



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2013**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

Prepared by the
Finance Department

CITY OF MARBLE FALLS, TEXAS

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INTRODUCTORY SECTION

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January 30, 2014

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, 2013, 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, 2013, 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, 2013, 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, 2012. 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,

A handwritten signature in cursive script that reads "Margie Cardenas".

Margie Cardenas
Acting City Manager/Director of Finance

CITY OF MARBLE FALLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

MAYOR

George W. Russell

MAYOR PRO TEM

Jane Marie Hurst

COUNCILMEMBERS

Richard Lewis
Ryan Nash
John Packer
George “Butch” Kemper
Reed Norman

CITY MANAGER

Ralph Hendricks

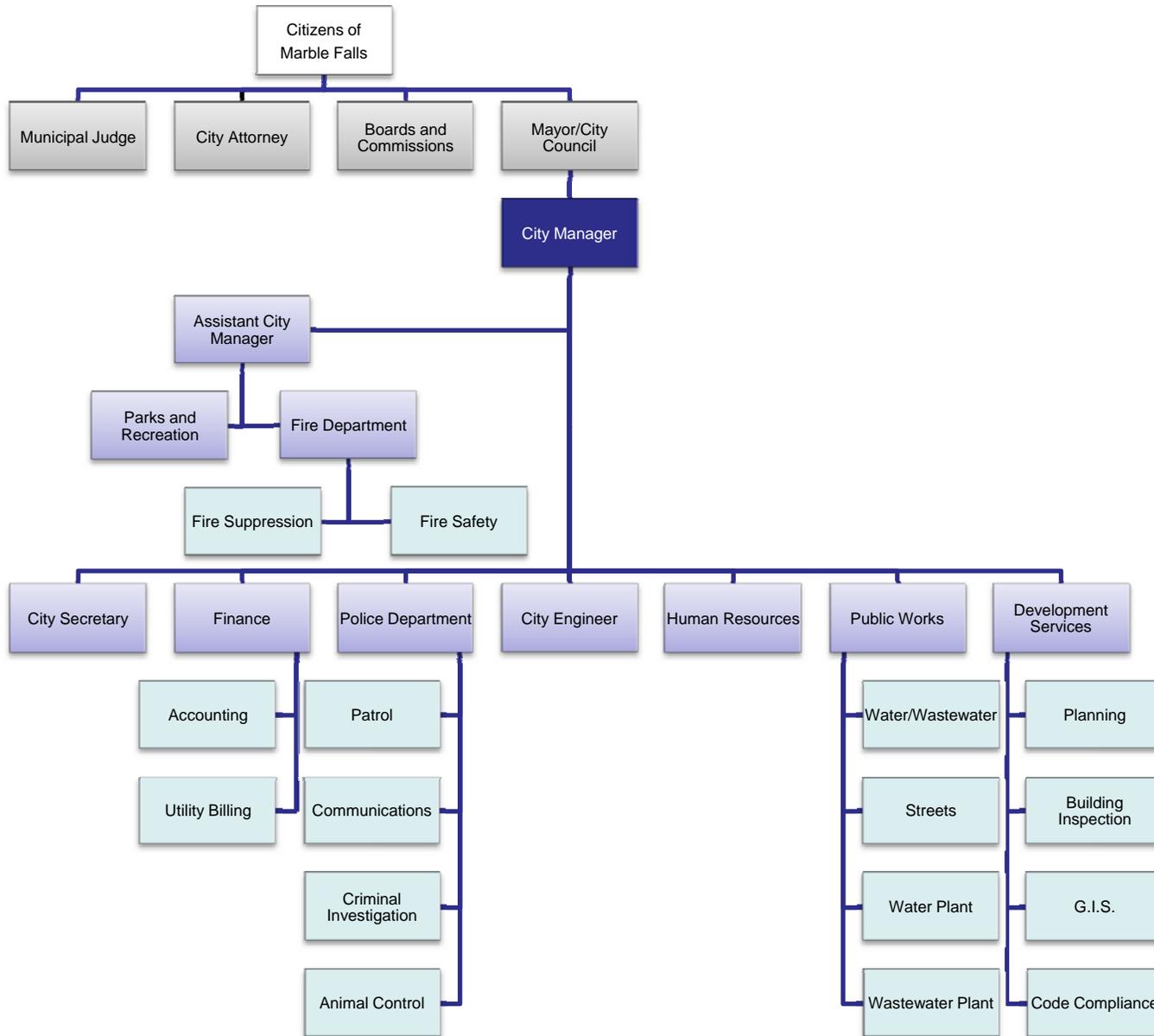
CITY ATTORNEY

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

PREPARED BY:

