid Capital of Texas when the Governor signed a resolution during the 87th Texas Legislative Session. As a symbol for San Marcos, the mermaid is a reminder of the responsibility to preserve resources in Central Texas through research, sustainable water management, and environmental stewardship. The Mermaid Capital of Texas designation remains in place until 2031.

Economic Outlook and Financial Condition

San Marcos and Hays County consistently rank on lists of fastest growing cities and counties in Texas and throughout the country. 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:

- Great Place to Retire by Southern Living Magazine;
- Best Place to Retire in Texas by Forbes;
- #11 of 25 Coolest Towns in America by MatadorNetwork.com;
- Best College Town in Texas by Texas Football Life;
- 7 College Towns You Should Visit by Architectural Digest;
- #36 of 50 Best Small College Towns in America by CollegeValuesOnline.com; and
- 9th Most Exciting Small City in America by Business Insider.

For 2025, the City continued to show signs of growth for the tourism and retail industries, and construction. Moreover, the City continues to benefit from other favorable conditions associated with San Marcos, including a 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 shown steady growth 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 net taxable value has increased by 4.8% for fiscal year 2025 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.

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 2025, the City of San Marcos recognized over \$38.7 million in sales tax collections, which is over 33.5% of the total revenue recognized in the General Fund. With the trends in mind, the City still has budgeted sales tax conservatively for FY 2026.

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 offer more than 220 name-brand and stores in the 1.2 million square foot complex, which attract shoppers from all over the United States and internationally. The City has seen a slight increase in sales tax revenues from retail sales. Overall, FY 2025 sales tax receipts were up 0.19% from the prior year, and approximately 0.81% under the original budget. The City's financial policy is to monitor revenue sources independently to adjust spending accordingly.

Employment

Most recently available data showed Hays County, of which San Marcos is the County seat, at an unemployment rate of 3.2% rate in December 2025, lower than the state rate of 3.9% and the national rate of 4.1%. San Marcos continues to see growth across its major business sectors with new commercial and industrial projects. In 2025, IKEA opened their newer, smaller-format store in San Marcos, which features a 35,000 square-foot space, creating approximately 50-100 jobs. In 2024, Buc-ee's and H-E-B announced new investments in San Marcos that will generate approximately 387 full-time jobs and 238 part-time jobs. Both projects are scheduled for completion by the end of 2026.

The competitive location of San Marcos along IH-35 and major corridors continues to attract speculative development. Companies have easy access to both Austin and San Antonio within 45 minutes, and the Dallas and Houston markets within 3 hours.

Tourism

The travel and tourism industry in San Marcos, Texas is a major catalyst to the City's economic development as well as a key generator of jobs within the community. With attractions such as the San Marcos River and the nation's largest outdoor outlet shopping mall, our city sees over 14 million visitors annually and recorded \$214.7 million in direct travel spending in 2024 alone. In addition, more than 2,700 tourism-related jobs with \$121.8 million in direct employment earnings have been reported to date. As the leisure industry flourishes in San Marcos, so do other areas of the economy such as hotel industry, youth sports, arts, and the conference and meeting industry.

As a major component of travel and tourism, the hotel industry is closely tied to the economic vitality of San Marcos. Hotels in the area provided 2,535 hotel rooms with an average annual occupancy rate of 55%. Hospitality stimulates the local economy directly when tourists spend money in our community.

Furthermore, San Marcos has become a destination for outdoor enthusiasts, artists, athletes of all ages, and business professionals alike. Visitors looking for an adventure can kayak the spring fed river, hike through more than 2,100 acres of natural areas, or bike through rolling hills.

The art scene is also thriving with more than 43 city sponsored outdoor murals and 67 works of art plus a multitude of community organized markets and events. The City's sports facilities annually host more than 100,000 youth and adult participants, coaches, family, and fans. The San Marcos Conference Center hosts more than 115,000 guests per year.

Finally, at the heart of San Marcos rests a vibrant and flourishing downtown. Rich in history and innovation alike, downtown San Marcos is a driving force behind our economically powerful city. The downtown corridor has one of the oldest Main Street Programs in Texas and the town Square is listed on the National Register of Historic Places.

At the center of our community, there are nearly 300 businesses that provide over 2,000 jobs to our locals and students at Texas State University. The downtown shops provide all types of goods and services that cater to all age groups. It is a popular area full of entertainment for the university student population.

It is no wonder why San Marcos is part of the 25 Coolest Towns in America (Matador Network) and dubbed a Great Place to Retire (Southern Living Magazine). Moving forward, we will continue to explore the full potential of tourism as a development tool with hope of directly impacting the economic growth within our city.

CITY INITIATIVES

In January 2024, the San Marcos City Council held a Visioning Workshop to define the strategic plan that should be aligned with the FY 2025 budget plan. The following strategic goals became the City Management's guiding principles and direction to the City staff to make the City fully sustainable long into the future:

- Quality of Life & Sense of Place
- Economic Vitality
- Public Safety, Core Services & Fiscal Excellence
- Mobility & Connectivity
- Environmental Protection

Fiscal Responsibility

Responsible finances have been a top priority and the 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.

- Establishment of a plan to monitor, investigate and address economic situations that cause sales tax revenue to be significantly less than the adopted budget sales tax revenue.
- Maintaining at least 25% fund balance level within the General Fund, 90 days working capital within the Water/Wastewater Fund and the Electric Fund respectively, as a reserve for emergencies and unforeseen expenditures.
- Use of reserves in excess of established limits to cash fund capital expenditures.
- 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.

Long Range Planning

The City's Comprehensive Plan, Vision SMTX, was adopted in October 2024. The purpose of that plan is to establish the vision and goals for the future of San Marcos for the next 20 years. This visionary policy document guides long-term decision-making for key components in San Marcos and is divided into seven policy frameworks: Arts and Culture; Economic Development; Environmental and Resource Protection; Housing + Neighborhoods; Land Use + Community Design and Character; Parks & Public Space + Health, Safety & Wellness; and Transportation. The creation of Vision SMTX included significant public engagement to obtain input from the public, stakeholders, and organizations in San Marcos throughout the planning process.

The adoption of Vision SMTX resulted in a necessary revision to the Land Development Code (LDC) to ensure development aligns with the intent of the plan. The Development Code and Design Manual revisions as well as updates to the Stormwater Master Plan, Parks Master Plan, Transportation Master Plan commenced in 2025. These master plans are 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 affirmed from Standard & Poor's for a May 2025 debt issue. The City's bond rating for Moody's Investor Service and Standard & Poor's is as follows:

	<u>Moody's Investor Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds and Certificates of Obligation	Aa2	AA
Revenue Bonds	Aa2	AA

Financial Reporting

The City utilizes a computerized ERP financial accounting system to capture all financial transactions and provide data for the preparation of this Annual Comprehensive Financial Report, 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 Annual Comprehensive Financial Report 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. Two public hearings are held prior to the budget's final adoption to obtain taxpayer comments. The budget is legally enacted through the 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 with 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 to meet 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, 2025, 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 annual comprehensive financial report for the fiscal year ended September 30, 2024. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. To earn the Certificate of Achievement, the City published an easily readable and efficiently organized annual comprehensive 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 FY 2025 annual comprehensive financial report continues to meet the requirements, and we will submit this report once again to GFOA for this annual award.

We are also proud to report that the GFOA has presented the Certificate of Achievement for Excellence in Financial Reporting Award to the City of San Marcos for each of the past 46 years and the Distinguished Budget Presentation Award 37 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//
Stephanie Reyes
City Manager

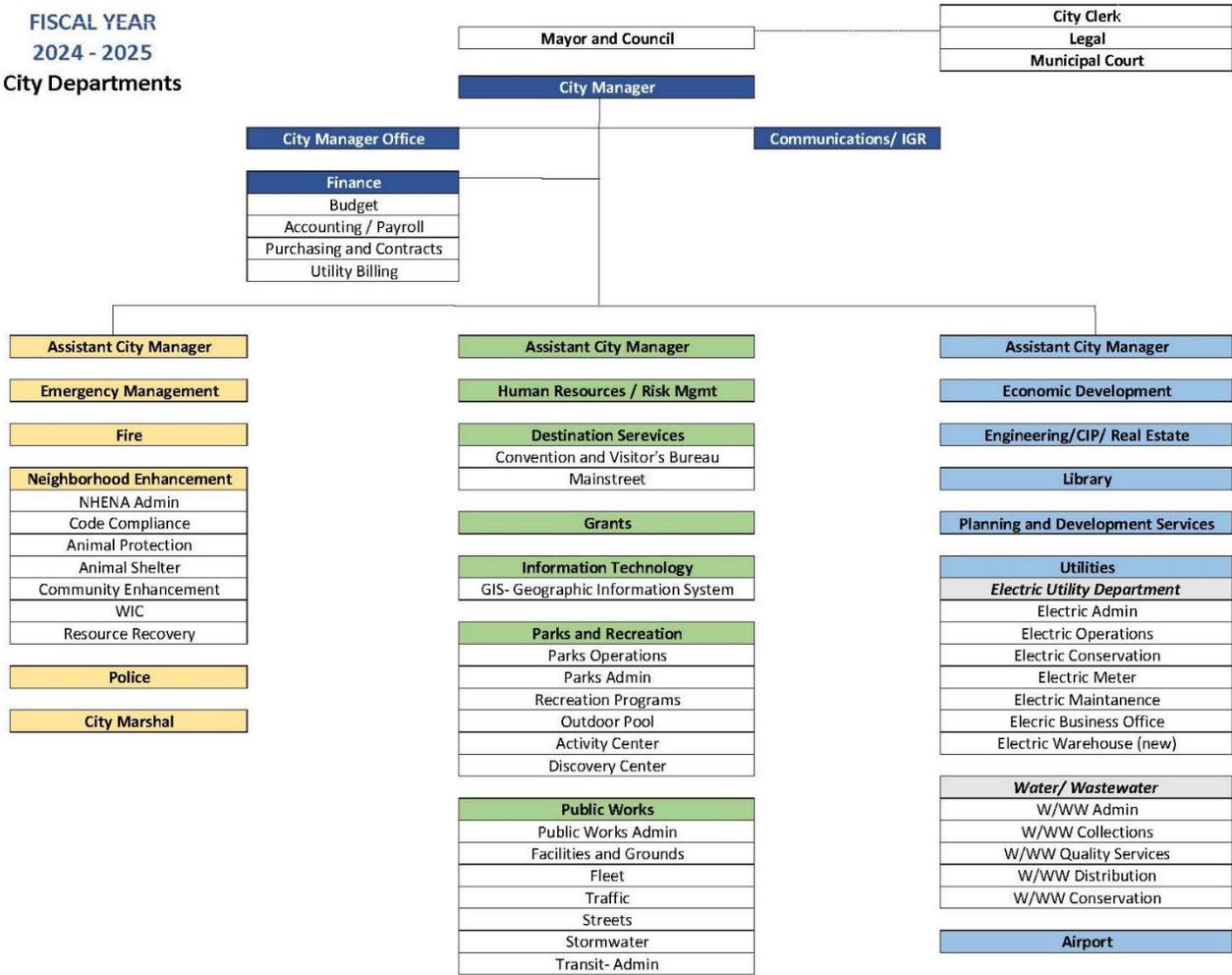
//signature on file//
Jon Locke
Director of Finance

CITY OF SAN MARCOS, TEXAS

ORGANIZATIONAL CHART

2024 - 2025

FISCAL YEAR
2024 - 2025
City Departments



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of September 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in note 1 to the financial statements, in 2025, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of changes in the OPEB liability and related ratios – retiree health care plan, schedule of changes in net pension liability and related ratios, schedule of contributions – net pension liability, schedule of changes in other postemployment benefit liability (OPEB) and related ratios – supplemental death benefit fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 25, 2026



CITY OF SAN MARCOS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

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, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xii 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, 2025, by \$587.1 million (net position). Of this amount, \$172.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2025, the City of San Marcos' governmental funds reported combined ending fund balances of \$151.6 million, an increase of \$15.4 million in comparison with the prior fiscal year. This is primarily attributed to issuance of tax and revenue bonds during the fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the major funds met or exceeded the City financial policy requirements. Unassigned fund balance totaled \$13.8 million, or 12% of total general fund expenditures and can be used for future one-time nonrecurring expenditures.
- The City's total debt increased by \$40.2 million during the current fiscal year. The City issued \$67.1 million in certificate of obligation bonds, \$1.0 million of TWDB bonds, and \$6.0 million in right to use leases and SBITA payables.

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 annual comprehensive financial report (ACFR) 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 30 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 27 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 ACFR. 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 ACFR. 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 – 67 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 85 – 120 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$587.1 million as of September 30, 2025, after the restatement. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental activities net position is \$170.6 million and the business-type activities net position is \$416.4 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).

The unrestricted balance as September 30, 2025 was \$172.0 million and the second largest portion of the City's net position (61%) reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements, infrastructure, machinery, equipment, and right to use assets) 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.

TABLE 1
CITY OF SAN MARCOS' NET POSITION

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 174,213,647	\$ 171,730,803	\$ 364,720,062	\$ 298,080,556	\$ 538,933,709	\$ 469,811,359
Capital assets	308,916,034	300,448,240	404,518,452	388,273,983	713,434,486	688,722,223
Total assets	<u>483,129,681</u>	<u>472,179,043</u>	<u>769,238,514</u>	<u>686,354,539</u>	<u>1,252,368,195</u>	<u>1,158,533,582</u>
Deferred outflows of resources	<u>16,772,046</u>	<u>20,460,983</u>	<u>6,402,175</u>	<u>7,475,535</u>	<u>23,174,221</u>	<u>27,936,518</u>
Liabilities						
Long-term liabilities						
Due within one year	21,290,217	19,430,956	24,353,873	22,254,871	45,644,090	41,685,827
Due in more than one year	284,060,861	248,720,496	299,982,120	258,278,933	584,042,981	506,999,429
Other liabilities	17,752,089	47,594,231	27,727,509	46,738,277	45,479,598	94,332,508
Total liabilities	<u>323,103,167</u>	<u>315,745,683</u>	<u>352,063,502</u>	<u>327,272,081</u>	<u>675,166,669</u>	<u>643,017,764</u>
Deferred inflows of resources	<u>6,158,753</u>	<u>4,510,476</u>	<u>7,163,319</u>	<u>4,631,779</u>	<u>13,322,072</u>	<u>9,142,255</u>
Net position						
Net investment in capital assets	101,160,914	100,194,735	259,099,584	220,317,656	360,260,498	320,512,391
Restricted	48,725,302	40,132,352	6,020,411	-	54,745,713	40,132,352
Unrestricted	<u>20,753,591</u>	<u>32,056,780</u>	<u>151,293,873</u>	<u>141,608,558</u>	<u>172,047,464</u>	<u>173,665,338</u>
Total net position	<u>\$ 170,639,807</u>	<u>\$ 172,383,867</u>	<u>\$ 416,413,868</u>	<u>\$ 361,926,214</u>	<u>\$ 587,053,675</u>	<u>\$ 534,310,081</u>

Governmental activities. The City's governmental revenues increased when compared to the prior year by 1.8% or \$3.2 million. This increase is primarily due to increases in property taxes and charges for services.

One of the more significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$59.6 million.

Business-type activities. Revenues of the City's business-type activities were \$187.8 million for the fiscal year ending September 30, 2025. Expenses for the City's business-type activities were \$147.2 million for the year, resulting in a net increase in net position of \$54.5 million, after the restatement. The net revenues are the result of several factors, including the following:

- The City's water and wastewater system recorded charges for services of \$72.1 million, which exceeded operating expenses of \$52.8 million. The most significant expenses of the Water and Wastewater Fund are \$20.2 million within contracted services for the operation of the surface water and wastewater treatment plants along with the cost of surface water and \$8.6 million in salaries and benefits. Per the City's financial policy, amounts above the required 90 days fund balance will be transferred into capital reserves and used to fund capital projects.
- The City's electric distribution system recorded charges for services of \$73.1 million. Total operating revenues exceeded operating expenses by \$10.8 million. The most significant expense of the electric fund was \$40.2 million for the purchase of power. Per the City's financial policy, amounts above the required fund balance equal to 90 days of operational expenses.
- The increase in net position from business-type activities was due to a combination of revenue and growth of customers in all utilities. In addition, rates were increased for all utilities, except for stormwater drainage.

Governmental and business-type activities increased the City's net position (Table 2) by \$52.7 million, after the restatement.

TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET POSITION

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	\$ 18,311,037	\$ 16,907,258	\$ 164,132,037	\$ 150,059,082	\$ 182,443,074	\$ 166,966,340
Operating grants and contributions	18,230,250	28,230,577	1,038,155	1,316,860	19,268,405	29,547,437
Capital grants and contributions	14,919,970	5,429,735	1,785,125	1,672,656	16,705,095	7,102,391
General revenues:						
Property taxes, levied for general purposes	66,023,384	62,184,233	-	-	66,023,384	62,184,233
Sales taxes	38,712,400	38,645,518	-	-	38,712,400	38,645,518
Franchise taxes	13,640,224	12,745,854	-	-	13,640,224	12,745,854
Hotel/motel taxes	4,269,774	5,134,548	-	-	4,269,774	5,134,548
Investment earnings	7,921,415	9,175,622	13,482,577	14,046,775	21,403,992	23,222,397
Other	2,267,675	2,662,315	7,327,181	14,486,991	9,594,856	17,149,306
Total revenues	<u>184,296,129</u>	<u>181,115,660</u>	<u>187,765,075</u>	<u>181,582,364</u>	<u>372,061,204</u>	<u>362,698,024</u>
EXPENSES						
General government	71,389,912	69,778,875	-	-	71,389,912	69,778,875
Public safety	59,611,029	54,219,579	-	-	59,611,029	54,219,579
Community service	30,340,527	30,227,243	-	-	30,340,527	30,227,243
Interest	8,935,684	7,950,435	-	-	8,935,684	7,950,435
Electric	-	-	68,151,791	65,064,453	68,151,791	65,064,453
Water and sewer	-	-	59,734,866	54,268,731	59,734,866	54,268,731
Airport	-	-	1,082,980	1,090,189	1,082,980	1,090,189
Drainage	-	-	7,460,966	7,424,226	7,460,966	7,424,226
Transit	-	-	2,607,070	2,783,799	2,607,070	2,783,799
Resource recovery	-	-	8,159,295	7,162,401	8,159,295	7,162,401
Total expenses	<u>170,277,152</u>	<u>162,176,132</u>	<u>147,196,968</u>	<u>137,793,799</u>	<u>317,474,120</u>	<u>299,969,931</u>
Increases (decreases) in net position before transfers	14,018,977	18,939,528	40,568,107	43,788,565	54,587,084	62,728,093
Transfers	<u>(14,254,294)</u>	<u>(9,927,104)</u>	<u>14,254,294</u>	<u>9,927,104</u>	<u>-</u>	<u>-</u>
Change in net position	(235,317)	9,012,424	54,822,401	53,715,669	54,587,084	62,728,093
NET POSITION - BEGINNING	<u>172,383,867</u>	<u>132,068,622</u>	<u>361,926,174</u>	<u>308,210,545</u>	<u>534,310,041</u>	<u>440,279,167</u>
RESTATEMENT OF BEGINNING NET POSITION	<u>(1,508,743)</u>	<u>31,302,821</u>	<u>(334,707)</u>	<u>-</u>	<u>(1,843,450)</u>	<u>31,302,821</u>
NET POSITION AT BEGINNING OF YEAR AS RESTATED	<u>170,875,124</u>	<u>163,371,443</u>	<u>361,591,467</u>	<u>308,210,545</u>	<u>532,466,591</u>	<u>471,581,988</u>
NET POSITION - ENDING	<u>\$ 170,639,807</u>	<u>\$ 172,383,867</u>	<u>\$ 416,413,868</u>	<u>\$ 361,926,214</u>	<u>\$ 587,053,675</u>	<u>\$ 534,310,081</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 \$151.6 million, an increase of \$15.4 million in comparison with the prior year. Approximately \$13.8 million or 9% of this total amount constitutes unassigned fund balance, which is available for use within the City's fund designation and fiscal policies. The City has also assigned an amount for unexpected emergencies and unforeseen revenue shortfalls of \$26.7 million or 25% of operational expenditures based on the FY 2025 adopted budget financial policy. 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 \$13.8 million, while total fund balance reached \$41.3 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. Assigned fund balance of \$25.7 million is 25% of fiscal year 2025 expenditures, excluding non-recurring expenditures. This amount has been assigned by management, under the City's financial policy, for emergencies. Amounts in excess of the 25% threshold are shown as unassigned fund balance in the amount of \$13.8 million which represents an additional 12% of the City's operating expenditures.

In the general fund, the City originally budgeted for a net decrease to fund balance of \$10.1 million, but only decreased fund balance by \$2.6 million. This variance is attributable to actual expenditures being less than originally budgeted by \$6.1 million. A major contributor to the variance is the \$2.2 million positive variance in property taxes due to increased property values.

The debt service fund balance increased by \$1.7 million from 2024 to 2025. This increase was primarily attributed to an increase in property tax revenue higher than anticipated, and an additional \$0.4 million of investment earnings over budget.

The capital projects fund balance increased by \$10.3 million primarily due to the issuance of bonds for approved projects and interest earnings.

In special revenue funds, fund balance increased by \$5.9 million. This increase is attributable to \$3.1 million in developer contributions and increases in TIRZ taxes over expenditures of \$1.8 million.

TABLE 3
GOVERNMENTAL TAX REVENUES

	2025	2024	INCREASE (DECREASE)
Property	\$ 66,023,384	\$ 62,184,233	\$ 3,839,151
Sales	38,712,400	38,645,518	66,882
Franchise	13,640,224	12,745,854	894,370
Hotel/motel	4,269,774	5,134,548	(864,774)
Mixed drink	629,183	632,685	(3,502)
	\$ 123,274,965	\$ 119,342,838	\$ 3,932,127

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 \$87.0 million, those for the electric fund amounted to \$54.7 million, and the stormwater drainage fund amounted to \$5.1 million. Other factors concerning the finances of these three 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

During the fiscal year, City Council approved budget amendments that increased the original expenditure budget. The main contributor to the expenditure budget increase by \$2.6 million was to adjust for the carryforward of outstanding obligations to vendors from the previous fiscal year.

For FY 2025, actual expenditures were \$113.8 million compared to the final budget amount of \$117.3 million. The original adopted budget included a decrease in fund balance of \$10.1 million to meet budgeted operating expenditures yet the City ended with a negative net change in fund balance of \$2.6 million due to savings achieved through managed hiring, salary savings and conservative spending throughout the year.

For FY 2025, actual revenues were \$115.7 million as compared to the final budget amount of \$113.0 million. The increase is primarily due to the incline of ad valorem taxes. The increase in ad valorem taxes was due to increased property valuations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of the fiscal year 2025, the City had \$713.4 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 42 – 43.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
Land	\$ 35,214,172	\$ 35,174,832	\$ 7,306,265	\$ 7,306,265	\$ 42,520,437	\$ 42,481,097
Buildings	52,344,086	45,486,946	32,457,978	33,237,179	84,802,064	78,724,125
Improvements other than buildings	105,349,776	94,523,199	105,415,560	89,135,772	210,765,336	183,658,971
Equipment	10,313,900	8,746,677	8,300,081	6,551,975	18,613,981	15,298,652
Right to use	7,967,040	6,458,271	3,414,787	2,494,131	11,381,827	8,952,402
Construction in progress	65,013,316	80,579,667	247,623,781	249,548,661	312,637,097	330,128,328
Infrastructure	32,713,744	29,478,648	-	-	32,713,744	29,478,648
Total capital assets	<u>\$ 308,916,034</u>	<u>\$ 300,448,240</u>	<u>\$ 404,518,452</u>	<u>\$ 388,273,983</u>	<u>\$ 713,434,486</u>	<u>\$ 688,722,223</u>

Long-term liabilities. At year end, the City had \$558.6 million in general obligation bonds, combination tax and revenue certificates of obligations, right to use leases and SBITA payables, note payable, lease payable, and revenue bonds outstanding as compared to \$518.4 million at the end of the prior fiscal year, an increase of 7.8%. For more detailed information on long term liabilities, please refer to the accompanying notes on pages 44-49.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 226,896,000	\$ 211,152,000	\$ -	\$ -	\$ 226,896,000	\$ 211,152,000
Discount on bonds	(424,502)	(440,829)	-	-	(424,502)	(440,829)
Premium on bonds	10,703,020	10,294,139	19,027,719	19,168,676	29,730,739	29,462,815
Deferred amounts on refundings	(669,354)	(736,419)	(2,826,844)	(3,376,567)	(3,496,198)	(4,112,986)
General obligation bonds - privately placed	2,965,000	3,565,000	-	-	2,965,000	3,565,000
Right to use SBITA payable	1,528,120	611,668	768,509	116,823	2,296,629	728,491
Notes payable	-	-	4,055,000	4,165,000	4,055,000	4,165,000
Lease payable	7,090,001	5,973,619	6,393,977	6,851,446	13,483,978	12,825,065
Revenue bonds	-	-	12,889,725	13,257,679	12,889,725	13,257,679
Revenue bonds - privately placed	-	-	270,240,000	247,830,000	270,240,000	247,830,000
Total debt	\$ 248,088,285	\$ 230,419,178	\$ 310,548,086	\$ 288,013,057	\$ 558,636,371	\$ 518,432,235

The City has maintained an AA rating from Standard & Poor’s Corporation since 2014 on its tax supported debt. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 2.0%.

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 \$1,234,639 at September 30, 2025, compared to \$940,745 at September 30, 2024.

ECONOMIC FACTORS AND CURRENT YEAR BUDGETS AND RATES

The development of the FY 2025 budget represents the annual financial plan to address the shared community goals and desired outcomes developed throughout the budget process. That process began in January 2024, when the Mayor, City Council, and City staff collaborated to discuss the City’s Strategic Plan and to develop priorities for the FY 2025 budget during a successful Visioning session.

This budget is tied to the strategic goals identified for our community in the Strategic Plan. These goals include: Quality of Life and Sense of Place; Economic Vitality; Public Safety, Core Services, and Fiscal Excellence; Mobility and Connectivity; and Environmental Protection. These goals serve as a roadmap for decision-making and resource allocation as the needs of our growing city are prioritized.

In March 2024, City Council provided further budget direction through the adoption of the Fiscal Year 2025 Budget Policy Statement. The Budget Policy Statement provides guidance and parameters that staff follow in preparation of the annual budget.

