

CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED
SEPTEMBER 30, 2015

Issued by the
City of San Marcos
Finance Department

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INTRODUCTORY SECTION

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CITY OF SAN MARCOS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

CITY COUNCIL

Daniel Guerrero – Mayor

Lisa Prewitt – Place 1

Jude Prather – Place 2

John Thomaides – Place 3

Jane Hughson – Place 4

Scott Gregson – Place 5

Melissa Derrick – Place 6

ADMINISTRATION

Jared Miller – City Manager
Collette Jamison – Assistant City Manager
Steve Parker – Assistant City Manager/CFO

Heather Hurlbert – Director of Finance

Presented by
The Finance Department



Government Finance Officers Association

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

Presented to

**City of San Marcos
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO



March 15, 2016

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

Transmittal Letter

For the Fiscal Year
Ended
September 30,
2015

City of San Marcos
San Marcos, Texas

The Finance Department and City Manager's office are pleased to submit the Comprehensive Annual Financial Report (the CAFR) of the City of San Marcos, Texas (the City) for the fiscal year ended September 30, 2015. This report is submitted in accordance with Section 3.16 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited by independent auditors in accordance with generally accepted auditing standards. ABIP, P.C., have issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

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

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

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

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report.

CITY OF SAN MARCOS PROFILE

San Marcos is located on the IH-35 corridor 15 miles south of Austin and 30 miles north of San Antonio. The greater San Marcos region is situated between two of the fastest growing MSAs (Metropolitan Statistical Area) in the United States. The City has a 2010 census population of 44,894 but currently estimated at over 58,000 with a daytime service population of 80,000. The City covers a total of 32.21 square miles within its city limits.

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

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

The City is the home of Texas State University which has over 38,000 enrolled students and is the 4th largest university in the state of Texas and 31st in the United States in comparison to public university size. Academically, it is composed of 10 colleges and about 50 schools and departments across multiple disciplines, including nationally recognized programs in Geography, Criminal Justice and Music and offering 97 bachelor’s, 88 master’s and 12 doctoral degrees. In 2011, Texas State was granted the designation of Emerging Research University with over 400 doctoral students and \$33.5 million in research spending. The university became the first in the country to offer a PhD in Materials Science, Engineering, and Commercialization and the City is home to the new Science, Technology and Advanced Research (STAR) Park which opened in 2012. This partnership between Texas State University and the City is made possible through a \$1.85 million award from the U.S. Economic Development Administration. This grant funded the construction of a state-of-the-art research and commercialization center that will serve as a technology accelerator for start-up and early-stage businesses with green and bio-technology focus. The second phase of this project is currently under construction due to the enormous success of the first phase.

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

Economic Outlook and Financial Condition

San Marcos has been ranked as the fastest growing city in the U.S. with a population over 50,000 for three years in a row as the Greater San Marcos Region continues to be one of the fastest growing areas in the country. The Texas unemployment rate has been at or below the national rate for 108 consecutive months

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

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

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

Property Values

The continued low mortgage interest rates and new residential developments within San Marcos continue to bring in residential growth and commercial development. This continuing growth contributed to the increase of taxable value on new improvements of \$98 million, on existing properties of \$175 million for a total valuation of \$ 3.67 billion for the 2016 tax year. The City expects this trend to continue as a result of the City's commitment to targeted economic development efforts that focus on industry segments that complement the existing business mix. In late 2015, the on-line retail giant Amazon announced the construction of a \$191 Million facility in San Marcos which will bring 1000 new jobs to the region. Construction is expected to be complete in the summer of 2016.

Retail Sales

The City's largest General Fund revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. The City of San Marcos recognized a 8.3% increase in sales tax collections estimated at over \$26 million in FY 2015. . The City has seen a steady growth in sales tax revenues in recent years. The City is perhaps best known for its Outlet Malls – Premium and Tanger – which have made San Marcos a popular tourist destination in Texas. The Outlet Malls provide access to hundreds of stores in the 1.2 million square foot complex and attracts shoppers from all over the United States and internationally. The sales from the outlet mall make up 38% of the total sales tax revenue received by the City.

Employment

San Marcos enjoyed a relatively low unemployment rate in 2015 of 3%. This rate was lower than the state rate of 4.2% and the national rate of 5%. As a result of this low rate, San Marcos residents have greater job opportunities locally. Along with Amazon mentioned above, San Marcos recently landed the largest pipe manufacturer in the world and is expected to add over 350 new employees to the San Marcos workforce.

Tourism

Tourism is one of San Marcos' largest industries and contributes significantly to the City's economy. The City offers numerous tourist attractions, including the beautiful San Marcos River and the San Marcos Outlets which is one of Texas' most visited destinations. San Marcos is known as a great destination for outdoor enthusiasts who like to kayak, tube, standup paddle, surf the falls, bird watch or hike and bike in town trails. The City of San Marcos Conference Center hosts more than 112,000 guests per year. The City's soccer, softball, baseball and tennis facilities host 100,000 youth and adult participants, coaches, family and fans. In addition to traditional sport fans, our well-kept natural area trails and rolling hills draw runners to the variety of races from 5K to half marathons. Hotels and bed and breakfasts in the area provide more than 2,100 guest rooms with an average annual occupancy of 63%. More than 1,200 retail shops and boutiques are located throughout the City and a selection of over 175 restaurants is available. These services and facilities, complemented by the mild winter, have made San Marcos a popular vacation spot for more than fourteen million tourists.

Hotel/motel occupancy tax receipts increased 14.78% in FY2015 over the previous year – reflecting consistent growth trend. The current forecast is that tourism will continue to experience positive gains, reflected by continued increases in occupancy, available rooms and room rates. The City expects to add 400 hotel rooms over the next two years with the construction of four planned hotels.

CITY INITIATIVES

In June 2015, the San Marcos City Council held a Visioning Workshop to explore important visioning goals. The following strategic initiatives were developed that became City Management's guiding principles and direction to the City staff to make the City fully sustainable long into the future:

- ✓ Assess, present a plan for, and begin the update of City facilities
- ✓ Beautify and Enhance the Quality of Place for San Marcos
- ✓ Continue Downtown redevelopment
- ✓ Recruit employers that will provide job opportunities for knowledge and skilled manufacturing workers
- ✓ Maintain and improve the City's infrastructure
- ✓ Continue to build on positive working relationships between Council and staff to enhance communication, decision making and execution
- ✓ Sound Finances

Responsible Finances

Responsible Finances has been a top priority and the main focus for the past several fiscal years. During this time the City has put policies in place to ensure the City continues being financially responsible and sound.

- Creation of Self-Financed Capital Funds through various funding sources to provide a cash funding source for improvements to streets, parks, city facilities, and technology infrastructure.
- Reduction in the General Fund's reliance on the Enterprise Funds' franchise fee revenue by lowering the fee from 9% of gross revenues to 7% over a period of four years. This reduction also lessens pressure on the utility rates.
- Transition of Engineering/Capital Improvements Departmental operating expenses from bond proceeds to General Fund appropriations over a six-year period. This department has also moved to using City engineers instead of consultants to manage projects.
- Creation of rate stabilization funds in both the Water/Wastewater and Electric Utility Funds. These funds will help the City alleviate future rate increases that are needed due to fluctuations in seasonal weather patterns.
- Adopted an increase in fees of 1.5% which is the average Consumer Price Index (CPI) for calendar year 2014. 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.

Water/Wastewater Rates

A Water / Wastewater rate study has been conducted every year for the last several years including 2015. For the 2016 budget, the Citizens Utility Advisory Board (CUAB) recommends a 5% rate adjustment in water and 1% rate adjustment in wastewater. The CUAB spent several months looking at the updated rate study modeling, The impacts of the newly implemented rate structure and the long range plans on the water/wastewater utility including the effect of the Hays County Public Utility Agency (HCPUA)..

The City is continuing to explore future water supplies through the Hays County Public Utility Agency (HCPUA). This is a joint venture between San Marcos, Kyle, Buda, and some regional water corporations to firm up future water supplies through the year 2060. The HCPUA reached a major milestone in developing a sustainable long-term water supply, A small project related to Phase I is scheduled for 2016 to construct a pipeline between San Marcos, Kyle and Buda. The City of San Marcos' share of the total construction cost related to Phase 1 of the project is approximately \$70 Million and is anticipated for the year 2019. The City is still exploring water supply alternatives in hopes that this future expense can be reduced as much as possible.

Long Range Planning

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

Changes presented in this plan ultimately resulted in a necessary revision to the Land Development Code (LDC) in order to ensure development aligns with the intent of the plan. The Code Development Rewrite currently referred to as CODE SMTX has been underway for the past year and is anticipated for completion in the summer of 2016. The City's Planning and Development Services Team is working with the consultant team of Dover Kohl and a Think Tank group of community volunteers to update the code. A preferred scenario map was created during the design rodeo that illustrates locations where residents of San Marcos wish to see growth and development. The Land Use Intensity Matrix outlines general uses for the various development areas and will be utilized as a guide in updating the LDC.

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

FINANCIAL INFORMATION

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

Internal Controls

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

Financial Rating

The City of San Marcos had its underlying credit rating confirmed from Standard & Poor's in May 2015. The City's bond rating for Moody's Investor Service and Standard & Poor's is as follows:

	<u>Moody's Investor Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds and Certificates of Obligation	A1	AA
Revenue Bonds	A1	AA

Financial Reporting

The City utilizes a computerized financial accounting system to capture all financial transactions and provide data for the preparation of this CAFR, including the audited financial statements. These statements present information on the financial position of the City and whether resources were adequate to cover the costs of providing services during the reporting period. The City's award-winning CAFR is distributed to the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as others throughout the general public.

Budgeting Process

The annual budget serves as the foundation for the City's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following October 1st. The budget includes proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Expenditure appropriations may be amended during the year. Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; (2) transfers from fund balance accounts to departments or capital improvement program accounts; and (3) transfers from capital improvement program accounts to departments. Management control of budgets is further maintained through the use of an encumbrance accounting system. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

Single Audit

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2015, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2014. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. That report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. This report will once again be submitted to the GFOA for this annual reward.

We are also proud to report that the GFOA has presented the Distinguished Budget Presentation Award to the City of San Marcos for each of the past 31 years.