Finance Department
Margie Cardenas, Director of Finance

City of Marble Falls Organizational Chart





Government Finance Officers Association

**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, 2012

Executive Director/CEO

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marble Falls, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Marble Falls, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marble Falls, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 11 and 48 – 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marble Falls, Texas' basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, 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* in considering the City of Marble Falls, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
January 30, 2014

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**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, 2013. 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, 2013, by \$28,042,869 (net position). Of this amount, \$(2,639,423) is unrestricted net position.
- The City's net position decreased by \$1,556,709.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$5,154,469. \$871,960 of this amount is unassigned and available for use within the City's fund designation and policy.
- As of September 30, 2013, unassigned fund balance for the General Fund was \$1,160,376 or 14.73% 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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 position 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 position 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 Position and Changes in Fiduciary Net Position. 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 23 – 24 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 positions exceed liabilities by \$28.0 million as of September 30, 2013. The largest portion of the City’s net position 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 POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,534,449	\$ 7,125,350	\$(2,174,966)	\$ 1,030,565	\$ 4,359,483	\$ 8,155,915
Capital assets	<u>38,967,550</u>	<u>40,828,370</u>	<u>36,893,005</u>	<u>35,840,281</u>	<u>75,860,555</u>	<u>76,668,651</u>
Total assets	<u>45,501,999</u>	<u>47,953,720</u>	<u>34,718,039</u>	<u>36,870,846</u>	<u>80,220,038</u>	<u>84,824,566</u>
Current liabilities	889,261	872,091	775,670	969,253	1,664,931	1,841,344
Noncurrent liabilities	<u>34,301,699</u>	<u>36,446,898</u>	<u>16,210,539</u>	<u>16,936,746</u>	<u>50,512,238</u>	<u>53,383,644</u>
Total liabilities	<u>35,190,960</u>	<u>37,318,989</u>	<u>16,986,209</u>	<u>17,905,999</u>	<u>52,177,169</u>	<u>55,224,988</u>
Net position:						
Net investment,						
in capital assets	5,516,779	8,371,582	20,924,905	19,131,868	26,441,684	27,503,450
Restricted	4,240,608	5,224,633	-	-	4,240,608	5,224,633
Unrestricted	<u>553,652</u>	<u>(2,961,484)</u>	<u>(3,193,075)</u>	<u>(167,021)</u>	<u>(2,639,423)</u>	<u>(3,128,505)</u>
Total net position	<u>\$ 10,311,039</u>	<u>\$ 10,634,731</u>	<u>\$ 17,731,830</u>	<u>\$ 18,964,847</u>	<u>\$ 28,042,869</u>	<u>\$ 29,599,578</u>

The restricted portion of the City's net position (15.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$(2,639,423).

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2013. Governmental activities decreased the City of Marble Falls' net position by \$(323,692), accounting for a (1.0) % decrease in net position. Although the City experienced a decrease, the decrease in net assets was reduced from (12.7) % in prior year to (1.0) % in FY 2013. This is an increase of \$3,709,977 from prior year. The small decrease was due to the decrease in charges for services. Business-type activities decreased the City's net position by \$(1,233,017) accounting for a (4.2) % decrease in net position. The decrease in the business-type activities was due to the decrease in capital grants and contributions.

CITY OF MARBLE FALLS' CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 605,051	\$ 684,741	\$ 3,840,593	\$ 3,550,400	\$ 4,445,644	\$ 4,235,141
Operating grants and contributions	272,770	78,620	-	-	272,770	78,620
Capital grants and contributions	54,630	-	367,738	1,352,500	422,368	1,352,500
General revenues:						
Property taxes	4,104,048	4,074,096	-	-	4,104,048	4,074,096
Sales taxes	6,754,361	6,014,725	-	-	6,754,361	6,014,725
Franchise taxes	508,627	519,081	-	-	508,627	519,081
Other taxes	637,407	418,000	-	-	637,407	418,000
Investment earnings	17,644	20,734	1,531	4,713	19,175	25,447
Gain on sale of assets	-	-	-	-	-	-
Miscellaneous	183,678	116,511	-	-	183,678	116,511
Total revenues	<u>13,138,216</u>	<u>11,926,508</u>	<u>4,209,862</u>	<u>4,907,613</u>	<u>17,348,078</u>	<u>16,834,121</u>
Expenses:						
General government	2,736,605	2,773,415	-	-	2,736,605	2,773,415
Public safety	5,447,990	5,530,785	-	-	5,447,990	5,530,785
Public works	3,210,567	3,068,214	-	-	3,210,567	3,068,214
Culture and recreation	1,089,241	1,146,016	-	-	1,089,241	1,146,016
Interest on long-term debt	1,333,648	1,494,575	-	-	1,333,648	1,494,575
Water and wastewater	-	-	5,086,736	4,873,802	5,086,736	4,873,802
Total expenses	<u>13,818,051</u>	<u>14,013,005</u>	<u>5,086,736</u>	<u>4,873,802</u>	<u>18,904,787</u>	<u>18,886,807</u>
Increases (decreases) in net assets before transfers	(679,835)	(2,086,497)	(876,874)	33,811	(1,556,709)	(2,052,686)
Transfers	356,143	(1,947,172)	(356,143)	1,947,172	-	-
Change in net assets	(323,692)	(4,033,669)	(1,233,017)	1,980,983	(1,556,709)	(2,052,686)
Net assets, beginning	<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>
Prior period adjustment	-	(1,724,749)	-	1,724,749	-	-
Net assets, ending	<u>\$ 10,311,039</u>	<u>\$ 10,634,731</u>	<u>\$ 17,731,830</u>	<u>\$ 18,964,847</u>	<u>\$ 28,042,869</u>	<u>\$ 29,599,578</u>