The FY 2025 Adopted Budget is in balance and complies with the fund balance, revenue, and expense framework laid out in the Budget Policy Statement. The budget focuses on core services, which includes continued support of our employees as they are an essential part of providing services to the San Marcos community. A compensation study was initiated during FY 2023 and finalized shortly after the beginning of FY 2024. The study ensured the City is fairly and competitively compensating its employees to attract and maintain a talented workforce. The study also assisted in developing a compensation philosophy that identifies what we want to achieve through employee compensation and creates a framework for consistency. An Employee Engagement Survey following the implementation of the compensation and benefits study showed a significant improvement in employees' perception of their compensation. The City saw a drastic decline in vacancy rates, from 10% in FY 2023 to a rate of 6% in FY 2025. The next Employee Engagement Survey will be conducted in 2026.

The FY 2025 budget adds a total of 15 positions that will assist the City in meeting the needs of our growing community. The budget includes funding to add 3 positions to Police and 5 positions throughout the City by departments either reducing their operating expenses or increasing their revenues (budget neutral adds). 2 positions were absorbed within the general fund that were previously funded by other funding sources. These new positions were added following a collaborative effort from department directors that prioritized the positions based on available capacity.

The budget keeps the tax rate the same as the prior year at 60.30 cents per \$100 of assessed valuation. The tax rate has not changed since FY 2022. In FY 2025, citizen tax bills will reflect 60.30 cents per \$100 of assessed property value. Based on this rate, an owner of a home valued at \$100,000 will pay approximately \$603 in city property taxes. In January 2022, City Council approved a \$15,000 homestead property tax exemption for residents and increased the 65 years of age and disability homestead property tax exemption from \$25,000 to \$35,000.

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 2025, the City recognized over \$38.7 million in sales tax collections, which is over 33.5% of the total revenue recognized in the general fund. With the trends in mind, the City has budgeted sales tax conservatively for FY 2026.

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 a construction pipeline which will bring up to 27 million gallons of water each day to the cities of Kyle, Buda and San Marcos from the Carrizo-Wilcox Aquifer. In December 2024, SMTX Utilities started receiving water from Alliance Regional Water Authority's Carrizo Water Treatment Plant. The FY 2025 adopted budget includes revenue of \$68.1 million for charges of services. A rate increase of 5% was recommended by the Citizen Utility Advisory Board (CUAB) and adopted for FY 2025. Revenues are budgeted based on system and customer anticipated growth and historical trends.

The Electric Utility continues to support the City's growth by upgrading and expanding its infrastructure. San Marcos maintains some of the lowest electric rates in Texas, with a 99.97% system reliability rate and a 210-megawatt capacity. The FY 2025 adopted budget includes revenue of \$75.8 million for charges for services. An effective rate increase of 5.5% was recommended by the CUAB and adopted for FY 2025. Revenues are budgeted based on system and customer anticipated growth and historical trends combined with the rate increase.

The City is committed to the application of sound fiscal management and sustainability in the budgeting process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



BASIC FINANCIAL STATEMENTS



CITY OF SAN MARCOS, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 38,878,960	\$ 23,560,004	\$ 62,438,964
Investments	122,191,294	300,662,262	422,853,556
Receivables - net of allowances for uncollectibles:			
Taxes	2,434,570	-	2,434,570
Accounts	7,615,505	22,095,913	29,711,418
Due from other governments	2,286,858	-	2,286,858
Inventories	736,854	12,239,391	12,976,245
Prepaid items	69,606	46,247	115,853
Lease receivable	-	6,116,245	6,116,245
Capital assets:			
Land	35,214,172	7,306,265	42,520,437
Construction in progress	65,013,316	247,623,781	312,637,097
Buildings	70,588,195	38,979,338	109,567,533
Improvements other than buildings	261,072,492	319,494,859	580,567,351
Equipment	51,457,359	27,277,041	78,734,400
Infrastructure	64,404,741	-	64,404,741
Right to use assets	12,261,672	5,345,874	17,607,546
Less accumulated depreciation	<u>(251,095,913)</u>	<u>(241,508,706)</u>	<u>(492,604,619)</u>
Total assets	<u>483,129,681</u>	<u>769,238,514</u>	<u>1,252,368,195</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	14,648,609	3,223,922	17,872,531
Deferred outflows related to TMRS SDBF	269,951	69,864	339,815
Deferred outflows related to retiree healthcare	1,184,132	281,545	1,465,677
Deferred charge on bond refunding	<u>669,354</u>	<u>2,826,844</u>	<u>3,496,198</u>
Total deferred outflows of resources	<u>16,772,046</u>	<u>6,402,175</u>	<u>23,174,221</u>

(continued)

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



CITY OF SAN MARCOS, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government				
Governmental activities				
General government	\$ 71,389,912	\$ 14,136,800	\$ 5,687,436	\$ 5,472,000
Public safety	59,611,029	1,580,629	565,484	475,673
Community service	30,340,527	2,593,608	11,977,330	8,972,297
Interest	8,935,684	-	-	-
Total governmental activities	<u>170,277,152</u>	<u>18,311,037</u>	<u>18,230,250</u>	<u>14,919,970</u>
Business-type activities				
Electric	68,151,791	73,072,189	-	1,785,125
Water and wastewater	59,734,866	72,073,188	-	-
Airport	1,082,980	882,428	-	-
Drainage	7,460,966	9,870,740	-	-
Transit	2,607,070	-	1,038,155	-
Resource recovery	8,159,295	8,233,492	-	-
Total business-type activities	<u>147,196,968</u>	<u>164,132,037</u>	<u>1,038,155</u>	<u>1,785,125</u>
Total government	<u>\$ 317,474,120</u>	<u>\$ 182,443,074</u>	<u>\$ 19,268,405</u>	<u>\$ 16,705,095</u>

General Revenues

Taxes:

 Property taxes

 Sales taxes

 Franchise taxes

 Hotel/motel taxes

 Other taxes

Investment earnings

Miscellaneous

Gain on sale of assets

Transfers

 Total general revenues and transfers

 Change in net position

NET POSITION - BEGINNING

RESTATEMENT OF BEGINNING NET POSITION

NET POSITION AT BEGINNING OF YEAR - AS RESTATED

NET POSITION - ENDING

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>
\$ (46,093,676)	\$ -	\$ (46,093,676)
(56,989,243)	-	(56,989,243)
(6,797,292)	-	(6,797,292)
<u>(8,935,684)</u>	<u>-</u>	<u>(8,935,684)</u>
<u>(118,815,895)</u>	<u>-</u>	<u>(118,815,895)</u>
-	6,705,523	6,705,523
-	12,338,322	12,338,322
-	(200,552)	(200,552)
-	2,409,774	2,409,774
-	(1,568,915)	(1,568,915)
-	<u>74,197</u>	<u>74,197</u>
-	<u>19,758,349</u>	<u>19,758,349</u>
<u>(118,815,895)</u>	<u>19,758,349</u>	<u>(99,057,546)</u>
66,023,384	-	66,023,384
38,712,400	-	38,712,400
13,640,224	-	13,640,224
4,269,774	-	4,269,774
629,183	-	629,183
7,921,415	13,482,577	21,403,992
716,016	7,323,541	8,039,557
922,476	3,640	926,116
<u>(14,254,294)</u>	<u>14,254,294</u>	<u>-</u>
<u>118,580,578</u>	<u>35,064,052</u>	<u>153,644,630</u>
<u>(235,317)</u>	<u>54,822,401</u>	<u>54,587,084</u>
<u>172,383,867</u>	<u>361,926,174</u>	<u>534,310,041</u>
<u>(1,508,743)</u>	<u>(334,707)</u>	<u>(1,843,450)</u>
<u>170,875,124</u>	<u>361,591,467</u>	<u>532,466,591</u>
<u>\$ 170,639,807</u>	<u>\$ 416,413,868</u>	<u>\$ 587,053,675</u>

CITY OF SAN MARCOS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2025

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 5,521,423	\$ 1,639,261	\$ 2,430,216	\$ 29,142,820	\$ 38,733,720
Investments	37,514,162	61,629,311	12,774,770	4,566,814	116,485,057
Receivables - net of allowances for uncollectibles					
Taxes, net	1,070,174	-	543,712	820,684	2,434,570
Accounts	4,708,784	30,956	1,869,332	1,002,947	7,612,019
Due from other funds	523,157	-	-	-	523,157
Due from other governments	-	-	-	2,286,858	2,286,858
Inventories	736,854	-	-	-	736,854
Prepays	58,189	-	-	11,417	69,606
	<u>50,132,743</u>	<u>63,299,528</u>	<u>17,618,030</u>	<u>37,831,540</u>	<u>168,881,841</u>
Total assets	\$ 50,132,743	\$ 63,299,528	\$ 17,618,030	\$ 37,831,540	\$ 168,881,841
LIABILITIES					
Accounts payable	\$ 1,120,106	\$ 1,783,901	\$ 1,495	\$ 3,716,690	\$ 6,622,192
Accrued liabilities	4,477,619	-	-	18,891	4,496,510
Unearned revenue	2,189,917	-	-	1,939,276	4,129,193
Customer deposits					
Due to other funds	-	-	-	523,157	523,157
	<u>7,787,642</u>	<u>1,783,901</u>	<u>1,495</u>	<u>6,198,014</u>	<u>15,771,052</u>
Total liabilities	\$ 7,787,642	\$ 1,783,901	\$ 1,495	\$ 6,198,014	\$ 15,771,052
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,020,817	-	524,759	-	1,545,576
FUND BALANCES					
Nonspendable:					
Inventories	736,854	-	-	-	736,854
Prepays	58,189	-	-	11,417	69,606
Restricted for:					
Court technology	-	-	-	52,502	52,502
Court security	-	-	-	77,927	77,927
Consolidated court security and technology	-	-	-	12,458	12,458
Seized assets	-	-	-	208,303	208,303
Public safety	-	-	-	162,225	162,225
Juvenile case manager	-	-	-	50,874	50,874
Community services	-	-	-	31,069,237	31,069,237
Capital projects	-	61,515,627	-	-	61,515,627
Debt service	-	-	17,091,776	-	17,091,776
Assigned for emergencies/unforeseen expenditures	26,741,354	-	-	-	26,741,354
Unassigned	13,787,887	-	-	(11,417)	13,776,470
	<u>41,324,284</u>	<u>61,515,627</u>	<u>17,091,776</u>	<u>31,633,526</u>	<u>151,565,213</u>
Total fund balances	\$ 41,324,284	\$ 61,515,627	\$ 17,091,776	\$ 31,633,526	\$ 151,565,213
Total liabilities, deferred inflows of resources and fund balances	\$ 50,132,743	\$ 63,299,528	\$ 17,618,030	\$ 37,831,540	\$ 168,881,841

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, 2025

Total fund balances - total governmental funds	\$ 151,565,213
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.	308,916,034
Certain other long-term assets related to unavailable property taxes and prepaids 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.	1,545,576
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.	4,442,308
Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(295,829,324)</u>
Net position of governmental activities - statement of net position	<u>\$ 170,639,807</u>

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, 2025

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 94,352,375	\$ -	\$ 14,096,849	\$ 14,882,230	\$ 123,331,454
Licenses and permits	5,156,002	-	-	-	5,156,002
Fees and penalties	1,194,113	-	-	127,644	1,321,757
Charges for services	9,760,001	-	-	1,522,667	11,282,668
Intergovernmental	1,598,962	475,673	3,705,143	18,363,723	24,143,501
Interest on investments	2,587,223	3,057,796	990,288	954,003	7,589,310
Contributions and donations	85,000	-	-	-	85,000
Miscellaneous	974,089	299,371	-	3,442,888	4,716,348
Total revenues	<u>115,707,765</u>	<u>3,832,840</u>	<u>18,792,280</u>	<u>39,293,155</u>	<u>177,626,040</u>
EXPENDITURES					
Current:					
General government	34,139,077	1,735,501	-	17,739,063	53,613,641
Public safety	52,556,385	-	-	565,037	53,121,422
Community service	18,271,024	-	-	8,661,162	26,932,186
Capital outlay	6,861,950	14,290,566	-	2,120,248	23,272,764
Debt service:					
Principal	1,845,457	81,545	12,130,000	1,075,091	15,132,093
Interest and fiscal charges	153,473	-	6,419,576	2,248,522	8,821,571
Bond issuance cost	-	771,469	9,008	-	780,477
Total expenditures	<u>113,827,366</u>	<u>16,879,081</u>	<u>18,558,584</u>	<u>32,409,123</u>	<u>181,674,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,880,399</u>	<u>(13,046,241)</u>	<u>233,696</u>	<u>6,884,032</u>	<u>(4,048,114)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	6,774,330	1,737,779	252,749	8,764,858
Transfers out	(8,607,072)	(12,961,111)	(265,000)	(1,185,969)	(23,019,152)
Proceeds from lease purchase agreements	373,459	-	-	-	373,459
Other financing sources - SBITAs	1,130,498	-	-	-	1,130,498
Other financing sources - leases	2,694,970	-	-	-	2,694,970
Sale of assets	43,115	-	-	-	43,115
Insurance recoveries	-	175,004	-	-	175,004
Proceeds from bond issuance	-	28,110,000	-	-	28,110,000
Premium (discount) on debt issued	-	1,216,469	-	-	1,216,469
Total other financing sources (uses)	<u>(4,365,030)</u>	<u>23,314,692</u>	<u>1,472,779</u>	<u>(933,220)</u>	<u>19,489,221</u>
Net change in fund balances	(2,484,631)	10,268,451	1,706,475	5,950,812	15,441,107
FUND BALANCES - BEGINNING	<u>43,808,915</u>	<u>51,247,176</u>	<u>15,385,301</u>	<u>25,682,714</u>	<u>136,124,106</u>
FUND BALANCES - ENDING	<u>\$ 41,324,284</u>	<u>\$ 61,515,627</u>	<u>\$ 17,091,776</u>	<u>\$ 31,633,526</u>	<u>\$ 151,565,213</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 ACTIVITIES**

For the year ended September 30, 2025

Net change in fund balances - total governmental funds	\$ 15,441,107
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and contributions exceeded depreciation expense.	8,467,794
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(56,488)
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.	(18,393,303)
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.	(1,930,799)
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.	(1,330,871)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with governmental activities.	<u>(2,432,757)</u>
Change in net position of governmental activities	<u>\$ (235,317)</u>

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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 92,179,947	\$ 92,179,947	\$ 94,352,375	\$ 2,172,428
Licenses and permits	5,156,002	5,533,298	5,156,002	(377,296)
Fines and penalties	1,194,113	1,106,763	1,194,113	87,350
Charges for services	9,856,927	9,866,927	9,760,001	(106,926)
Intergovernmental	1,160,068	1,160,068	1,598,962	438,894
Interest on investments	2,027,500	2,027,500	2,587,223	559,723
Contributions and donations	85,000	85,000	85,000	-
Miscellaneous	1,057,501	1,047,501	974,089	(73,412)
Total revenues	<u>112,717,058</u>	<u>113,007,004</u>	<u>115,707,765</u>	<u>2,700,761</u>
EXPENDITURES				
Current:				
General government	39,366,430	40,328,115	34,139,077	6,189,038
Public safety	52,347,424	52,816,287	52,556,385	259,902
Community service	19,977,519	20,332,492	18,271,024	2,061,468
Capital outlay	2,898,512	3,811,985	6,861,950	(3,049,965)
Debt service:				
Principal	-	-	1,845,457	(1,845,457)
Interest	-	-	153,473	(153,473)
Total expenditures	<u>114,589,885</u>	<u>117,288,879</u>	<u>113,827,366</u>	<u>3,461,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,872,827)</u>	<u>(4,281,875)</u>	<u>1,880,399</u>	<u>6,162,274</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(8,553,770)	(8,493,770)	(8,607,072)	(113,302)
Proceeds from lease purchase agreements	-	-	373,459	373,459
Other financing sources - SBITAs	-	-	1,130,498	1,130,498
Other financing sources - leases	-	-	2,694,970	2,694,970
Sale of assets	107,500	107,500	43,115	(64,385)
Total other financing sources (uses)	<u>(8,446,270)</u>	<u>(8,386,270)</u>	<u>(4,365,030)</u>	<u>4,021,240</u>
Net change in fund balances	(10,319,097)	(12,668,145)	(2,484,631)	10,183,514
FUND BALANCES - BEGINNING	<u>43,808,915</u>	<u>43,808,915</u>	<u>43,808,915</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 33,489,818</u>	<u>\$ 31,140,770</u>	<u>\$ 41,324,284</u>	<u>\$ 10,183,514</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, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	INTERNAL SERVICE
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and cash equivalents	\$ 6,424,732	\$ 6,364,406	\$ 10,379,786	\$ 391,080	\$ 23,560,004	\$ 145,240
Investments	74,537,795	177,444,893	44,375,851	4,303,723	300,662,262	5,706,237
Receivables - net of allowances for uncollectibles	10,239,014	8,635,210	1,193,524	2,028,165	22,095,913	3,486
Lease receivable	-	-	-	280,937	280,937	-
Due from other funds	-	260,631	-	-	260,631	-
Due from other governments	-	-	-	-	-	-
Inventories	10,448,158	1,791,233	-	-	12,239,391	-
Prepaid items	<u>28,872</u>	<u>17,375</u>	<u>-</u>	<u>-</u>	<u>46,247</u>	<u>-</u>
Total current assets	<u>101,678,571</u>	<u>194,513,748</u>	<u>55,949,161</u>	<u>7,003,905</u>	<u>359,145,385</u>	<u>5,854,963</u>
NONCURRENT ASSETS						
Capital assets:						
Land	1,252,765	3,901,826	1,498,534	653,140	7,306,265	-
Buildings	16,480,892	16,727,150	1,431,551	4,339,745	38,979,338	-
Improvements other than buildings	63,373,049	220,433,413	25,731,682	9,956,715	319,494,859	-
Furnishings and equipment	9,729,215	13,746,654	3,263,442	537,730	27,277,041	-
Right to use assets	1,865,612	2,956,722	424,124	99,416	5,345,874	-
Construction in progress	<u>76,522,329</u>	<u>134,713,182</u>	<u>36,388,270</u>	<u>-</u>	<u>247,623,781</u>	<u>-</u>
Totals	169,223,862	392,478,947	68,737,603	15,586,746	646,027,158	-
Less accumulated depreciation	<u>(34,997,649)</u>	<u>(178,529,869)</u>	<u>(16,054,743)</u>	<u>(11,926,445)</u>	<u>(241,508,706)</u>	<u>-</u>
Total capital assets - net of accumulated depreciation	<u>134,226,213</u>	<u>213,949,078</u>	<u>52,682,860</u>	<u>3,660,301</u>	<u>404,518,452</u>	<u>-</u>
Lease receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,835,308</u>	<u>5,835,308</u>	<u>-</u>
Total noncurrent assets	<u>134,226,213</u>	<u>213,949,078</u>	<u>52,682,860</u>	<u>9,495,609</u>	<u>410,353,760</u>	<u>-</u>
Total assets	<u>235,904,784</u>	<u>408,462,826</u>	<u>108,632,021</u>	<u>16,499,514</u>	<u>769,499,145</u>	<u>5,854,963</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pension	1,684,058	1,392,397	95,742	51,725	3,223,922	-
Deferred outflows - TMRS SDBF	38,310	29,468	836	1,250	69,864	-
Deferred outflows - retiree healthcare	140,373	117,179	13,939	10,054	281,545	-
Deferred charge on refunding	<u>464,621</u>	<u>1,998,470</u>	<u>363,753</u>	<u>-</u>	<u>2,826,844</u>	<u>-</u>
Total deferred outflows of resources	<u>2,327,362</u>	<u>3,537,514</u>	<u>474,270</u>	<u>63,029</u>	<u>6,402,175</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 238,232,146</u>	<u>\$ 412,000,340</u>	<u>\$ 109,106,291</u>	<u>\$ 16,562,543</u>	<u>\$ 775,901,320</u>	<u>\$ 5,854,963</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, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND	STORMWATER	OTHER	TOTAL	INTERNAL
		WASTEWATER	DRAINAGE	ENTERPRISE		SERVICE
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts payable	\$ 5,835,090	\$ 6,286,732	\$ 889,701	\$ 1,607,289	\$ 14,618,812	\$ 44,981
Accrued liabilities	404,541	385,674	76,055	73,203	939,473	68,449
Due to other funds	-	-	-	260,631	260,631	-
Unearned revenue	39,029	-	3,372,770	-	3,411,799	-
Claims payable	-	-	-	-	-	1,299,225
Customer deposits	3,893,090	3,163,809	1,179	359,450	7,417,528	-
Accrued interest payable	356,437	777,992	205,468	-	1,339,897	-
Compensated absences	321,955	277,104	62,269	37,752	699,080	-
OPEB liability - TMRS SDBF	45,969	38,102	4,064	2,986	91,121	-
OPEB liability - retiree healthcare	117,178	98,646	13,182	9,340	238,346	-
Current maturities of long-term liabilities	6,269,505	13,224,810	3,811,274	19,737	23,325,326	-
Total current liabilities	<u>17,282,794</u>	<u>24,252,869</u>	<u>8,435,962</u>	<u>2,370,388</u>	<u>52,342,013</u>	<u>1,412,655</u>
NONCURRENT LIABILITIES						
Net pension liability	4,389,361	3,629,169	249,545	134,820	8,402,895	-
OPEB liability - TMRS SDBF	137,908	114,307	12,193	8,956	273,364	-
OPEB liability - retiree healthcare	351,533	295,936	39,547	28,019	715,035	-
Compensated absences	178,044	257,779	46,507	58,892	541,222	-
Long-term liabilities	87,774,881	156,251,266	45,970,318	53,139	290,049,604	-
Total noncurrent liabilities	<u>92,831,727</u>	<u>160,548,457</u>	<u>46,318,110</u>	<u>283,826</u>	<u>299,982,120</u>	<u>-</u>
Total liabilities	<u>110,114,521</u>	<u>184,801,326</u>	<u>54,754,072</u>	<u>2,654,214</u>	<u>352,324,133</u>	<u>1,412,655</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - leases	-	-	-	5,807,346	5,807,346	-
Deferred inflows - pension	399,387	330,217	22,706	12,267	764,577	-
Deferred inflows - TMRS SDBF	62,707	49,531	1,955	2,057	116,250	-
Deferred inflows - retiree healthcare	250,666	202,342	12,055	10,083	475,146	-
Total deferred inflows of resources	<u>712,760</u>	<u>582,090</u>	<u>36,716</u>	<u>5,831,753</u>	<u>7,163,319</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	72,706,323	133,559,787	49,246,049	3,587,425	259,099,584	-
Restricted - construction	-	6,020,411	-	-	6,020,411	-
Unrestricted	54,698,542	87,036,726	5,069,454	4,489,151	151,293,873	4,442,308
Total net position	<u>127,404,865</u>	<u>226,616,924</u>	<u>54,315,503</u>	<u>8,076,576</u>	<u>416,413,868</u>	<u>4,442,308</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 238,232,146</u>	<u>\$ 412,000,340</u>	<u>\$ 109,106,291</u>	<u>\$ 16,562,543</u>	<u>\$ 775,901,320</u>	<u>\$ 5,854,963</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, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL	GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE		INTERNAL SERVICE
OPERATING REVENUES						
Charges for services	\$ 73,072,189	\$ 72,073,188	\$ 9,870,740	\$ 9,115,920	\$ 164,132,037	\$ -
Intergovernmental	-	-	-	1,038,155	1,038,155	-
Employer contributions	-	-	-	-	-	9,585,227
Employee contributions	-	-	-	-	-	2,744,005
Pharmacy rebates	-	-	-	-	-	161,366
Miscellaneous	3,619,830	2,895,700	-	808,011	7,323,541	2,175
Total operating revenues	<u>76,692,019</u>	<u>74,968,888</u>	<u>9,870,740</u>	<u>10,962,086</u>	<u>172,493,733</u>	<u>12,492,773</u>
OPERATING EXPENSES						
Purchased power	40,206,702	-	-	-	40,206,702	-
Personnel services	8,828,374	8,571,488	1,813,876	1,160,931	20,374,669	-
Contracted services	3,704,845	20,208,674	398,770	9,454,707	33,766,996	-
Materials and supplies	946,600	2,325,104	220,417	196,172	3,688,293	-
Indirect costs	-	5,982,968	1,926,623	-	7,909,591	-
Claims	-	-	-	-	-	12,939,718
Other charges	8,202,954	6,792,612	-	725,701	15,721,267	2,317,913
Other supplies and expenses	-	-	-	-	-	-
Depreciation	4,016,422	8,947,074	1,693,063	310,884	14,967,443	-
Total operating expenses	<u>65,905,897</u>	<u>52,827,920</u>	<u>6,052,749</u>	<u>11,848,395</u>	<u>136,634,961</u>	<u>15,257,631</u>
Operating income (loss)	<u>10,786,122</u>	<u>22,140,968</u>	<u>3,817,991</u>	<u>(886,309)</u>	<u>35,858,772</u>	<u>(2,764,858)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	3,366,362	7,945,781	2,038,242	132,192	13,482,577	332,101
Gain (loss) on sale of assets	-	3,640	-	-	3,640	-
Grant income	-	-	-	-	-	-
Interest and fiscal charges	(2,245,894)	(6,906,946)	(1,408,217)	(950)	(10,562,007)	-
Total nonoperating revenues (expenses)	<u>1,120,468</u>	<u>1,042,475</u>	<u>630,025</u>	<u>131,242</u>	<u>2,924,210</u>	<u>332,101</u>
Income (loss) before transfers	11,906,590	23,183,443	4,448,016	(755,067)	38,782,982	(2,432,757)
Capital contribution revenue	1,785,125	-	-	-	1,785,125	-
Transfers in	-	-	13,215,000	1,064,294	14,279,294	-
Transfers out	-	(25,000)	-	-	(25,000)	-
Change in net position	13,691,715	23,158,443	17,663,016	309,227	54,822,401	(2,432,757)
TOTAL NET POSITION - BEGINNING	<u>113,854,115</u>	<u>203,604,667</u>	<u>36,675,311</u>	<u>7,792,081</u>	<u>361,926,174</u>	<u>6,875,065</u>
RESTATEMENT OF BEGINNING NET POSITION	<u>(140,965)</u>	<u>(146,186)</u>	<u>(22,824)</u>	<u>(24,732)</u>	<u>(334,707)</u>	<u>-</u>
NET POSITION AT BEGINNING OF YEAR - AS RESTATED	<u>113,713,150</u>	<u>203,458,481</u>	<u>36,652,487</u>	<u>7,767,349</u>	<u>361,591,467</u>	<u>6,875,065</u>
TOTAL NET POSITION - ENDING	<u>\$ 127,404,865</u>	<u>\$ 226,616,924</u>	<u>\$ 54,315,503</u>	<u>\$ 8,076,576</u>	<u>\$ 416,413,868</u>	<u>\$ 4,442,308</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, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS	TOTALS	INTERNAL SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 78,700,699	\$ 74,402,454	\$ 9,788,257	\$ 10,846,889	\$ 173,738,299	\$ 12,490,201
Cash paid to suppliers	(52,555,813)	(8,348,389)	(2,121,264)	(10,601,171)	(73,626,637)	(14,864,008)
Cash paid to employees	(8,657,342)	(34,766,307)	(2,483,294)	(1,145,033)	(47,051,976)	-
Net cash provided by (used in) operating activities	17,487,544	31,287,758	5,183,699	(899,315)	53,059,686	(2,373,807)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intercompany borrowings (lending)	-	(167,731)	-	167,731	-	-
Transfers from other funds	-	-	13,215,000	1,064,294	14,279,294	-
Transfers to other funds	-	(25,000)	-	-	(25,000)	-
Net cash provided by (used in) noncapital financing activities	-	(192,731)	13,215,000	1,232,025	14,254,294	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	4,209,938	32,325,704	5,135,020	-	41,670,662	-
Proceeds from sale of assets	-	3,640	-	-	3,640	-
Principal paid on debt	(5,638,363)	(11,170,391)	(3,227,667)	(19,263)	(20,055,684)	-
Interest and fiscal charges paid on debt	(2,504,484)	(7,029,208)	(1,434,959)	(950)	(10,969,601)	-
Acquisition of capital assets	(5,441,256)	(18,890,893)	(3,265,003)	-	(27,597,152)	-
Net cash provided by (used in) capital and related financing activities	(9,374,165)	(4,761,148)	(2,792,609)	(20,213)	(16,948,135)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (purchase) of investment securities	(10,017,165)	(38,327,471)	(17,097,274)	(1,924,618)	(67,366,528)	2,170,472
Interest received	3,366,362	7,945,781	2,038,242	132,192	13,482,577	332,101
Net cash provided by (used in) investing activities	(6,650,803)	(30,381,690)	(15,059,032)	(1,792,426)	(53,883,951)	2,502,573
Net increase (decrease) in cash and cash equivalents	1,462,576	(4,047,811)	547,058	(1,479,929)	(3,518,106)	128,766
CASH AND CASH EQUIVALENTS - BEGINNING	4,962,156	10,412,217	9,832,728	1,871,009	27,078,110	16,474
CASH AND CASH EQUIVALENTS - ENDING	\$ 6,424,732	\$ 6,364,406	\$ 10,379,786	\$ 391,080	\$ 23,560,004	\$ 145,240