The City was awarded the Texas Comptroller Leadership Circle Award. This program was launched in December 2009 to recognize local governments across Texas that are striving to meet a high standard for financial transparency online. This award spotlights local governments that are opening their books to the public, providing clear, consistent pictures of spending, and sharing information in a user friendly format that lets taxpayers easily drill down for more information. The City earned the designation of Gold.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the City Council and the citizens of the City of San Marcos for their interest and

support in planning and conducting the financial operations of the City in a responsible and progressive manner.

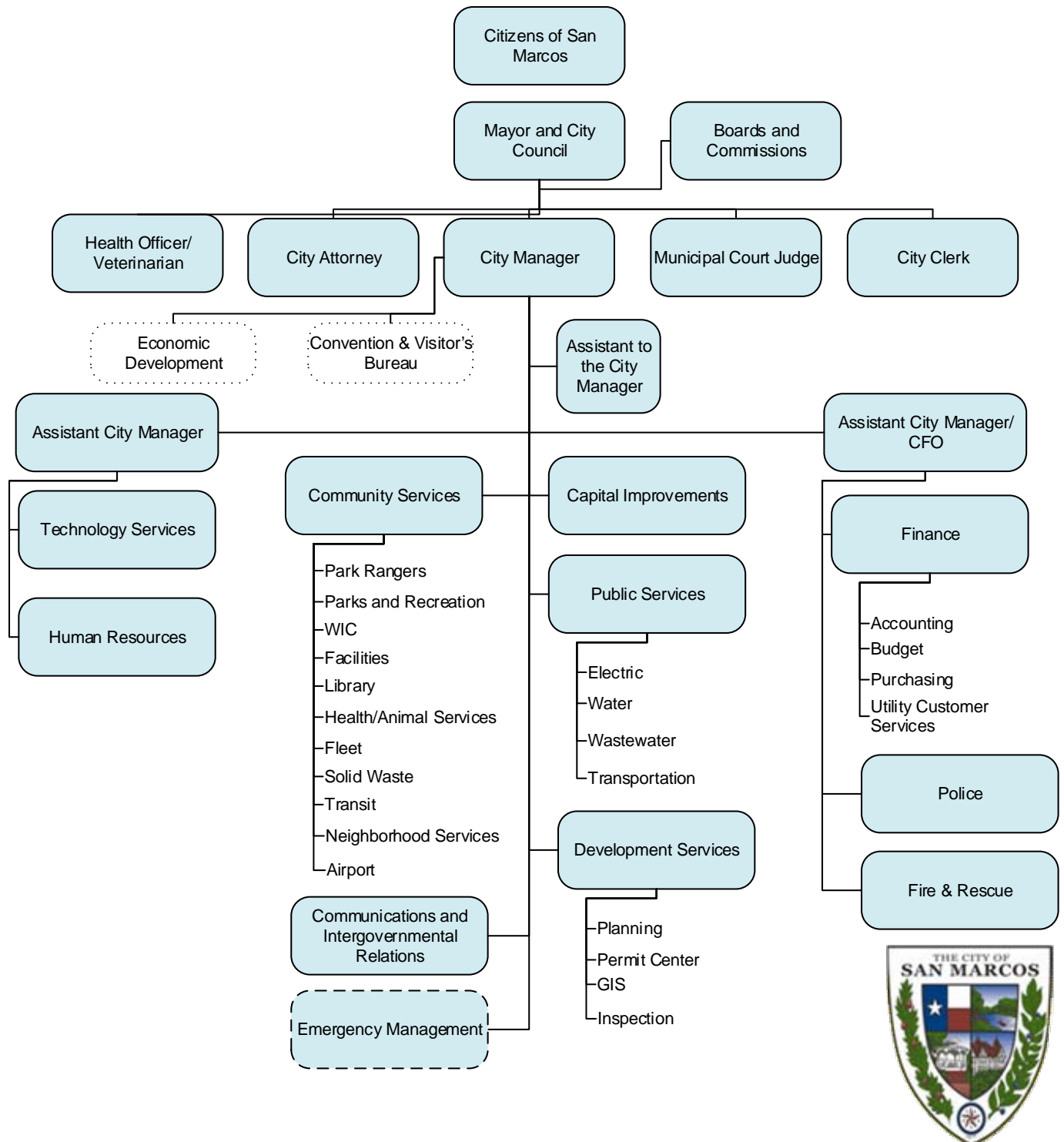
In conclusion, we would like to thank the City's auditing firm, ABIP, P.C., for their ongoing efforts, not only in the performance of the City's annual audit, but for their close working relationship in advising the City when questions arise throughout the year. They have been an excellent source of information for preparation of the report.

Respectfully submitted,

Jared Miller
City Manager

Steve Parker
Asst. City Manager/CFO

City of San Marcos 2014-15 ANNUAL BUDGET ORGANIZATION CHART



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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of San Marcos, Texas (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Marcos, Texas as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the City of San Marcos, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Certified Public Accountants
San Antonio, Texas

March 15, 2016

CITY OF SAN MARCOS, TEXAS **Management's Discussion and Analysis (MD & A)**

As management of the City of San Marcos, we offer readers of the City of San Marcos' financial statements this narrative overview and analysis of the financial activities for the City of San Marcos for the fiscal year ended September 30, 2015. 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 xi – xviii of this report.

Financial Highlights

- The assets of the City of San Marcos exceeded its liabilities at the close of the fiscal year ending September 30, 2015, by \$247.8 million (net position). Of this amount, \$60.9 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2015, the City of San Marcos' governmental funds reported combined ending fund balances of \$49.5 million, a decrease of \$1.0 million in comparison with the prior fiscal year. The decrease was due to the use of fund balance in the debt service fund for a City cash contribution in the FY 2015 debt refunding; also use of capital project funds in ongoing project construction.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17.4 million, or 34.7% of total general fund expenditures.
- The City's total debt increased by \$2.3 million during the current fiscal year. The City issued \$46.9 million in general obligation refunding bonds and \$13.0 in combination tax and revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

The government-wide financial statements can be found on pages 9 - 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 25 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 22 governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

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

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

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

The basic proprietary funds financial statements can be found on pages 17 – 20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 50 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 65 – 91 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$2457.8 million as of September 30, 2015. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$146.7 million. This analysis focuses on the net position (Table 1) and changes in net position of the City's governmental and business-type activities (Table 2).

By far, the largest portion of the City's net position (71.95%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$60.9 million may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of San Marcos is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TABLE 1
CITY OF SAN MARCOS' NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$ 59,925,247	\$ 66,694,877	\$ 108,358,104	\$ 94,093,637	\$ 168,283,351	\$ 160,788,514
Capital Assets	203,032,928	198,473,503	212,337,959	206,690,832	415,370,887	405,164,335
Total Assets	262,958,175	265,168,380	320,696,063	300,784,469	583,654,238	565,952,849
Deferred Outflows	11,839,895	-	1,446,876	-	13,286,771	-
Liabilities						
Long-Term Liabilities	152,811,376	126,941,945	153,188,578	146,175,771	305,999,954	273,117,716
Other Liabilities	20,271,319	18,374,822	22,078,580	19,598,103	42,349,899	37,972,925
Total Liabilities	173,082,695	145,316,767	175,267,158	165,773,874	348,349,853	311,090,641
Deferred Inflows	666,973	-	146,408	-	813,381	-
Net Position						
Net Investment in Capital Assets	84,970,285	94,693,282	88,133,246	88,667,413	173,103,531	183,360,695
Restricted	9,231,328	10,636,613	-	-	9,231,328	10,636,613
Unrestricted	6,846,789	14,521,718	58,596,127	46,343,182	65,442,916	60,864,900
Total Net Position	\$ 101,048,402	\$ 119,851,613	\$ 146,729,373	\$ 135,010,595	\$ 247,777,775	\$ 254,862,208

Governmental activities. The City's governmental revenues increased when compared to the prior year by 19% or \$12,733,848. This increase is due to several factors including increases in sales tax revenue and building permit revenues.

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$29.5 million. The public safety expense increase was primarily due to the funding of the second year of the meet and confirm contract entered into in 2014, routine step increases, and additional staffing.

Business-type activities. Revenues of the City's business-type activities were \$108.8 million for the fiscal year ending September 30, 2015. Expenses for the City's business-type activities were \$92.8 million for the year, resulting in a net increase in net assets of \$16.2 million. The net revenues are the result of several factors, including the following:

- The City's Water and Wastewater System recorded charges for services of \$34.2 million, which exceeded expenses of \$32.9 million. The most significant expenses of the Water and Wastewater Fund are \$8.6 million for contracted services for the operation of the surface water treatment plant, and \$3.7 million in salaries and benefits.
- The City's electric distribution system recorded charges for services of \$66.5 million, which exceeded expenses of \$53.8 million. The most significant expense of the electric fund was \$39.0 million for the purchase of power.
- The increase in net position from business-type activities was primarily due to increased revenue from water, sewer, and electric sales due to the unseasonably hot and dry spring and summer weather and capital contributions of water and sewer infrastructure as new construction activity continues in the City.

Governmental and business-type activities increased the City's net position (Table 2) by \$18.5 million.

