



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2012**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

Prepared by the
Finance Department

CITY OF MARBLE FALLS, TEXAS

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INTRODUCTORY SECTION

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March 15, 2013

Honorable Mayor, Members of the City Council, and the Citizens of the City of Marble Falls:

The Comprehensive Annual Financial Report (CAFR) of the City of Marble Falls (the "City") for the fiscal year ended September 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

As required by the City's charter, the financial statements have been audited by the firm of Pattillo, Brown & Hill, L.L.P., Certified Public Accountants. The goal of the independent audit was to provide reasonable assurances that the financial statements of the City of Marble Falls for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marble Falls' financial statements for fiscal year ended September 30, 2012, are presented in conformity with Generally Accepted Accounting Principles.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report located at the front of the financial section of this report.

The City of Marble Falls' financial policy is to maintain a minimum fund balance of 25% of the current operations and maintenance budget for the City departments within the General Fund. The Utility Fund emphasis is providing sufficient funds as a relationship between revenues and expenses to meet requirements for future debt issuance. For FY 2012-2013, consideration was given to the current recession that is affecting our nation. We will monitor closely the trends on our major sources of General Fund revenues, sales taxes and property taxes; so that we may make adjustments if needed.

PROFILE OF THE CITY

Founded in 1887 by General Adam R. Johnson, Marble Falls is located in the heart of the Texas Hill Country on the Colorado River. The falls, for which the town was named, were used as a landmark by travelers and referred to as the "great falls" or the "marble falls" of the Colorado River as early as 1817. Population estimates for the City of Marble Falls reached 1,800 by 1896 and the first City officials were elected in 1907, when a mayor-alderman form of government was instituted.

Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six (6) Council Members. The Mayor and Council are responsible, among other things, for passing ordinances, adopting the budget, appointing board and committee members and hiring the City Manager, City Attorney, and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City government, and for appointing heads of various departments. The Mayor and Council Members are elected on an at-large, non-partisan basis and serve for a two-year term.

The City provides a full range of municipal services including public safety (police and fire) maintenance of streets and infrastructure, water services, sanitation services, maintenance of the treated waste distribution system, and leisure services (parks and recreation).

FACTORS AFFECTING FINANCIAL CONDITION

The City of Marble Falls is centrally located 47 miles northwest of Austin and 85 miles north of San Antonio, at the intersection of State Highway 281 and Farm Road 1431, in the middle of the Highland Lakes area, the largest chain of lakes in Texas. Currently, the City contains approximately 10.21 square miles.

Steady population growth has been experienced in the last decade with a present population estimated in excess of 7,200. Current and future subdivisions are designed on oversized lots, as well as smaller garden home areas, which result in spacious residential areas that compliment the coveted rural setting. The City serves as a retail and tourist hub to the county and its surrounding area.

The Marble Falls Economic Development Corporation (MFEDC) was formed in 1991 to spearhead the anticipated growth of the City. The MFEDC is funded by a voter approved, half cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The MFEDC has successfully upgraded and improved the infrastructure of the City in preparation for commercial and retail businesses locating in Marble Falls. The MFEDC was voted favorably as a 4B corporation in 2007.

Budgetary Controls. The City Charter of the City of Marble Falls establishes the fiscal year as October 1 through September 30. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the City Council each year. The proposed budget is presented to the City Council by the City Manager and Department Directors at a series of budget work sessions. Copies of the proposed budget are made available to the public and the press and the public hearing schedule is confirmed. Before the public hearings are held, notices of the public hearings on the proposed budget are posted and published in the newspaper. After public hearings at two consecutive regular City Council meetings, the Council may adopt the proposed budget, with or without an amendment. The budget ordinance is to be adopted no later than the 30th day of September and requires an affirmation vote of a majority of the Council. The City maintains budgetary control by adopting an annual operating budget for the General Fund, Debt Service Fund, Special Revenue Fund, Proprietary Fund and Capital Project Fund. Revisions that increase the total expenditures of any fund must be approved by Council.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marble Falls for its comprehensive annual financial report for the fiscal year ended September 30, 2011. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy 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 and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated endeavors of the entire staff of the City's Finance Department and our independent auditors. We would like to express our sincere appreciation to all contributing employees. We would also wish to thank our Mayor and the members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Ralph Hendricks
City Manager



Margie Cardenas
Director of Finance

CITY OF MARBLE FALLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

MAYOR

George W. Russell

MAYOR PRO TEM

Jane Marie Hurst

COUNCILMEMBERS

Richard Lewis
Ryan Nash
John Packer
Sharon Pittard
Reed Norman

CITY MANAGER

Ralph Hendricks

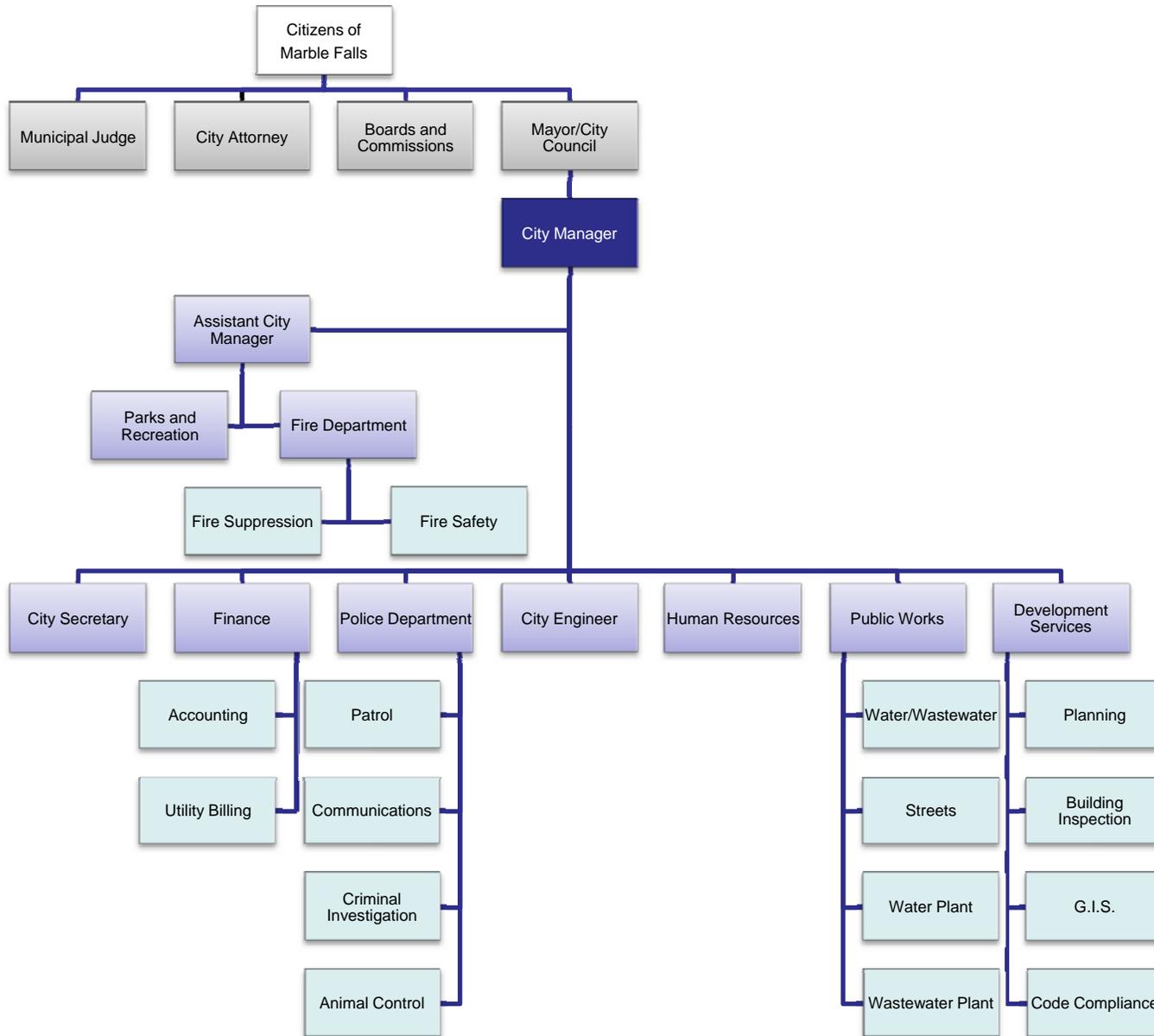
CITY ATTORNEY

Patty Akers
Akers and Boulware – Wells, L.L.P.

PREPARED BY:

Finance Department
Margie Cardenas, Director of Finance

City of Marble Falls Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Marble Falls
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Egan

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of City Council
City of Marble Falls, Texas
Marble Falls, Texas

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 City of Marble Falls, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Marble Falls, Texas' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Marble Falls, Texas, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2013, on our consideration of the City of Marble Falls, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 48 through 53 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.

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

Pattillo, Brown & Hill, L.L.P.

March 15, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Marble Falls, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Marble Falls exceeded its liabilities as of September 30, 2012, by \$29,599,578 (net assets). Of this amount, \$(3,128,505) is unrestricted net assets.
- The City's net assets decreased by \$2,052,686.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$5,699,724. \$472,210 of this amount is unassigned and available for use within the City's fund designation and policy.
- As of September 30, 2012, unassigned fund balance for the General Fund was \$758,405 or 9.54% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report 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, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer and water lines, etc.), to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 compensated absences). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities include most of the City's basic services (general government, public safety, public works and culture and recreation). Property taxes, sales taxes, and franchise fees primarily finance these activities.
- Business-type activities include the City's water and sewer system. Charges for services cover all or most of the cost for these services.

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. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **Governmental funds** – Similar to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable resources. The governmental fund statement provides a detailed short-term view of the City's general government operations and helps you determine whether resources are available in the near future to finance City programs. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet, statement of revenue and expenditures, and changes in fund balances include a reconciliation to provide such comparison.

The City maintains 12 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Corporation Fund, Debt Service Fund, and General Improvements, all of which are considered to be major funds. The other 8 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements found in this report.

- **Proprietary funds** – The City maintains one proprietary fund. The City uses the Enterprise Fund for water and sewer operations. The Enterprise Fund reports the same functions presented as business-type activities in the government-wide financial statement.

Reporting the City’s Fiduciary Responsibility

The City is the trustee, or fiduciary, for the LaVentana Public Improvement District Trust Fund. All of the City’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of this fund are excluded from the City’s government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The basic fiduciary fund financial statements can be found on pages 22 – 23 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that further support the information in the financial statements. These statements are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City’s net assets exceed liabilities by \$29.6 million as of September 30, 2012. The largest portion of the City’s net assets reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. 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.

CITY OF MARBLE FALLS' NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 7,125,350	\$ 14,663,664	\$ 1,030,565	\$ 1,304,390	\$ 8,155,915	\$ 15,968,054
Capital assets	<u>40,828,370</u>	<u>41,192,874</u>	<u>35,840,281</u>	<u>32,464,444</u>	<u>76,668,651</u>	<u>73,657,318</u>
Total assets	<u>47,953,720</u>	<u>55,856,538</u>	<u>36,870,846</u>	<u>33,768,834</u>	<u>84,824,566</u>	<u>89,625,372</u>
Current liabilities	872,091	1,102,386	969,253	767,227	1,841,344	1,869,613
Noncurrent liabilities	<u>36,446,898</u>	<u>38,361,003</u>	<u>16,936,746</u>	<u>17,742,492</u>	<u>53,383,644</u>	<u>56,103,495</u>
Total liabilities	<u>37,318,989</u>	<u>39,463,389</u>	<u>17,905,999</u>	<u>18,509,719</u>	<u>55,224,988</u>	<u>57,973,108</u>
Net assets:						
Invested in capital assets, net of related debt	8,371,582	7,531,537	19,131,868	20,776,151	27,503,450	28,307,688
Restricted	5,224,633	12,632,168	-	-	5,224,633	12,632,168
Unrestricted	<u>(2,961,484)</u>	<u>(3,770,556)</u>	<u>(167,021)</u>	<u>(5,517,036)</u>	<u>(3,128,505)</u>	<u>(9,287,592)</u>
Total net assets	<u>\$ 10,634,731</u>	<u>\$ 16,393,149</u>	<u>\$ 18,964,847</u>	<u>\$ 15,259,115</u>	<u>\$ 29,599,578</u>	<u>\$ 31,652,264</u>

The restricted portion of the City's net assets (17.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$(3,128,505).

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2012. Governmental activities decreased the City of Marble Falls' net assets by \$(4,033,669), accounting for a (12.7)% decrease in net assets. The decrease in the governmental activities is mainly due to the decrease of operating grants and contributions, and a decrease of gain on sale of assets. Business-type activities increased the City's net assets by \$1,980,983 accounting for a 6.3% increase in net assets. The increase in the business-type activities is due to the increase in transfers from the General Improvements Fund.