Government Funds

In the General Fund, fund balance increased by \$407,931. The increase was due mainly due to the increase in sales taxes for FY 2013. The Debt Service Fund balance increased by \$44,190 due to an increase in property taxes.

The Economic Development Corporation Fund balance increased by \$418,837. The increase is due to an increase in sales taxes.

The General Improvements Fund balance decreased by \$(1,395,786). The decrease was due mainly due to an increase in capital-related expenditures during the year.

Proprietary Fund

Unrestricted net position of the proprietary fund (water and sewer) was \$(3,193,075). The net position of the Water and Sewer Fund decreased by \$(1,229,031). This decrease was due to the decrease in capital grants and contributions.

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 \$112,557 from the original budget of \$8,233,850 to the revised budget of \$8,346,407 or 1.4% 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 \$470,173. The General Government group actual expenditures were below budget by \$85,270. The expenses were for purchased and contracted services in the Administration Department. Additionally, Public Safety expenditures were below budget by \$380,768. This was mainly due to personnel services costs in the police department.

Capital Assets

- Completed the existing wastewater plant upgrades. Total spent in FY 2012/13 was \$503,304.
- Completed a lift station on Flatrock Springs at a cost of \$492,141.
- Completed 8700 feet of sewer line at Flatrock Springs at a cost of \$1,153,706.
- Completed the construction of the Visitor's Center. Total spent in FY 2012/13 was \$729,914.
- Continued with our annual street improvement plan. Total spent in FY 2012/13 was \$617,201.
- Continued engineering design of the Water Plant Upgrade. Total spent in FY 2012/13 was \$111,145.
- Completed purple pipe project on South Main, at a total cost of \$405,378.

Additional information regarding capital assets can be found in the notes to the financial statements on pages 36 – 37.

CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,218,085	\$ 5,218,085	\$ 681,006	\$ 681,006	\$ 5,899,091	\$ 5,899,091
Buildings and improvements	52,134,632	50,574,791	49,831,904	46,699,075	101,966,536	97,273,866
Machinery and equipment	6,333,399	6,245,450	1,152,175	1,150,875	7,485,574	7,396,325
Construction in progress	1,252,187	1,252,187	1,894,490	1,894,490	3,146,677	3,146,677
Less: accumulated depreciation	(25,970,753)	(22,462,143)	(16,666,570)	(14,585,165)	(42,637,323)	(37,047,308)
Total capital assets, net	\$ 38,967,550	\$ 40,828,370	\$ 36,893,005	\$ 35,840,281	\$ 75,860,555	\$ 76,668,651

Debt Administration

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$49,280,000. Of this amount, \$33,245,000 represents bonded debt backed by the full faith and credit of the City and \$16,035,000 represents payables secured by water and wastewater revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Certificates of obligation	\$ 33,155,000	\$ 35,130,000	\$ 16,035,000	\$ 16,790,000	\$ 49,190,000	\$ 51,920,000
Note payable	90,000	295,000	-	-	90,000	295,000
Total	\$ 33,245,000	\$ 35,425,000	\$ 16,035,000	\$ 16,790,000	\$ 49,280,000	\$ 52,215,000

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

	Standard & Poor's
General Obligation Bonds	A

Additional information on the City's long term-debt can be found in the notes to financial statements of this report on pages 38 – 40.

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 2013. 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 12.0% from the prior year revenue of \$4,511,044 to \$5,065,771. The 2014 estimate is conservatively projected at \$4,996,875. 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 position 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 \$0.6483. This rate consists of a maintenance and operations (M&O) tax rate of \$0.1881 and an Interest and Sinking (debt service) tax rate of \$0.4602. The rate was set based on a net position value of \$600,546,263. The assessed values decreased about 4% for FY 2012/2013.