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, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER FUNDS	TOTALS	ACTIVITIES INTERNAL SERVICE
RECONCILIATION OF OPERATING INCOME (LOSS)						
TO NET CASH PROVIDED BY (USED IN)						
OPERATING ACTIVITIES						
Operating income (loss)	\$ 10,786,122	\$ 22,140,968	\$ 3,817,991	\$ (886,309)	\$ 35,858,772	\$ (2,764,858)
Adjustments to reconcile operating						
income to net cash provided by						
Operating activities						
Depreciation	4,016,422	8,947,074	1,693,063	310,884	14,967,443	-
Changes in assets and liabilities						
Decrease (increase) in assets						
Accounts receivable	1,638,016	(1,100,442)	(92,380)	(2,021,205)	(1,576,011)	(2,572)
Inventories	(567,396)	(608,258)	-	-	(1,175,654)	-
Prepaid items	(22,044)	(17,375)	-	-	(39,419)	-
Increase (decrease) in liabilities						
Accounts payable	1,098,694	1,144,863	68,676	(227,189)	2,085,044	35,143
Accrued liabilities	(3,966)	23,821	(6,160)	2,598	16,293	-
Unearned revenue	36,466	-	-	4,115	40,581	-
Claims payable	-	-	-	-	-	358,480
Deferred inflows - leases	-	-	-	1,901,893	1,901,893	-
Net pension liability	147,262	80,779	43,267	8,035	279,343	-
OPEB liabilities	61,151	54,766	(350,655)	(26,839)	(261,577)	-
Compensated absences	(37,381)	87,554	9,897	34,702	94,772	-
Customer deposits	334,198	534,008	-	-	868,206	-
Net cash provided by (used in) operations	<u>\$ 17,487,544</u>	<u>\$ 31,287,758</u>	<u>\$ 5,183,699</u>	<u>\$ (899,315)</u>	<u>\$ 53,059,686</u>	<u>\$ (2,373,807)</u>
SCHEDULE OF NONCASH CAPITAL ACTIVITIES						
Actuarially determined changes in:						
Net pension liability	\$ 725,911	\$ 599,212	\$ 76,164	\$ 9,067	\$ 1,410,354	\$ -
Other postemployment benefit liabilities	46,960	41,328	372,277	6,382	466,947	-
Lease and subscription agreements	922,211	606,068	253,939	47,417	1,829,635	-
Contributed capital	1,785,125	-	-	-	1,785,125	-
Retainage payable	10,169	975,018	152,077	-	1,137,264	-

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



NOTES TO FINANCIAL STATEMENTS



CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, and stormwater drainage services.

The accompanying 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, 2025

(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:

The *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, 2025

(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, bank deposits, 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, 2025

(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, 2025.

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, 2025

(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
Improvements other than buildings	10 - 40
Infrastructure (streets and drainage)	35-125
Equipment	5 - 10
Right to use leases - equipment	5 - 10
Right to use SBITAs	5 - 10

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.

Vacation leave policies apply to all full and part-time employees and 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 at separation.

Sick leave payout applies to sworn civil service employees based on accumulated balance up to 90 days. The number of hour in a day is based on an 8 hour work day (max 720 hours) with the exception of firefighters assigned to shift who work a 24 hour shift and have 12 hour workdays (maximum of 1,080 hours).

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Assets, liabilities, fund balance, and net position (continued)

Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Assets, liabilities, fund balance, and net position (continued)

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

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

Deferred outflows and deferred inflows of resources

When applicable, the statement of financial position and the balance sheet will report a separate section for deferred outflows of resources. The deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and that, therefore, will not be recognized as an outflow of resources (expense or expenditure) until that time. Conversely, deferred inflows of resources represents inflows of resources (acquisition of net assets) that apply to future period(s) and that, therefore, are not recognized as an inflow of resources (revenue) until that time.

Pensions

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Other postemployment benefits

The other postemployment benefit liabilities 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 become net position available for benefits.

Implementation of new accounting standard

Effective October 1, 2024, the City adopted GASB Statement No. 101 *Compensated Absences*, which supersedes GASB Statement No. 16, *Accounting for Compensated Absences*. Under GASB Statement No. 101, the liability for compensated absences is recognized in the government-wide financial statements (which use the economic resources measurement focus) and includes the estimated amount of unused leave amounts earned to date by employees that are more likely than not to be used or otherwise paid/settled, and leave that has been used but not paid or settled. Salary-related payments (such as payroll taxes and employer retirement contributions) that are directly and incrementally associated with the leave are also required to be included in the measurement.

(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 \$295,829,324 difference are as follows:

General obligation bonds	\$(229,861,000)
Right to use SBITA payable	(1,528,120)
Leases payable	(7,090,001)
Premium on bonds	(10,703,020)
Discount on bonds	424,502
Accrued interest payable	(1,091,539)
Compensated absences	(12,469,361)
Deferred loss on refunding	669,354
Net pension liability, net of related deferred inflows and outflows of resources	(27,005,829)
OPEB liabilities, net of related deferred inflows and outflows of resources	<u>(7,174,310)</u>
Net adjustment to reduce fund balance -	
Total government funds to arrive at net position –governmental activities	<u><u>\$(295,829,324)</u></u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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

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 details of this \$8,467,794 difference are as follows:

Capital outlay	\$ 23,272,764
Contributed capital	5,472,000
Gain on disposal	704,357
Depreciation expense	<u>(20,981,327)</u>
Net adjustment to increase net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 8,467,794</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 \$56,488 difference is as follows:

Property taxes	\$ 56,488
----------------	-----------

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 \$18,393,303 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (28,110,000)
Premium on bond issuance	(1,216,469)
SBITA payable	(1,130,498)
Leases payable	(3,068,429)
Principal repayments:	
General obligation debt	12,966,000
SBITA payable	214,046
Leases payable	<u>1,952,047</u>
Net adjustment to decrease net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (18,393,303)</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$1,930,799 difference are as follows:

Net change in compensated absences	\$ (2,597,163)
Accrued interest	(57,832)
Amortization of deferred charge on refunding	(67,065)
Amortization of bond premiums	<u>791,261</u>
Net adjustment to increase net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,930,799)</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 \$1,330,871 difference are as follows:

Net pension liability	(59,428)
Other postemployment benefit liability – death benefits	(557,027)
Other postemployment benefit liability – health benefits	<u>(714,416)</u>
Net adjustment to increase net changes in fund balances -	
Total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,330,871)</u>

(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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(3) Stewardship, compliance and accountability (continued)

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, TIRZ, Opioid Settlement, Lone Star Rail Fund, Miscellaneous Grants, Community Enhancement Fund, Tow Forfeiture, Municipal Court Jury Fee Fund, Consolidated Court Security and Technology Fund, Fee in Lieu of Trees, Parkland Development Fee, and Capital Projects. 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, 2025, the carrying amount of the City's cash and cash equivalents on the government-wide financial statements is \$62,438,964 which includes \$21,752,569 in an escrow fund, \$9,225 of cash on hand, and deposits of \$40,677,170 with a bank balance of \$43,134,133. All deposits are insured by Federal depository insurance and/or collateralized with securities held by the City's agent in the City's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable investments, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in 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, 2025, the City's bank balance was fully collateralized with securities held by independent third party financial institutions.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

2. *Credit risk* – It is the City’s policy to limit investments to investment types with an investment quality rating no lower than AAA (regular funds) and A (reserved funds) or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 360 days for regular funds and 18 months for reserved funds. The City’s investment pool was rated AAAM by Standard & Poor’s Investors Services.
3. *Interest rate risk* – In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 360 days or less for regular funds and 18 months for reserved funds, dependent on market conditions. The City’s exposure to interest rate risk at September 30, 2025 in the table on page 38 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 27% invested in U.S. agencies securities and 19% invested in money market funds as of September 30, 2025. The remaining 54% of the City’s investments are invested in external investment pools and money market funds.

The City maintains money market mutual funds at Wells Fargo and Goldman Sachs Government Funds money market. 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 & Poor’s.

TexasTERM Local Government Investment Pool (Pool), rating of AAAM by Standard & 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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

TexPool, TexasTERM, LOGIC and the money market fund use 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, TexasTERM, and LOGIC are rated AAAM by Standard & 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 Hilltop Securities and JP Investment 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 & Poor's. The fair values of the investments in this type have been determined using the NAV per share of the investments.

The Texas Fixed Income Trust (TexFIT) Cash Pool is rated AAAf/S1 by Fitch. TexFIT is a short-term investment pool designed to add diversification with multiple asset classes and a competitive yield to other cash alternatives. The pool is governed by an eight-member Board of Trustees and managed by Deep Blue Investment Advisors as a dollar-in/dollar-out product and has a floating net asset value.

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 & 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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

The City's investments at September 30, 2025, are shown below:

DESCRIPTION	CARRYING AMOUNT	RATING	RATING ORGANIZATION	WEIGHTED AVERAGE MATURITY (DAYS)
Local Government Investment Pools:				
Texas-Range Texas Daily	\$ 6,338,152	AAAmf	Standard & Poor's	47
TexPool	41,608	AAAm	Standard & Poor's	41
LOGIC	173,862,498	AAAm	Standard & Poor's	54
TexSTAR	102,846	AAAm	Standard & Poor's	49
TxFIT	24,345,349	AAAf/S1	Fitch	31
Lone Star Liquidity Fund	47,112	AAAm	Standard & Poor's	46
Texas CLASS	21,733,306	AAAm	Standard & Poor's	84
Money Market Mutual Funds	81,464,984	AAAm	Standard & Poor's	1
U.S. Agencies	<u>114,917,701</u>	AA+	Standard & Poor's	467
 Total fair value	 <u>\$ 422,853,556</u>			
 Portfolio weighted average maturity (days)				 156

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025:

	September 30, 2025	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Money Market Mutual Funds				
Goldman FS	\$ 81,464,984	\$ 81,464,984	\$ -	\$ -
Federated Government Obligations	-	-	-	-
Wells Fargo	-	-	-	-
Total money market mutual funds	<u>81,464,984</u>	<u>81,464,984</u>	<u>-</u>	<u>-</u>
Debt Securities				
Federal Home Loan Mortgage Corporation	10,034,867	-	10,034,867	-
Municipal Coupon Securities	14,677,624	-	14,677,624	-
Federal National Mortgage Association	9,823,649	-	9,823,649	-
Federal Farm Credit Bank	51,226,798	-	51,226,798	-
Federal Home Loan Bank	<u>29,154,763</u>	<u>-</u>	<u>29,154,763</u>	<u>-</u>
Total debt securities	<u>114,917,701</u>	<u>-</u>	<u>114,917,701</u>	<u>-</u>
Total investments measured by fair value level	<u>196,382,685</u>	<u>\$ 81,464,984</u>	<u>\$ 114,917,701</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
External Investment Pools				
TexPool	41,608			
Logic	173,862,498			
Texas Term Texas Daily	<u>6,338,152</u>			
Total investments measured at amortized cost	<u>180,242,258</u>			
Investments Measured at Net Asset Value:				
External Investment Pools				
Texas CLASS	21,733,306			
TexSTAR	102,846			
Texas FIT	24,345,349			
Lone Star Liquidity Fund	<u>47,112</u>			
Total investments measured at net asset value	<u>46,228,613</u>			
Total	<u>\$ 422,853,556</u>			

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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>
Receivables				
Taxes	\$ 1,179,105	\$ -	\$ 596,312	\$ 820,684
Accounts	4,708,784	30,956	1,869,332	1,040,559
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286,858</u>
Gross receivables	5,887,889	30,956	2,465,644	4,148,101
Less allowance for uncollectibles	<u>(108,931)</u>	<u>-</u>	<u>(52,600)</u>	<u>(37,612)</u>
Net total receivables	<u>\$ 5,778,958</u>	<u>\$ 30,956</u>	<u>\$ 2,413,044</u>	<u>\$ 4,110,489</u>

	<u>ELECTRIC</u>	<u>WATER/ WASTEWATER</u>	<u>STORMWATER DRAINAGE</u>	<u>NONMAJOR ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL</u>
Receivables						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,596,101
Accounts	11,217,211	9,457,207	1,314,697	2,297,457	3,486	31,939,689
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286,858</u>
Gross receivables	11,217,211	9,457,207	1,314,697	2,297,457	3,486	36,822,648
Less allowance for uncollectibles	<u>(978,197)</u>	<u>(821,997)</u>	<u>(121,173)</u>	<u>(269,292)</u>	<u>-</u>	<u>(2,389,802)</u>
Net total receivables	<u>\$ 10,239,014</u>	<u>\$ 8,635,210</u>	<u>\$ 1,193,524</u>	<u>\$ 2,028,165</u>	<u>\$ 3,486</u>	<u>\$ 34,432,846</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Receivables (continued)

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:

	DEFERRED INFLOWS	UNEARNED
Delinquent property taxes receivable (general fund)	\$ 1,020,817	\$ -
Grant drawdown (general fund)	-	689,917
Hotel LLC escrow (general fund)	-	1,500,000
Delinquent property taxes receivable (debt service)	524,759	-
Grant drawdowns (nonmajor governmental)	-	1,939,276
Total deferred/unearned revenue for governmental funds	\$ 1,545,576	\$ 4,129,193

Lease receivables

The City has entered into agreements with individuals and organizations for the use of airport facilities. The terms of these various agreements include a fixed minimum payment based on square footage and types of facilities rented.

For the year ended September 30, 2025, the City received \$293,790 in lease revenue, and \$142,370 in lease interest revenues. Future payments due to the City under non-cancelable agreements are as follows for the years ending September 30, 2025.

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2026	\$ 280,937	\$ 146,626	\$ 427,563
2027	272,789	140,281	413,070
2028	267,631	133,825	401,456
2029	234,258	127,909	362,167
2030	251,095	122,029	373,124
2031-2035	1,131,192	518,313	1,649,505
2036-2040	1,192,923	366,313	1,559,236
2041-2045	884,983	222,389	1,107,372
2046-2050	885,303	129,645	1,014,948
2051-2055	715,134	117,185	832,319
	\$ 6,116,245	\$ 2,024,515	\$ 8,140,760

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	BEGINNING BALANCE AS RESTATED	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 35,174,832	\$ 39,340	\$ -	\$ 35,214,172
Construction in progress	<u>80,579,667</u>	<u>14,547,250</u>	<u>(30,113,601)</u>	<u>65,013,316</u>
Total capital assets not being depreciated	<u>115,754,499</u>	<u>14,586,590</u>	<u>(30,113,601)</u>	<u>100,227,488</u>
Capital assets being depreciated				
Buildings	62,447,273	8,140,922	-	70,588,195
Machinery and equipment	47,651,279	4,072,487	(266,407)	51,457,359
Improvements other than buildings	238,311,594	22,760,898	-	261,072,492
Infrastructure	58,932,741	5,472,000	-	64,404,741
Right to use asset - equipment	7,279,424	2,694,970	(920,109)	9,054,285
Right to use asset - SBITAs	<u>2,655,183</u>	<u>1,130,498</u>	<u>(578,294)</u>	<u>3,207,387</u>
Total capital assets being depreciated	<u>417,277,494</u>	<u>44,271,775</u>	<u>(1,764,810)</u>	<u>459,784,459</u>
Less accumulated depreciation:				
Buildings	(16,960,327)	(1,283,782)	-	(18,244,109)
Machinery and equipment	(38,904,602)	(2,505,264)	266,407	(41,143,459)
Improvements other than buildings	(143,788,395)	(11,934,321)	-	(155,722,716)
Infrastructure	(29,454,093)	(2,236,904)	-	(31,690,997)
Right to use asset - equipment	(1,960,599)	(1,721,374)	911,092	(2,770,881)
Right to use asset - SBITAs	<u>(1,515,737)</u>	<u>(1,299,682)</u>	<u>1,291,668</u>	<u>(1,523,751)</u>
Total accumulated depreciation	<u>(232,583,753)</u>	<u>(20,981,327)</u>	<u>2,469,167</u>	<u>(251,095,913)</u>
Total capital assets being depreciated - net	<u>184,693,741</u>	<u>23,290,448</u>	<u>704,357</u>	<u>208,688,546</u>
Governmental activities capital assets - net	<u>\$ 300,448,240</u>	<u>\$ 37,877,038</u>	<u>\$ (29,409,244)</u>	<u>\$ 308,916,034</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 7,306,265	\$ -	\$ -	\$ 7,306,265
Construction in progress	<u>249,548,661</u>	<u>26,248,929</u>	<u>(28,173,809)</u>	<u>247,623,781</u>
Total assets not being depreciated	<u>256,854,926</u>	<u>26,248,929</u>	<u>(28,173,809)</u>	<u>254,930,046</u>
Capital assets being depreciated				
Buildings	38,979,338	-	-	38,979,338
Machinery and equipment	23,605,474	3,681,442	(9,875)	27,277,041
Improvements other than buildings	292,586,250	26,908,609	-	319,494,859
Right to use asset - equipment	2,922,920	1,101,352	(259,594)	3,764,678
Right to use asset - SBITAs	<u>1,103,352</u>	<u>1,505,093</u>	<u>(1,027,249)</u>	<u>1,581,196</u>
Total capital assets being depreciated	<u>359,197,334</u>	<u>33,196,496</u>	<u>(1,296,718)</u>	<u>391,097,112</u>
Less accumulated depreciation:				
Buildings	(5,742,159)	(779,201)	-	(6,521,360)
Machinery and equipment	(17,053,499)	(1,933,336)	9,875	(18,976,960)
Improvements other than buildings	(203,450,478)	(10,628,821)	-	(214,079,299)
Right to use asset - equipment	(695,733)	(713,463)	199,890	(1,209,306)
Right to use asset - SBITAs	<u>(836,408)</u>	<u>(912,622)</u>	<u>1,027,249</u>	<u>(721,781)</u>
Total accumulated depreciation	<u>(227,778,277)</u>	<u>(14,967,443)</u>	<u>1,237,014</u>	<u>(241,508,706)</u>
Total capital assets being depreciated - net	<u>131,419,057</u>	<u>18,229,053</u>	<u>(59,704)</u>	<u>149,588,406</u>
Business-type capital assets - net	<u>\$ 388,273,983</u>	<u>\$ 44,477,982</u>	<u>\$ (28,233,513)</u>	<u>\$ 404,518,452</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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	\$	15,611,014
Public safety		3,416,258
Community services		<u>1,954,055</u>
Total depreciation expense - governmental activities	\$	<u>20,981,327</u>
Business-Type Activities		
Electric	\$	4,016,422
Water and wastewater		8,947,074
Stormwater drainage		1,693,063
Airport		209,971
Transit		84,891
Resource recovery		<u>16,022</u>
Total depreciation expense - business-type activities	\$	<u>14,967,443</u>

Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2025, is as follows:

Due to/from other funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
General fund	Nonmajor governmental funds	\$ 523,157
Water wastewater utility	Nonmajor enterprise	<u>260,631</u>
		<u>\$ 783,788</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, 2025

(4) Detailed notes on all funds (continued)

Interfund receivables, payables and transfers (continued)

Interfund transfers

	TRANSFERS IN					TOTAL
	CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVERNMENTAL	STORMWATER DRAINAGE	NONMAJOR ENTERPRISE	
Transfers out:						
General	\$ 6,774,330	\$ 551,810	\$ 241,638	\$ -	\$ 1,039,294	\$ 8,607,072
Debt service	-	-	-	265,000	-	265,000
Nonmajor governmental	-	1,185,969	-	-	-	1,185,969
Capital projects	-	-	11,111	12,950,000	-	12,961,111
Water and wastewater	-	-	-	-	25,000	25,000
Totals	<u>\$ 6,774,330</u>	<u>\$ 1,737,779</u>	<u>\$ 252,749</u>	<u>\$ 13,215,000</u>	<u>\$ 1,064,294</u>	<u>\$ 23,044,152</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

Lease purchase agreements

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

The assets acquired through lease purchase agreements are as follows:

	Governmental Activities	Business-Type Activities
Assets:		
Equipment	\$ 4,397,759	\$ 6,234,171
Less accumulated depreciation	<u>3,749,121</u>	<u>3,433,814</u>
Total	<u>\$ 648,638</u>	<u>\$ 2,800,357</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

Lease purchase agreements (continued)

Principal and interest requirements to maturity as of September 30, 2025 are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2026	\$ 275,842	\$ 11,706	\$ 287,548	\$ 843,460	\$ 141,414	\$ 984,874
2027	181,808	6,563	188,371	872,032	112,843	984,875
2028	74,451	1,879	76,330	742,534	83,171	825,705
2029	78,054	-	78,054	640,772	54,681	695,453
2030	-	-	-	667,656	27,821	695,477
2031	-	-	-	-	-	-
	<u>\$ 610,155</u>	<u>\$ 20,148</u>	<u>\$ 630,303</u>	<u>\$ 3,766,454</u>	<u>\$ 419,930</u>	<u>\$ 4,186,384</u>

Notes payable

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, 2025 for this note payable is as follows:

YEAR ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST
2026	\$ 110,000	\$ 155,181
2027	115,000	151,881
2028	120,000	149,006
2029	120,000	146,006
2030	125,000	146,006
2031-2035	2,830,000	538,030
2036	<u>635,000</u>	<u>58,907</u>
	<u>\$ 4,055,000</u>	<u>\$ 1,345,017</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

General obligation bonds and combination tax and revenue bonds

The City issued combination tax and revenue bonds, combination tax and surplus bonds and special assessment revenue bonds during the year 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 2025 of \$37,065,000 with interest rates ranging from 4.00% – 5.00% that matures August 15, 2045.
- Waterworks and Wastewater System Revenue Bonds, Series 2025 of \$30,025,000 with interest rates ranging from 4.00% – 5.00% that matures August 15, 2045.
- Water and Wastewater System Revenue Bonds, Series 2025 of \$1,000,000 with interest rates ranging from 4.00% - 5.00% that matures August 15, 2045.