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TABLE 2
CITY OF SAN MARCOS' CHANGES IN NET POSITION

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues						
Charges for Services	\$ 16,337,135	\$ 8,882,485	\$ 107,107,524	\$ 93,968,005	\$ 123,444,659	\$ 102,850,490
Operating Grants and Contributions	6,586,163	8,738,278	-	-	6,586,163	8,738,278
Capital Grants and Contributions	680,726	1,054,196	1,400,371	1,117,888	2,081,097	2,172,084
General Revenues						
Property Taxes, Levied for General Purposes	17,074,412	17,493,449	-	-	17,074,412	17,493,449
Sales Taxes	25,876,303	24,020,619	-	-	25,876,303	24,020,619
Franchise Taxes	8,177,546	1,626,077	-	-	8,177,546	1,626,077
Hotel/Motel Taxes	3,373,681	2,939,387	-	-	3,373,681	2,939,387
Investment Earnings	164,273	95,989	300,407	187,380	464,680	283,369
Other	404,367	728,678	-	46,822	404,367	775,500
Total Revenues	<u>78,674,606</u>	<u>65,579,158</u>	<u>108,808,302</u>	<u>95,320,095</u>	<u>187,482,908</u>	<u>160,899,253</u>
EXPENSES						
General Government	26,510,704	22,321,387	-	-	26,510,704	22,321,387
Public Safety	29,537,741	26,179,672	-	-	29,537,741	26,179,672
Community Service	14,822,197	14,192,299	-	-	14,822,197	14,192,299
Interest and Fiscal Charges	5,359,852	5,433,836	-	-	5,359,852	5,433,836
Electric	-	-	53,751,941	48,780,157	53,751,941	48,780,157
Water and Sewer	-	-	32,887,781	28,549,309	32,887,781	28,549,309
Airport	-	-	569,932	647,653	569,932	647,653
Drainage	-	-	2,549,146	2,398,250	2,549,146	2,398,250
Transit	-	-	387,448	300,791	387,448	300,791
Waste Collection	-	-	2,616,527	2,624,743	2,616,527	2,624,743
Total Expenses	<u>76,230,494</u>	<u>68,127,194</u>	<u>92,762,775</u>	<u>83,300,903</u>	<u>168,993,269</u>	<u>151,428,097</u>
Increases (Decreases) in Net Position before Transfers	2,444,112	(2,548,036)	16,045,527	12,019,192	18,489,639	9,471,156
Transfers	<u>(156,698)</u>	<u>5,265,193</u>	<u>156,698</u>	<u>(5,265,193)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	2,287,414	2,717,157	16,202,225	6,753,999	18,489,639	9,471,156
NET POSITION - BEGINNING, AS RESTATED	<u>98,760,988</u>	<u>117,134,456</u>	<u>130,527,148</u>	<u>128,256,596</u>	<u>229,288,136</u>	<u>245,391,052</u>
NET POSITION - ENDING	<u>\$ 101,048,402</u>	<u>\$ 119,851,613</u>	<u>\$ 146,729,373</u>	<u>\$ 135,010,595</u>	<u>\$ 247,777,775</u>	<u>\$ 254,862,208</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 \$49.5 million, a decrease of \$1.0 million in comparison with the prior year. Approximately 35.2% of this total amount constitutes unassigned fund balance, which is available for use within the City's fund designation and fiscal policies. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase prepaid expenses of the prior period, 2) to pay debt service, 3) for capital projects, 4) to generate income to pay for the perpetual care of the municipal cemetery, 5) to be used for general government, or 6) to be used for community services.

The general fund is the main operating fund of the City of San Marcos. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17.4 million, while total fund balance reached \$17.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.7% of total general fund expenditures.

In the general fund, the City budgeted for a fund balance decrease in the current year of \$2,584,667. It is one of the City's financial policies to maintain fund balance in the general fund equal to 90 days' expenditures or 25%. Even though use of fund balance of \$2,584,667 was budgeted, only \$954,112 was subtracted from fund balance at year-end. This is primarily attributable to a transfer in from the electric and water/wastewater funds and actual expenditures being less than originally budgeted. The debt service fund balance increased by \$1,170,081 from 2014 to 2015. This decrease was primarily due to a \$3.5 million cash payment made when the debt related to the San Marcos Convention Center was refunded. The payment was possible due to tax revenue exceeding initial tax projections. Increases in the general fund, and other governmental fund balances offset by the decrease in capital projects funds of \$1.6 million due to progress on construction contributed to the net change in fund balances of \$994,380.

TABLE 3
GOVERNMENTAL TAX REVENUES

	2015	2014	INCREASE (DECREASE)
Property	\$ 18,591,334	\$ 16,748,644	\$ 1,842,690
Sales	25,876,303	24,020,619	1,855,684
Franchise	8,274,178	1,626,077	6,648,101
Hotel/Motel	3,373,681	2,939,387	434,294
Mixed Drink	364,093	360,903	3,190
	<u>\$ 56,479,589</u>	<u>\$ 45,695,630</u>	<u>\$ 10,783,959</u>

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

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

Unrestricted net position of Water and Wastewater Fund at the end of the year amounted to \$33.0 million, and those for the Electric Fund amounted to \$10.3 million. Other factors concerning the finances of these two funds have already been discussed in the discussion of the City of San Marcos' business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY2015, actual expenditures on a budgetary basis were \$50.2 million compared to the budget amount of \$48.5 million. The \$1.1 million positive variance was due to savings achieved through salary vacancy savings and conservative spending.

For FY2015, actual revenues on a budgetary basis were \$55.9 million as compared to the budget amount of \$44.2 million.

The City of San Marcos has a General Fund balance of \$17.9 million as of the fiscal year-end, compared to the budgeted fund balance of \$14.4 million. The variance in fund balance is primarily due to cost containment measures implemented by management and conservative budgetary practices and increased sales tax revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year 2015, the City had \$415 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 34 – 36.

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

	<u>CAPITAL ASSETS</u> (Net of Depreciation)					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Land	\$ 15,960,524	\$ 14,438,124	\$ 3,096,977	\$ 3,096,977	\$ 19,057,501	\$ 17,535,101
Buildings	27,454,723	28,207,067	2,592,031	2,709,599	30,046,754	30,916,666
Improvements Other than Buildings	63,345,175	69,365,474	81,786,904	90,612,383	145,132,079	159,977,857
Equipment	6,577,245	7,105,216	3,448,361	2,878,312	10,025,606	9,983,528
Construction in Progress	66,581,863	55,566,786	121,413,686	107,393,561	187,995,549	162,960,347
Infrastructure	23,113,398	23,790,836	-	-	23,113,398	23,790,836
TOTAL CAPITAL ASSETS	<u>\$ 203,032,928</u>	<u>\$ 198,473,503</u>	<u>\$ 212,337,959</u>	<u>\$ 206,690,832</u>	<u>\$ 415,370,887</u>	<u>\$ 405,164,335</u>

Long-term Debt. At year-end, the City had \$277.9 million in general obligation bonds, combination tax and revenue certificates of obligations and revenue bonds outstanding as compared to \$270.4 million at the end of the prior fiscal year, an increase of 2.8%. For more detailed information on long term debt, please refer to the accompanying notes on pages 38-41.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 83,690,000	\$ 49,940,000	\$ -	\$ -	\$ 83,690,000	\$ 49,940,000
Discount on Bonds	(92,080)	(477,366)	(164,129)	(234,415)	(256,209)	(711,781)
Premium on Bonds	8,159,237	4,845,270	6,621,940	3,799,543	14,781,177	8,644,813
Deferred Amounts on Refundings	(7,125,853)	(3,821,649)	(4,537,678)	(4,537,678)	(11,663,531)	(8,359,327)
Certificates of Obligations	35,525,000	70,740,000	-	-	35,525,000	70,740,000
Capital Leases	1,170,282	468,225	1,305,253	359,196	2,475,535	827,421
Revenue Bonds	-	-	153,390,000	149,670,000	153,390,000	149,670,000
TOTAL DEBT	\$ 121,326,586	\$ 121,694,480	\$ 156,615,386	\$ 149,056,646	\$ 277,941,972	\$ 270,751,126

During this fiscal year, general obligation refunding totaling \$46.6 were issued to refund some previous debt issues.

The City has been upgraded to AA rating from Standard & Poor's Corporation, and its A1 rating from Moody's Investor Services on its tax supported debt. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported debt to assessed value of all taxable property is 2.85%.

The City sponsors an employee benefit plan that provides partially self-insured medical and self-insured dental coverage to employees and voluntary coverage to their participating dependents. The plan is designed to provide a specified level of coverage, with excess insurance coverage provided by specific and aggregate reinsurance. The City's maximum medical claim exposure is limited to \$150,000 in claims per covered person and a dental benefit of \$1,250 per covered person per year. Aggregate coverage based on a monthly enrollment limits the medical claims exposure. Claim liability was \$605,834 at September 30, 2015, compared to \$709,853 at September 30, 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic projections remain strong for San Marcos and the region. San Marcos was recognized as the fastest growing city in the United States for the second year in a row. Property tax appraisals are up 11 percent for Fiscal Year 2016 and the City is seeing indications of continued new growth for the future. General Fund revenue has increased \$10 million over the past 5 years due to strong retail and commercial growth in the City. The increases in permit and development activity, generated by new construction combined with sound financial policies, have put San Marcos in a strong financial position.

The FY2015-16 adopted budget of \$173,012,416 is an increase of \$6.3 million or 3.76% from the adopted fiscal year 2015 budget. Increases in recurring expenses are attributable to

numerous issues related to contract obligations in water and electric supply agreements, CPI adjustments to existing contracts, commitments to adopted merit increases increased health insurance costs, and additional adopted personnel as well as debt service increases. The decrease in one-time expenses is primarily related to the reduction in the transfer in capital reserves in the utility funds.

The budget provides for additional positions to support the City's growth and City Council goals including police officers, fire fighters, permit staff, information technology staff, animal shelter staff, parks and transportation/streets maintenance workers. In addition to personnel, the budget provides for increased funding for street and sidewalk maintenance, citizen satisfaction survey, increased mowing in neighborhood parks, a downtown sign and façade enhancement program, and other line item increases to support department operations.

The adopted property tax rate for 2016 is at 53.02 cents per \$100 valuation, the same as the current rate. The taxable property base increased by 11.4%, or \$3.4 billion, for 2016 budget. This budget will raise more total property tax revenue than last year's budget by \$1,848,158. The operations and maintenance tax rate will pay operations and maintenance (O&M) costs in the General Fund, producing revenues of \$10,023,342. The debt service rate is allocated to repay tax supported debt in the Debt Service Fund. The debt service revenue of \$8,098,192 will be used to pay long-term debt.

Sales taxes represent 46.41% of total General Fund revenue projected for fiscal year 2016. Sales tax receipts are the largest single revenue source supporting general governmental services in San Marcos. Consistent retail sales have kept this revenue stream steady for the past several years. Per the budget policy statement that was adopted by City Council, a conservative estimate of 3% was used to estimate the \$24,817,740 in 2016.