Water revenues for 2014 are budgeted at \$2,825,025 which is a 12% increase over the prior year. Sewer revenues are budgeted at \$1,610,000, representing a 4% increase over the prior year. The City of Marble Falls did increase the water rates for FY 2013/2014 at an average of 23%. The increase was drastic in order to promote conservation. 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 POSITION

SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 865,764	\$ -	\$ 865,764
Receivables, net of allowances for uncollectibles			
Taxes	1,465,556	-	1,465,556
Customer accounts	166,532	519,840	686,372
Other	2,349	-	2,349
Due from other governments	78,482	-	78,482
Internal balances	3,440,906	(3,440,906)	-
Inventories	-	355,364	355,364
Prepaid items	8,841	-	8,841
Deferred charges	506,019	390,736	896,755
Capital assets:			
Land	5,218,085	681,006	5,899,091
Buildings and improvements	52,134,632	49,831,904	101,966,536
Machinery and equipment	6,333,399	1,152,175	7,485,574
Construction in progress	1,252,187	1,894,490	3,146,677
Accumulated depreciation	(25,970,753)	(16,666,570)	(42,637,323)
Total capital assets, net of accumulated depreciation	38,967,550	36,893,005	75,860,555
Total assets	45,501,999	34,718,039	80,220,038
LIABILITIES			
Accounts payable	450,759	110,246	561,005
Accrued liabilities	125,747	31,847	157,594
Due to others	61,915	82,251	144,166
Customer deposits	23,021	441,448	464,469
Accrued interest	227,819	109,878	337,697
Noncurrent liabilities:			
Due within one year	2,235,067	861,965	3,097,032
Due in more than one year	32,066,632	15,348,574	47,415,206
Total liabilities	35,190,960	16,986,209	52,177,169
NET POSITION			
Net investment in capital assets	5,516,779	20,924,905	26,441,684
Restricted for:			
Economic development	1,989,260	-	1,989,260
Public safety	153,751	-	153,751
Culture and recreation	265,013	-	265,013
Capital improvements	1,832,584	-	1,832,584
Unrestricted	553,652	(3,193,075)	(2,639,423)
Total net position	\$ 10,311,039	\$ 17,731,830	\$ 28,042,869

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,736,605	\$ 321,446	\$ 146,973	\$ -
Public safety	5,447,990	130,912	88,752	-
Public works	3,210,567	39,043	-	54,630
Culture and recreation	1,089,241	113,650	37,045	-
Interest on long-term debt	1,333,648	-	-	-
Total governmental activities	<u>13,818,051</u>	<u>605,051</u>	<u>272,770</u>	<u>54,630</u>
Business-type activities:				
Water and sewer	<u>5,086,736</u>	<u>3,840,593</u>	<u>-</u>	<u>367,738</u>
Total business-type activities	<u>5,086,736</u>	<u>3,840,593</u>	<u>-</u>	<u>367,738</u>
Total primary government	<u>\$ 18,904,787</u>	<u>\$ 4,445,644</u>	<u>\$ 272,770</u>	<u>\$ 422,368</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 position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(2,268,186)	\$ -	\$(2,268,186)
(5,228,326)	-	(5,228,326)
(3,116,894)	-	(3,116,894)
(938,546)	-	(938,546)
(1,333,648)	-	(1,333,648)
<u>(12,885,600)</u>	<u>-</u>	<u>(12,885,600)</u>
<u>-</u>	(878,405)	(878,405)
<u>-</u>	(878,405)	(878,405)
<u>(12,885,600)</u>	<u>(878,405)</u>	<u>(13,764,005)</u>
1,075,605	-	1,075,605
3,028,443	-	3,028,443
6,754,361	-	6,754,361
508,627	-	508,627
637,407	-	637,407
17,644	1,531	19,175
183,678	-	183,678
356,143	(356,143)	-
<u>12,561,908</u>	<u>(354,612)</u>	<u>12,207,296</u>
(323,692)	(1,233,017)	(1,556,709)
<u>10,634,731</u>	<u>18,964,847</u>	<u>29,599,578</u>
<u>\$ 10,311,039</u>	<u>\$ 17,731,830</u>	<u>\$ 28,042,869</u>