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 - 5.00%	\$ 194,671,000
Governmental activities - refunding	2.00 - 5.375%	35,190,000
Business-type activities	3.50 - 5.00%	231,224,725
Business-type activities - refunding	2.00 - 5.00%	51,905,000
		\$ 512,990,725

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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
2026	\$ 12,991,000	\$ 9,435,976	\$ 22,426,976	\$ 620,000	\$ 96,337	\$ 716,337	\$ 13,611,000	\$ 9,532,313	\$ 23,143,313
2027	13,289,000	8,552,157	21,841,157	650,000	70,977	720,977	13,939,000	8,623,134	22,562,134
2028	13,463,000	8,107,426	21,570,426	675,000	44,298	719,298	14,138,000	8,151,724	22,289,724
2029	14,630,000	7,575,601	22,205,601	95,000	16,383	111,383	14,725,000	7,591,984	22,316,984
2030	14,710,000	6,975,514	21,685,514	95,000	15,110	110,110	14,805,000	6,990,624	21,795,624
2031-2035	60,472,000	27,462,111	87,934,111	505,000	53,503	558,503	60,977,000	27,515,614	88,492,614
2036-2040	52,881,000	16,236,440	69,117,440	325,000	11,739	336,739	53,206,000	16,248,179	69,454,179
2041-2045	32,370,000	7,326,170	39,696,170	-	-	-	32,370,000	7,326,170	39,696,170
2046-2050	11,225,000	1,819,197	13,044,197	-	-	-	11,225,000	1,819,197	13,044,197
2051	865,000	38,925	903,925	-	-	-	865,000	38,925	903,925
	<u>\$ 226,896,000</u>	<u>\$ 93,529,517</u>	<u>\$ 320,425,517</u>	<u>\$ 2,965,000</u>	<u>\$ 308,347</u>	<u>\$ 3,273,347</u>	<u>\$ 229,861,000</u>	<u>\$ 93,837,864</u>	<u>\$ 323,698,864</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
2026	\$ 18,145,000	\$ 10,190,507	\$ 28,335,507	\$ 1,378,263	\$ 283,145	\$ 1,661,408	\$ 19,523,263	\$ 10,473,652	\$ 29,996,915
2027	19,750,000	8,978,472	28,728,472	1,393,809	267,940	1,661,749	21,143,809	9,246,412	30,390,221
2028	16,785,000	8,360,684	25,145,684	1,419,606	247,621	1,667,227	18,204,606	8,608,305	26,812,911
2029	17,450,000	7,699,082	25,149,082	1,435,438	226,662	1,662,100	18,885,438	7,925,744	26,811,182
2030	18,195,000	6,985,461	25,180,461	1,451,533	205,119	1,656,652	19,646,533	7,190,580	26,837,113
2031-2035	85,705,000	25,339,060	111,044,060	3,009,128	760,296	3,769,424	88,714,128	26,099,356	114,813,484
2036-2040	66,625,000	11,652,296	78,277,296	1,780,965	413,493	2,194,458	68,405,965	12,065,789	80,471,754
2041-2044	27,585,000	2,835,907	30,420,907	1,020,983	108,736	1,129,719	28,605,983	2,944,643	31,550,626
	<u>\$ 270,240,000</u>	<u>\$ 82,041,469</u>	<u>\$ 352,281,469</u>	<u>\$ 12,889,725</u>	<u>\$ 2,513,012</u>	<u>\$ 15,402,737</u>	<u>\$ 283,129,725</u>	<u>\$ 84,554,481</u>	<u>\$ 367,684,206</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, was as follows:

	BALANCE AS RESTATED	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities					
General obligation bonds	\$ 211,152,000	\$ 28,110,000	\$ (12,366,000)	\$ 226,896,000	\$ 12,991,000
General obligation bonds - privately placed	3,565,000	-	(600,000)	2,965,000	620,000
Premium on bonds	10,294,139	1,216,469	(807,588)	10,703,020	869,013
Discount on bonds	(440,829)	-	16,327	(424,502)	(16,327)
Lease purchase agreements	549,436	373,459	(312,740)	610,155	275,842
Right to use - lease payable	5,424,183	2,694,970	(1,639,307)	6,479,846	1,856,949
Right to use - SBITA payable	611,668	1,130,498	(214,046)	1,528,120	654,140
Compensated absences	9,872,198	2,597,163	-	12,469,361	2,553,683
TMRS net pension liability	43,214,184	-	(5,033,772)	38,180,412	-
OPEB liability - TMRS SDBF	1,636,400	-	(722)	1,635,678	408,920
OPEB liability - retiree healthcare	3,212,772	1,095,216	-	4,307,988	1,076,997
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 289,091,151	\$ 37,217,775	\$ (20,957,848)	\$ 305,351,078	\$ 21,290,217
Business-Type Activities					
Bonds payable					
Revenue bonds	\$ 247,830,000	\$ 38,980,000	\$ (16,570,000)	\$ 270,240,000	\$ 18,145,000
Revenue bonds - privately placed	13,257,679	1,000,000	(1,367,954)	12,889,725	1,378,263
Premium on bonds	19,168,676	1,690,662	(1,831,619)	19,027,719	1,842,321
Lease purchase agreements	4,582,308	-	(815,854)	3,766,454	843,460
Note payable	4,165,000	-	(110,000)	4,055,000	110,000
Right to use - lease payable	2,269,138	1,100,397	(742,012)	2,627,523	736,406
Right to use - SBITA payable	116,823	1,101,550	(449,864)	768,509	269,876
Compensated absences	1,145,528	94,774	-	1,240,302	699,080
TMRS net pension liability	9,510,646	-	(1,107,751)	8,402,895	-
OPEB liability - TMRS SDBF	364,654	-	(169)	364,485	91,121
OPEB liability - retiree healthcare	712,968	240,413	-	953,381	238,346
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 303,123,420	\$ 44,207,796	\$ (22,995,223)	\$ 324,335,993	\$ 24,353,873

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

Bonds outstanding that are considered defeased as a result of prior year refunding's total \$-0-.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

Changes in long-term liabilities (continued)

Right to use lease payable

At September 30, 2025, the City was obligated under right to use leases for various equipment and facilities. Future minimum lease payments on these leases are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2026	\$ 1,856,949	\$ 151,427	\$ 2,008,376	\$ 736,406	\$ 60,446	\$ 796,852
2027	1,795,557	102,905	1,898,462	701,319	41,819	743,138
2028	1,406,469	57,726	1,464,195	642,759	23,494	666,253
2029	891,860	26,265	918,125	461,055	8,422	469,477
2030	239,065	11,051	250,116	85,984	6,041	92,025
2031-2035	208,450	24,975	233,425	-	-	-
2036-2040	56,772	10,146	66,918	-	-	-
2041-2042	24,724	3,378	28,102	-	-	-
	<u>\$ 6,479,846</u>	<u>\$ 387,873</u>	<u>\$ 6,867,719</u>	<u>\$ 2,627,523</u>	<u>\$ 140,222</u>	<u>\$ 2,767,745</u>

Right to use Subscription-Based Information Technology Arrangements (SBITAs) payable

At September 30, 2025, the City was obligated under right to use SBITAs. Future minimum lease payments on these leases are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2026	\$ 654,140	\$ 62,047	\$ 716,187	\$ 269,876	\$ 22,241	\$ 292,117
2027	660,519	46,188	706,707	226,882	14,215	241,097
2028	213,461	28,968	242,429	137,214	7,698	144,912
2029	-	-	-	130,303	3,750	134,053
2030	-	-	-	4,234	47	4,281
	<u>\$ 1,528,120</u>	<u>\$ 137,203</u>	<u>\$ 1,665,323</u>	<u>\$ 768,509</u>	<u>\$ 47,951</u>	<u>\$ 816,460</u>

Other information

Benefits management

The City offers a medical, dental, vision and voluntary life insurance plans to eligible employees and qualified dependents. Plan benefits are designed to provide competitive benefits to attract and retain a qualified workforce.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Other information (continued)

Benefits management (continued)

The City offers a medical, dental, vision and voluntary life insurance plans to eligible employees and qualified dependents. Plan benefits are designed to provide competitive benefits to attract and retain a qualified workforce.

The medical plan is funded by contributions made by the City and enrolled employees. These 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. This excess insurance covers medical and pharmacy claims. Features of the medical plan include a preferred provider network, specialty networks, and pharmacy benefits which includes a tiered co-pay structure and various techniques to provide incentives to utilize lower cost drugs, over the counter alternatives, and to manage utilization based on therapeutic equivalencies. The stop-loss contract establishes the aggregate attachment point based on census and aggregate factors defined in the contract. Funding levels are based on maximum plan exposure as calculated and recommended by an employee benefits specialty firm.

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

Employees are incentivized to participate in an on-site annual health screening. This screening informs employees about the state of their health and provides an individual roadmap for the employee. A report is provided to the City with aggregate data which is used to develop future programs and services. These programs and services are implemented to improve plan participant's health, to develop a focus on early detection and prevention and to mitigate future claims. An annual benefit and wellness fair is hosted to increase employee awareness of their health and their benefit offerings.

In December 2025, the City entered into a contract with Frontier Direct Care to operate an employee health clinic. This clinic is designed to provide convenient, high-quality primary care services to employees and their eligible dependents. Benefits of the health clinic include:

- Unlimited access to primary care without copays or deductibles.
- Same-day or next-day appointments for urgent needs.
- Direct communication with providers via phone, text, or email.
- Preventive care and wellness services to support early detection and overall health.
- Cost savings by reducing reliance on emergency rooms and urgent care facilities.
- Improved employee health outcomes through proactive and continuous care.

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Other information (continued)

Benefits management (continued)

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

YEAR ENDED SEPTEMBER 30,	BEGINNING LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATE	CLAIM PAYMENTS	ENDING LIABILITY
2023	\$ 643,148	\$ 8,353,465	\$ 8,385,803	\$ 610,810
2024	610,810	10,659,865	10,329,930	940,745
2025	940,745	12,939,718	12,645,824	1,234,639

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, drug testing programs, safety awareness events, and the "Safety Coach" Safety Leadership Development Program. Post incident measures designed to mitigate losses include incident investigation, post-accident training 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 workers' 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 a 30% premium modifier.

The City participates in the National Safety Council Annual Awards Program, which presents awards for occupational health and safety. In 2025, twenty-one departments were recognized for maintaining a perfect record or a reduction in frequency of lost time injuries.

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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Other information (continued)

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.

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 \$40,576,405 for governmental capital assets, \$88,063,333 for water and wastewater, \$32,070,044 for electric, and \$46,133,105 for drainage.

Alliance Regional Water Authority

The Alliance Regional Water Authority (Agency) and Sponsoring Public Entities which includes the cities of Buda, Kyle and San Marcos and the Canyon Regional Water Authority have entered into a Regional Water Supply Contract dated January 15, 2008 as amended by amendment No. 1. The Agency agreed to design, finance, construct, own, acquire, maintain and operate the Project in a manner that will allow the Agency to deliver water to the Sponsoring Public Entities which includes the City. The City agreed to pay its share (35.86%) of the Project Costs and to make payments to or on behalf of the Agency in amount sufficient to meet all of the Agency’s obligations under the Contract including its share of the Project Costs to allow the Agency own, operate and maintain the Project. For the period ending September 30, 2025, the City paid \$8,979,621 under the water supply contract.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Other information (continued)

Defined benefit pension plans

Texas Municipal Retirement System

Plan description

The City of San Marcos participates as one of 934 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at 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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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-five (25) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 5%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	443
Inactive employees entitled to but not yet receiving benefits	418
Active employees	<u>855</u>
Total	<u>1,716</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Texas Municipal Retirement System (continued)

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 19.00% and 18.86% for calendar years 2024 and 2025, respectively. The City's total contributions to TMRS for the years ended September 30, 2024 and 2025 were \$12,711,751 and \$13,741,480, which were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled.

The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Texas Municipal Retirement plans (continued)

Net pension liability (continued)

Actuary assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. 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, 2025

(4) Detailed notes on all funds (continued)

Texas Municipal Retirement 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, 2023	\$ 316,954,926	\$ 264,230,546	\$ 52,724,380
Changes for the year:			
Service cost	12,816,294	-	12,816,294
Interest	21,370,277	-	21,370,277
Change of benefit terms	-	-	-
Difference between expected and actual experience	5,090,569	-	5,090,569
Changes of assumptions	-	-	-
Contributions - employer	-	13,241,413	(13,241,413)
Contributions - employee	-	4,878,415	(4,878,415)
Net investment income	-	27,478,580	(27,478,580)
Benefit payments, including refunds of employee contributions	(13,532,756)	(13,532,756)	-
Administrative expense	-	(176,078)	176,078
Other changes	-	(4,117)	4,117
Net changes	<u>25,744,384</u>	<u>31,885,457</u>	<u>(6,141,073)</u>
Balance at December 31, 2024	<u>\$ 342,699,310</u>	<u>\$ 296,116,003</u>	<u>\$ 46,583,307</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>\$ 96,715,295</u>	<u>\$ 46,583,307</u>	<u>\$ 5,538,872</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained at www.tmr.com.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Texas Municipal Retirement 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, 2025, the City recognized pension expense of \$14,610,894.

At September 30, 2025, 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	\$ 7,904,589	\$ -
Changes in actuarial assumptions	-	1,026,035
Difference between projected and actual investment earnings	-	3,212,568
Contributions subsequent to the measurement date	9,967,942	-
Total	\$ 17,872,531	\$ 4,238,603

The City reported \$9,967,942 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

September 30,		
2026	\$	3,016,868
2027		4,845,335
2028		(3,044,140)
2029		(1,152,077)
2030		-
Thereafter		-
Total	\$	3,665,986

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 a single-employer defined benefit plan, which operates like a 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 members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, 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 based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. 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 0.26% and 0.21% for calendar years 2025 and 2024. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2025 and 2024 were \$141,563 and \$162,628 and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	340
Inactive employees entitled to but not yet receiving benefits	128
Active employees	<u>855</u>
	<u><u>1,323</u></u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 \$2,000,163 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2024 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 11.50% including inflation
Discount rate*	4.08%
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	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence)
Mortality rates - disabled retirees	2019 Municipal Retires of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the 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, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2023	\$	2,001,054
Changes for the year:		
Service cost		90,599
Interest on the total OPEB liability		76,097
Changes of benefit terms		-
Difference between expected and actual experience		2,006
Change of assumptions		(113,840)
Benefit payments		<u>(55,753)</u>
Net changes		<u>(891)</u>
Balance at December 31, 2024	\$	<u><u>2,000,163</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 4.08%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08) or 1-percentage-point higher (5.08%) than the current rate:

<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
<u>\$ 2,401,189</u>	<u>\$ 2,000,163</u>	<u>\$ 1,686,840</u>

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$105,568.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(4) Detailed notes on all funds (continued)

Other postemployment benefits (OPEB) (continued)

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

At September 30, 2025, 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	\$ 31,842	\$ 30,540
Changes in actuarial assumptions	196,983	619,551
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	110,990	-
Total	\$ 339,815	\$ 650,091

The City reported \$110,990 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, 2026. 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,		
2026	\$	(84,804)
2027		(132,660)
2028		(154,920)
2029		(27,968)
2030		(18,184)
Thereafter		(2,730)
Total	\$	(421,266)

Postemployment health care coverage

Plan description and benefits provided

The City provides medical insurance benefits through the City of San Marcos Retiree Health Care 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, 2025

(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, 2025 were as follows:

Medical plan monthly rates:

Retiree only	\$ 697
Retiree + spouse	\$1,468
Retiree + child(ren)	\$1,429
Retiree + family	\$2,196

Contributions for postemployment benefits were recognized on a pay-as-you-go basis in the past. Contributions paid by retirees during the fiscal years ended September 30, 2025 and 2024 were \$282,259 and \$323,475, respectively.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	22
Inactive, nonretired members	0
Active members	<u>840</u>
	<u>862</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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 \$5,261,369 was measured as of December 31, 2024, and was determined by an actuarial valuation as of December 31, 2024.

Actuarial valuation information:

Actuarial assumptions and other inputs - The total OPEB liability in the December 31, 2024 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	3.60% to 11.85% including inflation
Discount rate*	4.08% as of December 31, 2024
Demographic assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health care trend rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	It was assumed that 25% 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 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. Additionally, the health care trend rates were updated to reflect the plan's anticipated experience.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2023	\$ 3,925,740
Changes for the year:	
Service cost	415,375
Interest on the total OPEB liability	153,055
Changes of benefit terms	-
Difference between expected and actual experience	685,391
Change of assumptions	229,020
Benefit payments	<u>(147,212)</u>
Net changes	<u>1,335,629</u>
Balance at December 31, 2024	<u>\$ 5,261,369</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 4.08%, 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 (3.08%) or 1 percentage point higher (5.08%) than the current rate.

<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
<u>\$ 5,762,131</u>	<u>\$ 5,261,369</u>	<u>\$ 4,806,249</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 Trend Rate Assumption</u>	<u>1% Increase</u>
<u>\$ 4,653,500</u>	<u>\$ 5,261,369</u>	<u>\$ 5,981,448</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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, 2025, the City recognized OPEB expense of \$147,212.

As of September 30, 2025, 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	\$ 777,589	\$ 1,057,837
Changes in actuarial assumptions	690,706	1,568,195
Difference between projected and actual investment earnings	-	-
Net refunds subsequent to the measurement date	(2,618)	-
Total	\$ 1,465,677	\$ 2,626,032

The City reported \$2,618 as deferred outflows of resources related to the OPEB resulting from net refunds subsequent to the measurement date which will be recognized as an increase of the OPEB liability for the year ended September 30, 2026. 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,	
2026	\$ (89,677)
2027	(127,873)
2028	(238,067)
2029	(273,404)
2030	(288,142)
Thereafter	(140,574)
Total	\$ (1,157,737)

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(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	\$ 2,000,163	\$ 5,261,369	\$ 7,261,532
Plan fiduciary net position	-	-	-
Net OPEB liability	\$ 2,000,163	\$ 5,261,369	\$ 7,261,532
Total deferred outflows of resources	\$ 339,815	\$ 1,465,677	\$ 1,805,492
Total deferred inflows of resources	650,091	2,626,032	3,276,123
Contributions/Refunds subsequent to the measurement date	110,990	(2,618)	108,372
Total OPEB expense	105,568	479,456	585,024

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, 2025

(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:

Economic Development	Tax Type	2025 Actual
<u>380 Agreement</u>		
Amazon.com.kydc, LLC	Personal, Real, & Sales Taxes	\$ 901,498
Humpty Dumpty SSM, Ltd	Real & Sales Taxes	337,437
		1,238,935
<u>Tax Increment Reinvestment Zone</u>		
TIRZ #3-Conference Center	TRZ	141,396
TIRZ#4-Kissing Tree	TRZ	1,494,895
TIRZ #5-Downtown	TRZ	1,214,225
TRZ Loop 110	TRZ	2,875,597
		5,726,113
Total economic development payments		\$ 6,965,048

(5) Restatements of beginning balances

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the below items have been adjusted through a restatement of beginning net position and fund balance as of October 1, 2024.

Change in accounting principle

Effective for the fiscal year beginning October 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*, which revises the recognition and measurement guidance for compensated absences. The implementation of GASB Statement No. 101 was applied retroactively, as required by the standard. As a result, beginning net position as of October 1, 2024 was restated as follows:.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES				TOTAL
		ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	
Beginning net position	\$ 172,383,867	\$ 113,854,115	\$ 203,604,667	\$ 36,675,311	\$ 7,792,081	\$ 361,926,174
Implementation of GASB 101	(1,508,743)	(140,965)	(146,186)	(22,824)	(24,732)	(334,707)
Beginning balance, as restated	\$ 170,875,124	\$ 113,713,150	\$ 203,458,481	\$ 36,652,487	\$ 7,767,349	\$ 361,591,467



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN MARCOS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY
(OPEB) - RETIREE HEALTH CARE PLAN**

For the measurement year ended December 31,

	2024	2023	2022
Total OPEB liability			
Service cost	\$ 415,375	\$ 332,020	\$ 616,191
Interest on the total OPEB liability	153,055	150,626	117,315
Changes of benefit terms	-	-	-
Difference between expected and actual experience	685,391	68,751	(1,239,306)
Change of assumptions	229,020	(92,123)	(1,810,141)
Benefit payments	(147,212)	(173,366)	(223,906)
Net change in total OPEB liability	1,335,629	285,908	(2,539,847)
Total OPEB liability - beginning	3,925,740	3,639,832	6,179,679
Total OPEB liability - ending	\$ 5,261,369	\$ 3,925,740	\$ 3,639,832
Covered-employee payroll	\$ 71,392,397	\$ 61,505,701	\$ 53,504,028
Total OPEB liability as a percentage of covered payroll	7.37%	6.38%	6.80%
Note to schedule			
Discount Rate	4.08%	3.77%	1.84%

Changes of assumptions reflect the effects of changes in the discount rate each period. The discount rate at the beginning of 2017 was 3.31%

2024 - The health care trend assumptions were modified.

2023 - The demographic and salary increased assumptions were updated to reflect the 2023 TMRS experience study.

2022 - The participation rate, male spousal coverage, and health care trend assumptions were modified.

2021 - The methodology for determining service cost was changed such that the attribution period for the accumulation of service costs is now based only on employment with the City of San Marcos.

2019 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study.

2018 - The participation rate and health care trend assumptions were modified.

No assets are accumulated in a trust that meets the criteria of GASB 75, Paragraph 3, and therefore, the Retiree Health Care Plan does not report fiduciary net position.

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

	2021	2020	2019	2018	2017
\$	432,397	\$ 379,003	\$ 281,711	\$ 241,628	\$ 181,195
	129,434	158,640	188,413	126,566	130,158
	-	-	-	-	-
	(151,402)	(275,679)	(4,163)	465,058	105,312
	(466,423)	497,051	345,724	571,635	163,733
	<u>(39,674)</u>	<u>(125,808)</u>	<u>(214,401)</u>	<u>(125,931)</u>	<u>(280,224)</u>
	(95,668)	633,207	597,284	1,278,956	300,174
	<u>6,275,347</u>	<u>5,642,140</u>	<u>5,044,856</u>	<u>3,765,900</u>	<u>3,465,726</u>
\$	<u>6,179,679</u>	<u>6,275,347</u>	<u>5,642,140</u>	<u>5,044,856</u>	<u>3,765,900</u>
\$	<u>49,966,371</u>	<u>48,969,040</u>	<u>45,812,736</u>	<u>43,253,608</u>	<u>39,967,203</u>
	12.37%	12.81%	12.32%	11.66%	9.42%
	1.84%	2.00%	2.75%	3.71%	3.31%

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,

	2024	2023	2022	2021
Total pension liability				
Service cost	\$ 12,816,294	\$ 10,663,945	\$ 9,592,413	\$ 8,973,188
Interest (on the total pension liability)	21,370,277	20,030,507	18,518,881	17,250,721
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	5,090,569	2,368,003	5,175,478	3,331,465
Change of assumptions	-	(1,833,939)	-	-
Benefit payments, including refunds of employee contributions	(13,532,756)	(11,379,724)	(11,476,447)	(10,678,428)
Net change in total pension liability	25,744,384	19,848,792	21,810,325	18,876,946
Total pension liability - beginning	<u>316,954,926</u>	<u>297,106,134</u>	<u>275,295,809</u>	<u>256,418,863</u>
Total pension liability - ending (a)	<u>\$ 342,699,310</u>	<u>\$ 316,954,926</u>	<u>\$ 297,106,134</u>	<u>\$ 275,295,809</u>
Plan fiduciary net position				
Contributions - employer	\$ 13,241,413	\$ 11,031,859	\$ 9,750,420	\$ 8,973,351
Contributions - employee	4,878,415	4,208,332	3,740,511	3,491,579
Net investment income	27,478,580	27,048,740	(18,237,111)	28,619,412
Benefit payments, including refunds of employee contributions	(13,532,756)	(11,379,724)	(11,476,447)	(10,678,428)
Administrative expense	(176,078)	(171,923)	(157,719)	(132,347)
Other	(4,117)	(1,203)	188,205	906
Net change in plan fiduciary net position	31,885,457	30,736,081	(16,192,141)	30,274,473
Plan fiduciary net position - beginning	<u>264,230,546</u>	<u>233,494,465</u>	<u>249,686,606</u>	<u>219,412,133</u>
Plan fiduciary net position - ending (b)	<u>\$ 296,116,003</u>	<u>\$ 264,230,546</u>	<u>\$ 233,494,465</u>	<u>\$ 249,686,606</u>
Net pension liability (a) - (b)	<u>\$ 46,583,307</u>	<u>\$ 52,724,380</u>	<u>\$ 63,611,669</u>	<u>\$ 25,609,203</u>
Plan fiduciary net position as a percentage of total pension liability	<u>86.41%</u>	<u>83.37%</u>	<u>78.59%</u>	<u>90.70%</u>
Covered payroll	<u>\$ 69,691,647</u>	<u>\$ 60,112,430</u>	<u>\$ 53,409,841</u>	<u>\$ 49,823,366</u>
Net pension liability as a percentage of total covered payroll	<u>66.84%</u>	<u>87.71%</u>	<u>119.10%</u>	<u>51.40%</u>

2020	2019	2018	2017	2016	2015
\$ 8,652,829	\$ 7,930,188	\$ 7,467,890	\$ 6,900,642	\$ 6,447,988	\$ 5,741,822
16,166,655	15,018,615	14,025,269	13,126,553	12,261,584	11,963,523
-	-	-	-	-	-
1,197,191	2,110,147	1,501,153	548,309	968,779	(1,315,300)
-	1,080,074	-	-	-	17,530
<u>(9,554,788)</u>	<u>(9,429,918)</u>	<u>(7,588,523)</u>	<u>(7,501,093)</u>	<u>(6,679,553)</u>	<u>(5,350,540)</u>
16,461,887	16,709,106	15,405,789	13,074,411	12,998,798	11,057,035
<u>239,956,976</u>	<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>
<u>\$ 256,418,863</u>	<u>\$ 239,956,976</u>	<u>\$ 223,247,870</u>	<u>\$ 207,842,081</u>	<u>\$ 194,767,670</u>	<u>\$ 181,768,872</u>
\$ 8,466,747	\$ 7,943,928	\$ 7,497,962	\$ 6,999,120	\$ 6,544,860	\$ 6,251,205
3,427,833	3,206,893	3,007,781	2,802,407	2,625,028	2,406,164
15,328,611	26,828,508	(5,270,985)	21,150,405	9,509,452	202,628
(9,554,788)	(9,429,918)	(7,588,523)	(7,501,093)	(6,679,553)	(5,350,540)
(99,141)	(151,520)	(101,841)	(109,592)	(107,384)	(123,411)
<u>(3,868)</u>	<u>(4,551)</u>	<u>(5,321)</u>	<u>(5,554)</u>	<u>(5,786)</u>	<u>(6,095)</u>
17,565,394	28,393,340	(2,460,927)	23,335,693	11,886,617	3,379,951
<u>201,846,739</u>	<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>
<u>\$ 219,412,133</u>	<u>\$ 201,846,739</u>	<u>\$ 173,453,399</u>	<u>\$ 175,914,326</u>	<u>\$ 152,578,633</u>	<u>\$ 140,692,016</u>
<u>\$ 37,006,730</u>	<u>\$ 38,110,237</u>	<u>\$ 49,794,471</u>	<u>\$ 31,927,755</u>	<u>\$ 42,189,037</u>	<u>\$ 41,076,856</u>
<u>85.57%</u>	<u>84.12%</u>	<u>77.70%</u>	<u>84.64%</u>	<u>78.34%</u>	<u>77.40%</u>
<u>\$ 48,969,040</u>	<u>\$ 45,812,757</u>	<u>\$ 42,968,297</u>	<u>\$ 39,957,397</u>	<u>\$ 37,357,981</u>	<u>\$ 34,361,593</u>
<u>75.57%</u>	<u>83.19%</u>	<u>115.89%</u>	<u>79.90%</u>	<u>112.93%</u>	<u>119.54%</u>

CITY OF SAN MARCOS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS - PENSION**

For the fiscal year ended September 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contributions	\$ 13,741,480	\$ 12,711,751	\$ 10,855,474	\$ 9,166,815
Contributions in relation to the actuarially determined contributions	<u>13,741,480</u>	<u>12,711,751</u>	<u>10,855,474</u>	<u>9,166,815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 72,713,294</u>	<u>\$ 67,430,374</u>	<u>\$ 59,249,099</u>	<u>\$ 50,425,031</u>
Contributions as a percentage of covered payroll	<u>18.90%</u>	<u>18.85%</u>	<u>18.32%</u>	<u>18.18%</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	22 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis with scale MP-2021 (with immediate convergence).
Other information:	There were no benefit changes during the year.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 8,810,022	\$ 8,055,680	\$ 7,856,525	\$ 7,397,137	\$ 6,875,814	\$ 6,735,430
<u>8,810,022</u>	<u>8,055,680</u>	<u>7,856,525</u>	<u>7,397,137</u>	<u>6,875,814</u>	<u>6,735,430</u>
<u>\$ -</u>					
<u>\$ 49,494,033</u>	<u>\$ 46,559,700</u>	<u>\$ 45,242,434</u>	<u>\$ 42,362,287</u>	<u>\$ 39,295,602</u>	<u>\$ 38,113,150</u>
<u>17.80%</u>	<u>17.30%</u>	<u>17.37%</u>	<u>17.46%</u>	<u>17.50%</u>	<u>17.67%</u>

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**

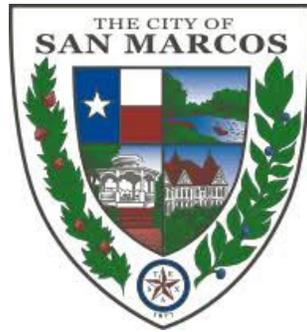
For the measurement year ended December 31,

	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 90,599	\$ 72,135	\$ 144,207	\$ 124,558
Interest on the total OPEB liability	76,097	73,823	49,206	49,333
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	2,006	(9,864)	58,804	(27,713)
Change of assumptions	(113,840)	105,293	(1,021,904)	87,745
Benefit payments	(55,753)	(54,101)	(37,387)	(34,876)
Net change in total OPEB liability	(891)	187,286	(807,074)	199,047
Total OPEB liability - beginning	2,001,054	1,813,768	2,620,842	2,421,795
Total OPEB liability - ending	\$ 2,000,163	\$ 2,001,054	\$ 1,813,768	\$ 2,620,842
Covered-employee payroll	\$ 69,691,647	\$ 60,112,430	\$ 53,409,841	\$ 49,823,366
Total OPEB liability as a percentage of covered payroll	<u>2.87%</u>	<u>3.33%</u>	<u>3.40%</u>	<u>5.26%</u>

No assets are accumulated in a trust that meets the criteria of GASB 75, Paragraph 3, and therefore, the Supplemental Death Benefits Fund Plan does not report fiduciary net position.