CITY OF MARBLE FALLS' CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 684,741	\$ 723,615	\$ 3,550,400	\$ 3,913,067	\$ 4,235,141	\$ 4,636,682
Operating grants and contributions	78,620	269,845	-	-	78,620	269,845
Capital grants and contributions	-	-	1,352,500	-	1,352,500	-
General revenues:						
Property taxes	4,074,096	4,034,744	-	-	4,074,096	4,034,744
Sales taxes	6,014,725	5,877,763	-	-	6,014,725	5,877,763
Franchise taxes	519,081	505,866	-	-	519,081	505,866
Other taxes	418,000	421,209	-	-	418,000	421,209
Investment earnings	20,734	51,621	4,713	602	25,447	52,223
Gain on sale of assets	-	215,384	-	-	-	215,384
Miscellaneous	116,511	43,166	-	-	116,511	43,166
Total revenues	<u>11,926,508</u>	<u>12,143,213</u>	<u>4,907,613</u>	<u>3,913,669</u>	<u>16,834,121</u>	<u>16,056,882</u>
Expenses:						
General government	2,773,415	2,448,150	-	-	2,773,415	2,448,150
Public safety	5,530,785	5,683,286	-	-	5,530,785	5,683,286
Public works	3,068,214	2,717,226	-	-	3,068,214	2,717,226
Culture and recreation	1,146,016	1,082,266	-	-	1,146,016	1,082,266
Interest on long-term debt	1,494,575	1,511,314	-	-	1,494,575	1,511,314
Water and wastewater	-	-	4,873,802	4,755,391	4,873,802	4,755,391
Total expenses	<u>14,013,005</u>	<u>13,442,242</u>	<u>4,873,802</u>	<u>4,755,391</u>	<u>18,886,807</u>	<u>18,197,633</u>
Increases (decreases) in net assets before transfers						
	(2,086,497)	(1,299,029)	33,811	(841,722)	(2,052,686)	(2,140,751)
Transfers	(1,947,172)	478,834	1,947,172	(478,834)	-	-
Change in net assets	(4,033,669)	(820,195)	1,980,983	(1,320,556)	(2,052,686)	(2,140,751)
Net assets, beginning	<u>16,393,149</u>	<u>17,213,344</u>	<u>15,259,115</u>	<u>16,579,671</u>	<u>31,652,264</u>	<u>33,793,015</u>
Prior period adjustment	(1,724,749)	-	1,724,749	-	-	-
Net assets, ending	<u>\$ 10,634,731</u>	<u>\$ 16,393,149</u>	<u>\$ 18,964,847</u>	<u>\$ 15,259,115</u>	<u>\$ 29,599,578</u>	<u>\$ 31,652,264</u>

Government Funds

In the General Fund, fund balance increased by \$83,764. The increase was due mainly due to the increase in sales taxes for FY 2012. The Debt Service Fund balance decreased by \$(59,234) due to increased debt payments.

The Economic Development Corporation Fund balance increased by \$462,296. The increase is due to an increase in sales taxes and a decrease in transfers out.

The General Improvements Fund balance decreased by \$(5,948,236). The decrease was due mainly due to an increase in capital-related expenditures during the year.

Proprietary Fund

Unrestricted net assets of the proprietary fund (water and sewer) was \$(167,021). The net assets of the Water and Sewer Fund increased by \$1,980,983 . This increase was largely due to \$3,902,000 of capital contributions that the Water and Utility Fund received during fiscal year 2011 – 2012.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an increase in budgeted expenditures in the amount of \$40,096 from the original budget of \$8,359,663 to the revised budget of \$8,399,759 or 0.5% increase. The majority of this increase was due to an increase in general government non-departmental for other services and charges.

The variance between the final amended budget and actual expenditures was a positive \$452,165. The General Government group actual expenditures were below budget by \$92,183. The expenses were for purchased and contracted services in the Administration Department. Additionally, Public Safety expenditures were below budget by \$291,006. This was mainly due to personnel services costs in the police department.

Capital Assets

- Began expansion of our existing wastewater plant. Total spent in FY 2011/12 was \$3,947,398.
- Completed a wastewater line on Avenue H. Total spent in FY 2011/12 was \$381,072.
- Improved several parks facilities in various parks throughout the City, at a cost of \$103,014.
- Began the construction of the Visitor's Center. Total spent in FY 2011/12 was \$682,211. Completion expected in FY 12/13.
- Continued with our annual street improvement plan. Total spent in FY 2011/12 was \$1,328,460.
- Completed Phase I of the Water Plant Upgrade. Total spent in FY 2011/12 was \$264,459.

Additional information regarding capital assets can be found in the notes to the financial statements on pages 35 – 36.

CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,218,085	\$ 5,218,085	\$ 681,006	\$ 681,006	\$ 5,899,091	\$ 5,899,091
Buildings and improvements	50,574,791	47,135,121	46,699,075	41,490,177	97,273,866	88,625,298
Machinery and equipment	6,245,450	6,607,663	1,150,875	1,150,875	7,396,325	7,758,538
Construction in progress	1,252,187	1,252,187	1,894,490	1,894,490	3,146,677	3,146,677
Less: accumulated depreciation	(22,462,143)	(19,020,182)	(14,585,165)	(12,752,104)	(37,047,308)	(31,772,286)
Total capital assets, net	<u>\$ 40,828,370</u>	<u>\$ 41,192,874</u>	<u>\$ 35,840,281</u>	<u>\$ 32,464,444</u>	<u>\$ 76,668,651</u>	<u>\$ 73,657,318</u>

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$52,215,000. Of this amount, \$35,425,000 represents bonded debt backed by the full faith and credit of the City and \$16,790,000 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Certificates of obligation	\$ 35,130,000	\$ 36,765,000	\$ 16,790,000	\$ 15,715,000	\$ 51,920,000	\$ 52,480,000
Refunding bonds	-	-	-	1,800,000	-	1,800,000
Note payable	<u>295,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>295,000</u>	<u>600,000</u>
Total	<u>\$ 35,425,000</u>	<u>\$ 37,365,000</u>	<u>\$ 16,790,000</u>	<u>\$ 17,515,000</u>	<u>\$ 52,215,000</u>	<u>\$ 54,880,000</u>

The City's General Obligation, Tax and Certificates of Obligation bond ratings are listed below.

General Obligation Bonds	<u>Standard & Poor's</u> A
--------------------------	---------------------------------------

Additional information on the City's long term-debt can be found in the notes to financial statements of this report on pages 37 – 39.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The entire area surrounding the City of Marble Falls continues to experience unprecedented growth. The City's population is estimated to be in excess of 7,200 in 2012. The City is continuing to focus on Economic Development initiatives.

The City's largest source of revenue in the General Fund is Sales Tax. The City realized an increase of 2.0% from the prior year revenue of \$4,439,457 to \$4,511,044. The 2013 estimate is conservatively projected at \$4,789,920. The Marble Falls Economic Development Corporation is funded by a voter approved, half-cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The City's financial management policies, sets the guideline to maintain the fund balance and net assets of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

The City's second largest source of revenue in the General Fund is ad valorem taxes. The City's tax rate is \$0.6435. This rate consists of a maintenance and operations (M&O) tax rate of \$0.1837 and an Interest and Sinking (debt service) tax rate of \$0.4598. The rate was set based on a net assessed value of \$575,499,669. The assessed values decreased about 3% for FY 2012/2013.

Water revenues for 2013 are budgeted at \$2,515,000 which is a 9% increase over the prior year. Sewer revenues are budgeted at \$1,560,000, representing a 1% increase over the prior year. The City of Marble Falls did increase the water rates for FY 2012/2013 at an average of 12%. The sewer rates were not increased.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, 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 information, contact the Finance Department; 800 Third Street; Marble Falls, Texas 78654 or call Margie Cardenas (830) 693-3615 or e-mail mcardenas@ci.marble-falls.tx.us.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,888,229	\$ -	\$ 4,888,229
Receivables, net of allowances for uncollectibles			
Taxes	1,267,737	-	1,267,737
Customer accounts	166,912	521,767	688,679
Other	2,551	-	2,551
Due from other governments	20,497	-	20,497
Inventories	-	314,540	314,540
Prepaid items	2,881	-	2,881
Deferred charges	550,451	420,350	970,801
Capital assets:			
Land	5,218,085	681,006	5,899,091
Buildings and improvements	50,574,791	46,699,075	97,273,866
Machinery and equipment	6,245,450	1,150,875	7,396,325
Construction in progress	1,252,187	1,894,490	3,146,677
Accumulated depreciation	(22,462,143)	(14,585,165)	(37,047,308)
Total capital assets, net of accumulated depreciation	40,828,370	35,840,281	76,668,651
Total assets	47,953,720	36,870,846	84,824,566
LIABILITIES			
Accounts payable	445,230	372,566	817,796
Accrued liabilities	123,465	29,785	153,250
Due to others	43,972	19,183	63,155
Customer deposits	21,696	433,834	455,530
Accrued interest	237,728	113,885	351,613
Noncurrent liabilities:			
Due within one year	2,360,972	589,748	2,950,720
Due in more than one year	34,085,926	16,346,998	50,432,924
Total liabilities	37,318,989	17,905,999	55,224,988
NET ASSETS			
Invested in capital assets, net of related debt	8,371,582	19,131,868	27,503,450
Restricted for:			
Economic development	1,570,423	-	1,570,423
Public safety	147,444	-	147,444
Culture and recreation	244,947	-	244,947
Capital improvements	3,261,819	-	3,261,819
Unrestricted	(2,961,484)	(167,021)	(3,128,505)
Total net assets	\$ 10,634,731	\$ 18,964,847	\$ 29,599,578

The notes to the financial statements are an integral part of this statement.

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,773,415	\$ 343,192	\$ 2,168	\$ -
Public safety	5,530,785	143,310	60,030	-
Public works	3,068,214	76,662	5,000	-
Culture and recreation	1,146,016	121,577	11,422	-
Interest on long-term debt	1,494,575	-	-	-
Total governmental activities	<u>14,013,005</u>	<u>684,741</u>	<u>78,620</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>4,873,802</u>	<u>3,550,400</u>	<u>-</u>	<u>1,352,500</u>
Total business-type activities	<u>4,873,802</u>	<u>3,550,400</u>	<u>-</u>	<u>1,352,500</u>
Total primary government	<u>\$ 18,886,807</u>	<u>\$ 4,235,141</u>	<u>\$ 78,620</u>	<u>\$ 1,352,500</u>

General revenues:

Taxes:

Property, levied for general purposes

Property, levied for debt service

Sales

Franchise

Other

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Prior period adjustment

Net assets, ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(2,428,055)	\$ -	\$(2,428,055)
(5,327,445)	-	(5,327,445)
(2,986,552)	-	(2,986,552)
(1,013,017)	-	(1,013,017)
(1,494,575)	-	(1,494,575)
(13,249,644)	-	(13,249,644)
<u>-</u>	<u>29,098</u>	<u>29,098</u>
<u>-</u>	<u>29,098</u>	<u>29,098</u>
<u>(13,249,644)</u>	<u>29,098</u>	<u>(13,220,546)</u>
1,173,140	-	1,173,140
2,900,956	-	2,900,956
6,014,725	-	6,014,725
519,081	-	519,081
418,000	-	418,000
20,734	4,713	25,447
116,511	-	116,511
(1,947,172)	1,947,172	-
<u>9,215,975</u>	<u>1,951,885</u>	<u>11,167,860</u>
(4,033,669)	1,980,983	(2,052,686)
<u>16,393,149</u>	<u>15,259,115</u>	<u>31,652,264</u>
(1,724,749)	1,724,749	-
<u>\$ 10,634,731</u>	<u>\$ 18,964,847</u>	<u>\$ 29,599,578</u>

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	General	Economic Development Corporation	Debt Service
ASSETS			
Cash and investments	\$ 13,470	\$ 1,336,791	\$ 83,109
Receivables, net of allowances for uncollectibles:			
Property taxes	19,867	-	137,765
Other taxes	781,804	255,411	-
Accounts	166,912	-	-
Other	676	1,875	-
Due from other governments	20,497	-	-
Due from other funds	358,570	-	-
Prepaid items	2,881	-	-
Total assets	\$ 1,364,677	\$ 1,594,077	\$ 220,874
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	311,406	18,193	-
Accrued liabilities	118,004	5,461	-
Due to other funds	-	-	111,237
Due to others	43,972	-	-
Customer deposits	21,696	-	-
Deferred revenue	108,313	-	132,499
Total liabilities	603,391	23,654	243,736
Fund balances:			
Nonspendable	2,881	-	-
Restricted	-	1,570,423	-
Unassigned	758,405	-	(22,862)
Total fund balances	761,286	1,570,423	(22,862)
Total liabilities and fund balances	\$ 1,364,677	\$ 1,594,077	\$ 220,874

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

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

Net assets of governmental activities

The notes to the financial statements are an integral part of this statement.

<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 3,116,748	\$ 338,111	\$ 4,888,229
-	-	157,632
-	72,890	1,110,105
-	-	166,912
-	-	2,551
-	-	20,497
226,092	-	584,662
-	-	2,881
\$ 3,342,840	\$ 411,001	\$ 6,933,469
82,521	33,110	445,230
-	-	123,465
-	247,333	358,570
-	-	43,972
-	-	21,696
-	-	240,812
82,521	280,443	1,233,745
-	-	2,881
3,260,319	393,891	5,224,633
-	(263,333)	472,210
3,260,319	130,558	5,699,724
\$ 3,342,840	\$ 411,001	
		40,828,370
		240,812
		(36,134,175)
		\$ 10,634,731

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Economic Development Corporation	Debt Service
REVENUES			
Property taxes	\$ 1,164,280	\$ -	\$ 2,888,131
Sales taxes	4,511,044	1,503,681	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	34,954	-	-
Franchise fees	519,081	-	-
Fines and forfeitures	173,922	-	-
Permits and fees	294,517	37,725	-
Intergovernmental	174,930	-	-
Investment earnings	2,769	1,586	9,823
Other	131,944	-	-
Total revenues	7,007,441	1,542,992	2,897,954
EXPENDITURES			
Current:			
General government	1,405,430	415,225	-
Public safety	4,989,834	-	-
Public works	876,789	-	-
Culture and recreation	654,045	-	-
Capital outlay	21,496	120,000	-
Debt service:			
Principal	-	250,000	1,740,000
Interest and fiscal charges	-	98,028	1,381,707
Bond issuance costs	-	40,012	78,717
Total expenditures	7,947,594	923,265	3,200,424
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(940,153)	619,727	(302,470)
OTHER FINANCING SOURCES (USES)			
Capital-related debt issued	-	1,790,000	2,605,000
Premium on bond issuance	-	-	138,990
Payment to escrow agent	-	(1,749,988)	(2,665,273)
Sale of capital assets	55,167	92,557	-
Transfers in	968,750	-	164,519
Transfers out	-	(290,000)	-
Total other financing sources (uses)	1,023,917	(157,431)	243,236
NET CHANGE IN FUND BALANCES	83,764	462,296	(59,234)
FUND BALANCES, BEGINNING	677,522	1,108,127	36,372
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCES, BEGINNING AS RESTATED	677,522	1,108,127	36,372
FUND BALANCES, ENDING	\$ 761,286	\$ 1,570,423	\$(22,862)

The notes to the financial statements are an integral part of this statement.