CITY OF MARBLE FALLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
ASSETS			
Cash and investments	\$ 135,350	\$ 502,175	\$ 57,714
Receivables, net of allowances for uncollectibles:			
Property taxes	16,939	-	129,095
Other taxes	881,279	289,662	-
Accounts	166,532	-	-
Other	299	2,050	-
Due from other governments	70,982	-	-
Due from other funds	551,353	1,280,306	-
Prepaid items	8,841	-	-
	<u>\$ 1,831,575</u>	<u>\$ 2,074,193</u>	<u>\$ 186,809</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	361,869	76,464	-
Accrued liabilities	119,578	6,169	-
Due to other funds	-	-	51,237
Due to others	59,615	2,300	-
Customer deposits	23,021	-	-
Deferred revenue	98,275	-	114,244
Total liabilities	<u>662,358</u>	<u>84,933</u>	<u>165,481</u>
Fund balances:			
Nonspendable	8,841	-	-
Restricted	-	1,989,260	-
Unassigned	1,160,376	-	21,328
Total fund balances	<u>1,169,217</u>	<u>1,989,260</u>	<u>21,328</u>
Total liabilities and fund balances	<u>\$ 1,831,575</u>	<u>\$ 2,074,193</u>	<u>\$ 186,809</u>

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 position 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>
\$ 14,488	\$ 156,037	\$ 865,764
-	-	146,034
-	148,581	1,319,522
-	-	166,532
-	-	2,349
-	7,500	78,482
1,855,348	118,706	3,805,713
-	-	8,841
<u>\$ 1,869,836</u>	<u>\$ 430,824</u>	<u>\$ 6,393,237</u>

5,303	7,123	450,759
-	-	125,747
-	313,570	364,807
-	-	61,915
-	-	23,021
-	-	212,519
<u>5,303</u>	<u>320,693</u>	<u>1,238,768</u>

-	-	8,841
1,864,533	419,875	4,273,668
-	(309,744)	871,960
<u>1,864,533</u>	<u>110,131</u>	<u>5,154,469</u>
<u>\$ 1,869,836</u>	<u>\$ 430,824</u>	

38,967,550

212,519

(34,023,499)

\$ 10,311,039

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
REVENUES			
Property taxes	\$ 1,081,780	\$ -	\$ 3,046,970
Sales taxes	5,065,771	1,688,590	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	38,373	-	-
Franchise fees	508,627	-	-
Fines and forfeitures	150,530	-	-
Permits and fees	264,872	44,616	-
Intergovernmental	293,475	-	-
Investment earnings	1,222	2,055	12,659
Other	74,690	4,117	-
Total revenues	<u>7,479,340</u>	<u>1,739,378</u>	<u>3,059,629</u>
EXPENDITURES			
Current:			
General government	1,348,980	835,160	-
Public safety	4,873,094	-	-
Public works	858,697	-	-
Culture and recreation	624,626	-	-
Capital outlay	170,837	-	-
Debt service:			
Principal	-	285,000	1,895,000
Interest and fiscal charges	-	41,250	1,277,225
Total expenditures	<u>7,876,234</u>	<u>1,161,410</u>	<u>3,172,225</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(396,894)</u>	<u>577,968</u>	<u>(112,596)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	29,296	115,869	-
Proceeds from insurance	120,529	-	-
Transfers in	655,000	-	156,786
Transfers out	-	(275,000)	-
Total other financing sources (uses)	<u>804,825</u>	<u>(159,131)</u>	<u>156,786</u>
NET CHANGE IN FUND BALANCES	407,931	418,837	44,190
FUND BALANCES, BEGINNING	<u>761,286</u>	<u>1,570,423</u>	<u>(22,862)</u>
FUND BALANCES, ENDING	<u>\$ 1,169,217</u>	<u>\$ 1,989,260</u>	<u>\$ 21,328</u>

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

General Improvements	Other Governmental	Total Governmental
\$ -	\$ -	\$ 4,128,750
-	-	6,754,361
-	595,160	595,160
-	-	38,373
-	-	508,627
-	75,937	226,467
-	-	309,488
46,747	24,758	364,980
1,315	393	17,644
23,323	-	102,130
<u>71,385</u>	<u>696,248</u>	<u>13,045,980</u>
-	89,050	2,273,190
127,455	3,990	5,004,539
-	-	858,697
-	328,212	952,838
1,389,876	65,176	1,625,889
-	-	2,180,000
-	-	1,318,475
<u>1,517,331</u>	<u>486,428</u>	<u>14,213,628</u>
(1,445,946)	209,820	(1,167,648)
-	556	145,721
-	-	120,529
90,160	40,000	941,946
(40,000)	(270,803)	(585,803)
<u>50,160</u>	<u>(230,247)</u>	<u>622,393</u>
(1,395,786)	(20,427)	(545,255)
<u>3,260,319</u>	<u>130,558</u>	<u>5,699,724</u>
<u>\$ 1,864,533</u>	<u>\$ 110,131</u>	<u>\$ 5,154,469</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, 2013