A Water/Wastewater Rate Study has been conducted every year for the last several years including 2015. For the 2016 budget, the CUAB recommends a 3% rate adjustment in water and a 1% rate adjustment in wastewater. The CUAB spent several months looking at the updated rate study modeling, the impacts of the newly implemented rate structure, and the long range plans on the water/wastewater utility including the effect of the Hays County Public Utility Agency (HCPUA).

Historically, the Electric Utility paid a 9% franchise fee on Gross Electric Revenue to the General Fund. A reduction from 9% to 7% over 4 years began in fiscal year 2012 and is budgeted at 7% for fiscal year 2016. For the 2016 budget, the CUAB recommends no rate adjustment. The CUAB spent several months looking at the updated rate study modeling and the results indicated that no rate adjustment was necessary in fiscal year 2016 but there is a possibility of small increases in fiscal year 2016 and 2017.

The FY2015-15 adopted budget with a healthy fund balance represents sound fiscal management and measures our capacity to sustain current and future operations. Overall, the budget will bring our fund balances to a total of \$41.9 million, or 24.2% of total expenses. The percentage in 2015 was 25.3%. The change in Fund Balance is primarily due to increased budgeted expenses and use of general fund balance in this budget year. The budget continues our commitment of maintaining appropriate fund balances while meeting City Council priorities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 7,350,654	\$ 11,972,853	\$ 19,323,507
Investments	43,526,998	79,137,939	122,664,937
Receivables - Net of Allowances for Uncollectibles:			
Taxes	1,070,627	-	1,070,627
Accounts	8,054,013	14,706,879	22,760,892
Other	4,198	-	4,198
Due from Other Governments	452,646	-	452,646
Internal Balances	(999,896)	999,896	-
Inventories	348,056	1,466,566	1,814,622
Prepaid Items	117,951	73,971	191,922
Capital Assets			
Land	15,960,524	3,096,977	19,057,501
Construction in Progress	66,581,863	121,413,686	187,995,549
Buildings	36,554,153	6,369,767	42,923,920
Improvements Other than Building	102,635,403	187,773,724	290,409,127
Equipment	28,356,050	10,899,523	39,255,573
Infrastructure	36,286,358	-	36,286,358
Less: Accumulated Depreciation	(83,341,423)	(117,215,718)	(200,557,141)
Total Assets	<u>262,958,175</u>	<u>320,696,063</u>	<u>583,654,238</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pension	4,714,042	1,034,790	5,748,832
Deferred Charge on Bond Refunding	7,125,853	412,086	7,537,939
Total Deferred Outflows of Resources	<u>11,839,895</u>	<u>1,446,876</u>	<u>13,286,771</u>
<u>LIABILITIES</u>			
Accounts Payable	3,655,142	7,390,497	11,045,639
Accrued Liabilities	3,216,987	425,791	3,642,778
Unearned Revenues	2,741,532	-	2,741,532
Customer Deposits	-	3,790,738	3,790,738
Accrued Interest Payable	597,753	969,736	1,567,489
Noncurrent Liabilities			
Due Within One Year	10,059,905	9,501,818	19,561,723
Due in More than One Year	125,423,562	147,176,620	272,600,182
Net Pension Liability	27,387,814	6,011,958	33,399,772
Total Liabilities	<u>173,082,695</u>	<u>175,267,158</u>	<u>348,349,853</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pension	666,973	146,408	813,381
<u>NET POSITION</u>			
Net Investment in Capital Assets	84,970,285	88,133,246	173,103,531
Restricted for:			
Community Services	905,523	-	905,523
Public Safety	(2,186,135)	-	(2,186,135)
Debt Service	8,110,581	-	8,110,581
Future Convention Center	1,336,880	-	1,336,880
Park and Cemetery Trust			
Nonexpendable	1,064,479	-	1,064,479
Unrestricted	6,846,789	58,596,127	65,442,916
Total Net Position	<u>\$ 101,048,402</u>	<u>\$ 146,729,373</u>	<u>\$ 247,777,775</u>

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

CITY OF SAN MARCOS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<u>Primary Government</u>				
Governmental Activities				
General Government	\$ 26,510,704	\$ 13,809,391	\$ 4,027,807	\$ 680,726
Public Safety	29,537,741	1,667,317	280,796	-
Community Service	14,822,197	860,427	2,277,560	-
Interest and Other Fees	5,359,852	-	-	-
Total Governmental Activities	<u>76,230,494</u>	<u>16,337,135</u>	<u>6,586,163</u>	<u>680,726</u>
Business-Type Activities				
Electric	53,751,941	66,451,840	-	1,400,371
Water and Wastewater	32,887,781	34,225,789	-	-
Airport	569,932	296,241	-	-
Drainage	2,549,146	3,163,499	-	-
Transit	387,448	-	-	-
Waste Collection	<u>2,616,527</u>	<u>2,970,155</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>92,762,775</u>	<u>107,107,524</u>	<u>-</u>	<u>1,400,371</u>
TOTAL GOVERNMENT	<u>\$168,993,269</u>	<u>\$123,444,659</u>	<u>\$ 6,586,163</u>	<u>\$ 2,081,097</u>

General Revenues

Taxes:

Property Taxes
Sales Taxes
Franchise Taxes
Hotel/Motel Taxes
Other Taxes
Investment Earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

NET POSITION - BEGINNING, AS RESTATED

NET POSITION - ENDING

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

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
\$ (7,992,780)	\$ -	\$ (7,992,780)
(27,589,628)	-	(27,589,628)
(11,684,210)	-	(11,684,210)
(5,359,852)	-	(5,359,852)
<u>(52,626,470)</u>	<u>-</u>	<u>(52,626,470)</u>
-	14,100,270	14,100,270
-	1,338,008	1,338,008
-	(273,691)	(273,691)
-	614,353	614,353
-	(387,448)	-
<u>-</u>	<u>353,628</u>	<u>353,628</u>
<u>-</u>	<u>15,745,120</u>	<u>16,132,568</u>
<u>(52,626,470)</u>	<u>15,745,120</u>	<u>(36,493,902)</u>
17,074,412	-	17,074,412
25,876,303	-	25,876,303
8,177,546	-	8,177,546
3,373,681	-	3,373,681
364,093	-	364,093
164,273	300,407	464,680
40,274	-	40,274
<u>(156,698)</u>	<u>156,698</u>	<u>-</u>
<u>54,913,884</u>	<u>457,105</u>	<u>55,370,989</u>
2,287,414	16,202,225	18,489,639
<u>98,760,988</u>	<u>130,527,148</u>	<u>229,288,136</u>
<u>\$ 101,048,402</u>	<u>\$ 146,729,373</u>	<u>\$ 247,777,775</u>

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

CITY OF SAN MARCOS, TEXAS BALANCE SHEET – GOVERNMENTAL FUNDS SEPTEMBER 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 4,837,967	\$ 4,315,631	\$ (90,255)	\$ (2,340,433)	\$ 6,722,910
Investments	14,161,307	20,421,549	7,407,217	1,536,925	43,526,998
Receivables – Net of Allowances for Uncollectibles					
Taxes, Net	403,421	-	410,701	256,505	1,070,627
Accounts	4,403,256	-	780,862	2,798,972	7,983,090
Loans	-	-	-	4,198	4,198
Due from Other Funds	-	-	3,972	-	3,972
Due from Other Governments	-	-	-	452,646	452,646
Inventories	348,056	-	-	-	348,056
Prepays	117,951	-	-	-	117,951
 TOTAL ASSETS	 \$ 24,271,958	 \$ 24,737,180	 \$ 8,512,497	 \$ 2,708,813	 \$ 60,230,448
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,531,906	\$ 1,611,702	\$ -	\$ 437,144	\$ 3,580,752
Accrued Liabilities	2,522,328	29,086	-	59,739	2,611,153
Unearned Revenue	1,939,112	-	-	802,420	2,741,532
Customer Deposits	-	-	-	2,131	2,131
Due to Other Funds	-	1,000,261	3,607	-	1,003,868
Total Liabilities	5,993,346	2,641,049	3,607	1,301,434	9,939,436
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue – Property Taxes	389,725	-	398,309	-	788,034
<u>FUND BALANCES</u>					
Nonspendable:					
Inventories	348,056	-	-	-	348,056
Prepays	117,951	-	-	-	117,951
Restricted for:					
Public Safety	-	-	-	(2,186,135)	(2,186,135)
Community Services	-	-	-	2,529,035	2,529,035
Cemetery Memorial	-	-	-	1,064,479	1,064,479
Capital Projects	-	22,096,131	-	-	22,096,131
Debt Service	-	-	8,110,581	-	8,110,581
Unassigned	17,422,880	-	-	-	17,422,880
Total Fund Balances	17,888,887	22,096,131	8,110,581	1,407,379	49,502,978
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	 \$ 24,271,958	 \$ 24,737,180	 \$ 8,512,497	 \$ 2,708,813	 \$ 60,230,448

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

CITY OF SAN MARCOS, TEXAS
 RECONCILIATION OF BALANCE SHEET –
 GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 49,502,978

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. 203,032,928

Certain other long-term assets are not available to pay for current-period expenditures and, therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 790,165

The assets and liabilities of the internal service fund are not included in the fund financial statement, but is included in the governmental activities of the statement of net position. 18,443

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (152,296,112)