<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 4,052,411
-	-	6,014,725
-	379,936	379,936
-	-	34,954
-	-	519,081
-	67,672	241,594
-	-	332,242
5,000	2,168	182,098
6,126	430	20,734
-	-	131,944
<u>11,126</u>	<u>450,206</u>	<u>11,909,719</u>
-	1,190	1,821,845
95,460	12,065	5,097,359
-	-	876,789
-	356,785	1,010,830
5,763,902	141,569	6,046,967
-	-	1,990,000
-	-	1,479,735
-	-	118,729
<u>5,859,362</u>	<u>511,609</u>	<u>18,442,254</u>
<u>(5,848,236)</u>	<u>(61,403)</u>	<u>(6,532,535)</u>
-	-	4,395,000
-	-	138,990
-	-	(4,415,261)
-	6,812	154,536
-	115,000	1,248,269
<u>(100,000)</u>	<u>(255,941)</u>	<u>(645,941)</u>
<u>(100,000)</u>	<u>(134,129)</u>	<u>875,593</u>
(5,948,236)	(195,532)	(5,656,942)
<u>10,933,304</u>	<u>326,090</u>	<u>13,081,415</u>
(1,724,749)	-	(1,724,749)
<u>9,208,555</u>	<u>326,090</u>	<u>11,356,666</u>
<u>\$ 3,260,319</u>	<u>\$ 130,558</u>	<u>\$ 5,699,724</u>

CITY OF MARBLE FALLS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Amounts reported for governmental activities in the Statement of Activities (pages 12 - 13) are different because:

Net change in fund balances - total governmental funds (pages 16 - 17)	\$(5,656,942)
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 outlays exceeded depreciation in the current period.	31,401
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,789
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,972,229
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.	<u>(397,146)</u>
Change in net assets of governmental activities (pages 12 - 13)	<u><u>\$(4,033,669)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

SEPTEMBER 30, 2012

	Business-type Activities Enterprise Fund
	<u>Water and Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ -
Accounts receivable, net of allowance	521,767
Inventories	<u>314,540</u>
Total current assets	<u>836,307</u>
Noncurrent assets:	
Deferred charges	420,350
Capital assets:	
Land	681,006
Buildings and improvements	46,699,075
Machinery and equipment	1,150,875
Construction in progress	1,894,490
Accumulated depreciation	<u>(14,585,165)</u>
Total capital assets	<u>35,840,281</u>
Total noncurrent assets	<u>36,260,631</u>
Total assets	<u>37,096,938</u>
LIABILITIES	
Current liabilities:	
Accounts payable	372,566
Accrued liabilities	29,785
Due to other funds	226,092
Customer deposits	433,834
Due to others	19,183
Accrued interest	113,885
Compensated absences	49,748
Bonds payable	<u>540,000</u>
Total current liabilities	<u>1,785,093</u>
Noncurrent liabilities:	
Compensated absences	149,243
Bonds payable	16,168,413
OPEB net pension obligation	<u>29,342</u>
Total noncurrent liabilities	<u>16,346,998</u>
Total liabilities	<u>18,132,091</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,131,868
Unrestricted	<u>(167,021)</u>
Total net assets	<u>\$ 18,964,847</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Business-type Activities Enterprise Fund</u>
	<u>Water and Utility</u>
OPERATING REVENUES	
Water and utility charges	\$ 3,550,400
Total operating revenues	<u>3,550,400</u>
OPERATING EXPENSES	
Personnel services	1,158,521
Supplies	448,402
Repairs and maintenance	313,758
Purchased and contracted services	392,584
Other services and charges	15,413
Depreciation	<u>1,833,061</u>
Total operating expenses	<u>4,161,739</u>
OPERATING LOSS	<u>(611,339)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	4,713
Interest and fiscal charges	<u>(712,063)</u>
Total nonoperating revenues (expenses)	<u>(707,350)</u>
CAPITAL CONTRIBUTIONS	3,902,000
INCOME BEFORE TRANSFERS	2,583,311
TRANSFERS OUT	<u>(920,000)</u>
TRANSFERS IN	<u>317,672</u>
CHANGE IN NET ASSETS	1,980,983
NET ASSETS, BEGINNING	<u>15,259,115</u>
PRIOR PERIOD ADJUSTMENT	<u>1,724,749</u>
NET ASSETS, BEGINNING AS RESTATED	<u>16,983,864</u>
NET ASSETS, ENDING	<u>\$ 18,964,847</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,636,068
Cash paid to suppliers for goods and services	(844,330)
Cash paid to employees for services	(1,120,115)
Net cash provided by operating activities	<u>1,671,623</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(920,000)
Transfers from other funds	<u>317,672</u>
Net cash used by noncapital financing activities	<u>(602,328)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(2,659,398)
Capital contributions	3,077,249
Principal repayments on long-term debt	(750,000)
Interest and fiscal charges paid on debt	(741,859)
Net cash used by capital and related financing activities	<u>(1,074,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment earnings	<u>4,713</u>
Net cash provided by investing activities	<u>4,713</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating loss	\$(611,339)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation and amortization	1,833,061
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Customer receivable	66,989
Inventory	16,616
Increase (decrease) in liabilities:	
Accounts payable	178,694
Accrued liabilities	4,862
Due to other funds	130,517
Customer deposits	18,679
Due to others	8,539
Compensated absences payable	<u>21,018</u>
Net cash provided by operating activities	<u>\$ 1,671,623</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MARBLE FALLS, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2012

	<u>LaVentana PID Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>6,992</u>
Total assets	<u>6,992</u>
 NET ASSETS	
Held in trust for LaVentana PID	\$ <u>6,992</u>

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	LaVentana PID Trust Fund
ADDITIONS	
Property tax assessment	\$ 26,036
Investment earnings	16,455
Total additions	42,491
DEDUCTIONS	
Miscellaneous expense	37,588
Total deductions	37,588
CHANGE IN NET ASSETS	4,903
NET ASSETS, BEGINNING	2,089
NET ASSETS, ENDING	\$ 6,992

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

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CITY OF MARBLE FALLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marble Falls is a home rule municipality operating under its own charter since August 9, 1986. The charter provides that the City operate under the council/manager form of government. The City Manager, appointed by the seven-member elected Council, is the Chief Administrative Officer of the City. The City provides the following services: public safety, street maintenance, refuse collection, recreation programs, municipal court, public health, community development, public improvements, water and sewer services, and general administrative services.

Reporting Entity

As required by Governmental Accounting Standards Board Statement (GASBS) No. 14 and 39, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity is based on criteria prescribed by GASBS No. 14 and 39. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under GASB No. 14 and No. 39 include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As a result of applying the entity definition criteria of the Governmental Accounting Standards Board, the City has included the Economic Development Corporation as a component unit in these financial statements. The Corporation is presented as a blended component unit due to the fact that the Economic Development Corporation's Board is substantively the same as the City Council. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. Complete financial statements for the Corporation may be obtained at the entity's administrative offices.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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 funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 **Economic Development Corporation Fund** is used to account for the use of 4B sales tax revenues that must be used in compliance with statutory restrictions set forth by the state legislature.

The **Debt Service Fund** is used to account for revenue collected for purposes of paying interest on, and retiring, long-term debt including bonds, long-term tax notes, etc.

The **General Improvements Fund** is used to account for Certificates of Obligation, Series 2007, received for streets and drainage, public works, parks, water and sewer.

The City reports the following major enterprise fund:

The **Water and Utility Fund** is used to account for the activities of the City's water and wastewater operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 utility 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.

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 Water and Utility Enterprise Fund are charges to customers for sales and services. Operating expenses for the enterprise fund 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and investments include cash on hand, deposits with financial institutions, short-term investments in a state-managed public funds investment pool account (TexPool), and a privately managed public funds investment pool (LOGIC).

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contract using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as "cash and investments" in the financial statements. Negative cash balances have been reclassified and are reflected as interfund accounts payable. Interest income and interest expense are allocated to each respective individual fund monthly based on their representative fund balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advance to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 10 percent of outstanding property taxes at September 30, 2012.

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables (Continued)

Ad valorem property taxes attach as enforceable liens as of January 1. The City's property tax is levied each October 1 on the assessed value listed on the previous January 1 for all real and personal property located in the City. Property taxes are payable on October 1 and are considered delinquent on February 1. The adjusted tax levy for October 2011 was \$4,034,695. The tax assessment of October 1, 2011, sets a tax levy at \$.06435 per \$100 of assessed valuation at 100% of assumed market value. Of this amount, \$.04598 was allocated to debt service.

Legislation has been passed by the Texas Legislature that affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of countywide appraisal districts and for a state property tax board, which commenced operation in January 1980.

The value of property within the appraisal district must be reviewed at least every three years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Equipment	5-10
Water and sewer system	40-50

General infrastructure assets acquired prior to October 1, 2004, are not reported in the basic statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to October 1, 2004.

Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation, comp time, personal leave, and sick leave pay are accrued when incurred in the government-wide and proprietary fund financial statements. Upon termination, an employee is paid for 100% of their accrued vacation, comp time, and personal leave pay and for 50% of accrued sick leave pay.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

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

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 \$(36,134,175) difference are as follows:

General obligation bonds	\$(30,060,000)
Refunding bonds	(5,070,000)
Tax notes	(295,000)
Deferred charge for issuance costs	550,451
Deferred loss on refunding debt issuance	88,703
Bond premiums	(337,526)
OPEB net pension obligation	(126,587)
Compensated absences	(646,488)
Accrued interest payable	<u>(237,728)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(36,134,175)</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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 assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$31,401 difference are as follows:

Capital outlay	\$ 3,473,362
Depreciation expense	<u>(3,441,961)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 31,401</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$16,789 difference are as follows:

Property taxes	\$ 21,685
Municipal court	<u>(4,896)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 16,789</u>

Another element of that reconciliation states, “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 assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(1,972,229) difference are as follows:

Principal repayments:	
General obligation debt	\$(1,455,000)
Refunding debt	(230,000)
Tax notes	(305,000)
Debt issued:	
OPEB net pension obligation	<u>17,771</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(1,972,229)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

As of September 30, 2012, the following funds had deficit fund balances:

Special revenue funds	
2006 TCDP Grant	\$(26,743)
Flood Buy Back	(181)
Debt service fund	(22,862)
Capital projects	
Parks Improvement	(39,843)
2007 Flood Disaster	(196,566)

These deficits are expected to be funded with future revenues in their respective funds.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 446,623	41
Logic	3,557,579	45

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 risk levels, (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 policies.

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State and City 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, 2012, \$2,148,603 of the City’s \$2,479,149 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$330,546 was covered by FDIC insurance.

Credit Risk. It is the City’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. Both of the City’s investment pool are rated AAAM by Standard & Poor’s Investors Service.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

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

	Governmental				Proprietary	Total
	General	Economic Development Corporation	Debt Service	Nonmajor Governmental	Water and Utility	
Receivables:						
Property taxes	\$ 22,074	\$ -	\$ 153,072	\$ -	\$ -	\$ 175,146
Other taxes	781,804	255,411	-	72,890	-	1,110,105
Customer accounts	337,088	-	-	-	627,566	964,654
Other	676	1,875	-	-	-	2,551
Gross receivables	1,141,642	257,286	153,072	72,890	627,566	2,252,456
Less: allowance for uncollectibles	(172,383)	-	(15,307)	-	(105,799)	(293,489)
Net total receivables	\$ <u>969,259</u>	\$ <u>257,286</u>	\$ <u>137,765</u>	\$ <u>72,890</u>	\$ <u>521,767</u>	\$ <u>1,958,967</u>

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

	<u>Unavailable</u>
General fund:	
Delinquent property taxes receivable	\$ 18,369
Municipal court receivable	89,944
Total general fund	<u>108,313</u>
Debt service fund:	
Delinquent property taxes receivable	<u>132,499</u>
Total debt service fund	<u>132,499</u>
Total governmental funds	\$ <u>240,812</u>