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)	\$(545,255)
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.	(1,857,900)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(28,293)
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.	2,162,229
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>(54,473)</u>
Change in net position of governmental activities (pages 12 - 13)	<u><u>\$(323,692)</u></u>

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ -
Accounts receivable, net of allowance	519,840
Inventories	<u>355,364</u>
Total current assets	<u>875,204</u>
Noncurrent assets:	
Deferred charges	390,736
Capital assets:	
Land	681,006
Buildings and improvements	49,831,904
Machinery and equipment	1,152,175
Construction in progress	1,894,490
Accumulated depreciation	<u>(16,666,570)</u>
Total capital assets	<u>36,893,005</u>
Total noncurrent assets	<u>37,283,741</u>
Total assets	<u>38,158,945</u>
LIABILITIES	
Current liabilities:	
Accounts payable	110,246
Accrued liabilities	31,847
Due to other funds	3,440,906
Customer deposits	441,448
Due to others	82,251
Accrued interest	109,878
Compensated absences	52,278
Bonds payable	<u>809,687</u>
Total current liabilities	<u>5,078,541</u>
Noncurrent liabilities:	
Compensated absences	156,833
Bonds payable	15,158,413
OPEB net pension obligation	<u>33,328</u>
Total noncurrent liabilities	<u>15,348,574</u>
Total liabilities	<u>20,427,115</u>
NET POSITION	
Net investment in capital assets	20,924,905
Unrestricted	<u>(3,193,075)</u>
Total net position	<u>\$ 17,731,830</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 POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Business-type Activities Enterprise Fund</u>
	<u>Water and Utility</u>
OPERATING REVENUES	
Water and utility charges	\$ 3,667,973
Miscellaneous	172,620
Total operating revenues	<u>3,840,593</u>
OPERATING EXPENSES	
Personnel services	1,193,470
Supplies	457,832
Repairs and maintenance	262,787
Purchased and contracted services	347,434
Other services and charges	27,119
Depreciation	2,081,405
Total operating expenses	<u>4,370,047</u>
OPERATING LOSS	<u>(529,454)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,531
Interest and fiscal charges	<u>(716,689)</u>
Total nonoperating revenues (expenses)	<u>(715,158)</u>
CAPITAL CONTRIBUTIONS	367,738
INCOME BEFORE TRANSFERS	<u>(876,874)</u>
TRANSFERS OUT	<u>(630,000)</u>
TRANSFERS IN	<u>273,857</u>
CHANGE IN NET POSITION	<u>(1,233,017)</u>
NET POSITION, BEGINNING	<u>18,964,847</u>
NET POSITION, ENDING	<u>\$ 17,731,830</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, 2013

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,850,134
Cash paid to suppliers for goods and services	1,816,498
Cash paid to employees for services	(1,177,302)
Net cash provided by operating activities	<u>4,489,330</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid to others	63,068
Transfers to other funds	(630,000)
Transfers from other funds	<u>273,857</u>
Net cash used by noncapital financing activities	<u>(293,075)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(3,134,129)
Capital contributions	367,738
Principal repayments on long-term debt	(740,313)
Interest and fiscal charges paid on debt	<u>(691,082)</u>
Net cash used by capital and related financing activities	<u>(4,197,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment earnings	<u>1,531</u>
Net cash provided by investing activities	<u>1,531</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	\$(529,454)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation and amortization	2,081,405
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Customer receivable	1,927
Inventory	(40,824)
Increase (decrease) in liabilities:	
Accounts payable	(262,320)
Accrued liabilities	2,062
OPEB net pension obligation	3,986
Due to other funds	3,214,814
Customer deposits	7,614
Compensated absences payable	<u>10,120</u>
Net cash provided by operating activities	<u>\$ 4,489,330</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Contributions of capital assets from government	\$ 367,738

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>LaVentana PID Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>29,607</u>
Total assets	<u>29,607</u>
NET POSITION	
Held in trust for LaVentana PID	\$ <u><u>29,607</u></u>

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

CITY OF MARBLE FALLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>LaVentana PID Trust Fund</u>
ADDITIONS	
Property tax assessment	\$ 40,287
Investment earnings	<u>14,892</u>
Total additions	<u>55,179</u>
 DEDUCTIONS	
Miscellaneous expense	<u>32,564</u>
Total deductions	<u>32,564</u>
 CHANGE IN NET POSITION	 22,615
 NET POSITION, BEGINNING	 <u>6,992</u>
 NET POSITION, ENDING	 \$ <u><u>29,607</u></u>

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, 2013

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.

Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

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.

Assets, Liabilities, and Net Position 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.

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 2012 was \$4,056,133. The tax assessment of October 1, 2012, sets a tax levy at \$.06483 per \$100 of assessed valuation at 100% of assumed market value. Of this amount, \$.04846 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.

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 position. 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.

Net Position

Net position represent the difference between assets and liabilities. Net position 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 position 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 Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(34,023,499) difference are as follows:

General obligation bonds	\$(28,630,000)
Refunding bonds	(4,525,000)
Tax notes	(90,000)
Deferred charges for issuance cost	506,019
Deferred loss on refunding debt issuance	79,489
Bond premiums	(308,962)
OPEB net pension obligation	(144,358)
Compensated absences	(682,868)
Accrued interest payable	(<u>227,819</u>)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(34,023,499)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(1,857,900) difference are as follows:

Capital outlay	\$ 1,650,710
Depreciation expense	(3,508,610)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* \$(1,857,900)

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 \$(28,293) difference are as follows:

Property taxes	\$(24,702)
Municipal court	(<u>3,591</u>)

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* \$(28,293)

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 position. 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 \$(2,162,229) difference are as follows:

Principal repayments:	
General obligation debt	\$(1,430,000)
Refunding debt	(545,000)
Tax notes	(205,000)

Debt issued:	
OPEB net pension obligation	<u>17,771</u>

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* \$(2,162,229)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances

As of September 30, 2013, the following funds had deficit fund balances:

Special revenue funds	
2006 TCDP Grant	(26,743)
Flood Buy Back	(180)
CDBG 2009 Avenue U	(31,949)
Capital projects	
Parks Improvement	(54,053)
2007 Flood Disaster	(196,829)

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, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 41,778	60
Logic	221,493	57

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.

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, 2013, \$480,722 of the City’s \$851,744 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$371,022 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.

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	\$ 18,821	\$ -	\$ 143,439	\$ -	\$ -	\$ 162,260
Other taxes	881,279	289,662	-	148,581	-	1,319,522
Customer accounts	329,913	-	-	-	638,320	968,233
Other	299	2,050	-	-	-	2,349
Gross receivables	1,230,312	291,712	143,439	148,581	638,320	2,452,364
Less: allowance for uncollectibles	165,263	-	14,344	-	118,480	298,087
Net total receivables	<u>\$ 1,065,049</u>	<u>\$ 291,712</u>	<u>\$ 129,095</u>	<u>\$ 148,581</u>	<u>\$ 519,840</u>	<u>\$ 2,154,277</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	\$ 11,922
Municipal court receivable	86,353
Total general fund	<u>98,275</u>
Debt service fund:	
Delinquent property taxes receivable	114,244
Total debt service fund	<u>114,244</u>
Total governmental funds	<u>\$ 212,519</u>

Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
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	50,574,791	1,559,841	-	52,134,632
Machinery and equipment	<u>6,245,450</u>	<u>90,869</u>	<u>(2,920)</u>	<u>6,333,399</u>
Total capital assets being depreciated	<u>56,820,241</u>	<u>1,650,710</u>	<u>(2,920)</u>	<u>58,468,031</u>
Less accumulated depreciation:				
Buildings and improvements	(17,123,561)	(3,100,169)	-	(20,223,730)
Machinery and equipment	<u>(5,338,582)</u>	<u>(408,441)</u>	<u>-</u>	<u>(5,747,023)</u>
Total accumulated depreciation	<u>(22,462,143)</u>	<u>(3,508,610)</u>	<u>-</u>	<u>(25,970,753)</u>
Total capital assets being depreciated, net	<u>34,358,098</u>	<u>(1,857,900)</u>	<u>(2,920)</u>	<u>32,497,278</u>
Governmental activities capital assets, net	<u>\$ 40,828,370</u>	<u>\$(1,857,900)</u>	<u>\$(2,920)</u>	<u>\$ 38,967,550</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	46,699,075	3,132,829	-	49,831,904
Machinery and equipment	<u>1,150,875</u>	<u>1,300</u>	<u>-</u>	<u>1,152,175</u>
Total capital assets being depreciated	<u>47,849,950</u>	<u>3,134,129</u>	<u>-</u>	<u>50,984,079</u>
Less accumulated depreciation:				
Buildings and improvements	(13,584,513)	(2,046,692)	-	(15,631,205)
Machinery and equipment	<u>(1,000,652)</u>	<u>(34,713)</u>	<u>-</u>	<u>(1,035,365)</u>
Total accumulated depreciation	<u>(14,585,165)</u>	<u>(2,081,405)</u>	<u>-</u>	<u>(16,666,570)</u>
Total capital assets being depreciated, net	<u>33,264,785</u>	<u>1,052,724</u>	<u>-</u>	<u>34,317,509</u>
Business-type activities capital assets, net	<u>\$ 35,840,281</u>	<u>\$ 1,052,724</u>	<u>\$ -</u>	<u>\$ 36,893,005</u>