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$101,048,402

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Taxes	\$ 44,415,572	\$ -	\$ 8,180,541	\$ 3,786,844	\$ 56,382,957
Licenses and Permits	2,456,668	-	-	-	2,456,668
Fees and Penalties	1,474,477	-	-	139,538	1,614,015
Charges for Services	5,338,366	-	-	242,548	5,580,914
Intergovernmental	490,215	-	3,124,486	6,526,163	10,140,864
Interest on Investments	83,412	18,364	56,091	5,465	163,332
Contributions and Donations	60,000	-	-	-	60,000
Miscellaneous	<u>1,606,925</u>	<u>1,279,771</u>	<u>138,484</u>	<u>85,931</u>	<u>3,111,111</u>
Total Revenues	<u>55,925,635</u>	<u>1,298,135</u>	<u>11,499,602</u>	<u>10,786,489</u>	<u>79,509,861</u>
<u>EXPENDITURES</u>					
Current					
General Government	15,338,671	372,333	-	1,588,017	17,299,021
Public Safety	25,300,121	-	-	2,995,550	28,295,671
Community Service	9,464,194	-	-	4,431,648	13,895,842
Capital Outlay	-	11,022,884	-	2,795,189	13,818,073
Debt Service					
Principal	82,512	-	7,370,000	-	7,452,512
Interest and Fiscal Charges	24,260	-	4,600,112	-	4,624,372
Bond Issuance Cost	-	73,784	400,191	-	473,975
Total Expenditures	<u>50,209,758</u>	<u>11,469,001</u>	<u>12,370,303</u>	<u>11,810,404</u>	<u>85,859,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,715,877</u>	<u>(10,170,866)</u>	<u>(870,701)</u>	<u>(1,023,915)</u>	<u>(6,349,605)</u>
<u>OTHER FINANCING SOURCES</u>					
Transfers In	34,416	2,325,417	2,675,165	749,974	5,784,972
Transfers Out	(3,882,620)	-	(383,522)	(2,125,528)	(6,391,670)
Issuance of Debt	-	5,665,000	32,020,000	-	37,685,000
Payment to Refunded Bond Escrow Agent	-	-	(35,614,546)	-	(35,614,546)
Premium on Debt Issued	-	<u>547,784</u>	<u>3,343,685</u>	-	<u>3,891,469</u>
Total Other Financing Sources	<u>(3,848,204)</u>	<u>8,538,201</u>	<u>2,040,782</u>	<u>(1,375,554)</u>	<u>5,355,225</u>
Net Change in Fund Balances	1,867,673	(1,632,665)	1,170,081	(2,399,469)	(994,380)
<u>FUND BALANCES - BEGINNING</u>	<u>16,021,214</u>	<u>23,728,796</u>	<u>6,940,500</u>	<u>3,806,848</u>	<u>50,497,358</u>
FUND BALANCES - ENDING	<u>\$ 17,888,887</u>	<u>\$ 22,096,131</u>	<u>\$ 8,110,581</u>	<u>\$ 1,407,379</u>	<u>\$ 49,502,978</u>

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

CITY OF SAN MARCOS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (994,380)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlay exceeded depreciation expense.

3,878,699

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

(836,196)

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.

1,538,046

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.

(1,424,590)

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

557,482

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.

(431,647)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,287,414

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

CITY OF SAN MARCOS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					GOVERNMENTAL
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	INTERNAL SERVICE
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 6,712,144	\$ 2,374,634	\$ 2,210,194	\$ 675,881	\$ 11,972,853	\$ 627,744
Investments	21,551,095	51,504,545	5,035,660	1,046,639	79,137,939	-
Receivables - Net of Allowances for Uncollectibles	9,355,742	4,483,184	334,824	533,129	14,706,879	70,923
Due from Other Funds	1,000,261	2,768	839	-	1,003,868	-
Due from Other Governments	-	-	-	-	-	-
Inventories	996,018	470,548	-	-	1,466,566	-
Prepaid Items	<u>30,925</u>	<u>11,190</u>	<u>-</u>	<u>31,856</u>	<u>73,971</u>	<u>-</u>
Total Current Assets	<u>39,646,185</u>	<u>58,846,869</u>	<u>7,581,517</u>	<u>2,287,505</u>	<u>108,362,076</u>	<u>698,667</u>
<u>NONCURRENT ASSETS</u>						
Capital Assets:						
Land	31,695	2,377,298	34,844	653,140	3,096,977	-
Buildings	472,092	1,557,930	-	4,339,745	6,369,767	-
Improvements Other than Buildings	19,112,938	151,773,395	8,545,321	8,342,070	187,773,724	-
Furnishings and Equipment	3,757,091	6,648,484	456,126	37,822	10,899,523	-
Construction in Progress	<u>49,342,855</u>	<u>56,896,520</u>	<u>13,720,322</u>	<u>1,453,989</u>	<u>121,413,686</u>	<u>-</u>
Totals	72,716,671	219,253,627	22,756,613	14,826,766	329,553,677	-
Less: Accumulated Depreciation	<u>(15,828,512)</u>	<u>(87,939,313)</u>	<u>(3,482,662)</u>	<u>(9,965,231)</u>	<u>(117,215,718)</u>	<u>-</u>
Total Capital Assets - Net of Accumulated Depreciation	<u>56,888,159</u>	<u>131,314,314</u>	<u>19,273,951</u>	<u>4,861,535</u>	<u>212,337,959</u>	<u>-</u>
Total Noncurrent Assets	<u>56,888,159</u>	<u>131,314,314</u>	<u>19,273,951</u>	<u>4,861,535</u>	<u>212,337,959</u>	<u>-</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred Outflows - Pension	527,743	444,960	41,392	20,695	1,034,790	-
Deferred Charge on Refunding	-	412,086	-	-	412,086	-
Total Deferred Outflows of Resources	<u>527,743</u>	<u>857,046</u>	<u>41,392</u>	<u>20,695</u>	<u>1,446,876</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 97,062,087</u>	<u>\$ 191,018,229</u>	<u>\$ 26,896,860</u>	<u>\$ 7,169,735</u>	<u>\$ 322,146,911</u>	<u>\$ 698,667</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>						
<u>CURRENT LIABILITIES</u>						
Accounts Payable	\$ 4,043,854	2,024,276	757,876	\$ 564,491	\$ 7,390,497	\$ 74,390
Accrued Liabilities	212,194	182,003	17,511	14,083	425,791	-
Due to Other Funds	-	3,972	-	-	3,972	-
Claims Payable	-	-	-	-	-	605,834
Customer Deposits	2,782,563	846,019	1,179	160,977	3,790,738	-
Accrued Interest Payable	438,238	433,304	98,194	-	969,736	-
Compensated Absences	148,969	118,138	14,711	-	281,818	-
Current Maturities of Long-term Debt	<u>1,295,000</u>	<u>6,905,000</u>	<u>1,020,000</u>	<u>-</u>	<u>9,220,000</u>	<u>-</u>
Total Current Liabilities	<u>8,920,818</u>	<u>10,512,712</u>	<u>1,909,471</u>	<u>739,551</u>	<u>22,082,552</u>	<u>680,224</u>
<u>NONCURRENT LIABILITIES</u>						
Net Pension Liability	3,066,099	2,585,142	240,478	120,239	6,011,958	-
Net OPEB Liability	135,556	119,297	7,121	3,202	265,176	-
Compensated Absences	43,272	34,272	4,294	-	81,838	-
Long-Term Debt	<u>39,201,740</u>	<u>89,517,099</u>	<u>18,110,767</u>	<u>-</u>	<u>146,829,606</u>	<u>-</u>
Total Noncurrent Liabilities	<u>42,446,667</u>	<u>92,255,810</u>	<u>18,362,660</u>	<u>123,441</u>	<u>153,188,578</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Inflows - Pension	<u>74,668</u>	<u>62,956</u>	<u>5,856</u>	<u>2,928</u>	<u>146,408</u>	<u>-</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	24,578,539	54,101,969	4,591,203	4,861,535	88,133,246	-
Unrestricted	<u>21,041,395</u>	<u>34,084,782</u>	<u>2,027,670</u>	<u>1,442,280</u>	<u>58,596,127</u>	<u>18,443</u>
Total Net Position	<u>45,619,934</u>	<u>88,186,751</u>	<u>6,618,873</u>	<u>6,303,815</u>	<u>146,729,373</u>	<u>18,443</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 97,062,087</u>	<u>\$ 191,018,229</u>	<u>\$ 26,896,860</u>	<u>\$ 7,169,735</u>	<u>\$ 322,146,911</u>	<u>\$ 698,667</u>

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

CITY OF SAN MARCOS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	ELECTRIC	WATER AND WASTEWATER	STORMWATER DRAINAGE	OTHER ENTERPRISE	TOTAL	INTERNAL SERVICE
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 65,416,628	\$ 33,879,545	\$ 3,120,244	\$ 3,218,577	\$ 105,634,994	\$ -
Intergovernmental	-	30,728	-	44,659	75,387	-
Employer Contributions	-	-	-	-	-	4,610,235
Employee Contributions	-	-	-	-	-	1,417,787
Retiree Contributions	-	-	-	-	-	-
Pharmacy Rebates						90,119
Miscellaneous	<u>1,035,212</u>	<u>315,516</u>	<u>43,255</u>	<u>3,160</u>	<u>1,397,143</u>	<u>-</u>
Total Operating Revenues	<u>66,451,840</u>	<u>34,225,789</u>	<u>3,163,499</u>	<u>3,266,396</u>	<u>107,107,524</u>	<u>6,118,141</u>
<u>OPERATING EXPENSES</u>						
Purchased Power	38,958,899	-	-	-	38,958,899	-
Personnel Services	4,252,321	3,655,027	365,190	156,038	8,428,576	-
Contracted Services	1,684,908	8,562,935	724,690	3,164,831	14,137,364	-
Materials and Supplies	1,219,895	972,776	36,033	32,404	2,261,108	-
Indirect Costs	45,785	3,905,569	137,021	-	4,088,375	-
Claims	-	-	-	-	-	6,035,121
Other Charges	5,401,107	2,983,839	36,119	50,845	8,471,910	965,608
Depreciation	<u>618,403</u>	<u>8,896,401</u>	<u>573,480</u>	<u>169,789</u>	<u>10,258,073</u>	<u>-</u>
Total Operating Expenses	<u>52,181,318</u>	<u>28,976,547</u>	<u>1,872,533</u>	<u>3,573,907</u>	<u>86,604,305</u>	<u>7,000,729</u>
Operating Income	<u>14,270,522</u>	<u>5,249,242</u>	<u>1,290,966</u>	<u>(307,511)</u>	<u>20,503,219</u>	<u>(882,588)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Investment Earnings	105,314	190,210	2,695	2,188	300,407	941
Interest and Fiscal Charges	(1,570,623)	(3,911,234)	(676,613)	-	(6,158,470)	-
Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(1,465,309)</u>	<u>(3,721,024)</u>	<u>(673,918)</u>	<u>2,188</u>	<u>(5,858,063)</u>	<u>941</u>
Income (Loss) before Transfers	12,805,213	1,528,218	617,048	(305,323)	14,645,156	(881,647)
Capital Contributions	1,400,371	-	-	-	1,400,371	-
Transfers In	-	-	-	516,114	516,114	450,000
Transfers Out	<u>(150,000)</u>	<u>(209,416)</u>	<u>-</u>	<u>-</u>	<u>(359,416)</u>	<u>-</u>
Change in Net Position	14,055,584	1,318,802	617,048	210,791	16,202,225	(431,647)
<u>TOTAL NET POSITION - BEGINNING, AS RESTATED</u>	<u>31,564,350</u>	<u>86,867,949</u>	<u>6,001,825</u>	<u>6,093,024</u>	<u>130,527,148</u>	<u>450,090</u>
TOTAL NET POSITION - ENDING	<u>\$ 45,619,934</u>	<u>\$ 88,186,751</u>	<u>\$ 6,618,873</u>	<u>\$ 6,303,815</u>	<u>\$ 146,729,373</u>	<u>\$ 18,443</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Marcos, Texas (the City) was incorporated July 11, 1877, while the City's home rule charter was adopted by election in 1967. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, electric, water and wastewater services.