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 5,218,085	\$ -	\$ -	\$ 5,218,085
Construction in progress	<u>1,252,187</u>	<u>-</u>	<u>-</u>	<u>1,252,187</u>
Total assets not being depreciated	<u>6,470,272</u>	<u>-</u>	<u>-</u>	<u>6,470,272</u>
Capital assets, being depreciated:				
Buildings and improvements	47,135,121	3,457,416	(17,746)	50,574,791
Machinery and equipment	<u>6,607,663</u>	<u>15,946</u>	<u>(378,159)</u>	<u>6,245,450</u>
Total capital assets being depreciated	<u>53,742,784</u>	<u>3,473,362</u>	<u>(395,905)</u>	<u>56,820,241</u>
Less accumulated depreciation:				
Buildings and improvements	(14,159,094)	(2,964,467)	-	(17,123,561)
Machinery and equipment	<u>(4,861,088)</u>	<u>(477,494)</u>	<u>-</u>	<u>(5,338,582)</u>
Total accumulated depreciation	<u>(19,020,182)</u>	<u>(3,441,961)</u>	<u>-</u>	<u>(22,462,143)</u>
Total capital assets being depreciated, net	<u>34,722,602</u>	<u>31,401</u>	<u>(395,905)</u>	<u>34,358,098</u>
Governmental activities capital assets, net	<u>\$ 41,192,874</u>	<u>\$ 31,401</u>	<u>\$ (395,905)</u>	<u>\$ 40,828,370</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 681,006	\$ -	\$ -	\$ 681,006
Construction in progress	<u>1,894,490</u>	<u>-</u>	<u>-</u>	<u>1,894,490</u>
Total assets not being depreciated	<u>2,575,496</u>	<u>-</u>	<u>-</u>	<u>2,575,496</u>
Capital assets, being depreciated:				
Buildings and improvements	41,490,177	5,208,898	-	46,699,075
Machinery and equipment	<u>1,150,875</u>	<u>-</u>	<u>-</u>	<u>1,150,875</u>
Total capital assets being depreciated	<u>42,641,052</u>	<u>5,208,898</u>	<u>-</u>	<u>47,849,950</u>
Less accumulated depreciation:				
Buildings and improvements	(11,791,811)	(1,792,702)	-	(13,584,513)
Machinery and equipment	<u>(960,293)</u>	<u>(40,359)</u>	<u>-</u>	<u>(1,000,652)</u>
Total accumulated depreciation	<u>(12,752,104)</u>	<u>(1,833,061)</u>	<u>-</u>	<u>(14,585,165)</u>
Total capital assets being depreciated, net	<u>29,888,948</u>	<u>3,375,837</u>	<u>-</u>	<u>33,264,785</u>
Business-type activities capital assets, net	<u>\$ 32,464,444</u>	<u>\$ 3,375,837</u>	<u>\$ -</u>	<u>\$ 35,840,281</u>

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 683,819
Public safety		451,928
Public works		2,177,460
Culture and recreation		<u>128,754</u>
Total depreciation expense - governmental activities		<u>\$ 3,441,961</u>
Business-type activities:		
Water and utility		<u>\$ 1,833,061</u>
Total depreciation expense - business-type activities		<u>\$ 1,833,061</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 111,237
General	Nonmajor governmental	247,333
General improvements	Water and utility	<u>226,092</u>
Total		<u>\$ 584,662</u>

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

The following schedule briefly summarizes the City's transfer activity at the fund level:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Economic Development Corporation	\$ 25,000
General	Nonmajor governmental	93,750
General	Water and utility	850,000
Debt service	Water and utility	70,000
Debt service	Nonmajor governmental	94,519
Nonmajor governmental	Economic Development Corporation	15,000
Nonmajor governmental	General improvements	100,000
Water and utility	Economic Development Corporation	250,000
Water and utility	Nonmajor governmental	<u>67,672</u>
Total		<u>\$ 1,565,941</u>

Transfers are used to: (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expand them; and (2) fund the City's match portion for grants.

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4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation and revenue bonds, tax notes and notes payable. These debt obligations are secured by either future tax revenue, water and utility system revenue, or liens on property and equipment. Debt obligations that are intended to be repaid from water and utility system revenue have been recorded as business-type activities. All other long-term obligations of the City are considered to be governmental type activities.

Bonds Payable and Tax Notes

A summary of the terms of general obligation, revenue, combination tax and revenue bonds, and tax notes outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2012, follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities
<u>General Obligation Bonds</u>				
2003 Series	2023	3.9% - 4.5%	\$ 210,000	\$ -
2007 Series	2030	4% - 5%	6,645,000	12,320,000
2011 Series	2031	2% - 4%	<u>2,885,000</u>	<u>715,000</u>
			<u>9,740,000</u>	<u>13,035,000</u>
<u>General Obligation Refunding Bond</u>				
2010 Series	2015	1.75% - 3.05%	675,000	-
2012 Series	2023	3.00%	<u>2,605,000</u>	<u>-</u>
			<u>3,280,000</u>	<u>-</u>
<u>Combination Tax and Revenue Bonds</u>				
2004 Series	2026	3.75% - 4.75%	3,790,000	-
2005 Series	2025	1.7% - 3.7%	-	2,130,000
2006 Series	2021	4.25%	1,310,000	-
2008 Series	2028	4% - 4.6%	8,470,000	-
2010 Series	2032	1% - 5%	<u>6,750,000</u>	<u>1,625,000</u>
			<u>20,320,000</u>	<u>3,755,000</u>
<u>Sales Tax Revenue Refunding Bonds</u>				
2012 Series	2018	2.72%	<u>1,790,000</u>	<u>-</u>
Total Bonds			<u>\$ 35,130,000</u>	<u>\$ 16,790,000</u>
<u>Tax Notes</u>				
2006 Series	2013	3.70%	65,000	
2007 Series	2014	4.03%	175,000	
2009 Series	2015	2.25% - 3%	<u>55,000</u>	
Total Tax Notes			<u>\$ 295,000</u>	

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Annual debt service requirements for bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 1,975,000	\$ 1,305,322	\$ 755,000	\$ 686,514
2014	1,955,000	1,250,557	795,000	661,628
2015	2,095,000	1,185,994	820,000	635,307
2016	2,115,000	1,117,939	830,000	608,154
2017	2,195,000	1,047,703	855,000	579,724
2018-2022	10,390,000	4,404,865	4,305,000	2,420,733
2023-2027	10,340,000	3,132,748	4,545,000	2,041,189
2028-2032	<u>4,065,000</u>	<u>6,665,158</u>	<u>3,885,000</u>	<u>298,288</u>
Total	\$ <u>35,130,000</u>	\$ <u>20,110,286</u>	\$ <u>16,790,000</u>	\$ <u>7,931,537</u>

Annual debt service requirements for tax notes are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 205,000	\$ 9,209
2014	<u>90,000</u>	<u>3,627</u>
Total	\$ <u>295,000</u>	\$ <u>12,836</u>

Federal Arbitrage

General obligation bonds, combination tax and revenue bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 35,860,000	\$ -	\$ 5,800,000	\$ 30,060,000	\$ 1,430,000
General obligation refunding bond	905,000	2,605,000	230,000	3,280,000	260,000
Sales tax revenue refunding bond	-	1,790,000	-	1,790,000	285,000
Tax notes	600,000	-	305,000	295,000	205,000
Premium from issuance of bonds	227,100	138,990	28,564	337,526	28,564
Loss on refunding	-	(97,917)	(9,214)	(88,703)	(9,214)
Compensated absences	660,087	-	13,599	646,488	161,622
OPEB net pension obligation	<u>108,816</u>	<u>17,771</u>	<u>-</u>	<u>126,587</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 38,361,003</u>	<u>\$ 4,453,844</u>	<u>\$ 6,367,949</u>	<u>\$ 36,446,898</u>	<u>\$ 2,360,972</u>
Business-type activities					
Tax and revenue bonds	\$ 15,715,000	\$ 1,625,000	\$ 550,000	\$ 16,790,000	\$ 540,000
Revenue refunding bonds	1,800,000	-	1,800,000	-	-
Loss on refunding bonds	(75,084)	(156,367)	(70,238)	(161,213)	-
Premium from issuance of bonds	99,248	-	19,622	79,626	-
Compensated absences	177,973	21,018	-	198,991	49,748
OPEB net pension obligation	<u>25,345</u>	<u>3,997</u>	<u>-</u>	<u>29,342</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 17,742,482</u>	<u>\$ 1,493,648</u>	<u>\$ 2,299,384</u>	<u>\$ 16,936,746</u>	<u>\$ 589,748</u>

The compensated absences liability and OPEB pension obligation attributable to the governmental activities will be liquidated primarily by the General Fund.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Fund Balance

As of September 30, 2012, governmental fund balance is composed of the following:

<u>Fund Balance Classification</u>	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>	<u>General Improvements</u>	<u>Other Governmental</u>	<u>Totals</u>
Nonspendable:						
Prepaid items	\$ 2,881	\$ -	\$ -	\$ -	\$ -	\$ 2,881
Restricted:						
Capital acquisition and construction	-	-	-	3,260,319	1,500	3,261,819
Tourism activities	-	-	-	-	244,947	244,947
Economic development	-	1,570,423	-	-	-	1,570,423
Police forfeiture	-	-	-	-	147,444	147,444
Unassigned	<u>758,405</u>	<u>-</u>	<u>(22,862)</u>	<u>-</u>	<u>(263,333)</u>	<u>472,210</u>
Total governmental fund balance	<u>\$ 761,286</u>	<u>\$ 1,570,423</u>	<u>\$(22,862)</u>	<u>\$ 3,260,319</u>	<u>\$ 130,558</u>	<u>\$ 5,699,724</u>

Employee Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.org.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	0%, transfers	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution Made</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 361,259	\$ 361,259	100%	\$ -
09/30/11	361,956	361,956	100%	-
09/30/12	384,789	384,789	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Actuarial Valuation Information

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	23.4 years; closed period	24.9 years; closed period	24.9 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years
Asset valuation method	10 - year smoothed market	Amortized cost	Amortized cost
Actuarial Assumptions:			
Investment rate of return*	7.5%	7.5%	7.5%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at Cost-of-living adjustments	3.0%	3.0%	3.0%

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement System (Continued)

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

**Schedule of Funding Progress for the Retirement Plan
For the Employees of City of Marble Falls**

Year	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)
2009	\$ 8,434,203	\$ 9,151,059	\$ 716,856	92.17%	\$ 5,949,510	12.05%
2010 ¹	9,150,687	9,828,787	678,100	93.10%	5,646,832	12.01%
2010 ²	12,938,581	12,452,053	(486,528)	103.91%	5,646,832	(8.62%)
2011 ²	14,153,184	13,548,705	(604,479)	104.46%	5,552,892	(10.89%)

⁽¹⁾ Actuarial valuation performed under the original fund structure

⁽²⁾ Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Other Postemployment Benefits

Postemployment Benefits Other than Pension Benefits

The City provides certain health care benefits through a single-employer defined benefit OPEB, for all fulltime employees in an eligible class.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Postemployment Benefits Other than Pension Benefits (Continued)

Plan Participants

Employees who have retired under the City's established procedures whereby individual selection by the City or the *Employee* to be included in a retiree classification is precluded, may continue coverage under this Contract.

Normal Retirement Benefits

At least 5 years of service credit and at least 60 years of age and currently enrolled in the health care policy, or 20 years of cumulative service credit at any age and currently enrolled in the health care policy.

Early Retirement Benefits

Any qualified retiree defined by retirement benefits is eligible for retiree health benefits.

Deferred Retirement Benefits

Members who terminate employment are not eligible for retiree health care benefits.

Death-in-Service Retirement Benefits

If coverage terminates as the result of an Employee's death, retirement, or divorce, a Dependent's coverage can continue. The Defendant must have been covered under the Contract for at least one year, except in the case of a Dependent who is an infant under one year of age. Continuation does not require evidence of insurability.

Duty and Non-duty Death in Service Retirement Benefits

Retirees will have coverage utilizing the same benefits and rates as all other employees.

Duty and Non-duty Death Disabled Retirement Benefits

Retirees will have coverage utilizing the same benefits and rates as all other employees.

Benefits for Spouses of Retired Employees

Continuation under this provision will not apply if continuation is required under the Consolidated Omnibus Budget Reconciliation Act of 1985. In addition, continuation is not available when coverage terminates due to any of these circumstances:

1. The Contract is canceled; or
2. The Dependent fails to make any timely premium payments.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Postemployment Benefits Other than Pension Benefits (Continued)

Continuation ends after the earliest of the following:

1. The third anniversary of the severance of the family relationship or the retirement or death of the Subscriber;
2. The insured fails to make premium payments within the time required to make the payments;
3. The insured becomes eligible for substantially similar coverage under another plan or program, including a group health insurance policy or contract, hospital, or medical service subscriber contract, or medical practice or other prepayment plan; or
4. The Contract is canceled.

Non-Medicare and Medicare – Eligible Provisions

Loss of Coverage

If coverage terminates as the result of termination (other than for gross misconduct) or reduction of employment hours, then the Participant may elect to continue coverage for eighteen (18) months from the date coverage would otherwise cease.

A covered Dependent may elect to continue coverage for thirty-six (36) months from the date coverage would otherwise cease if coverage terminates as the result of:

1. divorce from the covered Employee;
2. death of the covered Employee;
3. the covered Employee becomes eligible for Medicare; or
4. a covered Dependent child no longer meets the Dependent eligibility requirements.

Retiree Opt-out

Retirees who decide to opt-out of the health care plan will not be able to opt back in, even when coverage from another entity ceases. There is no additional stipend provided for those who opt out of retiree health care.

Funding Policy and Annual OPEB Cost

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City does not issue separate financial statements for the plan and the City has not established a trust to fund the plan. The City's annual OPEB cost for the fiscal year ended September 30, 2012, is as follows:

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Annual required contribution	\$ 23,777
Interest on OPEB obligation	6,038
Adjustment to the ARC	(8,057)
Annual OPEB cost (expense) end of year	21,758
Net estimated employer contributions	-
Increase in net OPEB obligation	21,758
Net OPEB obligation - as of beginning of year	<u>134,171</u>
Net OPEB obligation (asset) as of end of year	<u>\$ 155,929</u>

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of September 30, 2012, is as follows:

Actuarial Valuation Date as of December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	Unfunded Actuaary Accrued Liability as a Percentage of Covered Payroll
December 31, 2008	\$ -	\$ 649,383	\$ 649,383	- %	N/A	N/A
October 1, 2010	-	159,949	159,949	- %	5,123,443	3.12%
October 1, 2011	-	139,651	139,651	- %	5,024,084	8.77%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$139,651 at September 30, 2012.