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

2020	2019	2018	2017
\$ 107,732	\$ 68,719	\$ 77,343	\$ 59,936
55,597	58,627	52,320	50,582
-	-	-	-
(55,127)	(34,123)	9,372	-
353,105	340,651	(124,101)	135,684
<u>(14,691)</u>	<u>(9,163)</u>	<u>(12,890)</u>	<u>(11,987)</u>
446,616	424,711	2,044	234,215
<u>1,975,179</u>	<u>1,550,468</u>	<u>1,548,424</u>	<u>1,314,209</u>
<u>\$ 2,421,795</u>	<u>\$ 1,975,179</u>	<u>\$ 1,550,468</u>	<u>\$ 1,548,424</u>
<u>\$ 48,969,040</u>	<u>\$ 45,812,757</u>	<u>\$ 42,968,297</u>	<u>\$ 39,957,397</u>
<u>4.95%</u>	<u>4.31%</u>	<u>3.61%</u>	<u>3.88%</u>



OTHER SUPPLEMENTARY INFORMATION



**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**



GENERAL FUND



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, 2025

	BUDGETED AMOUNTS		2025 ACTUAL	VARIANCE WITH FINAL BUDGET -	2024 ACTUAL
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	
REVENUES					
Taxes					
Property taxes:					
Current ad valorem taxes	\$ 38,861,814	\$ 38,861,814	\$ 40,977,035	\$ 2,115,221	\$ 36,364,275
Delinquent ad valorem taxes	90,000	90,000	215,919	125,919	(119,984)
Penalty and interest on delinquent taxes	120,000	120,000	245,561	125,561	194,025
Franchise	13,397,883	13,397,883	13,572,278	174,395	12,677,078
Sales	39,035,250	39,035,250	38,712,400	(322,850)	38,645,518
Mixed drink	675,000	675,000	629,182	(45,818)	632,685
Total taxes	<u>92,179,947</u>	<u>92,179,947</u>	<u>94,352,375</u>	<u>2,172,428</u>	<u>88,393,597</u>
Licenses and permits:					
Professional and occupational	64,000	64,000	47,312	(16,688)	61,378
Building	3,090,000	3,090,000	2,870,201	(219,799)	2,337,327
Development	500,000	500,000	423,632	(76,368)	479,379
Plumbing	300,000	300,000	156,122	(143,878)	200,025
Food	165,600	165,600	143,875	(21,725)	146,825
Cemetery	100,000	100,000	174,304	74,304	223,068
Other	936,402	1,313,698	1,340,556	26,858	1,214,433
Total licenses and permits	<u>5,156,002</u>	<u>5,533,298</u>	<u>5,156,002</u>	<u>(377,296)</u>	<u>4,662,435</u>
Fines and penalties:					
Parking	299,434	299,434	375,628	76,194	226,433
Traffic	600,000	600,000	613,099	13,099	562,481
Complaints	40,000	40,000	20,618	(19,382)	44,457
Library	28,080	28,080	34,258	6,178	30,766
Other	226,599	139,249	150,510	11,261	144,947
Total fines and penalties	<u>1,194,113</u>	<u>1,106,763</u>	<u>1,194,113</u>	<u>87,350</u>	<u>1,009,084</u>
Charges for services:					
Vital statistics	22,040	22,040	31,549	9,509	22,933
Pound charges	52,800	52,800	51,414	(1,386)	60,608
Charges to other funds	8,960,893	8,960,893	8,960,893	-	8,439,366
Building rental	247,150	247,150	338,630	91,480	302,974
Recreation program	-	-	-	-	393,655
Other services	574,044	584,044	377,515	(206,529)	98,888
Total charges for services	<u>9,856,927</u>	<u>9,866,927</u>	<u>9,760,001</u>	<u>(106,926)</u>	<u>9,318,424</u>
Intergovernmental	<u>1,160,068</u>	<u>1,160,068</u>	<u>1,598,962</u>	<u>438,894</u>	<u>1,148,949</u>
Investment earnings	<u>2,027,500</u>	<u>2,027,500</u>	<u>2,587,223</u>	<u>559,723</u>	<u>3,651,654</u>
Other:					
Donations	85,000	85,000	85,000	-	85,000
Miscellaneous	1,057,501	1,047,501	974,089	(73,412)	1,954,802
Total other	<u>1,142,501</u>	<u>1,132,501</u>	<u>1,059,089</u>	<u>(73,412)</u>	<u>2,039,802</u>
Total revenues	<u>112,717,058</u>	<u>113,007,004</u>	<u>115,707,765</u>	<u>2,700,761</u>	<u>110,223,945</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, 2025

	BUDGETED AMOUNTS		2025 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2024 ACTUAL
	ORIGINAL	FINAL			
EXPENDITURES					
Current					
General government:					
Personnel services	\$ 4,825,529	\$ 4,884,842	\$ 4,625,221	\$ 259,621	\$ 4,425,017
Contracted services	505,762	510,817	380,672	130,145	380,137
Materials and supplies	94,026	95,526	59,690	35,836	58,571
Other charges	449,250	449,250	343,252	105,998	374,431
Total general government	<u>5,874,567</u>	<u>5,940,435</u>	<u>5,408,835</u>	<u>531,600</u>	<u>5,238,156</u>
Human resources:					
Personnel services	1,571,525	1,517,553	1,450,433	67,120	1,376,368
Contracted services	258,440	361,354	187,041	174,313	292,784
Materials and supplies	31,850	33,795	24,243	9,552	34,063
Other charges	415,905	416,594	249,322	167,272	266,568
Total human resources	<u>2,277,720</u>	<u>2,329,296</u>	<u>1,911,039</u>	<u>418,257</u>	<u>1,969,783</u>
Finance:					
Personnel services	2,883,465	2,881,555	2,787,620	93,935	2,504,020
Contracted services	221,155	219,207	145,740	73,467	600,452
Materials and supplies	30,161	30,161	26,671	3,490	30,744
Other charges	71,572	71,572	52,656	18,916	46,962
Total finance	<u>3,206,353</u>	<u>3,202,495</u>	<u>3,012,687</u>	<u>189,808</u>	<u>3,182,304</u>
Municipal court:					
Personnel services	916,145	915,617	838,086	77,531	833,543
Contracted services	381,113	401,329	334,509	66,820	226,792
Materials and supplies	23,539	23,539	6,291	17,248	6,073
Other charges	21,500	21,500	3,464	18,036	3,256
Total municipal court	<u>1,342,297</u>	<u>1,361,985</u>	<u>1,182,350</u>	<u>179,635</u>	<u>1,069,664</u>
Office of emergency management:					
Personnel services	330,954	280,437	273,499	6,938	348,525
Contracted services	54,300	63,175	12,203	50,972	23,123
Materials and supplies	12,100	10,600	6,119	4,481	9,618
Other charges	43,300	43,300	9,551	33,749	4,167
Capital outlay	-	-	-	-	-
Total office of emergency mgmt.	<u>440,654</u>	<u>397,512</u>	<u>301,372</u>	<u>96,140</u>	<u>385,433</u>
Technology services:					
Personnel services	3,675,533	3,672,940	3,629,213	43,727	3,323,419
Contracted services	507,936	510,914	284,458	226,456	282,284
Materials and supplies	60,886	60,886	38,690	22,196	38,665
Other charges	266,994	266,994	149,120	117,874	123,790
Capital outlay	-	471,298	412,637	58,661	22,901
Total technology services	<u>4,511,349</u>	<u>4,983,032</u>	<u>4,514,118</u>	<u>468,914</u>	<u>3,791,059</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, 2025

	BUDGETED AMOUNTS		2025 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2024 ACTUAL
	ORIGINAL	FINAL			
EXPENDITURES (CONTINUED)					
Development services:					
Personnel services	\$ 3,895,016	\$ 3,892,446	\$ 3,419,025	\$ 473,421	\$ 3,377,088
Contracted services	283,509	331,681	258,347	73,334	265,142
Materials and supplies	91,387	91,387	41,154	50,233	52,392
Other charges	108,688	108,688	73,134	35,554	72,587
Total development services	<u>4,378,600</u>	<u>4,424,202</u>	<u>3,791,660</u>	<u>632,542</u>	<u>3,767,209</u>
Engineering department:					
Personnel services	4,061,626	4,088,079	3,992,710	95,369	3,427,353
Contracted services	250,639	305,136	147,079	158,057	303,292
Materials and supplies	56,117	56,117	31,999	24,118	60,844
Other charges	116,352	116,352	48,958	67,394	53,984
Total engineering department	<u>4,484,734</u>	<u>4,565,684</u>	<u>4,220,746</u>	<u>344,938</u>	<u>3,845,473</u>
Real estate department:					
Personnel services	-	-	-	-	250,170
Contracted services	-	-	-	-	10,826
Materials and supplies	-	-	-	-	1,955
Other charges	-	-	-	-	9,662
Total real estate department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,613</u>
Fire:					
Personnel services	14,618,023	14,618,023	14,793,313	(175,290)	15,583,436
Contracted services	421,992	500,130	381,177	118,953	390,773
Materials and supplies	961,355	1,032,398	1,113,792	(81,394)	867,905
Other charges	227,204	236,804	240,124	(3,320)	243,584
Capital outlay	-	650,994	369,677	281,317	699,814
Total fire	<u>16,228,574</u>	<u>17,038,349</u>	<u>16,898,083</u>	<u>140,266</u>	<u>17,785,512</u>
Fire Marshall:					
Personnel services	1,649,560	1,649,560	1,774,680	(125,120)	-
Contracted services	52,604	57,722	55,348	2,374	-
Materials and supplies	25,931	37,604	25,398	12,206	-
Other charges	40,392	33,942	30,619	3,323	-
Capital outlay	-	-	-	-	-
Total fire	<u>1,768,487</u>	<u>1,778,828</u>	<u>1,886,045</u>	<u>(107,217)</u>	<u>-</u>
Police:					
Personnel services	23,108,545	23,108,545	23,552,103	(443,558)	21,660,147
Contracted services	1,560,755	1,720,139	1,556,772	163,367	1,053,813
Materials and supplies	1,277,672	1,317,490	1,116,254	201,236	1,021,569
Other charges	210,650	222,841	206,775	16,066	440,411
Capital outlay	-	-	2,000	(2,000)	-
Total police	<u>26,157,622</u>	<u>26,369,015</u>	<u>26,433,904</u>	<u>(64,889)</u>	<u>24,175,940</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, 2025

EXPENDITURES (CONTINUED)	BUDGETED AMOUNTS		2025 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	2024 ACTUAL
	ORIGINAL	FINAL			
Neighborhood Enhancement Admin:					
Personnel services	\$ 593,067	\$ 592,789	\$ 516,020	\$ 76,769	\$ 551,698
Contracted services	32,286	32,286	27,952	4,334	21,361
Materials and supplies	36,900	45,082	23,544	21,538	31,897
Other charges	23,900	23,900	13,162	10,738	17,494
Capital outlay	-	-	6,679	(6,679)	-
Total neighborhood enhancement admin	<u>686,153</u>	<u>694,057</u>	<u>587,357</u>	<u>106,700</u>	<u>622,450</u>
Library:					
Personnel services	2,109,783	2,108,334	2,059,656	48,678	1,951,143
Contracted services	152,758	152,758	82,752	70,006	58,404
Materials and supplies	208,175	208,175	216,430	(8,255)	210,309
Other charges	<u>27,545</u>	<u>27,545</u>	<u>28,121</u>	<u>(576)</u>	<u>28,231</u>
Total library	<u>2,498,261</u>	<u>2,496,812</u>	<u>2,386,959</u>	<u>109,853</u>	<u>2,248,087</u>
Parks and recreation:					
Personnel services	7,749,010	7,697,400	7,141,860	555,540	7,083,485
Contracted services	3,070,249	3,367,141	2,650,350	716,791	2,892,767
Materials and supplies	912,056	915,681	782,780	132,901	892,237
Other charges	195,491	212,399	174,354	38,045	246,853
Capital outlay	<u>114,450</u>	<u>1,208,458</u>	<u>771,496</u>	<u>436,962</u>	<u>227,443</u>
Total parks and recreation	<u>12,041,256</u>	<u>13,401,079</u>	<u>11,520,840</u>	<u>1,880,239</u>	<u>11,342,785</u>
Code compliance:					
Personnel services	828,619	827,692	792,638	35,054	596,730
Contracted services	63,831	67,107	15,598	51,509	28,828
Materials and supplies	38,566	38,566	20,528	18,038	24,353
Other charges	<u>12,300</u>	<u>12,300</u>	<u>7,244</u>	<u>5,056</u>	<u>8,148</u>
Total code compliance	<u>943,316</u>	<u>945,665</u>	<u>836,008</u>	<u>109,657</u>	<u>658,059</u>
Animal services:					
Personnel services	2,196,829	2,182,066	2,138,460	43,606	2,058,805
Contracted services	125,340	147,340	60,296	87,044	56,867
Materials and supplies	290,965	290,965	272,295	18,670	212,881
Other charges	96,818	172,744	47,453	125,291	21,786
Capital outlay	-	-	-	-	30,315
Total animal services	<u>2,709,952</u>	<u>2,793,115</u>	<u>2,518,504</u>	<u>274,611</u>	<u>2,380,654</u>
Fleet services:					
Personnel services	1,051,799	1,046,395	1,043,512	2,883	940,092
Contracted services	47,358	47,358	36,949	10,409	38,502
Materials and supplies	92,040	94,635	110,163	(15,528)	88,425
Other charges	21,834	21,834	8,907	12,927	6,997
Capital outlay	-	17,254	6,544	10,710	9,970
Total fleet services	<u>1,213,031</u>	<u>1,227,476</u>	<u>1,206,075</u>	<u>21,401</u>	<u>1,083,986</u>
Economic Development:					
Personnel services	194,192	194,069	169,798	24,271	157,399
Contracted services	16,544	13,144	10,045	3,099	9,703
Materials and supplies	3,638	3,638	2,168	1,470	-
Other charges	<u>2,455,226</u>	<u>2,286,002</u>	<u>1,415,278</u>	<u>870,724</u>	<u>1,765,034</u>
Total economic development	<u>2,669,600</u>	<u>2,496,853</u>	<u>1,597,289</u>	<u>899,564</u>	<u>1,932,136</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, 2025

	BUDGETED AMOUNTS		2025 ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE	2024 ACTUAL
	ORIGINAL	FINAL		(NEGATIVE)	
EXPENDITURES (CONTINUED)					
Social services:					
Other charges	\$ 550,000	\$ 891,818	\$ 509,283	\$ 382,535	\$ 611,347
Total social services	550,000	891,818	509,283	382,535	611,347
Special services:					
Personnel services	-	-	-	-	899
Contracted services	5,162,697	5,393,616	3,778,153	1,615,463	2,015,769
Materials and supplies	-	-	3,271	(3,271)	111,287
Other charges	4,696,204	4,978,752	4,420,357	558,395	3,844,468
Capital outlay	2,584,062	871,312	4,679,231	(3,807,919)	3,864,014
Total special services	12,442,963	11,243,680	12,881,012	(1,637,332)	9,836,437
Cemetery:					
Contracted services	207,309	226,245	197,899	28,346	181,589
Materials and supplies	5,000	5,000	4,027	973	4,553
Other charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total cemetery	212,309	231,245	201,926	29,319	186,142
Debt service:					
Principal	-	-	1,845,457	(1,845,457)	2,250,220
Interest	-	-	153,473	(153,473)	124,613
Total debt service	-	-	1,998,930	(1,998,930)	2,374,833
Total expenditures	114,589,885	117,288,879	113,827,366	2,693,437	106,895,100
Excess (deficiency) of revenues over (under) expenditures	(1,872,827)	(4,281,875)	1,880,399	5,394,198	3,328,845
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of asset	107,500	107,500	43,115	(64,385)	132,483
Proceeds from lease purchase agreements	-	-	373,459	373,459	-
Transfers in	-	-	-	-	137,791
Transfers out	(8,553,770)	(8,493,770)	(8,607,072)	(113,302)	(6,687,887)
Other sources - SBITAs	-	-	1,130,498	1,130,498	180,980
Other sources - Leases	-	-	2,694,970	2,694,970	3,590,241
Total other financing sources (uses)	(8,446,270)	(8,386,270)	(4,365,030)	4,021,240	(2,646,392)
Net change in fund balance	(10,319,097)	(12,668,145)	(2,484,631)	9,415,438	682,453
FUND BALANCE - BEGINNING	43,808,915	43,808,915	43,808,915	-	43,126,462
FUND BALANCE - ENDING	\$ 33,489,818	\$ 31,140,770	\$ 41,324,284	\$ 10,183,514	\$ 43,808,915



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.

Opioid Settlement

Public Education

Public Safety Grants

WIC Project

PARD Recreation Programs

Hotel Occupancy

Municipal Court Technology

Seized Assets

Public Improvement District

Consolidated Court Security and Technology

Municipal Court Security Fee

Juvenile Case Manager Fee

Special Contributions

Community Development Block Grant

TIRZ #3

TIRZ #4

TIRZ #5

TRZ Loop 110

TIRZ Lone Star Rail

Municipal Judicial Efficiency

Miscellaneous Grants

Community Enhancement

TOW Forfeiture

Municipal Court Jury Fee

American Rescue Plan

Parkland Development Fee

Fee in Lieu of Trees

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

September 30, 2025

	SPECIAL			
	OPIOID SETTLEMENT	PUBLIC EDUCATION	PUBLIC SAFETY GRANTS	WIC PROJECT
ASSETS				
Cash and cash equivalents	\$ 153,681	\$ 856,602	\$ 13,931	\$ -
Investments	-	-	-	-
Receivables - net of allowances for uncollectibles				
Accounts	-	15,923	-	-
Taxes	-	-	-	-
Due from other governments	-	-	103,466	519,371
Prepaid items	-	-	-	11,417
Total assets	\$ 153,681	\$ 872,525	\$ 117,397	\$ 530,788
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,555	\$ -	\$ 1,211	\$ 9,802
Accrued wages payable	-	-	-	-
Other payables	-	-	-	89,860
Accrued liabilities	-	-	-	-
Unearned revenue	151,126	-	50,331	-
Due to other funds	-	-	-	431,126
Total liabilities	153,681	-	51,542	530,788
Fund balances				
Nonspendable	-	-	-	11,417
Restricted for				
Public safety	-	-	65,855	-
Community services	-	872,525	-	-
Unassigned	-	-	-	(11,417)
Total fund balances	-	872,525	65,855	-
Total liabilities and fund balances	\$ 153,681	\$ 872,525	\$ 117,397	\$ 530,788

REVENUE

PARD RECREATION PROGRAMS	HOTEL OCCUPANCY	MUNICIPAL COURT TECHNOLOGY	SEIZED ASSETS	PUBLIC IMPROVEMENT DISTRICT	CONSOLIDATED COURT SECURITY AND TECHNOLOGY	MUNICIPAL COURT SECURITY FEE
\$ 753,764	\$ 1,454,121	\$ 149,414	\$ 208,303	\$ 7,014,815	\$ 12,458	\$ 148,124
-	3,222,380	-	-	-	-	-
5,125	9,699	-	-	-	-	-
-	820,684	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 758,889</u>	<u>\$ 5,506,884</u>	<u>\$ 149,414</u>	<u>\$ 208,303</u>	<u>\$ 7,014,815</u>	<u>\$ 12,458</u>	<u>\$ 148,124</u>
\$ 30,984	\$ 42,469	\$ 96,912	\$ -	\$ -	\$ -	\$ 70,197
-	55,239	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>30,984</u>	<u>97,708</u>	<u>96,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,197</u>
-	-	-	-	-	-	-
-	-	52,502	208,303	-	12,458	77,927
727,905	5,409,176	-	-	7,014,815	-	-
-	-	-	-	-	-	-
<u>727,905</u>	<u>5,409,176</u>	<u>52,502</u>	<u>208,303</u>	<u>7,014,815</u>	<u>12,458</u>	<u>77,927</u>
<u>\$ 758,889</u>	<u>\$ 5,506,884</u>	<u>\$ 149,414</u>	<u>\$ 208,303</u>	<u>\$ 7,014,815</u>	<u>\$ 12,458</u>	<u>\$ 148,124</u>

(continued)

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

September 30, 2025

	SPECIAL			
	JUVENILE CASE MANAGER FEE	SPECIAL CONTRIBUTIONS	COMMUNITY DEVELOPMENT BLOCK GRANT	TIRZ #3
ASSETS				
Cash and cash equivalents	\$ 51,997	\$ 304,196	\$ 116,036	\$ -
Investments	-	-	-	-
Receivables - net of allowances for uncollectibles				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other governments	-	-	245,151	92,771
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 51,997</u>	<u>\$ 304,196</u>	<u>\$ 361,187</u>	<u>\$ 92,771</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 33	\$ -	\$ 88,067	\$ -
Accrued wages payable	-	-	-	-
Other payables	3	-	-	-
Accrued liabilities	1,087	-	-	-
Unearned revenue	-	-	199,447	-
Due to other funds	-	-	-	92,031
	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,031</u>
Total liabilities	<u>1,123</u>	<u>-</u>	<u>287,514</u>	<u>92,031</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted for				
Public safety	50,874	-	-	-
Community services	-	304,196	73,673	740
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>50,874</u>	<u>304,196</u>	<u>73,673</u>	<u>740</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 51,997</u>	<u>\$ 304,196</u>	<u>\$ 361,187</u>	<u>\$ 92,771</u>

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

September 30, 2025

REVENUE						
TIRZ #4	TIRZ #5	TRZ LOOP 110	TIRZ LONE STAR RAIL	MUNICIPAL JUDICIAL EFFICIENCY	MISCELLANEOUS GRANTS	COMMUNITY ENHANCEMENT
\$ 1,496,867	\$ 5,722,664	\$ 2,875,597	\$ 3,139	\$ 84,661	\$ 994,138	\$ 869,491
-	-	-	-	-	1,106,934	203,657
-	-	-	-	-	809,115	148,655
-	-	-	-	-	-	-
705,063	621,036	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,201,930</u>	<u>\$ 6,343,700</u>	<u>\$ 2,875,597</u>	<u>\$ 3,139</u>	<u>\$ 84,661</u>	<u>\$ 2,910,187</u>	<u>\$ 1,221,803</u>
\$ -	\$ 23,018	\$ 2,875,597	\$ -	\$ -	\$ 115,492	\$ 43,615
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	17,804
-	-	-	-	-	305,656	-
-	-	-	-	-	-	-
<u>-</u>	<u>23,018</u>	<u>2,875,597</u>	<u>-</u>	<u>-</u>	<u>421,148</u>	<u>61,419</u>
-	-	-	-	-	-	-
-	-	-	-	84,661	-	-
2,201,930	6,320,682	-	3,139	-	2,489,039	1,160,384
-	-	-	-	-	-	-
<u>2,201,930</u>	<u>6,320,682</u>	<u>-</u>	<u>3,139</u>	<u>84,661</u>	<u>2,489,039</u>	<u>1,160,384</u>
<u>\$ 2,201,930</u>	<u>\$ 6,343,700</u>	<u>\$ 2,875,597</u>	<u>\$ 3,139</u>	<u>\$ 84,661</u>	<u>\$ 2,910,187</u>	<u>\$ 1,221,803</u>

(continued)

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

September 30, 2025

	SPECIAL REVENUE					TOTALS
	TOW FORFEITURE FUND	MUNICIPAL COURT JURY FEE	AMERICAN RESCUE PLAN	PARKLAND DEVELOPMENT FEE	FEE IN LIEU OF TREES	
ASSETS						
Cash and cash equivalents	\$ 9,760	\$ 1,949	\$ 2,680,224	\$ 1,649,453	\$ 1,517,435	\$ 29,142,820
Investments	-	-	33,843	-	-	4,566,814
Receivables - net of allowances for uncollectibles						
Accounts	-	-	14,430	-	-	1,002,947
Taxes	-	-	-	-	-	820,684
Due from other governments	-	-	-	-	-	2,286,858
Prepaid items	-	-	-	-	-	11,417
Total assets	<u>\$ 9,760</u>	<u>\$ 1,949</u>	<u>\$ 2,728,497</u>	<u>\$ 1,649,453</u>	<u>\$ 1,517,435</u>	<u>\$ 37,831,540</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 135,716	\$ 35,920	\$ -	\$ 3,571,588
Accrued wages payable	-	-	-	-	-	55,239
Other payables	-	-	-	-	-	89,863
Accrued liabilities	-	-	-	-	-	18,891
Unearned revenue	-	-	1,232,716	-	-	1,939,276
Due to other funds	-	-	-	-	-	523,157
Total liabilities	<u>-</u>	<u>-</u>	<u>1,368,432</u>	<u>35,920</u>	<u>-</u>	<u>6,198,014</u>
Fund balances						
Nonspendable	-	-	-	-	-	11,417
Restricted for						
Public safety	9,760	1,949	-	-	-	564,289
Community services	-	-	1,360,065	1,613,533	1,517,435	31,069,237
Unassigned	-	-	-	-	-	(11,417)
Total fund balances	<u>9,760</u>	<u>1,949</u>	<u>1,360,065</u>	<u>1,613,533</u>	<u>1,517,435</u>	<u>31,633,526</u>
Total liabilities and fund balances	<u>\$ 9,760</u>	<u>\$ 1,949</u>	<u>\$ 2,728,497</u>	<u>\$ 1,649,453</u>	<u>\$ 1,517,435</u>	<u>\$ 37,831,540</u>