The accompanying financial statements comply with the provisions of the GASB Statement No. 14, 39, and 61, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period. Property taxes availability period is considered to be 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by other funds.

The Debt Service Fund accounts for the accumulation of resources for the payment of long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The Electric Fund accounts for the activities necessary for the provision of electric services.

The Water and Wastewater Fund accounts for the activities necessary for the provision of water and sewer services.

The Stormwater Drainage Fund was created to address the need for improvements in drainage channels throughout the City. The fund obtains revenue through the assessment of a monthly drainage utility fee to both residential and commercial customers.

Additionally, the City reports the following fund type:

Internal Service Fund accounts for benefits provided to other departments or agencies of the City on a cost-reimbursement basis.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, investment securities with a maturity of three months or less from the date of purchase.

Statutes authorize the City to invest in obligations of U. S. Treasury or its agencies and instrumentalities, obligations of the state or its agencies, other investments guaranteed by the U.S. Treasury or the State of Texas, or investments rated by a national rating company at "A" or better. The City is also authorized to invest in fully collateralized repurchase agreements, local government investment pools, and in certificates of deposit issued by banks domiciled in Texas that are FDIC insured or have securities (of aforementioned quality) pledged to secure these deposits. The investment of idle funds has been restricted to U. S. Government Treasury and agency securities and time deposits with the City's depository banks.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 15 percent of outstanding property taxes at September 30, 2015.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Inventories and Prepaid Items

Inventory is valued at cost using the average cost method of accounting. Inventory in the general fund consists of expendable supplies held for consumption. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method). Inventory reported in the general fund is offset by a fund balance reserve which indicates that it does not represent "available spendable resources" even though it is a component of net current assets. Inventory in the water and wastewater and electric funds consists of parts and maintenance items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Fund Balance Classification

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

Fund Balance Classification (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When 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.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Change in Accounting Policy

During fiscal year 2015 the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes as outflows of resources or inflows of resources, certain items that were previously recorded as assets and liabilities.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(152,296,112) difference are as follows:

General Obligation Bonds	\$(119,215,000)
Capital Lease	(1,170,282)
Discounts on Bonds	92,080
Premiums on Bonds	(8,159,237)
Accrued Interest Payable	(597,753)
Compensated Absences	(5,800,476)
Deferred Loss on Refunding	7,125,853
Net Pension Liability	(23,340,745)
OPEB Net Pension Obligation	<u>(1,230,552)</u>
NET ADJUSTMENT TO REDUCE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET POSITION – GOVERNMENTAL ACTIVITIES	 <u><u>\$(152,296,112)</u></u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$3,878,699 difference is as follows:

Capital Outlay	\$13,818,073
Depreciation Expense	<u>(9,939,374)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,878,699</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 \$(836,196) difference is as follows:

Capital Contribution	\$ 680,726
Property Taxes	<u>(1,516,922)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (836,196)</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$1,538,046 difference are as follows:

Debt Issued or Incurred:	
Issuance of General Obligation Bonds	\$ (37,685,000)
Premium on Bond Issuance	(3,891,469)
Principal Repayments:	
General Obligation Bonds Refunded	31,780,000
Capital Lease	129,969
Deferred Loss on Refunding	3,834,546
General Obligation Debt	<u>7,370,000</u>
NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,538,046</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(1,424,590) difference are as follows:

Compensated Absence/OPEB Net Pension Obligation	\$ (1,163,085)
Accrued Interest	76,621
Amortization of Deferred Charge on Refunding	(530,342)
Amortization of Bond Discounts	(385,286)
Amortization of Bond Premiums	<u>577,502</u>

NET ADJUSTMENT TO DECREASE NET CHANGES IN FUND BALANCES –	
TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES	
IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,424,590)</u>

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Formal budgetary accounting is employed for all funds of the City, excluding Grants and Special Entitlements, PARD Recreation Programs, Library Memorial, Parks and Recreation, Capital Projects and the Cemetery Perpetual Permanent Fund. Annual operating budgets are prepared and presented for the general fund, debt service fund, and all other special revenue funds. All annual appropriations lapse at fiscal year-end.

Budgets for the governmental fund types are prepared and adopted on the GAAP basis. Budgets for expenses used for managerial control have been prepared for the enterprise funds on a non-GAAP basis, which excludes depreciation, but includes capital outlay and total debt service.

The City Council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations were not considered material.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

1. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, the City's bank balance was fully collateralized with securities held by independent third party financial institutions.

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

2. Credit Risk – It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA (regular funds) and A (reserved funds) or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 360 days for regular funds and 18 months for reserved funds. The City's investment pool was rated AAAM by Standard & Poor's Investors Services.
3. Interest Rate Risk: In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 360 days or less for regular funds and 18 months for reserved funds, dependent on market conditions.
4. Concentration of Credit Risk: The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

The City's cash and investments at September 30, 2015, are shown below:

DESCRIPTION	RATING	RATING ORGANIZATION	FAIR VALUE	WEIGHTED AVERAGE MATURITY (DAYS)
Well Fargo Cash and Cash on Hand	NR	N/A	\$ 13,865,172	-
TexStar	AAAm	Standard & Poor's	1,143,746	-
Texas CLASS	AAAm	Standard & Poor's	44,454,795	-
TexasTERM	AAAm	Standard & Poor's	6,982,107	-
Lonestar	AAAm	Standard & Poor's	13,924,477	-
LOGIC	AAAm	Standard & Poor's	9,400,462	-
Wells Fargo Money Market Mutual Funds	AAAm	Standard & Poor's	24,369,002	-
FHLMC	AA+	Standard & Poor's	10,111,539	169
United States Treasuries	AA+	Standard & Poor's	17,737,144	237
TOTAL FAIR VALUE			<u>\$ 141,988,444</u>	
Portfolio Weighted Average Maturity (Days)				41.64

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 14,438,124	\$ 1,522,400	\$ -	15,960,524
Construction in Progress	<u>55,566,786</u>	<u>12,004,842</u>	<u>(989,765)</u>	<u>66,581,863</u>
Total Capital Asset not being Depreciated	<u>70,004,910</u>	<u>13,527,242</u>	<u>(989,765)</u>	<u>82,542,387</u>
Capital Assets being Depreciated				
Buildings	36,554,153	-	-	36,554,153
Machinery and Equipment	27,370,655	1,023,220	(37,825)	28,356,050
Improvements other than Buildings	102,378,027	257,376	-	102,635,403
Infrastructure	<u>35,605,632</u>	<u>680,726</u>	<u>-</u>	<u>36,286,358</u>
Total Capital Asset being Depreciated	<u>201,908,467</u>	<u>1,961,322</u>	<u>(37,825)</u>	<u>203,831,964</u>
Less Accumulated Depreciation:				
Buildings	(8,347,086)	(752,344)	-	(9,099,430)
Machinery and Equipment	(20,265,439)	(1,551,191)	37,825	(21,778,805)
Improvements Other than Buildings	(33,012,553)	(6,277,675)	-	(39,290,228)
Infrastructure	<u>(11,814,796)</u>	<u>(1,358,164)</u>	<u>-</u>	<u>(13,172,960)</u>
Total Accumulated Depreciation	<u>(73,439,874)</u>	<u>(9,939,374)</u>	<u>37,825</u>	<u>(83,341,423)</u>
Total Capital Assets being Depreciated - Net	<u>128,468,593</u>	<u>(7,978,052)</u>	<u>-</u>	<u>120,490,541</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 198,473,503</u>	<u>\$ 5,549,190</u>	<u>\$ (989,765)</u>	<u>203,032,928</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 3,096,977	\$ -	\$ -	3,096,977
Construction in Progress	<u>107,393,561</u>	<u>14,883,738</u>	<u>(863,613)</u>	<u>121,413,686</u>
Total Assets not being Depreciated	<u>110,490,538</u>	<u>14,883,738</u>	<u>(863,613)</u>	<u>124,510,663</u>
Capital Assets being Depreciated				
Buildings	6,369,767	-	-	6,369,767
Machinery and Equipment	9,759,585	1,139,938	-	10,899,523
Improvements other than Buildings	<u>187,028,588</u>	<u>745,136</u>	<u>-</u>	<u>187,773,724</u>
Total Capital Assets being Depreciated	<u>203,157,940</u>	<u>1,885,074</u>	<u>-</u>	<u>205,043,014</u>
Less Accumulated Depreciation:				
Buildings	(3,660,168)	(117,568)	-	(3,777,736)
Machinery and Equipment	(6,881,273)	(569,889)	-	(7,451,162)
Improvements other than Buildings	<u>(96,416,205)</u>	<u>(9,570,615)</u>	<u>-</u>	<u>(105,986,820)</u>
Total Accumulated Depreciation	<u>(106,957,646)</u>	<u>(10,258,072)</u>	<u>-</u>	<u>(117,215,718)</u>
Total Capital Assets being Depreciated - Net	<u>96,200,294</u>	<u>(8,372,998)</u>	<u>-</u>	<u>87,827,296</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 206,690,832</u>	<u>\$ 6,510,740</u>	<u>\$ (863,613)</u>	<u>212,337,959</u>