Actuarial Methods and Assumptions

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

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial Methods and Assumptions

Investment rate of return	4.5%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Payroll growth rate	3.0% per annum
Amortization period	30 years; open
General inflation rate	3%
Health care trend	5% in 2010-11, then level at 5% for medical

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

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed (estimate)	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB Cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/10	\$ 63,778	\$ -	\$ 1,932	\$ 1,776	24.16630	\$ 63,934	\$ 63,934	\$ 106,704
09/30/11	22,665	-	4,802	-	24.16630	27,467	27,467	134,171
09/30/12	23,777	-	6,038	(8,057)	24.16630	21,758	21,758	155,929

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization) follow:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/10	\$ 63,778	\$ -	0%	\$ 106,704
09/30/11	27,467	-	0%	134,171
09/30/12	21,758	-	0%	155,929

Supplemental Death Benefits Fund

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Other Postemployment Benefits (Continued)

Supplemental Death Benefits Fund (Continued)

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

City of Marble Falls offers supplemental death to:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Active employees	Yes	Yes	Yes
Retirees	Yes	Yes	Yes

Contributions

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

The City’s contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010, were \$12,772, \$12,443 and \$12,193, respectively, which equaled the required contributions each year.

<u>Schedule of Contribution Rates</u>			
<u>Accounting Year Ending</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
09/30/09	0.23%	0.23%	100%
09/30/10	0.21%	0.21%	100%
09/30/11	0.23%	0.23%	100%

Risk Management

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the Texas Municipal League Risk Pool, a risk-sharing pool, for property, liability, and workers’ compensation, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City are expected to be paid by that public entity risk pool. Should the City become insolvent, or otherwise unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

Prior Period Adjustment

In prior periods, \$1,724,749 of capital assets should have been transferred from the General Improvements Fund to the Water and Utility Fund. Accordingly, beginning net assets have been increased in the Water and Utility Fund and lowered in the General Obligation Fund by \$1,724,749. In the government-wide financials, governmental activities net assets have been decreased \$1,724,749 and business-type activities net assets have been increased \$1,724,749.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 1,273,500	\$ 1,273,500	\$ 1,164,280	\$(109,220)
Sales taxes	4,696,000	4,696,000	4,511,044	(184,956)
Franchise taxes	587,000	587,000	519,081	(67,919)
Other taxes	25,000	25,000	34,954	9,954
Fines and forfeitures	345,000	345,000	173,922	(171,078)
Permits and fees	366,115	366,115	294,517	(71,598)
Intergovernmental	169,900	174,362	174,930	568
Interest on investments	6,250	6,250	2,769	(3,481)
Other	<u>216,800</u>	<u>252,520</u>	<u>131,944</u>	<u>(120,576)</u>
Total revenues	<u>7,685,565</u>	<u>7,725,747</u>	<u>7,007,441</u>	<u>(718,306)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administration:				
Personnel services	397,718	397,718	383,210	14,508
Supplies	22,000	22,000	17,149	4,851
Maintenance	18,450	18,450	7,906	10,544
Purchased and contracted services	286,590	283,490	275,557	7,933
Other services and charges	<u>19,400</u>	<u>17,400</u>	<u>14,125</u>	<u>3,275</u>
Total administration	<u>744,158</u>	<u>739,058</u>	<u>697,947</u>	<u>41,111</u>
Finance:				
Personnel services	311,950	311,950	269,676	42,274
Supplies	12,300	12,300	12,716	(416)
Maintenance	18,000	18,000	21,407	(3,407)
Purchased and contracted services	34,400	34,400	34,651	(251)
Other services and charges	<u>3,900</u>	<u>3,900</u>	<u>2,496</u>	<u>1,404</u>
Total finance	<u>380,550</u>	<u>380,550</u>	<u>340,946</u>	<u>39,604</u>
Human resources:				
Personnel services	140,570	140,570	138,397	2,173
Supplies	9,500	9,500	11,468	(1,968)
Maintenance	2,500	2,500	2,020	480
Purchased and contracted services	5,085	5,085	4,440	645
Other services and charges	<u>22,050</u>	<u>22,050</u>	<u>15,492</u>	<u>6,558</u>
Total human resources	<u>179,705</u>	<u>179,705</u>	<u>171,817</u>	<u>7,888</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Mayor and City Council:				
Personnel services	\$ 1,400	\$ 1,400	\$ 1,324	\$ 76
Other services and charges	12,500	12,500	10,041	2,459
Total Mayor and City Council	<u>13,900</u>	<u>13,900</u>	<u>11,365</u>	<u>2,535</u>
Non-departmental:				
Purchased and contracted services	128,000	128,000	128,000	-
Other services and charges	31,400	56,400	55,355	1,045
Total non-departmental	<u>159,400</u>	<u>184,400</u>	<u>183,355</u>	<u>1,045</u>
Total general government	<u>1,477,713</u>	<u>1,497,613</u>	<u>1,405,430</u>	<u>92,183</u>
PUBLIC SAFETY				
Court:				
Personnel services	176,200	177,900	145,382	32,518
Supplies	3,050	3,050	2,390	660
Purchased and contracted services	25,375	28,975	24,840	4,135
Other services and charges	43,000	37,700	21,355	16,345
Total court	<u>247,625</u>	<u>247,625</u>	<u>193,967</u>	<u>53,658</u>
Police department:				
Personnel services	2,558,640	2,558,640	2,478,085	80,555
Supplies	175,620	175,620	150,069	25,551
Maintenance	164,700	164,700	152,770	11,930
Purchased and contracted services	148,030	148,030	135,923	12,107
Other operating	35,330	35,730	30,488	5,242
Total police department	<u>3,082,320</u>	<u>3,082,720</u>	<u>2,947,335</u>	<u>135,385</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Fire department:				
Personnel services	\$ 1,175,650	\$ 1,175,650	\$ 1,147,886	\$ 27,764
Supplies	70,615	70,615	51,242	19,373
Maintenance	45,150	49,000	46,399	2,601
Purchased and contracted services	47,400	47,400	42,925	4,475
Other operating	<u>31,675</u>	<u>31,675</u>	<u>29,171</u>	<u>2,504</u>
Total fire department	<u>1,370,490</u>	<u>1,374,340</u>	<u>1,317,623</u>	<u>56,717</u>
Code enforcement:				
Personnel services	499,655	499,655	468,987	30,668
Supplies	26,900	26,900	24,448	2,452
Repairs and maintenance	7,900	7,900	3,463	4,437
Purchased and contracted services	26,900	26,900	24,507	2,393
Other services and charges	<u>14,800</u>	<u>14,800</u>	<u>9,504</u>	<u>5,296</u>
Total code enforcement	<u>576,155</u>	<u>576,155</u>	<u>530,909</u>	<u>45,246</u>
Total public safety	<u>5,276,590</u>	<u>5,280,840</u>	<u>4,989,834</u>	<u>291,006</u>
PUBLIC WORKS				
Streets:				
Personnel services	647,000	647,000	631,895	15,105
Supplies	48,160	46,860	53,968	(7,108)
Maintenance	45,000	45,000	45,122	(122)
Purchased and contracted services	127,660	128,960	144,998	(16,038)
Other services and charges	<u>1,000</u>	<u>1,000</u>	<u>806</u>	<u>194</u>
Total streets	<u>868,820</u>	<u>868,820</u>	<u>876,789</u>	<u>(7,969)</u>
Total public works	<u>868,820</u>	<u>868,820</u>	<u>876,789</u>	<u>(7,969)</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
CULTURE AND RECREATION				
Parks and recreation:				
Personnel services	\$ 517,900	\$ 517,900	\$ 458,493	\$ 59,407
Supplies	56,220	56,220	48,392	7,828
Maintenance	86,750	86,750	92,314	(5,564)
Purchased and contracted services	60,620	60,620	47,550	13,070
Other services and charges	<u>4,300</u>	<u>4,300</u>	<u>4,277</u>	<u>23</u>
Total parks and recreation	<u>725,790</u>	<u>725,790</u>	<u>651,026</u>	<u>74,764</u>
Cemetery:				
Maintenance	2,500	2,500	2,566	(66)
Purchased and contracted services	2,500	2,500	445	2,055
Other services and charges	<u>200</u>	<u>200</u>	<u>8</u>	<u>192</u>
Total cemetery	<u>5,200</u>	<u>5,200</u>	<u>3,019</u>	<u>2,181</u>
Total culture and recreation	<u>730,990</u>	<u>730,990</u>	<u>654,045</u>	<u>76,945</u>
CAPITAL OUTLAY	<u>5,550</u>	<u>21,496</u>	<u>21,496</u>	<u>-</u>
Total expenditures	<u>8,359,663</u>	<u>8,399,759</u>	<u>7,947,594</u>	<u>452,165</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(674,098)</u>	<u>(674,012)</u>	<u>(940,153)</u>	<u>(266,141)</u>
OTHER FINANCING SOURCES				
Transfers in	668,750	668,750	968,750	300,000
Proceeds from sale of capital assets	<u>12,000</u>	<u>12,000</u>	<u>55,167</u>	<u>43,167</u>
Total other financing sources	<u>680,750</u>	<u>680,750</u>	<u>1,023,917</u>	<u>343,167</u>
NET CHANGE IN FUND BALANCE	6,652	6,738	83,764	77,026
FUND BALANCE, BEGINNING	<u>677,522</u>	<u>677,522</u>	<u>677,522</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 684,174</u>	<u>\$ 684,260</u>	<u>\$ 761,286</u>	<u>\$ 77,026</u>

CITY OF MARBLE FALLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

ECONOMIC DEVELOPMENT CORPORATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 1,449,530	\$ 1,449,530	\$ 1,503,681	\$ 54,151
Interest on investments	1,300	1,300	1,586	286
Permits and fees	<u>61,600</u>	<u>61,600</u>	<u>37,725</u>	<u>(23,875)</u>
Total revenues	<u>1,512,430</u>	<u>1,512,430</u>	<u>1,542,992</u>	<u>30,562</u>
EXPENDITURES				
Current:				
Personnel services	179,900	174,600	165,932	8,668
Supplies	11,700	11,700	2,053	9,647
Maintenance	11,500	43,000	41,277	1,723
Purchased and contracted services	242,600	289,900	141,185	148,715
Other services and charges	80,700	81,700	64,778	16,922
Capital outlay	-	120,000	120,000	-
Debt service				
Principal	250,000	250,000	250,000	-
Interest	98,027	98,027	98,028	(1)
Bond issuance costs	<u>-</u>	<u>-</u>	<u>40,012</u>	<u>(40,012)</u>
Total expenditures	<u>874,427</u>	<u>1,068,927</u>	<u>923,265</u>	<u>145,662</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>638,003</u>	<u>443,503</u>	<u>619,727</u>	<u>176,224</u>
OTHER FINANCING SOURCES (USES)				
Capital-related debt issued	-	-	1,790,000	1,790,000
Sale of capital assets	90,000	110,000	92,557	(17,443)
Payment to escrow agent	-	-	(1,749,988)	(1,749,988)
Transfers out	<u>(275,000)</u>	<u>(290,000)</u>	<u>(290,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(185,000)</u>	<u>(180,000)</u>	<u>(157,431)</u>	<u>22,569</u>
NET CHANGE IN FUND BALANCE	453,003	263,503	462,296	198,793
FUND BALANCE, BEGINNING	<u>1,108,127</u>	<u>1,108,127</u>	<u>1,108,127</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,561,130</u>	<u>\$ 1,371,630</u>	<u>\$ 1,570,423</u>	<u>\$ 198,793</u>

CITY OF MARBLE FALLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Budgetary Information

Annual appropriated budgets are legally adopted for the General Fund, Hotel/Motel Tax, Police Forfeiture, Economic Development Corporation, and Debt Service Funds on a basis consistent with generally accepted accounting principles. An annual non-appropriated budget is adopted for the City's Water and Utility Enterprise Fund on a non-GAAP basis for managerial control. Project length budgets are adopted for Capital Projects, Narcotics Enforcement Team and Texas Community Development Program Funds and amended on an annual basis to reflect the uncompleted portion of the projects. These funds adopt their budget based on individual projects that cross fund years. An annual comparison does not fairly represent the budgetary results for multiple year projects.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Amendments are made during the year on approval by the City Council. Unused budget appropriations lapse at year-end unless carried forward to the next year by Council action. The final budget is legally adopted by the Council prior to September 30 of each year.

The City Council has the authority to transfer appropriation balances from one expenditure category to another within a department. Although costs are monitored by expenditure category, the legal level of control (level at which expenditures may not exceed budget) is the fund level. The reported budgetary data has been revised for amendments authorized during the year.

**COMBINING AND
INDIVIDUAL FUND STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Hotel/Motel Tax – to account for receipt and allocation of the City’s hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The hotel occupancy tax rate for the City’s hotels is 7%.

Police Forfeiture – to account for cash assets seized, or the proceeds from the sale of other assets seized, as a result of drug related law enforcement activities. By law, these funds must be used for future illegal drug enforcement activity.

2006 TCDP Grant (Texas Community Development Program) – to account for the financing sources and expenditures related to continued water and wastewater improvements and street and drainage for Avenue T.

Flood Buy Back Fund – to account for the financing sources and expenditures related to the purchase of properties within flood areas.

Impact Fee Fund – to account for all funds related to the water and sewer impact fees.

CDBG 2009 Avenue U (Community Development Block Program) – to account for the financing sources and expenditures related to improvements made to Avenue U.

CAPITAL PROJECTS FUND

Parks Improvement Fund – to account for the financing sources and expenditures related to the Parks Improvement project.