CITY OF SAN MARCOS, TEXAS

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

For the year ended September 30, 2025

	SPECIAL			
	OPIOID SETTLEMENT	PUBLIC EDUCATION	PUBLIC SAFETY GRANTS	WIC PROJECT
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Taxes	\$ -	\$ 67,947	\$ -	\$ -
Fines and penalties	-	-	-	-
Intergovernmental	68,037	-	402,531	2,429,267
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>68,037</u>	<u>67,947</u>	<u>402,531</u>	<u>2,429,267</u>
EXPENDITURES				
Current				
General government	-	29,344	-	10,156
Public safety	68,037	-	402,531	-
Community services	-	-	-	2,298,548
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	103,154
Interest and fiscal charges	-	-	-	17,409
Bond issuance cost	-	-	-	-
Total expenditures	<u>68,037</u>	<u>29,344</u>	<u>402,531</u>	<u>2,429,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>38,603</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	-	-
Discount on debt issued	-	-	-	-
Other financing sources - leases	-	-	-	-
Other financing sources - SBITAs	-	-	-	-
Transfers in	-	-	35,482	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>35,482</u>	<u>-</u>
Net change in fund balance	-	38,603	35,482	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>833,922</u>	<u>30,373</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 872,525</u>	<u>\$ 65,855</u>	<u>\$ -</u>

REVENUE

PARD RECREATION PROGRAMS	HOTEL OCCUPANCY	MUNICIPAL COURT TECHNOLOGY	SEIZED ASSETS	PUBLIC IMPROVEMENT DISTRICT	CONSOLIDATED COURT SECURITY AND TECHNOLOGY	MUNICIPAL COURT SECURITY FEE
\$ -	\$ 4,269,774	\$ -	\$ -	\$ 3,397,792	\$ -	\$ -
-	-	14,623	49,346	-	12,458	17,525
-	-	-	-	-	-	-
308,281	-	-	-	-	-	-
-	221,188	-	-	321,855	-	-
<u>74,572</u>	<u>118,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>382,853</u>	<u>4,609,231</u>	<u>14,623</u>	<u>49,346</u>	<u>3,719,647</u>	<u>12,458</u>	<u>17,525</u>
-	-	-	-	660,059	-	-
-	-	-	24,272	-	-	70,197
187,585	3,246,550	-	-	-	-	-
-	-	96,912	14,536	-	-	-
-	-	-	-	836,000	-	-
-	-	-	-	2,220,426	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>187,585</u>	<u>3,246,550</u>	<u>96,912</u>	<u>38,808</u>	<u>3,716,485</u>	<u>-</u>	<u>70,197</u>
<u>195,268</u>	<u>1,362,681</u>	<u>(82,289)</u>	<u>10,538</u>	<u>3,162</u>	<u>12,458</u>	<u>(52,672)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	206,156	-	-	-	-	-
<u>-</u>	<u>(952,105)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(745,949)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
195,268	616,732	(82,289)	10,538	3,162	12,458	(52,672)
<u>532,637</u>	<u>4,792,444</u>	<u>134,791</u>	<u>197,765</u>	<u>7,011,653</u>	<u>-</u>	<u>130,599</u>
<u>\$ 727,905</u>	<u>\$ 5,409,176</u>	<u>\$ 52,502</u>	<u>\$ 208,303</u>	<u>\$ 7,014,815</u>	<u>\$ 12,458</u>	<u>\$ 77,927</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, 2025

	SPECIAL			
	JUVENILE			
	CASE	SPECIAL	COMMUNITY	
	MANAGER	CONTRIBUTIONS	DEVELOPMENT	TIRZ #3
	FEE		BLOCK GRANT	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 234,167
Fines and penalties	25,518	-	-	-
Intergovernmental	-	-	2,828,182	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	31,893	-	-
Total revenues	<u>25,518</u>	<u>31,893</u>	<u>2,828,182</u>	<u>234,167</u>
EXPENDITURES				
Current				
General government	17,803	-	-	535
Public safety	-	-	-	-
Community services	-	2,941	2,019,963	-
Capital outlay	-	-	808,219	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance cost	-	-	-	-
Total expenditures	<u>17,803</u>	<u>2,941</u>	<u>2,828,182</u>	<u>535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,715</u>	<u>28,952</u>	<u>-</u>	<u>233,632</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	-	-
Discount on debt issued	-	-	-	-
Other financing sources - leases	-	-	-	-
Other financing sources - SBITAs	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(233,864)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,864)</u>
Net change in fund balance	7,715	28,952	-	(232)
FUND BALANCES - BEGINNING	<u>43,159</u>	<u>275,244</u>	<u>73,673</u>	<u>972</u>
FUND BALANCES - ENDING	<u>\$ 50,874</u>	<u>\$ 304,196</u>	<u>\$ 73,673</u>	<u>\$ 740</u>

CITY OF SAN MARCOS, TEXAS

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

For the year ended September 30, 2025

REVENUE						
<u>TIRZ #4</u>	<u>TIRZ #5</u>	<u>TRZ LOOP 110</u>	<u>TIRZ LONE STAR RAIL</u>	<u>MUNICIPAL JUDICIAL EFFICIENCY</u>	<u>MISCELLANEOUS GRANTS</u>	<u>COMMUNITY ENHANCEMENT</u>
\$ 2,199,958	\$ 1,835,261	\$ 2,877,331	\$ -	\$ -	\$ -	\$ -
-	-	-	-	7,697	-	-
-	-	-	-	-	7,263,658	-
-	-	-	-	-	-	1,214,386
-	-	-	-	-	47,802	18,684
-	-	-	-	-	-	13,024
<u>2,199,958</u>	<u>1,835,261</u>	<u>2,877,331</u>	<u>-</u>	<u>7,697</u>	<u>7,311,460</u>	<u>1,246,094</u>
1,891,902	267,689	2,877,331	-	-	6,984,891	-
-	-	-	-	-	-	-
-	-	-	-	-	-	905,575
-	101,842	-	-	-	798,506	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,891,902</u>	<u>369,531</u>	<u>2,877,331</u>	<u>-</u>	<u>-</u>	<u>7,783,397</u>	<u>905,575</u>
<u>308,056</u>	<u>1,465,730</u>	<u>-</u>	<u>-</u>	<u>7,697</u>	<u>(471,937)</u>	<u>340,519</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	11,111	-
-	-	-	-	-	-	-
-	-	-	-	-	11,111	-
<u>308,056</u>	<u>1,465,730</u>	<u>-</u>	<u>-</u>	<u>7,697</u>	<u>(460,826)</u>	<u>340,519</u>
<u>1,893,874</u>	<u>4,854,952</u>	<u>-</u>	<u>3,139</u>	<u>76,964</u>	<u>2,949,865</u>	<u>819,865</u>
<u>\$ 2,201,930</u>	<u>\$ 6,320,682</u>	<u>\$ -</u>	<u>\$ 3,139</u>	<u>\$ 84,661</u>	<u>\$ 2,489,039</u>	<u>\$ 1,160,384</u>

CITY OF SAN MARCOS, TEXAS

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

For the year ended September 30, 2025

	SPECIAL REVENUE					TOTALS
	TOW FORFEITURE FUND	MUNICIPAL COURT JURY FEE	AMERICAN RESCUE PLAN	PARKLAND DEVELOPMENT FEE	FEE IN LIEU OF TREES	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,882,230
Fines and penalties	-	477	-	-	-	127,644
Intergovernmental	-	-	5,372,048	-	-	18,363,723
Charges for services	-	-	-	-	-	1,522,667
Investment earnings	-	-	344,474	-	-	954,003
Miscellaneous	-	-	-	1,687,695	1,517,435	3,442,888
Total revenues	-	477	5,716,522	1,687,695	1,517,435	39,293,155
EXPENDITURES						
Current						
General government	-	-	4,999,353	-	-	17,739,063
Public safety	-	-	-	-	-	565,037
Community services	-	-	-	-	-	8,661,162
Capital outlay	-	-	226,071	74,162	-	2,120,248
Debt service:						
Principal	-	-	135,937	-	-	1,075,091
Interest and fiscal charges	-	-	10,687	-	-	2,248,522
Bond issuance cost	-	-	-	-	-	-
Total expenditures	-	-	5,372,048	74,162	-	32,409,123
Excess (deficiency) of revenues over (under) expenditures	-	477	344,474	1,613,533	1,517,435	6,884,032
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issuance	-	-	-	-	-	-
Discount on debt issued	-	-	-	-	-	-
Other financing sources - leases	-	-	-	-	-	-
Other financing sources - SBITAs	-	-	-	-	-	-
Transfers in	-	-	-	-	-	252,749
Transfers out	-	-	-	-	-	(1,185,969)
Total other financing sources (uses)	-	-	-	-	-	(933,220)
Net change in fund balance	-	477	344,474	1,613,533	1,517,435	5,950,812
FUND BALANCES - BEGINNING	9,760	1,472	1,015,591	-	-	25,682,714
FUND BALANCES - ENDING	\$ 9,760	\$ 1,949	\$ 1,360,065	\$ 1,613,533	\$ 1,517,435	\$ 31,633,526

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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 13,323,017	\$ 13,323,017	\$ 14,096,849	\$ 773,832
Intergovernmental	3,830,000	3,830,000	3,705,143	(124,857)
Investment earnings	<u>621,065</u>	<u>621,064</u>	<u>990,288</u>	<u>369,224</u>
Total revenues	<u>17,774,082</u>	<u>17,774,081</u>	<u>18,792,280</u>	<u>1,018,199</u>
EXPENDITURES				
Debt service:				
Principal	12,395,000	12,395,000	12,130,000	265,000
Interest and fiscal charges	6,420,192	6,420,192	6,419,576	616
Bond issuance cost	<u>11,880</u>	<u>11,880</u>	<u>9,008</u>	<u>2,872</u>
Total expenditures	<u>18,827,072</u>	<u>18,827,072</u>	<u>18,558,584</u>	<u>268,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,052,990)</u>	<u>(1,052,991)</u>	<u>233,696</u>	<u>1,286,687</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,851,494	1,851,494	1,737,779	(113,715)
Transfers out	<u>-</u>	<u>-</u>	<u>(265,000)</u>	<u>(265,000)</u>
Total other financing sources (uses)	<u>1,851,494</u>	<u>1,851,494</u>	<u>1,472,779</u>	<u>(378,715)</u>
Net change in fund balances	798,504	798,503	1,706,475	907,972
FUND BALANCES - BEGINNING	<u>15,385,301</u>	<u>15,385,301</u>	<u>15,385,301</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 9,758,487</u>	<u>\$ 9,758,487</u>	<u>\$ 17,091,776</u>	<u>\$ 7,333,289</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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 10,127,652	\$ 10,127,652	\$ 2,828,182	\$ (7,299,470)
EXPENDITURES				
Current				
Community service	\$ 10,127,652	\$ 10,127,652	2,019,963	8,107,689
Capital outlay	-	-	808,219	(808,219)
Total expenditures	<u>10,127,652</u>	<u>10,127,652</u>	<u>2,828,182</u>	<u>7,299,470</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	<u>73,673</u>	<u>73,673</u>	<u>73,673</u>	-
FUND BALANCES - ENDING	<u>\$ 73,673</u>	<u>\$ 73,673</u>	<u>\$ 73,673</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
PUBLIC EDUCATION**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 85,000	\$ 85,000	\$ 67,947	\$ (17,053)
EXPENDITURES				
Current				
General government	-	-	29,344	(29,344)
Capital outlay	-	-	-	-
Total expenditures	-	-	29,344	(29,344)
Net change in fund balance	85,000	85,000	38,603	(46,397)
FUND BALANCES - BEGINNING	833,922	833,922	833,922	-
FUND BALANCES - ENDING	\$ 918,922	\$ 918,922	\$ 872,525	\$ (46,397)

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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	<u>\$ 3,149,188</u>	<u>\$ 3,149,188</u>	<u>\$ 2,429,267</u>	<u>\$ (719,921)</u>
EXPENDITURES				
Current				
General government	25,960	25,960	10,156	15,804
Community service	3,123,228	3,123,228	2,298,548	824,680
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	103,154	(103,154)
Interest	<u>-</u>	<u>-</u>	<u>17,409</u>	<u>(17,409)</u>
Total expenditures	<u>3,149,188</u>	<u>3,149,188</u>	<u>2,429,267</u>	<u>719,921</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Other financing sources - leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
HOTEL OCCUPANCY**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 4,072,063	\$ 4,072,063	\$ 4,269,774	\$ 197,711
Interest on investments	40,000	40,000	221,188	181,188
Other	<u>69,459</u>	<u>69,459</u>	<u>118,269</u>	<u>48,810</u>
Total revenues	<u>4,181,522</u>	<u>4,181,522</u>	<u>4,609,231</u>	<u>427,709</u>
EXPENDITURES				
Current				
Community service	<u>5,111,639</u>	<u>5,170,849</u>	<u>3,246,550</u>	<u>1,924,299</u>
Total expenditures	<u>5,111,639</u>	<u>5,170,849</u>	<u>3,246,550</u>	<u>1,924,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(930,117)</u>	<u>(989,327)</u>	<u>1,362,681</u>	<u>2,352,008</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	206,156	206,156	206,156	-
Transfers out	<u>(1,100,820)</u>	<u>(1,100,820)</u>	<u>(952,105)</u>	<u>148,715</u>
Total other financing sources (uses)	<u>(894,664)</u>	<u>(894,664)</u>	<u>(745,949)</u>	<u>148,715</u>
Net change in fund balance	(1,824,781)	(1,883,991)	616,732	2,500,723
FUND BALANCES - BEGINNING	<u>4,792,444</u>	<u>4,792,444</u>	<u>4,792,444</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,967,663</u>	<u>\$ 2,908,453</u>	<u>\$ 5,409,176</u>	<u>\$ 2,500,723</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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 17,000	\$ 17,000	\$ 14,623	\$ (2,377)
EXPENDITURES				
Current				
Public safety	100,000	-	-	-
Capital outlay	<u>-</u>	<u>100,000</u>	<u>96,912</u>	<u>3,088</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>96,912</u>	<u>3,088</u>
Net change in fund balance	(83,000)	(83,000)	(82,289)	711
FUND BALANCES - BEGINNING	<u>134,791</u>	<u>134,791</u>	<u>134,791</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 51,791</u>	<u>\$ 51,791</u>	<u>\$ 52,502</u>	<u>\$ 711</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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 50,000	\$ 50,000	\$ 49,346	\$ (654)
EXPENDITURES				
Current				
Public safety	-	-	24,272	(24,272)
Capital outlay	140,000	140,000	14,536	125,464
Total expenditures	140,000	140,000	38,808	101,192
Net change in fund balance	(90,000)	(90,000)	10,538	100,538
FUND BALANCES - BEGINNING	197,765	197,765	197,765	-
FUND BALANCES - ENDING	\$ 107,765	\$ 107,765	\$ 208,303	\$ 100,538

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, 2025

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fines and penalties	\$ 20,000	\$ 20,000	\$ 17,525	\$ (2,475)
EXPENDITURES				
Current				
Public safety	100,000	100,000	70,197	29,803
Net change in fund balance	(80,000)	(80,000)	(52,672)	27,328
FUND BALANCES - BEGINNING	130,599	130,599	130,599	-
FUND BALANCES - ENDING	<u>\$ 50,599</u>	<u>\$ 50,599</u>	<u>\$ 77,927</u>	<u>\$ 27,328</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
JUVENILE CASE MANAGER FEE**

For the year ended September 30, 2025

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fines and penalties	<u>\$ 21,391</u>	<u>\$ 21,391</u>	<u>\$ 25,518</u>	<u>\$ 4,127</u>
EXPENDITURES				
Current				
Public safety	<u>21,391</u>	<u>21,391</u>	<u>17,803</u>	<u>3,588</u>
Net change in fund balance	-	-	7,715	7,715
FUND BALANCES - BEGINNING	<u>43,159</u>	<u>43,159</u>	<u>43,159</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 43,159</u>	<u>\$ 43,159</u>	<u>\$ 50,874</u>	<u>\$ 7,715</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ #3**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 155,068	\$ 205,052	\$ 234,167	\$ 29,115
EXPENDITURES				
Current				
General government	-	-	535	(535)
Excess (deficiency) of revenues over (under) expenditures	155,068	205,052	233,632	28,580
OTHER FINANCING SOURCES (USES)				
Transfer out	(198,864)	(205,052)	(233,864)	(28,812)
Net change in fund balance	(43,796)	-	(232)	(232)
FUND BALANCES - BEGINNING	972	972	972	-
FUND BALANCES - ENDING	\$ (42,824)	\$ 972	\$ 740	\$ (232)

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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	<u>\$ 2,220,388</u>	<u>\$ 2,272,750</u>	<u>\$ 2,199,958</u>	<u>\$ (72,792)</u>
EXPENDITURES				
Current				
General government	<u>2,220,388</u>	<u>2,272,750</u>	<u>1,891,902</u>	<u>380,848</u>
Net change in fund balance	-	-	308,056	308,056
FUND BALANCES - BEGINNING	<u>1,893,874</u>	<u>1,893,874</u>	<u>1,893,874</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 1,893,874</u></u>	<u><u>\$ 1,893,874</u></u>	<u><u>\$ 2,201,930</u></u>	<u><u>\$ 308,056</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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,717,941	\$ 1,758,454	\$ 1,835,261	\$ 76,807
EXPENDITURES				
Current				
General government	109,271	307,482	267,689	39,793
Capital outlay	<u>93,317</u>	<u>2,705,153</u>	<u>101,842</u>	<u>2,603,311</u>
Total expenditures	<u>202,588</u>	<u>3,012,635</u>	<u>369,531</u>	<u>2,643,104</u>
Net change in fund balance	1,608,670	(1,254,181)	1,465,730	2,719,911
FUND BALANCES - BEGINNING	<u>4,854,952</u>	<u>4,854,952</u>	<u>4,854,952</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 6,463,622</u>	<u>\$ 3,600,771</u>	<u>\$ 6,320,682</u>	<u>\$ 2,719,911</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
TIRZ LOOP 110**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	<u>\$ 4,966,267</u>	<u>\$ 4,966,267</u>	<u>\$ 2,877,331</u>	<u>\$ (2,088,936)</u>
EXPENDITURES				
Current				
General government	<u>4,966,267</u>	<u>4,966,267</u>	<u>2,877,331</u>	<u>2,088,936</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MUNICIPAL JUDICIAL EFFICIENCY**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ 5,000	\$ 5,000	\$ 7,697	\$ 2,697
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>7,697</u>	<u>2,697</u>
EXPENDITURES				
Current				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	5,000	5,000	7,697	2,697
FUND BALANCES - BEGINNING	<u>76,964</u>	<u>76,964</u>	<u>76,964</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 81,964</u>	<u>\$ 81,964</u>	<u>\$ 84,661</u>	<u>\$ 2,697</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
AMERICAN RESCUE PLAN**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ 6,486,269	\$ 5,372,048	\$ (1,114,221)
Investment earnings	-	-	344,474	344,474
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	-	6,486,269	5,716,522	(769,747)
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current				
General government	-	5,274,094	4,999,353	274,741
Capital outlay	-	1,212,175	226,071	986,104
Debt service:				
Principal	-	-	135,937	(135,937)
Interest and fiscal charges	-	-	10,687	(10,687)
Total expenditures	-	6,486,269	5,372,048	1,114,221
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	-	-	344,474	344,474
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Other financing sources - SBITAs	-	-	-	-
Transfer out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	-	344,474	344,474
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING	1,015,591	1,015,591	1,015,591	-
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 1,015,591	\$ 1,015,591	\$ 1,360,065	\$ 344,474
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
CONSOLIDATED COURT SECURITY AND TECHNOLOGY**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines and penalties	\$ -	\$ -	\$ 12,458	\$ 12,458
Total revenue	-	-	12,458	12,458
EXPENDITURES				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	12,458	12,458
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ 12,458	\$ 12,458

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
PARKLAND DEVELOPMENT FEE**

For the year ended September 30, 2025

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET -
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,687,695	\$ 1,687,695
Total revenue	<u>-</u>	<u>-</u>	<u>1,687,695</u>	<u>1,687,695</u>
EXPENDITURES				
Current				
Capital outlay	-	1,000,000	74,162	925,838
Total expenditures	<u>-</u>	<u>1,000,000</u>	<u>74,162</u>	<u>925,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,000,000)</u>	<u>1,613,533</u>	<u>2,613,533</u>
Net change in fund balance	-	(1,000,000)	1,613,533	2,613,533
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,613,533</u>	<u>\$ 2,613,533</u>

CITY OF SAN MARCOS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FEE IN LIEU OF TREES**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,517,435	\$ 1,517,435
Total revenue	<u>-</u>	<u>-</u>	<u>1,517,435</u>	<u>1,517,435</u>
EXPENDITURES				
Current				
Community services	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total expenditures	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(500,000)</u>	<u>1,517,435</u>	<u>2,017,435</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources - SBITAs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(500,000)</u>	<u>1,517,435</u>	<u>2,017,435</u>
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ 1,517,435</u>	<u>\$ 2,017,435</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.

CITY OF SAN MARCOS, TEXAS

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS**

September 30, 2025

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 309,085	\$ -	\$ 81,995	\$ 391,080
Investments	-	480,630	3,823,093	4,303,723
Lease receivable	280,937	-	-	280,937
Accounts receivable - net	18,790	879,759	1,129,616	2,028,165
Total current assets	<u>608,812</u>	<u>1,360,389</u>	<u>5,034,704</u>	<u>7,003,905</u>
NONCURRENT ASSETS				
Capital assets:				
Land	653,140	-	-	653,140
Buildings	4,339,745	-	-	4,339,745
Improvements other than buildings	9,956,715	-	-	9,956,715
Furnishings and equipment	39,662	372,454	125,614	537,730
Right to use	-	51,999	47,417	99,416
Totals	14,989,262	424,453	173,031	15,586,746
Less accumulated depreciation	<u>(11,687,048)</u>	<u>(134,844)</u>	<u>(104,553)</u>	<u>(11,926,445)</u>
Total capital assets	<u>3,302,214</u>	<u>289,609</u>	<u>68,478</u>	<u>3,660,301</u>
Lease receivable	<u>5,835,308</u>	-	-	<u>5,835,308</u>
Total noncurrent assets	<u>9,137,522</u>	<u>289,609</u>	<u>68,478</u>	<u>9,495,609</u>
TOTAL ASSETS	<u>\$ 9,746,334</u>	<u>\$ 1,649,998</u>	<u>\$ 5,171,660</u>	<u>\$ 16,567,992</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	-	13,064	38,661	51,725
Deferred outflows - OPEB death benefit	-	311	939	1,250
Deferred outflows - OPEB health benefit	-	3,351	6,703	10,054
Total deferred outflows of resources	<u>-</u>	<u>16,726</u>	<u>46,303</u>	<u>63,029</u>
Total assets and deferred outflows of resources	<u>\$ 9,746,334</u>	<u>\$ 1,666,724</u>	<u>\$ 5,149,485</u>	<u>\$ 16,562,543</u>

CITY OF SAN MARCOS, TEXAS

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS**

September 30, 2025

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 154,165	\$ 317,910	1,135,214	\$ 1,607,289
Accrued liabilities	-	18,685	54,518	73,203
Due to other funds	-	260,631	-	260,631
Compensated absences	-	15,524	22,228	37,752
Customer deposits	6,589	-	352,861	359,450
OPEB liability - TMRS SDBF	-	995	1,991	2,986
OPEB liability - retiree healthcare	-	3,113	6,227	9,340
Current maturities of long-term liabilities	-	10,295	9,442	19,737
Total current liabilities	<u>160,754</u>	<u>627,153</u>	<u>1,582,481</u>	<u>2,370,388</u>
NONCURRENT LIABILITIES				
Net pension liability	-	34,052	100,768	134,820
OPEB liability - TMRS SDBF	-	2,985	5,971	8,956
OPEB liability - retiree healthcare	-	9,339	18,680	28,019
Long-term liabilities	-	25,873	27,266	53,139
Compensated absences	-	28,327	30,565	58,892
Total noncurrent liabilities	<u>-</u>	<u>100,576</u>	<u>183,250</u>	<u>283,826</u>
Total liabilities	<u>160,754</u>	<u>727,729</u>	<u>1,765,731</u>	<u>2,654,214</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - Leases	5,807,346	-	-	5,807,346
Deferred inflows - pension	-	3,098	9,169	12,267
Deferred inflows - TMRS	-	623	1,434	2,057
Deferred inflows - OPEB health benefit	-	3,361	6,722	10,083
Total deferred inflows of resources	<u>5,807,346</u>	<u>7,082</u>	<u>17,325</u>	<u>5,831,753</u>
NET POSITION				
Net investment in capital assets	3,302,214	253,441	31,770	3,587,425
Unrestricted	<u>476,020</u>	<u>678,472</u>	<u>3,334,659</u>	<u>4,489,151</u>
Total net position	<u>3,778,234</u>	<u>931,913</u>	<u>3,366,429</u>	<u>8,076,576</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,746,334</u>	<u>\$ 1,666,724</u>	<u>\$ 5,149,485</u>	<u>\$ 16,562,543</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, 2025