CITY OF SAN MARCOS, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2015

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 120,680,000	\$ 37,685,000	\$ (39,150,000)	\$ 119,215,000	\$ 8,230,000
Discount on Bonds	(477,366)	-	385,286	(92,080)	(7,510)
Premium on Bonds	4,845,270	3,891,469	(577,502)	8,159,237	577,502
Capital Leases	1,300,251	-	(129,969)	1,170,282	48,555
Compensated Absences	5,104,198	2,852,831	(2,156,553)	5,800,476	1,211,358
TMRS Net Pension Obligation	3,639,628	27,387,814	(3,639,628)	27,387,814	-
OPEB Net Pension Obligation	1,125,345	105,207	-	1,230,552	-
	<u>\$ 136,217,326</u>	<u>\$ 71,922,321</u>	<u>\$ (45,268,366)</u>	<u>\$ 162,871,281</u>	<u>\$ 10,059,905</u>
<u>Business-Type Activities</u>					
Bonds Payable					
Revenue Bonds	\$ 149,670,000	\$ 27,270,000	\$ (23,550,000)	\$ 153,390,000	\$ 9,220,000
Premium on Bonds	3,799,543	3,333,733	(511,336)	6,621,940	410,312
Discount on Bonds	(234,415)	-	70,286	(164,129)	(11,724)
Capital Leases	1,462,114	-	(156,861)	1,305,253	49,898
TMRS Net Pension Obligation	762,506	6,011,958	(762,506)	6,011,958	-
OPEB Net Pension Obligation	242,083	23,094	-	265,177	-
Total Bonds Payable	155,701,831	36,638,785	(24,910,417)	167,430,199	9,668,486
Compensated Absences	337,923	579,400	(553,668)	363,655	281,818
	<u>\$ 156,039,754</u>	<u>\$ 37,218,185</u>	<u>\$ (25,464,085)</u>	<u>\$ 167,793,854</u>	<u>\$ 9,950,304</u>

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

G. Other Information

Benefits Management

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

The medical plan is funded by contributions of the City and employees. The City and our employees' contributions go into a fund which pays claims and associated plan costs such as the plan administrator, network expenses, insurance and programs and services to provide an effective program. Excess insurance is purchased to cover claims in excess of the \$150,000 attachment point as well as aggregate insurance. Excess insurance covers medical and

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	ANNUAL COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)
12/31/2013	\$120,326,557	\$160,723,959	\$40,397,402	74.9%	\$ 30,820,467	131.1%
12/31/2012	108,603,384	141,224,081	32,620,697	76.9%	29,096,429	112.1%
12/31/2011	97,843,592	131,900,915	34,057,323	74.2%	28,202,003	120.8%

CITY OF SAN MARCOS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLANS
FOR THE EMPLOYEES OF THE CITY OF SAN MARCOS, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/2012	\$ -	\$ 4,418,979	\$ 4,418,979	0.0%	\$ 29,096,429	15.2%
12/31/2010	-	3,420,429	3,420,429	0.0%	26,691,575	12.8%
12/31/2008	-	3,373,453	3,373,453	0.0%	23,938,024	14.1%

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR SPECIAL REVENUE FUNDS

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

Grants and Special Entitlements

Community Development Block Grant

Public Education

Police Grant

WIC Project

PARD Recreation Programs

Hotel Occupancy

Municipal Court Technology

Seized Assets

Library Memorial

Municipal Court Security Fee

Juvenile Case Manager Fee

Parks and Recreation

TIRZ #2

TIRZ #3

TIRZ #5

Miscellaneous Grants

NONMAJOR PERMANENT FUNDS

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

Cemetery Perpetual

CITY OF SAN MARCOS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	SPECIAL		
	GRANT AND SPECIAL ENTITLEMENTS	COMMUNITY DEVELOPMENT BLOCK GRANT	PUBLIC EDUCATION
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 249,371	\$ 4,961	\$ 486,064
Investments			
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	37,816	24,012
Taxes	-	-	-
Loans	4,198	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 253,569</u>	 <u>\$ 42,777</u>	 <u>\$ 510,076</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ 41,952	\$ 3,079
Accrued Liabilities	-	4,520	-
Unearned Revenue	191,270	7,642	-
Customer Deposits	-	-	-
Due to Other Funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>191,270</u>	<u>54,114</u>	<u>\$ 3,079</u>
Fund Balances			
Nonspendable for Prepaid Items	-	-	-
Restricted for			
Public Safety	-	-	-
Community Services	62,299	(11,337)	506,997
Endowment	-	-	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>62,299</u>	<u>(11,337)</u>	<u>506,997</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 253,569</u>	 <u>\$ 42,777</u>	 <u>\$ 510,076</u>

REVENUE						
POLICE GRANT	WIC PROJECT	PARD RECREATION PROGRAMS	HOTEL OCCUPANCY	MUNICIPAL COURT TECHNOLOGY	SEIZED ASSETS	LIBRARY MEMORIAL
\$(2,691,146)	\$ (265,103)	\$ 76,427	\$ 919,059	\$ 191,082	\$ 118,085	\$ 54,338
-	-	-	-	-	-	-
-	-	-	256,505	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
97,023	355,623	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$(2,594,123)</u>	<u>\$ 90,520</u>	<u>\$ 76,427</u>	<u>\$ 1,175,564</u>	<u>\$ 191,082</u>	<u>\$ 118,085</u>	<u>\$ 54,338</u>
\$ -	\$ 42,056	\$ 9,600	\$ 163,037	\$ -	\$ -	\$ -
-	48,464	-	6,755	-	-	-
59,715	-	-	98	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>59,715</u>	<u>90,520</u>	<u>9,600</u>	<u>169,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
(2,653,838)	-	-	-	191,082	118,085	-
-	-	66,827	1,005,674	-	-	54,338
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(2,653,838)</u>	<u>-</u>	<u>66,827</u>	<u>1,005,674</u>	<u>191,082</u>	<u>118,085</u>	<u>54,338</u>
<u>\$(2,594,123)</u>	<u>\$ 90,520</u>	<u>\$ 76,427</u>	<u>\$ 1,175,564</u>	<u>\$ 191,082</u>	<u>\$ 118,085</u>	<u>\$ 54,338</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 SEPTEMBER 30, 2015

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	PARKS AND RECREATION
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 141,788	\$ 18,077	\$ 7,067
Investments	-	-	-
Receivables - Net of Allowances for Uncollectibles			
Accounts	-	-	-
Taxes	-	-	-
Loans	-	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Prepaid Items	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 141,788</u>	 <u>\$ 18,077</u>	 <u>\$ 7,067</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ -	\$ 1,329	\$ -
Accrued Liabilities	-	-	-
Deferred Revenue	-	-	-
Customer Deposits	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>1,329</u>	<u>-</u>
Fund Balances			
Nonspendable for Prepaid Items	-	-	-
Restricted for			
Public Safety	141,788	16,748	-
Community Services	-	-	7,067
Endowment	-	-	-
Total Fund Balances	<u>141,788</u>	<u>16,748</u>	<u>7,067</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 141,788</u>	 <u>\$ 18,077</u>	 <u>\$ 7,067</u>

REVENUE					
TIRZ #2	TIRZ #3	TIRZ #5	TIRZ LOOP 110	TIRZ LONE STAR RAIN	MUNICIPAL JUDGE EFFICIENCY
\$ (127,264)	\$ (67,657)	\$229,656	\$150,000	\$ 287	\$ 822
-	-	-	-	-	-
129,366	70,657	116,509	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,102</u>	<u>3,000</u>	<u>\$346,165</u>	<u>\$150,000</u>	<u>\$ 287</u>	<u>\$ 822</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,494
-	-	-	-	-	-
-	-	-	-	-	-
2,131	-	-	-	-	-
-	-	-	-	-	-
<u>2,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494</u>
-	-	-	-	-	-
-	-	-	-	-	-
(29)	3,000	346,165	150,000	287	(672)
-	-	-	-	-	-
<u>(29)</u>	<u>3,000</u>	<u>346,165</u>	<u>150,000</u>	<u>287</u>	<u>(672)</u>
<u>2,102</u>	<u>3,000</u>	<u>\$346,165</u>	<u>\$150,000</u>	<u>\$ 287</u>	<u>\$ 822</u>

CITY OF SAN MARCOS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

MISCELLANEOUS GRANTS	TOW FORFEITURE FUND	CEMETERY PERPETUAL	TOTALS
\$ (1,879,669)	\$ 1,880	\$ 41,442	\$ (2,340,433)
521,981	-	1,014,944	1,536,925
2,412,519	-	8,093	2,798,972
-	-	-	256,505
-	-	-	4,198
-	-	-	-
-	-	-	452,646
-	-	-	-
<u>\$ 1,054,831</u>	<u>\$ 1,880</u>	<u>\$ 1,064,479</u>	<u>\$ 2,708,813</u>
\$ 174,597	\$ -	\$ -	\$ 437,144
-	-	-	59,739
543,695	-	-	802,420
-	-	-	2,131
-	-	-	-
<u>718,292</u>	<u>-</u>	<u>-</u>	<u>1,301,434</u>
-	-	-	-
-	-	-	(2,186,135)
336,539	1,880	-	2,529,035
-	-	1,064,479	1,064,479
<u>336,539</u>	<u>1,880</u>	<u>1,064,479</u>	<u>1,407,379</u>
<u>\$ 1,054,831</u>	<u>\$ 1,880</u>	<u>\$ 1,064,479</u>	<u>\$ 2,708,813</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, 2015

	<u>SPECIAL</u>		
	<u>GRANT AND SPECIAL ENTITLEMENTS</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>	<u>PUBLIC EDUCATION</u>
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ 96,632
Fines and Penalties	-	-	-
Intergovernmental	-	561,277	-
Charges for Services	-	-	-
Investment Earnings	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>561,277</u>	<u>96,632</u>
<u>EXPENDITURES</u>			
Current			
General Government	-	-	10,160
Public Safety	-	-	-
Community Service	-	584,472	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>584,472</u>	<u>10,160</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>-</u>	<u>(23,195)</u>	<u>86,472</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(23,195)	86,472
<u>FUND BALANCES - BEGINNING</u>	<u>62,299</u>	<u>11,858</u>	<u>420,525</u>
FUND BALANCES - ENDING	<u>\$ 62,299</u>	<u>\$ (11,337)</u>	<u>\$506,997</u>