2007 Flood Disaster Fund – to account for all activities related to the June 27, 2007, flood disaster.

CITY OF MARBLE FALLS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>Special Revenue</u>		
	<u>Hotel/Motel Tax</u>	<u>Police Forfeiture</u>	<u>2006 TCDP Grant</u>
ASSETS			
Cash and investments	\$ 181,831	\$ 154,780	\$ -
Receivables			
Other taxes	<u>72,890</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 254,721</u>	<u>\$ 154,780</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 9,774	\$ 7,336	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>26,743</u>
Total liabilities	<u>9,774</u>	<u>7,336</u>	<u>26,743</u>
FUND BALANCES			
Restricted	244,947	147,444	-
Unassigned	<u>-</u>	<u>-</u>	<u>(26,743)</u>
Total fund balances	<u>244,947</u>	<u>147,444</u>	<u>(26,743)</u>
Total liabilities and fund balances	<u>\$ 254,721</u>	<u>\$ 154,780</u>	<u>\$ -</u>

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	Parks Improvement	2007 Flood Disaster	
\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ 338,111
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,890</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,001</u>
\$ -	\$ -	\$ -	\$ 16,000	\$ -	\$ 33,110
<u>181</u>	<u>-</u>	<u>-</u>	<u>23,843</u>	<u>196,566</u>	<u>247,333</u>
<u>181</u>	<u>-</u>	<u>-</u>	<u>39,843</u>	<u>196,566</u>	<u>280,443</u>
-	-	1,500	-	-	393,891
<u>(181)</u>	<u>-</u>	<u>-</u>	<u>(39,843)</u>	<u>(196,566)</u>	<u>(263,333)</u>
<u>(181)</u>	<u>-</u>	<u>1,500</u>	<u>(39,843)</u>	<u>(196,566)</u>	<u>130,558</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,001</u>

CITY OF MARBLE FALLS, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue		
	Hotel/Motel Tax	Police Forfeiture	2006 TCDP Grant
REVENUES			
Hotel/motel taxes	\$ 379,936	\$ -	\$ -
Fines and fees	-	-	-
Intergovernmental	-	-	-
Investment earnings	102	327	-
Total revenues	380,038	327	-
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	12,065	-
Culture and recreation	306,785	-	-
Capital outlay	-	40,532	-
Total expenditures	306,785	52,597	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	73,253	(52,270)	-
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	6,812	-
Transfers in	-	-	-
Transfers out	(188,269)	-	-
Total other financing sources (uses)	(188,269)	6,812	-
NET CHANGE IN FUND BALANCES	(115,016)	(45,458)	-
FUND BALANCES, BEGINNING	359,963	192,902	(26,743)
FUND BALANCES, ENDING	\$ 244,947	\$ 147,444	\$(26,743)

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	Parks Improvement	2007 Flood Disaster	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,936
-	67,672	-	-	-	67,672
-	-	2,168	-	-	2,168
1	-	-	-	-	430
<u>1</u>	<u>67,672</u>	<u>2,168</u>	<u>-</u>	<u>-</u>	<u>450,206</u>
106	-	1,084	-	-	1,190
-	-	-	-	-	12,065
-	-	-	50,000	-	356,785
-	-	1,084	99,953	-	141,569
<u>106</u>	<u>-</u>	<u>2,168</u>	<u>149,953</u>	<u>-</u>	<u>511,609</u>
(105)	67,672	-	(149,953)	-	(61,403)
-	-	-	-	-	6,812
-	-	-	115,000	-	115,000
-	(67,672)	-	-	-	(255,941)
-	(67,672)	-	115,000	-	(134,129)
(105)	-	-	(34,953)	-	(195,532)
(76)	-	1,500	(4,890)	(196,566)	326,090
<u>\$(181)</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$(39,843)</u>	<u>\$(196,566)</u>	<u>\$ 130,558</u>

CITY OF MARBLE FALLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,916,000	\$ 2,916,000	\$ 2,888,131	\$(27,869)
Investment earnings	900	900	9,823	8,923
Total revenues	2,916,900	2,916,900	2,897,954	(18,946)
EXPENDITURES				
Debt service:				
Principal	1,660,000	1,660,000	1,740,000	(80,000)
Interest and fiscal charges	1,125,698	1,428,301	1,381,707	46,594
Bond issuance costs	-	-	78,717	(78,717)
Total expenditures	2,785,698	3,088,301	3,200,424	(112,123)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	131,202	(171,401)	(302,470)	(131,069)
OTHER FINANCING SOURCES				
Capital-related debt issued	-	-	2,605,000	2,605,000
Premium on bond issuance	-	-	138,990	138,990
Payment to escrow agent	-	-	(2,665,273)	(2,665,273)
Transfers in	94,519	94,519	164,519	70,000
Total other financing sources	94,519	94,519	243,236	148,717
NET CHANGE IN FUND BALANCE	225,721	(76,882)	(59,234)	17,648
FUND BALANCE, BEGINNING	36,372	36,372	36,372	-
FUND BALANCE, ENDING	\$ 262,093	\$(40,510)	\$(22,862)	\$ 17,648

CITY OF MARBLE FALLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

HOTEL/MOTEL TAX FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 375,000	\$ 375,000	\$ 379,936	\$ 4,936
Investment earnings	<u>150</u>	<u>150</u>	<u>102</u>	<u>(48)</u>
Total revenues	<u>375,150</u>	<u>375,150</u>	<u>380,038</u>	<u>4,888</u>
EXPENDITURES				
Current:				
Services	-	-	118,500	(118,500)
Other	135,750	158,150	171,160	(13,010)
Local assistance	<u>29,625</u>	<u>29,625</u>	<u>17,125</u>	<u>12,500</u>
Total expenditures	<u>165,375</u>	<u>187,775</u>	<u>306,785</u>	<u>(119,010)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>209,775</u>	<u>187,375</u>	<u>73,253</u>	<u>(114,122)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(188,269)</u>	<u>(188,269)</u>	<u>(188,269)</u>	<u>-</u>
Total other financing sources (uses)	<u>(188,269)</u>	<u>(188,269)</u>	<u>(188,269)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	21,506	(894)	(115,016)	(114,122)
FUND BALANCE, BEGINNING	<u>359,963</u>	<u>359,963</u>	<u>359,963</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 381,469</u>	<u>\$ 359,069</u>	<u>\$ 244,947</u>	<u>\$ (114,122)</u>

CITY OF MARBLE FALLS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

POLICE FORFEITURE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 327	\$ 127
Total revenues	<u>200</u>	<u>200</u>	<u>327</u>	<u>127</u>
EXPENDITURES				
Current:				
Supplies	-	-	8,659	(8,659)
Purchased and contracted services	208	208	103	105
Other services and charges	-	-	3,303	(3,303)
Capital outlay	<u>10,000</u>	<u>54,054</u>	<u>40,532</u>	<u>13,522</u>
Total expenditures	<u>10,208</u>	<u>54,262</u>	<u>52,597</u>	<u>1,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(10,008)	(54,062)	(52,270)	<u>1,792</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	<u>6,812</u>	<u>6,812</u>	<u>6,812</u>	<u>-</u>
Total other financing sources	<u>6,812</u>	<u>6,812</u>	<u>6,812</u>	<u>-</u>
NET CHANGE IN FUND BALANCE				
	(3,196)	(47,250)	(45,458)	1,792
FUND BALANCE, BEGINNING				
	<u>192,902</u>	<u>192,902</u>	<u>192,902</u>	<u>-</u>
FUND BALANCE, ENDING				
	<u>\$ 189,706</u>	<u>\$ 145,652</u>	<u>\$ 147,444</u>	<u>\$ 1,792</u>

STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	61
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue resource.	67
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the County's ability to issue additional debt in the future.	72
Economic and Demographic Indicators These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	77
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services and activities performed by the City.	79

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CITY OF MARBLE FALLS, TEXAS

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:									
Invested in capital assets, net of related debt	\$ 11,888,186	\$ 13,477,285	\$ 15,498,652	\$ 17,635,811	\$ 19,645,964	\$ 21,720,097	\$ 19,625,996	\$ 7,531,537	\$ 8,371,582
Restricted	1,331,533	3,526,325	2,275,486	8,617,854	7,203,543	10,691,542	4,511,331	12,632,168	5,224,633
Unrestricted	<u>3,063,047</u>	<u>2,810,182</u>	<u>2,393,333</u>	<u>(5,061,095)</u>	<u>(4,547,838)</u>	<u>(9,264,275)</u>	<u>(6,923,983)</u>	<u>(3,770,556)</u>	<u>(2,961,484)</u>
Total governmental activities net assets	<u>\$ 16,282,766</u>	<u>\$ 19,813,792</u>	<u>\$ 20,167,471</u>	<u>\$ 21,192,570</u>	<u>\$ 22,301,669</u>	<u>\$ 23,147,364</u>	<u>\$ 17,213,344</u>	<u>\$ 16,393,149</u>	<u>\$ 10,634,731</u>
Business-type activities:									
Invested in capital assets, net of related debt	\$ 7,389,108	\$ 3,286,715	\$ 5,339,132	\$ 10,128,701	\$ 10,349,991	\$ 6,203,895	\$ 17,228,744	\$ 20,776,151	\$ 19,131,868
Restricted	779,797	104,555	-	-	-	-	-	-	-
Unrestricted	<u>1,818,599</u>	<u>9,176,575</u>	<u>7,476,137</u>	<u>2,805,117</u>	<u>1,124,906</u>	<u>6,183,360</u>	<u>(649,073)</u>	<u>(5,517,036)</u>	<u>(167,021)</u>
Total business-type activities net assets	<u>\$ 9,987,504</u>	<u>\$ 12,567,845</u>	<u>\$ 12,815,269</u>	<u>\$ 12,933,818</u>	<u>\$ 11,474,897</u>	<u>\$ 12,387,255</u>	<u>\$ 16,579,671</u>	<u>\$ 15,259,115</u>	<u>\$ 18,964,847</u>
Primary government									
Invested in capital assets, net of related debt	\$ 19,277,294	\$ 16,764,000	\$ 20,837,784	\$ 27,764,512	\$ 29,995,955	\$ 27,923,992	\$ 36,854,740	\$ 28,307,688	\$ 27,503,450
Restricted	2,111,330	3,630,880	2,275,486	8,617,854	7,203,543	10,691,542	4,511,331	12,632,168	5,224,633
Unrestricted	<u>4,881,646</u>	<u>11,986,757</u>	<u>9,869,470</u>	<u>(2,255,978)</u>	<u>(3,422,932)</u>	<u>(3,080,915)</u>	<u>(7,573,056)</u>	<u>(9,287,592)</u>	<u>(3,128,505)</u>
Total primary government net assets	<u>\$ 26,270,270</u>	<u>\$ 32,381,637</u>	<u>\$ 32,982,740</u>	<u>\$ 34,126,388</u>	<u>\$ 33,776,566</u>	<u>\$ 35,534,619</u>	<u>\$ 33,793,015</u>	<u>\$ 31,652,264</u>	<u>\$ 29,599,578</u>

CITY OF MARBLE FALLS, TEXAS

CHANGES IN NET ASSETS

LAST EIGHT FISCAL YEARS

	Fiscal Year		
	2004	2005	2006
EXPENSES			
Governmental activities:			
General government	\$ 2,537,929	\$ 1,804,796	\$ 2,309,640
Public safety	4,254,384	4,401,696	3,980,050
Public works	1,260,069	1,369,357	1,567,998
Culture and recreation	476,255	468,976	446,579
Interest on long-term debt	370,737	375,387	373,404
Total governmental activities expenses	8,899,374	8,420,212	8,677,671
Business-type activities:			
Water and wastewater	2,476,856	3,059,697	3,369,467
Principal and interest on long-term debt	171,647	-	-
Total business-type activities expenses	2,648,503	3,059,697	3,369,467
 Total primary government program expenses	 \$ 11,547,877	 \$ 11,479,909	 \$ 12,047,138
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 364,188	\$ 330,298	\$ 493,824
Public safety	6,280	3,339	4,840
Public works	28,610	41,475	41,009
Culture and recreation	24,243	24,672	38,310
Total charges for services	423,321	399,784	577,983
Operating grants and contributions	816,923	845,594	324,191
Capital grants and contributions	-	250,000	-
Total governmental activities program revenues	1,240,244	1,495,378	902,174
Business-type activities:			
Charges for services	2,304,402	2,715,995	3,029,155
Capital grants and contributions	-	-	-
Total business-type activities program revenues	2,304,402	2,715,995	3,029,155
 Total primary government program revenues	 \$ 3,544,646	 \$ 4,211,373	 \$ 3,931,329