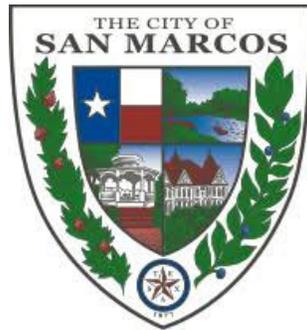
	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
OPERATING REVENUES				
Charges for services	\$ 882,428	\$ -	\$ 8,233,492	\$ 9,115,920
Intergovernmental	-	1,038,155	-	1,038,155
Miscellaneous	216,846	502,227	88,938	808,011
Total operating revenues	<u>1,099,274</u>	<u>1,540,382</u>	<u>8,322,430</u>	<u>10,962,086</u>
OPERATING EXPENSES				
Personnel services	-	423,888	737,043	1,160,931
Contracted services	701,786	2,001,738	6,751,183	9,454,707
Materials and supplies	150,151	-	46,021	196,172
Other charges	21,072	95,603	609,026	725,701
Depreciation	209,971	84,891	16,022	310,884
Total operating expenses	<u>1,082,980</u>	<u>2,606,120</u>	<u>8,159,295</u>	<u>11,848,395</u>
Operating income (loss)	<u>16,294</u>	<u>(1,065,738)</u>	<u>163,135</u>	<u>(886,309)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	-	10,234	121,958	132,192
Interest expenses	-	(950)	-	(950)
Transfer in	-	1,039,294	25,000	1,064,294
Total non-operating revenue (expenses)	<u>-</u>	<u>1,048,578</u>	<u>146,958</u>	<u>1,195,536</u>
Change in net position	16,294	(17,160)	310,093	309,227
TOTAL NET POSITION - BEGINNING	<u>3,761,940</u>	<u>956,041</u>	<u>3,074,100</u>	<u>7,792,081</u>
RESTATEMENT OF BEGINNING NET POSITION	<u>-</u>	<u>(6,968)</u>	<u>(17,764)</u>	<u>(24,732)</u>
NET POSITION AT BEGINNING OF YEAR - AS RESTATED	<u>3,761,940</u>	<u>949,073</u>	<u>3,056,336</u>	<u>7,767,349</u>
TOTAL NET POSITION - ENDING	<u>\$ 3,778,234</u>	<u>\$ 931,913</u>	<u>\$ 3,366,429</u>	<u>\$ 8,076,576</u>

CITY OF SAN MARCOS, TEXAS

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

For the year ended September 30, 2025

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	RESOURCE RECOVERY	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 967,527	\$ 1,625,834	\$ 8,253,528	\$ 10,846,889
Cash paid to suppliers for goods and services	(852,055)	(1,948,162)	(7,800,954)	(10,601,171)
Cash paid to employees for services	-	(403,288)	(741,745)	(1,145,033)
Net cash provided by (used in) operating activities	<u>115,472</u>	<u>(725,616)</u>	<u>(289,171)</u>	<u>(899,315)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intercompany borrowings (lending)	-	167,731	-	167,731
Transfers from other funds	-	1,039,294	25,000	1,064,294
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>1,207,025</u>	<u>25,000</u>	<u>1,232,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	-	(10,063)	(9,200)	(19,263)
Interest paid on debt	-	(950)	-	(950)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(11,013)</u>	<u>(9,200)</u>	<u>(20,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investment securities	-	(480,630)	(1,443,988)	(1,924,618)
Interest received	-	10,234	121,958	132,192
Net cash provided by (used in) Investing activities	<u>-</u>	<u>(470,396)</u>	<u>(1,322,030)</u>	<u>(1,792,426)</u>
Net increase (decrease) in cash and cash equivalents	115,472	-	(1,595,401)	(1,479,929)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>193,613</u>	<u>-</u>	<u>1,677,396</u>	<u>1,871,009</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 309,085</u>	<u>\$ -</u>	<u>\$ 81,995</u>	<u>\$ 391,080</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 16,294	\$ (1,065,738)	\$ 163,135	\$ (886,309)
Adjustments to reconcile operating income (loss) to net cash provided by (used in)				
Operating activities				
Depreciation	209,971	84,891	16,022	310,884
Changes in assets and liabilities				
Decrease (increase) in assets				
Accounts receivable	(2,033,640)	85,452	(73,017)	(2,021,205)
Increase (decrease) in liabilities				
Accounts payable	20,954	148,767	(396,910)	(227,189)
Accrued liabilities	-	412	2,186	2,598
Customer deposits	-	-	4,115	4,115
Deferred Inflow - leases	1,901,893	-	-	1,901,893
Compensated absences	-	24,636	10,066	34,702
OPEB liabilities	-	2,722	5,313	8,035
Net pension liability	<u>-</u>	<u>(6,758)</u>	<u>(20,081)</u>	<u>(26,839)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 115,472</u>	<u>\$ (725,616)</u>	<u>\$ (289,171)</u>	<u>\$ (899,315)</u>
SCHEDULE OF NONCASH CAPITAL ACTIVITIES				
Actuarially determined change in				
Net pension liability	\$ -	\$ 2,270	\$ 6,797	\$ 9,067
Other postemployment benefit liability	-	2,083	4,299	6,382
Lease Agreements	-	-	47,417	47,417



STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of San Marcos, Texas' annual comprehensive financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

Contents

Schedules

Financial Trends

1 through 4

These schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

5 through 16

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.

Debt Capacity

17 through 21

These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Indicators

22 through 24

These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.

Operating Information

25 through 27

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

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

CITY OF SAN MARCOS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

TABLE 1

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 95,798,543	\$ 80,034,686	\$ 89,842,218	\$ 81,220,093	\$ 76,993,313	\$ 80,822,070	\$ 89,751,430	\$ 70,275,250	\$ 100,194,735	\$ 101,160,914
Restricted	13,088,699	13,324,854	17,134,285	73,901,843	22,534,414	26,362,072	38,563,329	40,256,793	41,067,709	48,725,302
Unrestricted	(281,055)	(7,731,248)	(16,879,081)	(67,791,955)	(1,980,683)	7,180,687	(498,916)	21,536,579	31,121,423	20,753,591
 Total governmental activities - Net position	 <u>\$ 108,606,187</u>	 <u>\$ 85,628,292</u>	 <u>\$ 90,097,422</u>	 <u>\$ 87,329,981</u>	 <u>\$ 97,547,044</u>	 <u>\$ 114,364,829</u>	 <u>\$ 127,815,843</u>	 <u>\$ 132,068,622</u>	 <u>\$ 172,383,867</u>	 <u>\$ 170,639,807</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 85,343,273	\$ 92,125,543	\$ 113,115,001	\$ 117,499,938	\$ 129,018,961	\$ 146,598,891	\$ 70,559,507	\$ 187,109,358	\$ 220,317,656	\$ 259,099,584
Restricted	221,981	221,981	221,981	-	-	-	-	-	-	6,020,411
Unrestricted	74,746,389	83,896,944	79,924,549	94,340,035	96,320,655	97,374,169	205,817,015	121,101,187	141,608,558	151,293,873
 Total business-type activities - Net position	 <u>\$ 160,311,643</u>	 <u>\$ 176,244,468</u>	 <u>\$ 193,261,531</u>	 <u>\$ 211,839,973</u>	 <u>\$ 225,339,616</u>	 <u>\$ 243,973,060</u>	 <u>\$ 276,376,522</u>	 <u>\$ 308,210,545</u>	 <u>\$ 361,926,214</u>	 <u>\$ 416,413,868</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 181,141,816	\$ 172,160,229	\$ 202,957,219	\$ 198,720,031	\$ 206,012,274	\$ 227,420,961	\$ 160,310,937	\$ 257,384,608	\$ 320,512,391	\$ 360,260,498
Restricted	13,310,680	13,546,835	17,356,266	73,901,843	22,534,414	26,362,072	38,563,329	40,256,793	41,067,709	54,745,713
Unrestricted	74,465,334	76,165,696	63,045,468	26,548,080	94,339,972	104,554,856	205,318,099	142,637,766	172,729,981	172,047,464
 Total primary government net position	 <u>\$ 268,917,830</u>	 <u>\$ 261,872,760</u>	 <u>\$ 283,358,953</u>	 <u>\$ 299,169,954</u>	 <u>\$ 322,886,660</u>	 <u>\$ 358,337,889</u>	 <u>\$ 404,192,365</u>	 <u>\$ 440,279,167</u>	 <u>\$ 534,310,081</u>	 <u>\$ 587,053,675</u>

CITY OF SAN MARCOS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

TABLE 2

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EXPENSES										
Governmental Activities										
General government	\$ 29,623,894	\$ 45,271,507	\$ 39,538,297	\$ 49,089,717	\$ 54,163,263	\$ 54,086,029	\$ 44,356,695	\$ 60,098,558	\$ 69,778,875	\$ 71,389,912
Public safety	30,282,359	33,904,923	33,731,134	37,061,552	36,600,946	40,041,291	40,841,165	49,535,453	54,219,579	59,611,029
Community service	15,728,115	24,111,594	19,874,494	21,820,704	19,906,645	23,143,108	26,996,186	43,329,700	30,227,243	30,340,527
Interest and fiscal charges	4,977,996	4,890,031	5,338,567	6,906,010	8,411,617	7,178,622	8,154,671	7,391,388	7,950,435	8,935,684
Total governmental activities	80,612,364	108,178,055	98,482,492	114,877,983	119,082,471	124,449,050	120,348,717	160,355,099	162,176,132	170,277,152
Business-Type Activities										
Water/wastewater	33,372,074	36,005,404	38,337,335	53,613,429	55,206,729	52,541,867	63,360,638	64,403,635	65,064,453	68,151,791
Electric	47,962,128	52,007,700	54,804,049	40,207,034	42,645,399	45,072,418	48,542,443	49,105,085	54,268,731	59,734,866
Airport	581,290	636,669	684,607	769,537	734,510	813,144	867,904	972,408	1,090,189	1,082,980
Drainage	2,885,187	3,262,115	4,066,821	4,539,186	4,676,676	6,326,714	6,138,491	6,540,406	7,424,226	7,460,966
Transit	582,522	603,535	584,269	615,880	2,264,986	2,289,001	2,020,790	2,515,289	2,783,799	2,607,070
Resource recovery	3,920,819	3,860,863	3,994,357	4,509,997	4,800,314	5,393,872	5,670,779	6,994,150	7,162,401	8,159,295
Total business-type activities	89,304,020	96,376,286	102,471,438	104,255,063	110,328,614	112,437,016	126,601,045	130,530,973	137,793,799	147,196,968
Total primary government expenses	169,916,384	204,554,341	200,953,930	219,133,046	229,411,085	236,886,066	246,949,762	290,886,072	299,969,931	317,474,120
PROGRAM REVENUES										
Governmental Activities										
Charges for services										
General government	13,754,748	12,942,500	16,110,526	13,550,158	12,691,555	14,679,379	14,003,578	12,170,859	13,186,552	14,136,800
Public safety	1,763,014	1,543,969	1,510,540	1,402,992	957,644	821,532	1,131,184	1,192,308	1,273,602	1,580,629
Community service	1,407,839	1,646,254	1,727,826	1,917,903	1,329,266	1,450,976	979,979	1,908,913	2,447,104	2,593,608
Operating grants and contributions	5,529,214	4,440,897	5,238,213	10,815,619	13,783,437	18,929,540	18,571,377	33,835,470	28,230,577	18,230,250
Capital grants and contributions	2,177,251	3,448,810	2,956,568	3,632,058	3,498,502	10,329,155	3,383,399	2,099,506	5,429,735	14,919,970
Total governmental activities program revenues	24,632,066	24,022,430	27,543,673	31,318,730	32,260,404	46,210,582	38,069,517	51,207,056	50,567,570	51,461,257
Business-Type Activities										
Charges for services										
Electric	55,932,644	58,234,989	60,332,737	56,189,627	56,854,660	57,340,678	66,013,812	68,417,403	67,977,022	73,072,189
Water and wastewater	37,421,054	41,211,800	46,329,180	45,316,631	48,970,140	57,709,121	72,713,874	62,073,453	64,697,934	72,073,188
Airport	440,244	476,342	572,192	529,059	561,795	683,373	847,986	871,307	723,018	882,428
Drainage	3,764,990	4,937,409	4,990,291	5,769,552	5,989,895	6,862,154	8,393,039	8,748,574	9,345,308	9,870,740
Transit	-	-	-	-	-	-	-	-	-	-
Resource recovery	3,609,478	3,930,392	4,234,914	4,582,184	4,938,129	5,429,903	6,114,869	7,073,293	7,315,800	8,233,492
Operating grants and contributions	-	1,784,902	-	-	1,900,396	2,020,088	1,515,967	1,671,709	1,316,860	1,038,155
Capital grants and contributions	536,836	253,915	981,779	1,033,076	1,331,984	744,482	1,446,319	1,133,333	1,672,656	1,785,125
Total business-type activities program revenues	101,705,246	110,829,749	117,441,093	113,420,129	120,546,999	130,789,799	157,045,866	149,989,072	153,048,598	166,955,317
Total primary government program revenues	126,337,312	134,852,179	144,984,766	144,738,859	152,807,403	177,000,381	195,115,383	201,196,128	203,616,168	218,416,574

(continued)

CITY OF SAN MARCOS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

TABLE 2 (continued)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Net (expense) revenues										
Governmental activities	\$ (55,980,298)	\$ (84,155,625)	\$ (70,938,819)	\$ (83,559,253)	\$ (86,822,067)	\$ (78,238,468)	\$ (82,279,200)	\$ (109,148,043)	\$ (111,608,562)	\$ (118,815,895)
Business-type activities	<u>12,402,226</u>	<u>14,453,463</u>	<u>15,089,574</u>	<u>9,165,066</u>	<u>9,918,385</u>	<u>18,352,783</u>	<u>30,444,821</u>	<u>19,458,069</u>	<u>15,254,799</u>	<u>19,758,349</u>
Total primary government net expenses	<u>(43,578,072)</u>	<u>(69,702,162)</u>	<u>(55,849,245)</u>	<u>(74,394,187)</u>	<u>(76,903,682)</u>	<u>(59,885,685)</u>	<u>(51,834,379)</u>	<u>(89,689,974)</u>	<u>(96,353,763)</u>	<u>(99,057,546)</u>
GOVERNMENTAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities										
Taxes										
Property taxes	21,309,785	21,254,699	28,724,211	31,473,324	35,888,162	38,023,619	43,730,950	52,702,208	62,184,233	66,023,384
Franchise taxes	7,657,376	7,980,186	9,399,107	9,334,827	9,456,196	10,158,967	11,279,228	12,002,281	12,745,854	13,640,224
Sales taxes	28,429,648	27,364,450	34,733,037	37,148,661	47,388,694	41,999,277	37,246,053	39,976,616	38,645,518	38,712,400
Other taxes	4,187,749	4,256,460	4,238,798	4,473,996	2,963,254	4,018,931	5,177,665	5,475,197	5,767,233	4,898,957
Investment earnings	275,637	238,708	1,018,563	2,298,387	1,322,157	137,010	(457,403)	5,792,529	9,175,622	7,921,415
Miscellaneous	322,346	645,601	294,328	1,157,086	1,111,035	750,308	454,150	644,072	1,943,086	716,016
Gain on sale of capital assets	-	-	-	-	-	-	-	-	86,544	922,476
Transfers	<u>(704,726)</u>	<u>(562,374)</u>	<u>(592,144)</u>	<u>(5,094,469)</u>	<u>(1,090,368)</u>	<u>(31,859)</u>	<u>(1,700,429)</u>	<u>(3,416,990)</u>	<u>(9,927,104)</u>	<u>(14,254,294)</u>
Total governmental activities	<u>61,477,815</u>	<u>61,177,730</u>	<u>77,815,900</u>	<u>80,791,812</u>	<u>97,039,130</u>	<u>95,056,253</u>	<u>95,730,214</u>	<u>113,175,913</u>	<u>120,620,986</u>	<u>118,580,578</u>
Business-Type Activities										
Investment earnings	525,975	916,988	1,989,509	4,304,902	2,490,890	248,802	(424,251)	8,906,240	14,046,775	13,482,577
Other	-	-	-	14,005	-	-	-	-	45,383	7,327,181
Transfers	<u>704,726</u>	<u>562,374</u>	<u>592,144</u>	<u>5,094,469</u>	<u>1,090,368</u>	<u>31,859</u>	<u>1,700,429</u>	<u>3,416,990</u>	<u>9,927,104</u>	<u>14,254,294</u>
Total business-type activities	<u>1,230,701</u>	<u>1,479,362</u>	<u>2,581,653</u>	<u>9,413,376</u>	<u>3,581,258</u>	<u>280,661</u>	<u>1,276,178</u>	<u>12,323,230</u>	<u>24,019,262</u>	<u>35,064,052</u>
Total primary government	<u>62,708,516</u>	<u>62,657,092</u>	<u>80,397,553</u>	<u>90,205,188</u>	<u>100,620,388</u>	<u>95,336,914</u>	<u>97,006,392</u>	<u>125,499,143</u>	<u>144,640,248</u>	<u>153,644,630</u>
CHANGES IN NET POSITION										
Governmental activities	5,497,517	(22,977,895)	6,877,081	(2,767,441)	10,217,063	16,817,785	13,451,014	4,027,870	9,012,424	(235,317)
Business-type activities	<u>13,631,927</u>	<u>15,932,825</u>	<u>17,551,308</u>	<u>18,578,442</u>	<u>13,499,643</u>	<u>18,633,444</u>	<u>31,720,999</u>	<u>31,781,299</u>	<u>53,715,669</u>	<u>54,822,401</u>
Total primary government	<u>\$ 19,129,444</u>	<u>\$ (7,045,070)</u>	<u>\$ 24,428,389</u>	<u>\$ 15,811,001</u>	<u>\$ 23,716,706</u>	<u>\$ 35,451,229</u>	<u>\$ 45,172,013</u>	<u>\$ 35,809,169</u>	<u>\$ 62,728,093</u>	<u>\$ 54,587,084</u>

CITY OF SAN MARCOS, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

TABLE 3

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
GENERAL FUND										
Reserved										
Unreserved										
Nonspendable	\$ 497,560	\$ 661,113	\$ 463,121	\$ 498,780	\$ 490,132	\$ 594,812	\$ 629,766	\$ 853,090	\$ 850,866	\$ 795,043
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	238,569	238,569	-	-	-	21,837,789	21,837,789	23,969,534	25,669,129	26,741,354
Unassigned	<u>17,557,116</u>	<u>14,994,116</u>	<u>15,700,568</u>	<u>16,628,550</u>	<u>25,086,203</u>	<u>11,211,303</u>	<u>19,703,329</u>	<u>18,303,838</u>	<u>17,288,920</u>	<u>13,787,887</u>
Total general fund	<u>\$ 18,293,245</u>	<u>\$ 15,893,798</u>	<u>\$ 16,163,689</u>	<u>\$ 17,127,330</u>	<u>\$ 25,576,335</u>	<u>\$ 33,643,904</u>	<u>\$ 42,170,884</u>	<u>\$ 43,126,462</u>	<u>\$ 43,808,915</u>	<u>\$ 41,324,284</u>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved										
Unreserved, reported in:										
Special revenue funds										
Capital project funds										
Debt service funds										
Nonspendable	\$ 1,077,965	\$ 1,072,859	\$ 1,095,463	\$ 3,949	\$ 1,308	\$ 27,342	\$ 176	\$ 7,058	\$ 11,451	\$ 11,417
Restricted	37,681,443	39,227,072	68,802,309	73,901,843	68,166,323	65,979,383	66,789,722	78,609,952	92,314,885	110,240,929
Unassigned	-	-	-	-	-	(7,134)	(4,048)	66,615	(11,145)	(11,417)
Total all other governmental funds	<u>\$ 38,759,408</u>	<u>\$ 40,299,931</u>	<u>\$ 69,897,772</u>	<u>\$ 73,905,792</u>	<u>\$ 68,167,631</u>	<u>\$ 65,999,591</u>	<u>\$ 66,785,850</u>	<u>\$ 78,683,625</u>	<u>\$ 92,315,191</u>	<u>\$ 110,240,929</u>

CITY OF SAN MARCOS, TEXAS

CHANGES IN FUND BALANCES - GOVEREMNTAL FUNDS

LAST TEN FISCAL YEARS

TABLE 4

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUES										
Taxes	\$ 60,714,819	\$ 61,934,299	\$ 77,098,632	\$ 82,334,288	\$ 95,515,522	\$ 94,062,053	\$ 97,552,406	\$ 109,954,832	\$ 118,817,699	\$ 123,331,454
Licenses and permits	2,157,846	2,358,247	3,338,087	3,480,906	3,835,599	5,571,386	5,686,019	5,004,966	4,662,435	5,156,002
Fees and penalties	1,621,785	1,446,126	1,422,333	1,406,806	931,903	776,063	1,091,873	1,096,781	1,114,334	1,321,757
Charges for services	6,045,723	6,675,639	7,270,174	7,726,876	7,516,328	7,563,681	8,417,602	8,735,753	10,563,242	11,282,668
Intergovernmental	8,748,281	9,194,944	9,415,616	12,450,906	15,224,849	22,297,607	18,281,322	33,369,604	30,575,110	24,143,501
Investment earnings	275,637	238,708	1,018,563	2,232,780	1,248,881	135,037	(496,876)	5,536,637	8,700,282	7,589,310
Contributions	1,259,265	80,000	85,000	85,144	85,000	128,800	85,107	85,000	85,000	85,000
Other revenues	2,342,754	1,648,342	3,333,649	4,443,817	2,204,975	3,256,792	2,070,136	1,583,973	2,820,456	4,716,348
Total revenues	83,166,110	83,576,305	102,982,054	114,161,523	126,563,057	133,791,419	132,687,589	165,367,546	177,338,558	177,626,040
EXPENDITURES										
General government	21,462,783	22,762,861	30,181,487	36,232,777	42,645,633	42,662,999	31,927,504	43,803,649	56,182,885	53,613,641
Public safety	28,756,301	30,325,529	32,740,670	33,856,357	34,480,832	38,421,899	38,932,198	45,108,935	50,843,366	53,121,422
Community service	14,724,847	16,872,652	18,530,233	19,036,653	17,954,337	21,409,317	25,651,246	41,338,045	27,961,204	26,932,186
Capital outlay	10,597,501	9,485,064	13,388,623	22,303,886	37,812,993	38,626,042	24,408,135	12,910,772	23,196,870	23,272,764
Debts service										
Principal	8,315,016	7,957,801	9,985,000	9,061,843	9,606,584	11,829,001	12,292,211	14,402,307	14,921,601	15,132,093
Interest	4,857,003	4,960,557	5,038,778	6,616,431	6,952,890	7,509,881	7,745,723	7,833,777	8,249,141	8,821,571
Bond issuance costs	187,843	74,159	421,832	583,218	702,145	442,656	758,191	280,291	372,411	780,477
Total expenditures	88,901,294	92,438,623	110,286,623	127,691,165	150,155,414	160,901,795	141,715,208	165,677,776	181,727,478	181,674,154
Excess (deficiency) of revenues over (under) expenditures	(5,735,184)	(8,862,318)	(7,304,569)	(13,529,642)	(23,592,357)	(27,110,376)	(9,027,619)	(310,230)	(4,388,920)	(4,048,114)
OTHER FINANCING SOURCES (USES)										
Bond sales	\$ 19,920,000	\$ 7,200,000	\$ 33,910,000	\$ 22,280,000	\$ 32,070,000	\$ 29,720,000	\$ 42,485,000	\$ 13,504,401	\$ 22,783,000	\$ 28,110,000
Proceeds from leases and RTU assets	1,098,389	348,089	-	532,244	715,145	243,372	-	1,928,629	4,486,069	4,198,927
Premium on debt issued	2,192,123	515,695	3,847,332	783,528	2,081,298	3,078,392	(107,937)	953,229	1,228,491	1,216,469
Other	259,689	501,984	7,113	-	-	-	-	194,314	132,483	218,119
Payment to refunded bond escrow agent	(11,598,970)	-	-	-	(7,473,274)	-	(22,335,776)	-	-	-
Transfers in	5,562,449	5,934,900	7,645,210	14,013,302	19,355,275	11,721,901	10,989,334	7,948,036	7,149,886	8,764,858
Transfers out	(6,267,175)	(6,497,274)	(8,237,354)	(19,107,771)	(20,445,643)	(11,753,760)	(12,689,763)	(11,365,026)	(17,076,970)	(23,019,152)
Total other financing sources (uses)	11,166,505	8,003,394	37,172,301	18,501,303	26,302,801	33,009,905	18,340,858	13,163,583	18,702,959	19,489,221
Net change in fund balances	\$ 5,431,321	\$ (858,924)	\$ 29,867,732	\$ 4,971,661	\$ 2,710,444	\$ 5,899,529	\$ 9,313,239	\$ 12,853,353	\$ 14,314,039	\$ 15,441,107
Debt service as a percentage of noncapital expenditures	16.8%	15.6%	15.5%	14.9%	14.7%	15.8%	17.1%	14.6%	14.6%	15.1%

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
2016	\$ 3,270,825,379	\$ 3,270,825,379	\$ 665,893,420	\$ 665,893,420	\$ 162,991,849	\$ 3,773,726,950	0.5302	\$ 3,773,726,950
2017	3,574,979,805	3,574,979,805	702,657,068	702,657,068	155,924,985	4,121,711,888	0.5302	4,121,711,888
2018	3,899,658,705	3,899,658,705	885,108,966	885,108,966	171,948,622	4,612,819,049	0.6139	4,612,819,049
2019	4,272,888,203	4,272,888,203	1,144,004,821	1,144,004,821	354,551,133	5,062,341,891	0.6139	5,062,341,891
2020	4,977,263,999	4,977,263,999	1,098,908,907	1,098,908,907	305,813,083	5,770,359,823	0.6139	5,770,359,823
2021	5,620,589,988	5,620,589,988	1,136,795,742	1,136,795,742	316,668,685	6,440,717,045	0.5930	6,440,717,045
2022	5,959,772,793	5,959,772,793	1,127,484,964	1,127,484,964	372,445,934	6,714,811,823	0.6030	6,714,811,823
2023	7,589,222,954	7,589,222,954	1,058,829,932	1,058,829,932	472,077,595	8,175,975,291	0.6030	8,175,975,291
2024	9,037,020,006	9,037,020,006	1,234,038,443	1,234,038,443	566,711,762	9,704,346,687	0.6030	9,704,346,687
2025	9,751,263,800	9,751,263,800	1,204,103,484	1,204,103,484	807,318,047	10,148,049,237	0.6030	10,148,049,237

Sources: Hays County Appraisal District, Caldwell County Appraisal District, and Guadalupe County Appraisal District

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>
2016	0.015	\$ 28,429,648
2017	0.015	27,364,450
2018	0.015	34,733,037
2019	0.015	37,148,661
2020	0.015	47,388,694
2021	0.015	41,999,277
2022	0.015	37,246,053
2023	0.015	38,712,400
2024	0.015	38,645,518
2025	0.015	38,712,400