REVENUE

<u>POLICE GRANT</u>	<u>WIC PROJECT</u>	<u>PARD RECREATION PROGRAMS</u>	<u>HOTEL OCCUPANCY</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>	<u>SEIZED ASSETS</u>	<u>LIBRARY MEMORIAL</u>
\$ -	\$ -	\$ -	\$3,373,681	\$ -	\$ -	\$ -
-	-	-	-	27,169	47,892	-
280,796	1,656,283	-	-	-	-	-
-	-	240,668	-	-	-	-
4,500	-	12,054	941	-	-	-
<u>285,296</u>	<u>1,656,283</u>	<u>252,722</u>	<u>3,378,518</u>	<u>27,169</u>	<u>47,892</u>	<u>20,150</u>
-	-	-	-	-	-	-
2,945,375	-	-	-	-	1,500	-
-	1,656,283	258,998	1,931,895	-	-	-
-	-	-	-	6,395	-	-
<u>2,945,375</u>	<u>1,656,283</u>	<u>258,998</u>	<u>1,931,895</u>	<u>6,395</u>	<u>1,500</u>	<u>-</u>
<u>(2,660,079)</u>	<u>-</u>	<u>(6,276)</u>	<u>1,446,623</u>	<u>20,774</u>	<u>46,392</u>	<u>20,150</u>
-	-	-	52,810	-	-	-
-	-	-	<u>(1,930,246)</u>	-	-	-
-	-	-	<u>(1,877,436)</u>	-	-	-
(2,660,079)	-	(6,276)	(430,813)	20,774	46,392	20,150
<u>6,241</u>	<u>-</u>	<u>73,103</u>	<u>1,436,487</u>	<u>170,308</u>	<u>71,693</u>	<u>34,188</u>
<u>\$(2,653,838)</u>	<u>\$ -</u>	<u>\$ 66,827</u>	<u>\$1,005,674</u>	<u>\$ 191,082</u>	<u>\$118,085</u>	<u>\$ 54,338</u>

(CONTINUED)

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	SPECIAL		
	MUNICIPAL COURT SECURITY FEE	JUVENILE CASE MANAGER FEE	PARKS AND RECREATION
<u>REVENUES</u>			
Taxes	\$ -	\$ -	\$ -
Fines and Penalties	21,392	39,826	
Intergovernmental	-	-	
Charges for Services	-	-	
Investment Earnings	-	-	
Miscellaneous	-	-	798
Total Revenues	<u>21,392</u>	<u>39,826</u>	<u>798</u>
<u>EXPENDITURES</u>			
Current			
General Government	-	-	-
Public Safety	-	48,675	-
Community Service	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>48,675</u>	<u>-</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>21,392</u>	<u>(8,849)</u>	<u>798</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	21,392	(8,849)	798
<u>FUND BALANCES - BEGINNING</u>	<u>120,396</u>	<u>25,597</u>	<u>6,269</u>
FUND BALANCES - ENDING	<u>\$ 141,788</u>	<u>\$ 16,748</u>	<u>\$ 7,067</u>

REVENUE

TIRZ #2	TIRZ #3	TIRZ #5	TIRZ LOOP 110	TIRZ LONE STAR RAIN	MUNICIPAL JUDGE EFFICIENCY
\$ 129,365	\$ 70,657	\$ 116,509	\$ -	\$ -	\$ -
-	-	-	-	-	3,259
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	31,467
<u>129,365</u>	<u>70,657</u>	<u>116,509</u>	<u>-</u>	<u>-</u>	<u>34,726</u>
410,831	-	-	-	-	35,398
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>410,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,398</u>
<u>(281,466)</u>	<u>70,657</u>	<u>116,509</u>	<u>-</u>	<u>-</u>	<u>(672)</u>
281,467	124,625	140,785	150,000	287	-
-	(195,282)	-	-	-	-
<u>281,467</u>	<u>(70,657)</u>	<u>140,785</u>	<u>150,000</u>	<u>287</u>	<u>-</u>
1	-	257,294	150,000	287	(672)
(30)	3,000	88,871	-	-	-
<u>\$ (29)</u>	<u>\$ 3,000</u>	<u>\$ 346,165</u>	<u>\$ 150,000</u>	<u>\$ 287</u>	<u>\$ (672)</u>

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

MISCELLANEOUS GRANTS	TOW FORFEITURE FUND	CEMETERY PERPETUAL	TOTALS
\$ -	\$ -	\$ -	\$ 3,786,844
-	-	-	139,538
4,027,807	-	-	6,526,163
-	1,880	-	242,548
1,586	-	2,938	5,465
11,000	-	2,066	85,931
<u>4,040,393</u>	<u>1,880</u>	<u>5,004</u>	<u>10,786,489</u>
1,131,628	-	-	1,588,017
-	-	-	2,995,550
-	-	-	4,431,648
<u>2,788,794</u>	<u>-</u>	<u>-</u>	<u>2,795,189</u>
<u>3,920,422</u>	<u>-</u>	<u>-</u>	<u>11,810,404</u>
<u>119,971</u>	<u>1,880</u>	<u>5,004</u>	<u>(1,023,915)</u>
-	-	-	749,974
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,125,528)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,375,554)</u>
119,971	1,880	5,004	(2,399,469)
<u>216,568</u>	<u>-</u>	<u>1,059,475</u>	<u>3,806,848</u>
<u>\$ 336,539</u>	<u>\$ 1,880</u>	<u>\$ 1,064,479</u>	<u>\$ 1,407,379</u>

NONMAJOR ENTERPRISE FUNDS

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

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

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

Waste Collection Fund – This fund was created to account for waste collection and disposal services provided to residents of the City.

CITY OF SAN MARCOS, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2015

	ENTERPRISE			
	AIRPORT	TRANSIT	WASTE COLLECTION	TOTAL
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ (141,580)	\$ 195,242	\$ 622,219	\$ 675,881
Investments	-	-	1,046,639	1,046,639
Accounts Receivable - Net	90,782	-	442,347	533,129
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Prepaid Expenses	31,856	-	-	31,856
Total Current Assets	<u>(18,942)</u>	<u>195,242</u>	<u>2,111,205</u>	<u>2,287,505</u>
<u>NONCURRENT ASSETS</u>				
Capital Assets:				
Land	653,140	-	-	653,140
Buildings	4,339,745	-	-	4,339,745
Improvements Other than Buildings	8,342,070	-	-	8,342,070
Furnishings and Equipment	19,463	-	18,359	37,822
Construction in Progress	1,453,989	-	-	1,453,989
Totals	14,808,407	-	18,359	14,826,766
Less: Accumulated Depreciation	<u>(9,961,559)</u>	<u>-</u>	<u>(3,672)</u>	<u>(9,965,231)</u>
Total Capital Assets	<u>4,846,848</u>	<u>-</u>	<u>14,687</u>	<u>4,861,535</u>
Total Noncurrent Assets	<u>4,846,848</u>	<u>-</u>	<u>14,687</u>	<u>4,861,535</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows - Pension	<u>-</u>	<u>5,173</u>	<u>15,522</u>	<u>20,695</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,827,906</u>	<u>\$ 200,415</u>	<u>\$ 2,141,414</u>	<u>\$ 7,169,735</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 32,228	\$ 59,186	473,077	\$ 564,491
Accrued Liabilities	-	2,012	12,071	14,083
Due to Other Funds	-	-	-	-
Customer Deposits	6,434	-	154,543	160,977
Total Current Liabilities	<u>38,662</u>	<u>61,198</u>	<u>639,691</u>	<u>739,551</u>
<u>NONCURRENT LIABILITIES</u>				
Net Pension Liability	-	30,060	90,179	120,239
Net OPEB Liability	723	458	2,021	3,202
Total Noncurrent Liabilities	<u>723</u>	<u>30,518</u>	<u>92,200</u>	<u>123,441</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows - Pension	<u>-</u>	<u>732</u>	<u>2,196</u>	<u>2,928</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	4,846,848	-	14,687	4,861,535
Unrestricted	<u>(58,327)</u>	<u>107,967</u>	<u>1,392,640</u>	<u>1,442,280</u>
Total Net Position	<u>4,788,521</u>	<u>107,967</u>	<u>1,407,327</u>	<u>6,303,815</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,827,906</u>	<u>\$ 200,415</u>	<u>\$ 2,141,414</u>	<u>\$ 7,169,735</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, 2015

	ENTERPRISE			TOTAL
	AIRPORT	TRANSIT	WASTE COLLECTION	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 251,582	\$ -	\$ 2,966,995	\$ 3,218,577
Intergovernmental	44,659	-	-	44,659
Miscellaneous	-	-	3,160	3,160
Total Operating Revenues	<u>296,241</u>	<u>-</u>	<u>2,970,155</u>	<u>3,266,396</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	-	32,256	123,782	156,038
Contracted Services	371,976	352,596	2,440,259	3,164,831
Materials and Supplies	19,376	2,189	10,839	32,404
Other Charges	12,463	407	37,975	50,845
Depreciation	<u>166,117</u>	<u>-</u>	<u>3,672</u>	<u>169,789</u>
Total Operating Expenses	<u>569,932</u>	<u>387,448</u>	<u>2,616,527</u>	<u>3,573,907</u>
Operating Income (Loss)	<u>(273,691)</u>	<u>(387,448)</u>	<u>353,628</u>	<u>(307,511)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Investment Income	-	-	2,188	2,188
Transfer In	<u>40,000</u>	<u>451,114</u>	<u>25,000</u>	<u>516,114</u>
Total Non-Operating Revenue (Expenses)	<u>40,000</u>	<u>451,114</u>	<u>27,188</u>	<u>518,302</u>
Change in Net Position	(233,691)	63,666	380,816	210,791
<u>TOTAL NET POSITION - BEGINNING, AS RESTATED</u>	<u>5,022,212</u>	<u>44,301</u>	<u>1,026,511</u>	<u>6,093,024</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,788,521</u>	<u>\$107,967</u>	<u>\$ 1,407,327</u>	<u>\$ 6,303,815</u>