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 3,537,781	\$ 3,414,850	\$ 3,001,249	\$ 2,912,799	\$ 2,448,150	\$ 2,773,415
4,832,220	5,733,824	5,646,443	5,677,405	5,683,286	5,530,785
1,490,228	1,729,376	1,885,591	2,505,782	2,717,226	3,068,214
838,504	907,686	1,062,156	1,124,241	1,082,266	1,146,016
483,701	751,471	1,079,296	1,404,037	1,511,314	1,494,575
<u>11,182,434</u>	<u>12,537,207</u>	<u>12,674,735</u>	<u>13,624,264</u>	<u>13,442,242</u>	<u>14,013,005</u>
3,508,190	4,623,193	4,352,380	4,421,786	4,755,391	4,873,802
-	-	-	-	-	-
<u>3,508,190</u>	<u>4,623,193</u>	<u>4,352,380</u>	<u>4,421,786</u>	<u>4,755,391</u>	<u>4,873,802</u>
<u>\$ 14,690,624</u>	<u>\$ 17,160,400</u>	<u>\$ 17,027,115</u>	<u>\$ 18,046,050</u>	<u>\$ 18,197,633</u>	<u>\$ 18,886,807</u>
\$ 650,799	\$ 629,137	\$ 555,515	\$ 544,704	\$ 422,428	\$ 343,192
6,620	159,562	15,465	48,202	125,453	143,310
40,542	41,477	17,153	17,710	48,583	76,662
58,533	76,458	98,926	111,208	127,151	121,577
<u>756,494</u>	<u>906,634</u>	<u>687,059</u>	<u>721,824</u>	<u>723,615</u>	<u>684,741</u>
619,127	383,994	604,032	592,418	269,845	78,620
1,255,281	918,861	346,435	-	-	-
<u>2,630,902</u>	<u>2,209,489</u>	<u>1,637,526</u>	<u>1,314,242</u>	<u>993,460</u>	<u>763,361</u>
2,933,098	3,439,880	3,556,786	3,107,039	3,913,067	3,550,400
-	-	2,125,837	233,368	-	1,352,500
<u>2,933,098</u>	<u>3,439,880</u>	<u>5,682,623</u>	<u>3,340,407</u>	<u>3,913,067</u>	<u>4,902,900</u>
<u>\$ 5,564,000</u>	<u>\$ 5,649,369</u>	<u>\$ 7,320,149</u>	<u>\$ 4,654,649</u>	<u>\$ 4,906,527</u>	<u>\$ 5,666,261</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

**CHANGES IN NET ASSETS
(Continued)
LAST NINE FISCAL YEARS**

	Fiscal Year		
	2004	2005	2006
NET (EXPENSE) REVENUES			
Governmental activities	\$(7,659,130)	\$(6,924,834)	\$(7,775,497)
Business-type activities	(344,101)	(343,702)	(340,312)
Total primary government net expense	<u>(8,003,231)</u>	<u>(7,268,536)</u>	<u>(8,115,809)</u>
 GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	1,547,721	1,746,096	1,841,949
Sales	4,512,918	5,180,176	5,753,525
Franchise	348,625	407,900	446,395
Other	230,400	318,163	315,150
Investment earnings	123,199	181,350	286,433
Loss/gain on sale of assets	-	(238,190)	149,048
Miscellaneous	230,438	2,622	35,286
Transfers	<u>(422,175)</u>	<u>(409,581)</u>	<u>(461,790)</u>
Total governmental activities	<u>6,571,126</u>	<u>7,188,536</u>	<u>8,365,996</u>
 Business-type activities:			
Investment earnings	47,219	167,830	296,116
Loss/gain on sale of assets	-	-	-
Transfers	<u>422,175</u>	<u>409,581</u>	<u>461,790</u>
Total business-type activities	<u>469,394</u>	<u>577,411</u>	<u>757,906</u>
 Total primary government	<u>7,040,520</u>	<u>7,765,947</u>	<u>9,123,902</u>
 CHANGE IN NET ASSETS			
Governmental activities	(1,088,004)	263,702	590,499
Business-type activities	<u>125,293</u>	<u>233,709</u>	<u>417,594</u>
 Total primary government	<u>\$(962,711)</u>	<u>\$ 497,411</u>	<u>\$ 1,008,093</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$(8,551,532)	\$(10,327,718)	\$(11,037,209)	\$(12,310,022)	\$(12,448,782)	\$(13,249,644)
(575,092)	(1,183,313)	1,330,243	(1,081,379)	(842,324)	29,098
(9,126,624)	(11,511,031)	(9,706,966)	(13,391,401)	(13,291,106)	(13,220,546)
1,976,266	2,571,934	3,803,048	3,995,373	4,034,744	4,074,096
6,237,604	6,296,080	6,095,187	5,819,527	5,877,763	6,014,725
440,748	448,804	421,100	527,617	505,866	519,081
350,704	378,395	322,280	502,606	421,209	418,000
509,835	831,364	246,872	21,898	51,621	20,734
322,967	196,587	45,077	225,856	215,384	-
100,142	236,042	448,573	309,554	43,166	116,511
(361,635)	477,611	500,767	(5,026,429)	478,834	(1,947,172)
9,576,631	11,436,817	11,882,904	6,376,002	11,628,587	9,215,975
332,006	202,003	82,882	2,643	602	4,713
-	-	-	244,723	-	-
361,635	(477,611)	(500,767)	5,026,429	(478,834)	1,947,172
693,641	(275,608)	(417,885)	5,273,795	(478,232)	1,951,885
10,270,272	11,161,209	11,465,019	11,649,797	11,150,355	11,167,860
1,025,099	1,109,099	845,695	(5,934,020)	(820,195)	(4,033,669)
118,549	(1,458,921)	912,358	4,192,416	(1,320,556)	1,980,983
\$ 1,143,648	\$(349,822)	\$ 1,758,053	\$(1,741,604)	\$(2,140,751)	\$(2,052,686)

CITY OF MARBLE FALLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,564	\$ 1,319	\$ 7,575	\$ 2,881
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>2,973,743</u>	<u>3,319,391</u>	<u>3,001,388</u>	<u>2,926,057</u>	<u>2,138,981</u>	<u>1,381,263</u>	<u>337,153</u>	<u>610,076</u>	<u>669,947</u>	<u>758,405</u>
Total general fund	<u>\$ 2,973,743</u>	<u>\$ 3,319,391</u>	<u>\$ 3,001,388</u>	<u>\$ 2,926,057</u>	<u>\$ 2,138,981</u>	<u>\$ 1,381,263</u>	<u>\$ 339,717</u>	<u>\$ 611,395</u>	<u>\$ 677,522</u>	<u>\$ 761,286</u>
All other governmental funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,272,183	-	-	-	-	-	-	-	12,632,168	5,224,633
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	1,050,752	1,320,385	1,719,781	1,697,204	1,916,758	1,855,202	2,484,578	1,422,918	(26,819)	(26,924)
Capital projects funds	-	4,596,475	1,806,544	578,282	6,868,916	5,321,588	8,183,155	3,062,898	(201,456)	(236,409)
Debt service funds	<u>-</u>	<u>(111,237)</u>	<u>(94,345)</u>	<u>(122,028)</u>	<u>(27,803)</u>	<u>5,533</u>	<u>(43,368)</u>	<u>(101,583)</u>	<u>-</u>	<u>(22,862)</u>
Total all other governmental funds	<u>\$ 2,322,935</u>	<u>\$ 5,805,623</u>	<u>\$ 3,431,980</u>	<u>\$ 2,153,458</u>	<u>\$ 8,757,871</u>	<u>\$ 7,182,323</u>	<u>\$ 10,624,365</u>	<u>\$ 4,384,233</u>	<u>\$ 12,403,893</u>	<u>\$ 4,938,438</u>

Note: This schedule does not restate prior years for Special Revenue and Capital Projects Funds.

The City implemented GASB 54 in fiscal year 2011 to provide clearer fund balance classifications. Prior years were not restated.

CITY OF MARBLE FALLS, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 6,122,052	\$ 6,663,600	\$ 7,650,897	\$ 7,897,791	\$ 9,001,573	\$ 9,703,686	\$ 10,570,664	\$ 10,863,137	\$ 10,823,765	\$ 11,001,107
Intergovernmental	798,249	743,736	778,489	699,383	1,809,787	1,278,337	871,973	581,306	311,455	182,098
Charges for services	36,598	149,184	124,758	157,545	282,335	376,128	333,749	367,448	352,602	332,242
Fines	294,191	272,837	255,109	390,893	469,246	406,959	348,925	331,153	314,459	241,594
Investment earnings	95,585	123,199	181,350	286,433	509,835	831,364	246,872	21,898	14,935	20,734
Other revenues	626,787	179,126	339,644	136,034	153,858	272,740	538,486	337,293	113,181	131,944
Total revenues	<u>7,973,462</u>	<u>8,131,682</u>	<u>9,330,247</u>	<u>9,568,079</u>	<u>12,226,634</u>	<u>12,869,214</u>	<u>12,910,669</u>	<u>12,502,235</u>	<u>11,930,397</u>	<u>11,909,719</u>
EXPENDITURES										
General government	1,099,446	1,833,888	1,540,298	1,976,762	3,228,265	2,820,730	2,481,159	2,286,980	1,733,341	1,821,845
Public safety	3,177,761	3,543,867	3,999,397	3,764,953	4,607,457	5,323,499	5,254,648	5,224,806	5,229,516	5,097,359
Public works	562,523	756,065	829,906	1,080,497	955,095	1,089,717	981,985	1,048,398	857,364	876,789
Culture and recreation	559,316	373,768	411,905	371,615	777,969	864,512	961,312	1,009,801	952,954	1,010,830
Capital outlay	2,724,952	1,656,353	4,275,169	4,366,639	3,244,170	4,638,124	8,577,215	7,901,676	2,597,077	6,046,967
Debt service										
Principal	650,892	425,054	377,522	364,546	924,407	957,409	1,800,000	1,935,000	1,645,000	1,990,000
Interest	-	558,236	616,634	824,178	549,939	747,771	1,206,997	1,290,891	1,455,753	1,479,735
Bond issuance cost	-	-	-	-	-	-	-	-	225,666	118,729
Total expenditures	<u>8,774,890</u>	<u>9,147,231</u>	<u>12,050,831</u>	<u>12,749,190</u>	<u>14,287,302</u>	<u>16,441,762</u>	<u>21,263,316</u>	<u>20,697,552</u>	<u>14,696,671</u>	<u>18,442,254</u>

(continued)

CITY OF MARBLE FALLS, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXCESS OF REVENUES OVER (UNDER)										
EXPENDITURES	\$(801,428)	\$(1,015,549)	\$(2,720,584)	\$(3,181,111)	\$(2,060,668)	\$(3,572,548)	\$(8,352,647)	\$(8,195,317)	\$(2,766,274)	\$(6,532,535)
OTHER FINANCING SOURCES (USES)										
Bonds issued	431,091	4,344,340	540,000	2,140,000	7,915,818	565,000	10,165,000	2,500,000	9,970,000	4,395,000
Premium on bond issuance	-	-	-	-	-	-	39,735	-	182,399	138,990
Payment to escrow agent	-	-	-	-	-	-	-	-	-	(4,415,261)
Sale of asset proceeds	19,139	148,442	34,400	149,048	323,822	196,671	45,077	225,856	220,828	154,536
Transfers in	201,742	-	538,461	161,031	414,107	1,833,315	1,317,647	1,327,300	1,648,719	1,248,269
Transfers out	(747,705)	(422,175)	(948,042)	(622,821)	(775,742)	(1,355,704)	(816,880)	(1,823,729)	(1,169,885)	(645,941)
Total other financing sources (uses)	(95,733)	4,070,607	164,819	1,827,258	7,878,005	1,239,282	10,750,579	2,229,427	10,852,061	875,593
NET CHANGE IN FUND BALANCES	\$(897,161)	\$ 3,055,058	\$(2,555,765)	\$(1,353,853)	\$ 5,817,337	\$(2,333,266)	\$ 2,397,932	\$(5,965,890)	\$ 8,085,787	\$(5,656,942)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>10.76%</u>	<u>13.13%</u>	<u>12.79%</u>	<u>14.18%</u>	<u>15.41%</u>	<u>14.45%</u>	<u>20.64%</u>	<u>25.14%</u>	<u>25.54%</u>	<u>23.18%</u>

CITY OF MARBLE FALLS, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2003	\$ 184,041,313	\$ 143,394,617	\$ 8,195,923	\$ 9,780,955	\$ 325,850,898	2.4072	\$ 325,850,898
2004	191,287,621	170,040,035	7,899,266	6,150,628	363,076,294	2.4577	363,076,294
2005	204,787,541	193,239,931	8,465,089	4,652,997	401,839,564	2.4602	401,839,564
2006	221,293,227	211,862,592	8,683,227	8,457,633	433,381,413	2.2638	433,381,413
2007	262,655,429	237,905,440	9,666,576	16,466,668	493,760,777	2.1130	493,760,777
2008	263,203,464	265,492,315	9,186,803	14,359,897	523,522,685	2.2614	523,522,685
2009	344,259,070	283,441,857	13,545,518	595,477,516	595,477,516	2.2614	595,477,516
2010	431,611,806	299,990,332	15,323,397	52,294,519	694,631,016	2.2742	638,671,384
2011	449,282,544	303,980,627	13,900,757	59,117,775	708,046,153	2.3135	617,612,731
2012	461,541,079	317,371,849	18,047,379	69,888,903	727,071,404	2.3159	625,782,678

Source: Burnet County Tax Appraisal

Note: Total Direct Tax Rate includes totals of City, School and County Tax Rates. See Table 6 for individual rates.

CITY OF MARBLE FALLS, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates	
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Marble Falls School District	Burnet County
2003	0.3825	\$ 3,773,116	2.4072	1.6420	0.3827
2004	0.4170	7,162,000	2.4577	1.6550	0.3857
2005	0.4200	6,855,000	2.4602	1.6400	0.4002
2006	0.3950	8,310,000	2.2638	1.4716	0.3972
2007	0.4850	15,030,000	2.1130	1.2350	0.3930
2008	0.6300	14,380,000	2.2614	1.2550	0.3627
2009	0.6134	22,835,000	2.2742	1.2850	0.3627
2010	0.6435	28,075,000	2.3135	1.2900	0.3692
2011	0.6435	36,765,000	2.3135	1.2900	0.3724
2012	0.6435	33,340,000	2.3159	1.2900	0.3724

Source: Burnet County Appraisal District, City of Marble Falls, Marble Falls Independent School District.

Note: The City's property tax is levied each October 1 on the assessed value listed on the previous January 1.