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	CUSTOMER CHARGE	ENERGY	CUSTOMER CHARGE	CHARGE	DEMAND	CUSTOMER CHARGE	CHARGE	DEMAND	CUSTOMER CHARGE	ENERGY	
		PER kwh		PER kwh								PER kw	PER kwh
2025	12.61	0.0355	14.77	0.0359	61.53	0.0140	6.77	941.41	0.0111	6.15	270.73	0.0148	6.46
2024	10.76	0.0303	12.60	0.0306	52.50	0.0120	5.78	231.00	0.0126	5.51	803.25	0.0095	5.25
2023	10.76	0.0303	12.60	0.0306	52.50	0.0120	5.78	231.00	0.0126	5.51	803.25	0.0095	5.25
2022	10.25	0.0289	12.00	0.0292	50.00	0.0114	5.50	218.40	0.0120	5.25	765.00	0.0090	5.00
2021	9.29	0.0208	10.92	0.0208	49.14	0.0010	3.61	218.40	0.0102	3.44	764.80	0.0065	3.00
2020	9.29	0.0208	10.92	0.0208	49.14	0.0010	3.61	218.40	0.0102	3.44	764.80	0.0065	3.00
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

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>
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
2020	31,541,814	20,054,286	51,596,100
2021	31,588,830	20,079,192	51,668,022
2022	33,155,859	21,760,449	54,916,308
2023	32,902,635	21,393,255	54,295,890
2024	33,056,363	20,268,490	53,324,853
2025	33,647,972	20,443,318	54,091,290

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>
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%
2020	378,501,770	240,651,442	619,153,212	646,679,622	4.26%
2021	379,065,958	240,950,306	620,016,264	657,587,133	5.71%
2022	397,870,303	261,125,389	658,995,692	695,219,973	5.21%
2023	394,831,615	256,719,057	651,550,672	693,669,565	6.07%
2024	396,676,348	243,221,881	639,898,229	676,908,708	5.47%
2025	403,775,662	245,319,821	649,095,483	688,952,201	5.79%

CITY OF SAN MARCOS, TEXAS
TEN LARGEST ELECTRIC CUSTOMERS

September 30, 2025

TABLE 10

<u>CUSTOMER</u>	<u>CONSUMPTION (kWh)</u>	<u>AMOUNT BILLED</u>	<u>% OF TOTAL kWh</u>
TEXAS STATE UNIV	98,909,001	9,278,260	15.24%
AMAZON.COM.KYDC INC	21,744,000	2,314,519	3.35%
H E BUTT GROCERY CO	17,217,127	1,721,945	2.65%
TEXAS STATE UNIVERSITY	13,671,541	1,468,959	2.11%
HAYS COUNTY GOVERNMENT CENTER B	11,468,844	1,160,465	1.77%
CITY OF SAN MARCOS	9,111,447	997,552	1.40%
EL MILAGRO OF TEXAS INC	8,865,600	883,782	1.37%
CHRISTUS SANTA ROSA HEALTH	8,189,073	855,604	1.26%
SMCISD	7,017,189	811,102	1.08%
THERMON MAIN	7,112,736	752,352	1.10%

Note: % of consumption based on total kWh of:

649,095,483

CITY OF SAN MARCOS, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

TABLE 11

<u>FISCAL YEAR</u>	<u>BASIC RATE</u>	<u>SCHOOL DISTRICT</u>	<u>COUNTY</u>	<u>OTHER SPECIAL ROAD</u>	<u>TOTAL DIRECT RATE</u>
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
2020	0.6139	1.1899	0.4237	0.0288	1.6424
2021	0.6030	1.1707	0.3629	0.0238	1.5574
2022	0.6030	1.1338	0.2950	0.0175	1.4463
2023	0.6030	0.9915	0.2875	0.0200	1.2990
2024	0.6030	0.9915	0.2875	0.0200	1.2990
2025	0.6030	1.0152	0.3085	0.0415	1.3652

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

TABLE 12

TAXPAYER	2025	
	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Amazon	\$ 200,051,047	1.97%
HEB Grocery	190,080,177	1.87%
Hays Energy LP	165,459,590	1.63%
Tanger San Marcos LLC	97,518,890	0.96%
Z Modular San Marcos Flatz 512 LLC	79,051,470	0.78%
San Marcos Factory Stores LTD	78,117,526	0.77%
USEF Whisper LLC	70,151,482	0.69%
Carson Diversified Properties 3 LLC	69,500,000	0.68%
REL P Ind San Marcos LLC	60,542,362	0.60%
Carma Paso Robles LLC	55,871,381	0.55%
Total	\$ 1,066,343,925	10.51%
Total City taxable Value	\$ 10,148,049,237	
	2016	
TAXPAYER	TAXABLE ASSESSED VALUE	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Hays Energy Ltd Partnership	\$ 93,551,100	2.19%
HEB Warehouse	66,334,200	1.55%
San Marcos Factory Stores	34,625,500	0.81%
Tanger Properties	34,550,700	0.81%
Woodlands of San Marcos	24,250,000	0.57%
Prime Outlets	24,150,600	0.57%
San Marcos Properties	22,687,200	0.53%
CFAN	22,257,000	0.52%
Copper Beech	19,720,200	0.46%
SM Student Living DST	19,511,370	0.46%
Total	\$ 361,637,870	8.48%
Total City taxable Value	\$ 4,114,053,220	

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
2016	\$ 19,829,368	\$ 19,728,493	99.49%	\$ 85,081	\$ 19,813,574	99.92%
2017	21,758,602	21,657,892	99.54%	83,584	21,741,476	99.92%
2018	28,171,670	28,039,818	99.53%	103,248	28,143,066	99.90%
2019	30,806,850	30,552,804	99.18%	197,407	30,750,211	99.82%
2020	34,772,371	34,754,875	99.95%	(38,652)	34,716,223	99.84%
2021	37,177,790	37,011,493	99.55%	116,383	37,127,876	99.87%
2022	40,150,268	40,063,763	99.78%	45,744	40,109,507	99.90%
2023	48,305,407	48,457,240	100.31%	(383,384)	48,073,856	99.52%
2024	57,231,948	56,675,297	99.03%	35,912	56,711,209	99.09%
2025	61,263,704	60,658,077	99.01%	-	60,658,077	99.01%

CITY OF SAN MARCOS, TEXAS

TOP TEN WATER CUSTOMERS

September 30, 2025

TABLE 14

<u>RANK</u>	<u>NAME</u>	<u>REVENUE</u>	<u>GALLONS</u>
1	CITY OF SAN MARCOS	\$ 690,558.00	155,554,654
2	KISSING TREE GOLF CLUB LLC	404,859.00	127,616,584
3	COPPER BEECH TOWNHOMES 29 LLC	421,345.00	37,437,091
4	TEXAS STATE UNIVERSITY	465,623.00	34,393,284
5	EQUUS WORKFORCE SOLUTIONS	454,622.00	33,170,450
6	KISSING TREE MASTER COMMUNITY	366,814.00	30,606,784
7	THE RETREAT	318,683.00	28,706,598
8	SAN MARCOS FACTORY SHOPS	316,614.00	28,128,669
9	COOPERATIVE LAUNDRY SMS LLC	297,072.00	26,803,112
10	WOODS OF SAN MARCOS LLC	273,935.00	24,891,260

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>
2016	9,981	12,473
2017	10,420	13,001
2018	11,014	13,705
2019	11,485	14,268
2020	12,187	15,072
2021	13,499	17,065
2022	14,638	18,308
2023	15,209	18,975
2024	15,631	19,462
2025	16,317	19,472

CITY OF SAN MARCOS, TEXAS

WATER AND SEWER RATES

September 30, 2025

TABLE 16

WATER RATES

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

INSIDE-CITY WATER RATES		OUTSIDE-CITY WATER RATES	
<u>LIFELINE RATE</u>	<u>RATE</u>	<u>LIFELINE RATE</u>	<u>RATE</u>
First 6,000 gallons - Minimum	28.16	First 6,000 gallons - Minimum	35.20
6,001 - 9,000 gallons	8.25	6,001 - 9,000 gallons	10.31
9,001 - 12,000 gallons	9.45	9,001 - 12,000 gallons	11.81
12,001 - 20,000 gallons	10.63	12,001 - 20,000 gallons	13.28
20,001 - 50,000 gallons	11.80	20,001 - 50,000 gallons	14.75
Over 50,000 gallons	14.15	Over 50,000 gallons	17.68
<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	29.57	Minimum Charge	36.96
0 - 6,000 gallons	4.95	0 - 6,000 gallons	6.18
6,001 - 9,000 gallons	8.66	6,001 - 9,000 gallons	10.82
9,001- 12,000 gallons	9.92	9,001- 12,000 gallons	12.40
12,001- 20,000 gallons	11.16	12,001- 20,000 gallons	13.95
20,001- 50,000 gallons	12.39	20,001- 50,000 gallons	15.48
Over 50,000 gallons	14.86	Over 50,000 gallons	18.57
<hr/>		<hr/>	
<u>1" Water Meter</u>	<u>RATE</u>	<u>1" Water Meter</u>	<u>RATE</u>
Minimum Charge	73.90	Minimum Charge	92.37
0 - 4,000 gallons	3.20	0 - 4,000 gallons	4.00
4,001 - 10,000 gallons	3.84	4,001 - 10,000 gallons	4.80
10,001 -25,000 gallons	9.58	10,001 -25,000 gallons	11.97
Over 25,000 gallons	10.86	Over 25,000 gallons	13.57
<hr/>		<hr/>	
<u>1 1/2" Water Meter</u>	<u>RATE</u>	<u>1 1/2" Water Meter</u>	<u>RATE</u>
Minimum Charge	147.80	Minimum Charge	184.75
0 - 8,000 gallons	3.20	0 - 8,000 gallons	4.00
8,001 - 10,000 gallons	3.84	8,001 - 10,000 gallons	4.80
10,001 - 25,000 gallons	9.58	10,001 - 25,000 gallons	11.97
Over 25,000 gallons	10.86	Over 25,000 gallons	13.57
<hr/>		<hr/>	
<u>2" Water Meter</u>	<u>RATE</u>	<u>2" Water Meter</u>	<u>RATE</u>
Minimum Charge	236.47	Minimum Charge	295.58
0 - 13,000 gallons	3.20	0 - 13,000 gallons	4.00
13,001 - 25,000 gallons	9.58	13,001 - 25,000 gallons	11.97
Over 25,000 gallons	10.86	Over 25,000 gallons	13.57

(continued)

CITY OF SAN MARCOS, TEXAS

WATER AND SEWER RATES

September 30, 2025

TABLE 16 (continued)

SEWER RATES

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

INSIDE-CITY SEWER RATES		OUTSIDE-CITY SEWER RATES	
<u>Lifeline Rate*</u>	<u>RATE</u>	<u>Lifeline Rate*</u>	<u>RATE</u>
Maximum	29.27	Maximum	36.58
<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	30.74	First 2,000 gallons - Minimum	38.42
Over 2,000 gallons	8.85	Over 2,000 gallons	11.06
<u>1" Water Meter*</u>	<u>RATE</u>	<u>1" Water Meter*</u>	<u>RATE</u>
First 4,000 gallons - Minimum	61.37	First 4,000 gallons - Minimum	76.71
Over 4,000 gallons	8.85	Over 4,000 gallons	11.06
<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	122.72	First 8,000 gallons - Minimum	153.40
Over 8,000 gallons	8.85	Over 8,000 gallons	11.06
<u>2" Water Meter</u>	<u>RATE</u>	<u>2" Water Meter</u>	<u>RATE</u>
First 13,000 gallons - Minimum	196.40	First 13,000 gallons - Minimum	245.50
Over 13,000 gallons	8.85	Over 13,000 gallons	11.06

*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	RIGHT TO USE SBITAs PAYABLES	RIGHT TO USE LEASE PAYABLES	FINANCING LEASES	WATER REVENUE BONDS	ELECTRIC REVENUE BONDS	DRAINAGE CERTIFICATE OF OBLIGATION	RIGHT TO USE SBITAs PAYABLES	RIGHT TO USE LEASE PAYABLES	FINANCING LEASES				NOTE PAYABLE
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	3.01%	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
2020	121,686,765	64,133,865	-	-	-	1,821,285	123,051,955	62,897,917	41,108,014	-	-	1,114,449	4,570,000	420,384,250	2.84%	5,797
2021	117,294,682	89,000,377	-	-	-	1,971,206	142,908,661	81,473,145	45,382,030	-	-	2,062,564	4,470,000	484,562,665	3.11%	7,122
2022	126,125,992	86,050,458	-	2,091,237	1,560,475	1,306,769	148,797,817	81,298,209	48,361,518	1,475,534	784,466	2,257,023	4,375,000	504,484,498	3.30%	7,270
2023	115,964,392	97,826,688	-	1,534,340	2,237,898	807,581	144,697,103	89,978,181	50,531,189	649,343	1,210,255	2,350,013	4,275,000	512,061,983	2.90%	7,319
2024	111,216,718	113,353,592	-	611,668	5,424,183	549,436	141,685,567	90,951,647	47,619,141	116,823	2,269,138	4,582,308	4,165,000	522,545,221	2.62%	7,096
2025	112,019,518	128,120,000	-	1,528,120	6,479,846	610,155	162,712,592	90,489,864	48,954,988	768,509	2,627,523	3,766,454	4,055,000	562,132,569	2.78%	7,380

Authorized but unissued debt – The City does have authorized but unissued bonds remaining in the aggregate amount of \$250,000 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>
2016	\$ 151,772,117	\$ 7,844,584	\$ 143,927,533	4.34%	2,426
2017	156,795,312	8,697,022	148,098,290	4.33%	2,348
2018	192,171,900	9,079,839	183,092,061	4.85%	2,883
2019	209,178,826	9,883,314	199,295,512	4.84%	3,055
2020	226,928,644	10,953,339	215,975,305	4.68%	3,224
2021	251,677,089	10,275,863	241,401,226	4.76%	3,545
2022	260,537,968	11,079,359	249,458,609	4.37%	3,677
2023	264,322,269	13,230,692	251,091,577	3.08%	3,589
2024	249,300,446	15,385,301	233,915,145	2.41%	3,176
2025	282,038,228	17,091,776	264,946,452	2.39%	3,572

Note: Gross bonded debt includes all tax-supported debt.

CITY OF SAN MARCOS, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2025

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	\$ 248,757,639	100.000%	\$ 214,598,661
San Marcos Consolidated Independent School District	349,594,629	78.818%	275,543,495
Caldwell County	16,927,142	0.855%	144,727
Hays County	527,624,792	25.834%	<u>136,306,589</u>
Subtotal overlapping debt			<u>411,994,811</u>
Total direct and overlapping debt			<u>\$ 626,593,472</u>

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

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

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt limit	\$ 377,372,695	\$ 412,171,189	\$ 461,281,905	\$ 506,234,189
Total net debt applicable to limit	<u>143,927,533</u>	<u>148,098,290</u>	<u>183,092,061</u>	<u>199,295,512</u>
Legal debt margin	<u>\$ 233,445,162</u>	<u>\$ 264,072,899</u>	<u>\$ 278,189,844</u>	<u>\$ 306,938,677</u>
Total net debt applicable to the limit as a percentage of debt limit	38.14%	35.93%	39.69%	39.37%

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	
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
2020	48,970,140	26,664,514	22,305,626	8,784,174	4,642,770	1.66
2021	57,779,669	28,280,984	29,498,685	6,533,801	4,234,254	2.74
2022	72,713,874	39,092,755	33,621,119	8,495,000	4,868,842	2.52
2023	62,074,519	35,977,386	26,097,133	9,620,858	4,820,834	1.81
2024	65,816,470	39,392,979	26,423,491	9,745,000	4,576,843	1.84
2025	74,968,888	43,880,846	31,088,042	10,235,000	4,652,967	2.09

ELECTRIC REVENUE BONDS						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
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
2020	56,854,660	51,455,645	5,399,015	2,326,164	2,133,754	1.21
2021	57,366,408	48,615,896	8,750,512	2,008,599	2,241,576	2.06
2022	64,105,606	51,447,973	12,657,633	2,730,000	2,081,965	2.63
2023	68,417,403	59,908,391	8,509,012	4,315,156	2,159,376	1.31
2024	80,245,941	60,191,275	20,054,666	4,385,000	2,557,694	2.89
2025	76,692,019	61,889,475	14,802,544	4,680,000	2,772,587	1.99

DRAINAGE REVENUE BONDS						
FISCAL YEAR	GROSS REVENUE	LESS: OPERATING EXPENSES *	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
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
2020	5,989,895	2,282,947	3,706,948	2,017,959	1,686,656	1.00
2021	7,002,903	3,527,142	3,475,761	2,114,491	1,559,542	0.95
2022	8,393,039	3,483,345	4,909,694	2,320,000	1,727,535	1.21
2023	8,751,927	3,808,284	4,943,643	2,882,937	1,664,244	1.09
2024	9,346,258	4,358,136	4,988,122	2,865,368	1,735,535	1.08
2025	9,870,740	4,359,686	5,511,054	3,022,954	1,573,747	1.20

* excluding depreciation expense.

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

TABLE 22

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>UNEMPLOYMENT RATE</u>
2016	59,338	910,800,000	15,349	3.3%
2017	63,071	925,200,000	14,669	3.1%
2018	63,509	1,221,405,088	19,232	3.2%
2019	65,234	1,424,058,220	21,830	3.4%
2020	66,952	1,478,868,624	22,088	5.5%
2021	68,040	1,559,340,720	22,918	4.7%
2022	68,580	1,508,828,580	22,001	3.8%
2023	69,956	1,768,627,592	25,282	3.7%
2024	73,644	1,994,647,740	27,085	3.8%
2025	74,316	1,975,022,016	26,576	3.3%

CITY OF SAN MARCOS, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

TABLE 23

EMPLOYER	2025	
	EMPLOYEES	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Amazon Fulfillment	5000	11.28%
Texas State University	3730	8.42%
Hays CISD	3430	7.74%
Premium Outlets	1600	3.61%
Tanger Outlets	1540	3.48%
San Marcos CISD	1400	3.16%
Dripping Springs ISD	1025	2.31%
Hays County	885	2.00%
City of San Marcos	874	1.97%
HEB Distribution Center	750	1.69%
TOTAL	20,234	45.66%
TOTAL CITY/COUNTY EMPLOYEES	44,310	
EMPLOYER	2016	
	EMPLOYEES	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Texas State University	3,606	19.50%
Amazon	3,000	14.78%
San Marcos Premium Outlets	1,600	10.80%
Tanger Factory Outlets	1,540	7.80%
SMCISD	1,209	5.90%
Hays County	832	4.50%
CFAN	700	4.50%
Central Texas Medical Center	700	4.65%
HEB Distribution Center	680	4.02%
City of San Marcos	500	3.50%
TOTAL	14,367	79.95%
TOTAL CITY/COUNTY EMPLOYEES	1,332	

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General government										
Administration	21.00	17.50	17.75	18.25	21.25	21.25	21.63	33.38	32.38	35.07
Human Resources	10.33	10.60	11.00	11.00	11.00	11.00	11.00	12.50	12.50	12.50
Finance	18.55	19.55	20.55	21.55	21.55	21.55	22.88	25.85	25.85	25.86
Municipal Court	9.82	9.62	10.62	10.43	11.43	11.68	12.00	10.38	9.88	10.25
Technology Services	15.00	16.00	17.00	17.00	19.00	19.00	19.38	24.38	24.38	24.38
Development Services	21.00	22.00	22.00	27.00	29.00	30.00	34.50	38.93	38.93	38.00
GIS	2.96	2.96	2.96	2.96	3.96	3.96	5.38	6.38	6.38	6.38
Police	145.98	147.48	148.48	151.00	153.90	153.90	158.64	184.15	177.15	184.63
Fire	73.00	76.00	76.00	88.00	89.00	93.00	93.00	110.00	110.00	110.00
Office of Emergency Management	-	-	-	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Hotel occupancy tax fund										
Main Street	2.00	3.00	3.00	3.00	3.00	4.00	3.75	4.00	4.00	5.50
CVB/CDBG	-	4.00	12.50	14.00	13.50	12.50	15.25	14.50	7.50	7.50
Community services										
Library	-	-	-	-	-	21.75	22.13	23.13	23.13	23.35
Parks and Recreation	-	-	-	-	-	65.21	73.36	66.34	66.35	68.12
General Services	125.03	97.43	97.43	100.58	104.58	18.67	-	-	6.00	5.00
Neighborhood Enhancement	-	30.98	30.98	33.28	35.98	38.48	38.25	38.63	38.63	39.13
Other function/program										
Public Services	37.00	39.00	39.00	37.00	37.00	37.00	-	58.23	58.23	61.23
CIP/Engineering	18.00	19.00	19.00	24.00	24.00	24.00	76.50	29.38	29.38	29.48
Water/Wastewater	58.83	61.33	61.33	65.21	70.21	72.00	73.33	89.33	89.33	90.66
Electric	60.83	64.33	64.33	67.33	72.33	76.00	78.58	79.58	79.58	81.91
Drainage	5.50	8.00	8.00	11.00	17.00	17.00	16.00	21.00	21.00	21.00
Transit	-	1.33	1.33	1.33	2.33	2.00	2.25	3.25	3.25	3.25
WIC	26.00	26.00	26.00	25.75	25.50	25.00	25.50	28.00	28.00	30.00
Marshal's Office/Code Compliance	-	-	-	-	-	-	-	18.28	18.28	18.44
Resource Recovery	-	2.83	2.83	5.21	5.21	3.64	5.38	8.38	8.38	8.39
TOTAL	<u>650.83</u>	<u>678.94</u>	<u>692.09</u>	<u>737.88</u>	<u>773.73</u>	<u>785.59</u>	<u>811.66</u>	<u>930.93</u>	<u>921.49</u>	<u>942.03</u>

Source: Finance Department

CITY OF SAN MARCOS, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

TABLE 25

<u>FUNCTION/PROGRAM</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Government										
Building Permits Issued	4,553	4,825	4,900	5,100	5,175	5,200	5,225	7,999	5,578	6,187
Police										
Physical Arrests	2,577	2,437	2,499	2,324	1,574	1,840	1,773	1,634	1,623	1,881
Parking Violations	6,579	6,889	9,399	10,754	4,246	4,081	4,725	16,682	9,675	10,362
Traffic Violations	6,508	7,318	6,344	4,918	2,418	2,430	3,460	5,397	3,229	4,145
Fire										
Emergency Responses	4,635	5,419	5,797	6,114	6,001	6,110	6,371	6,488	6,753	6,846
Fires Extinguished	210	185	171	168	236	245	332	279	189	214
Prevention/Safety Education	22,000	11,500	11,200	11,220	11,100	11,100	11,100	11,100	8,902	20,025
Other Public Works										
Street Resurfacing (Miles)	20	20	20	22	22	22	22	25	16	20
Potholes Repaired	220	220	220	225	230	230	235	240	504	415
Parks and Recreation										
Facility Rental Bookings	5,800	5,500	5,600	5,700	5,000	5,000	5,000	5,100	5,100	5,100
Community Center Admissions	158,000	165,000	166,000	168,000	165,000	165,000	165,000	167,000	167,000	167,000
Library										
Volumes in Collection	162,500	165,000	168,000	190,000	190,000	190,000	190,000	190,000	287,980	277,050
Total Volumes Borrowed	462,500	474,000	495,000	520,000	520,000	520,000	520,000	520,000	376,839	450,674
Water										
New Connections	400	550	600	650	670	670	670	670	653	526
Water Main Breaks	300	240	240	288	300	300	300	300	94	38
Average Daily Consumption (thousands of gallons)	7,453	7,430	8,034	7,833	7,257	7,832	8,383	9,608	10,080	10,463
Peak Daily Consumption (thousands of gallons)	11,254	9,018	10,161	11,230	14,433	14,158	13,851	14,584	15,800	14,851
Wastewater										
Average Daily Sewage Treatment (samples collected/tested)	5,024	6,400	6,400	4,802	4,162	4,361	4,560	4,707	6,040	5,687

Source: Various City Departments

CITY OF SAN MARCOS, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

TABLE 26

<u>FUNCTION/PROGRAM</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	1	1	1	1	1	1	1	1	1	1
Patrol Units	149	146	145	175	200	181	175	211	203	192
Fire										
Stations	5	5	6	6	6	6	6	6	6	6
Other Public Works										
Streets (Miles)	311	377	382	385	385	390	446	451	462	462
Streetlights	3,710	3,821	3,888	3,890	3,894	3,898	3,898	3,902	3,906	3,910
Traffic Signals	46	61	63	65	65	67	73	76	74	76
Parks and Recreation										
Acreage	2,300	2,300	1,796	1,796	1,796	1,796	1,796	1,796	2,724	2,724
Playgrounds	60	60	45	73	73	73	73	73	73	73
Baseball/Softball Diamonds	13	13	13	13	13	13	13	13	13	13
Soccer/Football Fields	10	10	11	11	11	11	11	11	11	11
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Fire Hydrants	1,862	1,919	2,006	2,102	2,106	2,110	2,572	2,595	2,746	3,743
Wastewater										
Sanitary Sewers (Miles)	217	223	229	236	253	253	271	271	286	294
Storm Sewers (Miles)	73	83	89	92	100	100	75	75	75	145
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

<u>BUSINESS NAME</u>	<u>2025 INCENTIVE TOTAL</u>	<u>YEAR AGREEMENT BEGAN</u>	<u>YEAR AGREEMENT EXPIRES</u>	<u>INCENTIVE GIVEN</u>
Humpty Dumpty SSM, Ltd.	337,437	2015	2031	Rebate of real ad valorem tax and sales tax
Amazon.com Services, Inc	901,498	2015	2036	Rebate of real and personal ad valorem tax and sales tax
Corvac Composites, LLC		2013	2025	Rebate of personal ad valorem tax
HEB Warehouse		2008	2029	Rebate of real ad valorem tax
Urban Mining		2017	2027	Rebate of real and personal ad valorem tax
Hill Country Group, LLC		2022	2032	Rebate of realand personal ad valorem tax
Majestic Realty Group		2022	2033	Rebate of real ad valorem tax
Cooperative Laundry		2021	2034	Rebate of real and personal ad valorem tax
320 Barnes 2020, LP		2021	2027	Rebate of real ad valorem tax
DBI		2020	2026	Rebate of real ad valorem tax
United Weld Holdings, LP		2014	2025	Rebate of real and personal ad valorem tax
BRE Group 500 Wonder World 2022 LP		2024	2028	Rebate of real ad valorem tax
H-E-B, LP		2024	2031	Rebate of real and personal ad valorem tax and sales tax
Buc-ee's San Marcos, LLC		2024	2039	Rebate of sales tax
Midway Development Group, LLC		2025	2044	Rebate of sales and hotel tax

COMPLIANCE SECTION



**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
City of 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, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 25, 2026.

Report on 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) as a basis for designing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
March 25, 2026