CITY OF MARBLE FALLS, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR

Taxpayer	2012		2003	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Huber JM Corp	\$ 10,007,405	1.60%	\$ -	- %
Wal-Mart Store Inc 01-0781	9,384,112	1.50%	-	- %
Wal-Mart Stores East LP	8,717,124	1.39%	-	- %
Lowe's Home Centers Inc	7,165,467	1.14%	-	- %
Johnson-Sewell Family Partnership	6,833,256	1.09%	-	- %
HD Development Properties LP	5,493,850	0.87%	-	- %
Lowe's Home Centers Inc	4,780,419	0.76%	-	- %
Johnson Ross H	4,355,381	0.69%	-	- %
Highland Lakes RP LTD	4,263,481	0.68%	-	- %
Group Investment Holdings, Inc	4,223,159	0.67%	-	- %
	<u>\$ 65,223,654</u>	<u>10.38%</u>	<u>\$ -</u>	<u>- %</u>

Source: Burnet County Appraisal office

Note: Many of the principal property taxpayers did not exist in 2003.

TABLE 8

CITY OF MARBLE FALLS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 1,287,763	\$ 1,210,245	93.98%	\$ 29,410	\$ 1,239,655	96.26%
2004	1,524,920	1,516,132	99.42%	8,788	1,524,920	100.00%
2005	1,675,671	1,632,397	97.42%	33,109	1,665,506	99.39%
2006	1,820,611	1,768,558	97.14%	35,886	1,804,444	99.11%
2007	1,952,358	1,906,012	97.63%	30,284	1,936,296	99.18%
2008	2,539,085	2,499,612	98.00%	-	2,499,612	98.45%
2009	3,755,312	3,633,761	96.76%	51,806	3,685,567	98.14%
2010	3,913,952	3,857,118	98.55%	56,834	3,913,952	100.00%
2011	3,973,652	3,909,526	98.39%	58,871	3,968,397	99.87%
2012	4,021,309	3,953,241	98.30%	-	3,953,241	98.31%

CITY OF MARBLE FALLS, TEXAS

MAJOR SOURCE OF REVENUE
SALES TAX HISTORY

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Tax Rate</u>
2002-03	\$ 3,225,753	8.25%
2003-04	3,464,663	8.25%
2004-05	3,885,132	8.25%
2005-06	5,692,747	8.25%
2006-07	6,212,036	8.25%
2007-08	6,305,601	8.25%
2008-09	6,111,541	8.25%
2009-10	5,798,120	8.25%
2010-11	5,877,763	8.25%
2011-12	6,014,725	8.25%

CITY OF MARBLE FALLS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Tax Notes	Notes Payable	Capital Lease	Water Revenue Bonds	Tax Notes	Notes Payable	Capital Leases			
2003	\$ 3,773,116	\$ -	\$ -	\$ 156,807	\$ 4,835,884	\$ -	\$ -	\$ -	\$ 8,765,807	0.005	\$ 1,270
2004	7,162,000	461,533	119,095	-	4,290,000	198,467	60,000	-	12,291,095	0.004	1,781
2005	6,855,000	579,610	231,384	-	11,740,000	135,390	45,000	-	19,586,384	0.002	2,839
2006	8,310,000	621,696	50,120	-	11,050,000	213,304	30,000	-	20,275,120	0.002	2,816
2007	15,030,000	915,000	12,409	-	24,810,000	125,000	15,000	-	40,907,409	0.001	5,681
2008	14,380,000	1,185,000	-	-	24,025,000	255,000	-	-	39,845,000	0.002	5,534
2009	22,835,000	1,095,000	-	-	22,910,000	195,000	-	-	47,035,000	0.001	6,533
2010	28,075,000	950,000	-	-	17,700,000	-	-	-	46,725,000	0.001	6,072
2011	35,860,000	600,000	-	-	17,515,000	-	-	-	53,975,000	0.002	7,497
2012	35,130,000	295,000	-	-	16,790,000	-	-	-	52,215,000	0.002	7,252

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 15 for personal income and population data.

CITY OF MARBLE FALLS, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Total		
2003	\$ 3,773,116	\$ 3,773,116	1.16%	546.83
2004	7,162,000	7,162,000	1.97%	1,037.97
2005	6,855,000	6,855,000	1.71%	993.48
2006	8,310,000	8,310,000	1.68%	1,154.17
2007	15,030,000	15,030,000	3.04%	2,087.50
2008	14,380,000	14,380,000	2.75%	1,997.22
2009	22,835,000	22,835,000	3.83%	3,171.53
2010	28,075,000	28,075,000	4.39%	3,648.47
2011	36,765,000	36,765,000	5.95%	5,106.25
2012	33,340,000	33,340,000	5.32%	4,630.56

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

Population data can be found in Table 15.

CITY OF MARBLE FALLS, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2012

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Marble Falls Independent School District	\$ 81,114,000	21.000%	\$ 17,033,940
Burnet County General Obligation Debt	6,140,000	16.000%	982,400
Subtotal overlapping debt			18,016,340
City direct debt	33,340,000	100.000%	<u>33,340,000</u>
Total direct and overlapping debt			<u>\$ 51,356,340</u>

Sources: Burnet County Auditor (Burnet County Website), Marble Falls ISD

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Marble Falls. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

CITY OF MARBLE FALLS, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

		Legal Debt Margin Calculation for Fiscal Year 2012										
		Assessed value										\$ 577,490,755
		Debt applicable to limit:										
		General obligation bonds										33,340,000
		Less: Amount set aside for repayment of general obligation debt										-
		Total net debt applicable to limit										<u>33,340,000</u>
		Legal debt margin										<u>\$ 544,150,755</u>
		Fiscal Year										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Debt limit	\$	325,850,898	\$ 363,076,294	\$ 368,465,476	\$ 433,381,413	\$ 493,760,771	\$ 523,522,685	\$ 596,081,363	\$ 638,075,046	\$ 572,437,375	\$ 577,490,755	
Total net debt applicable to limit		<u>3,399,151</u>	<u>7,734,771</u>	<u>7,768,955</u>	<u>8,310,000</u>	<u>15,030,000</u>	<u>14,380,000</u>	<u>22,835,000</u>	<u>28,075,000</u>	<u>35,860,000</u>	<u>33,340,000</u>	
Legal debt margin	\$	<u>322,451,747</u>	<u>355,341,523</u>	<u>360,696,521</u>	<u>425,071,413</u>	<u>478,730,771</u>	<u>509,142,685</u>	<u>573,246,363</u>	<u>610,000,046</u>	<u>536,577,375</u>	<u>544,150,755</u>	
Total net debt applicable to the limit as a percentage of debt limit.		1.04%	2.13%	2.11%	1.92%	3.04%	2.75%	3.83%	4.40%	6.26%	5.77%	

Note:

The City Charter of the City of Marble Falls, Texas, does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

CITY OF MARBLE FALLS, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	\$ 1,979,979	\$ 1,512,891	\$ 467,088	\$ 425,000	\$ 193,892	0.75
2003	2,023,005	1,674,976	348,029	305,000	170,863	0.73
2004	2,304,402	1,916,578	387,824	435,000	151,790	0.66
2005	2,715,995	2,047,125	668,870	450,000	138,515	1.14
2006	3,029,155	2,236,767	792,388	690,000	471,261	0.68
2007	2,933,098	2,204,332	728,766	740,000	403,390	0.64
2008	3,439,880	2,645,229	794,651	785,000	1,093,252	0.42
2009	3,523,144	2,409,754	1,113,390	1,175,000	1,014,268	0.51
2010	3,107,039	2,313,375	793,664	875,000	777,636	0.48
2011	3,550,400	2,328,678	1,221,722	750,000	712,063	0.84

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF MARBLE FALLS, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	6,900	\$ 44,399	\$ 24,687	1.8%
2004	6,900	45,050	26,046	1.6%
2005	6,900	39,915	19,927	- %
2006	7,200	45,889	20,873	3.0%
2007	7,200	40,715	21,702	3.3%
2008	7,200	62,245	25,356	3.7%
2009	7,200	47,528	22,368	5.8%
2010	7,695	48,442	27,008	1.5%
2011	7,200	43,329	22,679	7.1%
2012	7,200	43,329	22,679	7.1%

Sources: Median Household Income and Per Capita Income provided by Capital Area Council of Governments.

Unemployment rate obtained from Texas Workforce Commission website.

Note: Effective in 2005, this data is no longer available for cities under 25,000 until next census. The 2006 Unemployment Rate listed is for Burnet County.

CITY OF MARBLE FALLS, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2012		2003	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Marble Falls ISD	690	15.12%	**	**
Wal-Mart	350	7.67%	**	**
H.E.B. Grocery Company	200	4.38%	**	**
City of Marble Falls	126	2.76%	**	**
Johnson-Sewell Ford Lincoln Mercury	115	2.52%	**	**
The Home Depot	102	2.23%	**	**
American Bank of Texas, N.A.	100	2.19%	**	**
Lowe's	98	2.15%	**	**
Cold Spring Texas Granite	78	1.71%	**	**
Pedernales Electric Cooperative	64	1.40%		
Total	<u>1,923</u>			

Source: Marble Falls Economic Development Corporation and personal telephone interviews

* Employment for Total City of Marble Falls employees is an estimate based on personal telephone interviews. Estimated City employment is 4,565.

** Began historical data for top employers in Fiscal Year 2002/2003. No data available for the entire year of 2002.

CITY OF MARBLE FALLS, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Management services	2	2	2	2	2	2	2	2	2	3
Finance	3	4	4	4	4	4	5	5	5	5
Planning	1	2	3	3	3	6	6	6	6	6
Building	2	1	2	2	5	5	5	5	5	6
Other	5	8	6	6	19	6	3	3	4	4
Human resources	NA	NA	NA	NA	NA	NA	1	1	1	2
Court	NA	NA	NA	NA	NA	3	3	3	3	3
Police										
Officers	17	20	23	25	30	26	27	26	25	24
Civilians	11	12	12	14	-	16	13	13	15	15
Fire										
Firefighters and officers	7	7	7	10	16	16	17	15	15	15
Other public works										
Other	10	10	10	11	13	13	13	13	13	13
Parks and recreation	4	3	5	6	10	10	11	11	11	11
Water	11	10	12	11	16	14	14	14	14	14
Wastewater	9	10	10	11	11	11	10	10	10	10
Total	82	89	96	105	129	132	130	127	129	131

Source: City Finance Department

Notes: A fulltime employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

TABLE 18

**CITY OF MARBLE FALLS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	817	808	898	984	1,206	872	952	662	564	564
Building inspections conducted	4,673	4,621	5,136	5,628	6,898	5,700	1,490	1,201	1,108	3289
Police										
Physical arrests	860	842	715	970	770	1,067	1,154	661	993	959
Parking violations	35	39	47	85	72	825	60	26	22	35
Traffic violations	4,247	4,173	3,182	4,890	5,174	4,677	3,840	2,508	1,650	1062
Fire										
Emergency responses	737	611	809	1,033	1,199	1,200	1,212	765	821	821
Fires extinguished	-	-	-	97	43	60	17	9	12	12
Inspections	-	-	-	-	480	1,800	874	849	771	840
Other public works										
Street resurfacing (miles)	2.00	1.50	1.50	1.50	-	2.50	4.80	3.00	3.50	2
Tonage to repair potholes	-	450	500	500	536	500	1,200	1,993	1,240	600
Parks and recreation										
Community center admissions	-	-	-	72	98	198	128	130	139	240
Library										
Volumes in collection	38,123	39,000	42,218	45,432	46,247	47,083	46,487	44,323	43,512	43,512
Total volumes borrowed	-	-	-	139,463	144,885	144,800	158,005	148,999	149,229	149,229
Water										
New connections	-	-	-	415	413	439	565	593	1,131	490
Water main breaks	-	-	-	147	152	175	65	210	208	200
Average daily consumption (thousands of gallons)	-	-	1,077	1,090	966	1,168	1,612	1,233	1,445	1,500
Peak daily consumption (thousands of gallons)	-	-	-	1,267	1,910	2,700	2,810	2,058	2,397	2,400
Wastewater										
Average daily sewage treatment (thousands of gallons)	713	708	679	624	660	740	621	625	636	675

Source: Various City departments

TABLE 19

**CITY OF MARBLE FALLS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	15	27	18	20	25	25	25
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	47	47	47	48	52	52	52	60	60	60
Highways (miles)	-	-	-	8	8	8	14	14	14	14
Streetlights	12	12	364	364	364	364	364	448	448	448
Traffic signals	-	-	-	13	13	13	14	14	14	14
Parks and recreation										
Acreage	50	50	50	65	68	68	99	123	123	123
Playgrounds	2	2	2	2	2	2	4	6	6	6
Baseball/softball diamonds	1	1	1	1	4	4	8	8	8	8
Soccer/football fields	7	7	7	7	7	7	9	9	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	38	42	42	49	49	50	55	83	83	83
Fire hydrants	281	299	315	390	406	406	544	544	544	544
Storage capacity (thousands of gallons)	-	-	2,089	2,089	2,089	1,889	1,889	2,939	2,739	2,739
Wastewater										
Sanitary sewers (miles)	34	34	34	34	49	51	56	63	63	63
Storm sewers (miles)	10	10	10	10	10	10	12	12	12	12
Treatment capacity (thousands of gallons)	980	980	980	980	980	980	980	980	380	380

Source: Various City departments

Note: Community Center was an open-air facility until 2006 when it was fully enclosed.

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COMPLIANCE SECTION

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

To the Mayor and Members of City Council
City of Marble Falls, Texas
Marble Falls, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Marble Falls, Texas (the “City”) as of and for the year ended September 30, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 14, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Marble Falls, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Pattillo, Brown & Hill, L.L.P.

March 15, 2013