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

Governmental activities:		
General government		\$ 619,617
Public safety		411,982
Public works		2,346,437
Culture and recreation		<u>130,574</u>
Total depreciation expense - governmental activities		\$ <u>3,508,610</u>
Business-type activities:		
Water and utility		\$ <u>2,081,405</u>
Total depreciation expense - business-type activities		\$ <u>2,081,405</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 51,237
General	Nonmajor governmental	313,570
General	Water and utility	186,546
Nonmajor governmental	Water and utility	118,706
Economic development	Water and utility	1,280,306
General improvements	Water and utility	<u>1,855,348</u>
Total		\$ <u>3,805,713</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	Water and utility	630,000
Debt service	Nonmajor governmental	156,786
General improvements	Nonmajor governmental	90,160
Nonmajor governmental	General improvements	40,000
Water and utility	Economic Development Corporation	250,000
Water and utility	Nonmajor governmental	<u>23,857</u>
Total		\$ <u>1,215,803</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.

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, 2013, follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities	
<u>General Obligation Bonds</u>					
2007 Series	\$ 21,780,000	2030	4% - 5%	\$ 6,315,000	\$ 11,945,000
2011 Series	3,715,000	2031	2% - 4%	2,680,000	685,000
				8,995,000	12,630,000
<u>General Obligation Refunding Bond</u>					
2010 Series	1,130,000	2015	1.75% - 3.05%	445,000	-
2011 Series	1,625,000	2020	2.10%	-	1,410,000
2012 Series	2,605,000	2023	3%	2,575,000	-
				3,020,000	1,410,000
<u>Combination Tax and Revenue Bonds</u>					
2004 Series	4,950,000	2026	3.75% - 4.75%	3,590,000	-
2005 Series	2,950,000	2025	1.7% - 3.7%	-	1,995,000
2006 Series	1,900,000	2021	4.25%	1,190,000	-
2008 Series	9,950,000	2028	4% - 4.6%	8,335,000	-
2010 Series	7,000,000	2032	1% - 5%	6,520,000	-
				19,635,000	1,995,000
<u>Sales Tax Revenue Bonds</u>					
2012 Series	1,790,000	2018	2.72%	1,505,000	-
				1,505,000	-
				\$ 33,155,000	\$ 16,035,000
<u>Tax Notes</u>					
2007 Series	750,000	2014	4.03%	90,000	-
				90,000	-
				\$ 90,000	-

Annual debt service requirements for bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	2,270,000	973,272	885,000	549,461
2019-2023	10,320,000	4,014,555	4,265,000	2,254,378
2024-2028	9,490,000	2,698,909	4,920,000	1,819,786
2029-2032	<u>2,715,000</u>	<u>6,516,036</u>	<u>2,665,000</u>	<u>136,584</u>
Total	<u>\$ 33,155,000</u>	<u>\$ 18,804,965</u>	<u>\$ 16,035,000</u>	<u>\$ 7,245,022</u>

Annual debt service requirements for tax notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 90,000</u>	<u>\$ 3,627</u>
Total	<u>\$ 90,000</u>	<u>\$ 3,627</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.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 30,060,000	\$ -	\$ 1,430,000	\$ 28,630,000	\$ 1,215,000
General obligation refunding bond	3,280,000	-	260,000	3,020,000	455,000
Sales tax revenue refunding bond	1,790,000	-	285,000	1,505,000	285,000
Tax notes	295,000	-	205,000	90,000	90,000
Premium from issuance of bonds	337,526	-	28,564	308,962	28,564
Loss on refunding	(88,703)	-	(9,214)	(79,489)	(9,214)
Compensated absences	646,488	195,726	159,346	682,868	170,717
OPEB net pension obligation	126,587	17,771	-	144,358	-
Governmental activities long-term liabilities	<u>\$ 36,446,898</u>	<u>\$ 213,497</u>	<u>\$ 2,358,696</u>	<u>\$ 34,301,699</u>	<u>\$ 2,235,067</u>
Business-type activities					
Tax and revenue bonds	\$ 15,165,000	\$ -	\$ 540,000	\$ 14,625,000	\$ 585,000
Revenue refunding bonds	1,625,000	-	215,000	1,410,000	210,000
Loss on refunding bonds	(161,213)	-	(19,801)	(141,412)	19,801
Premium from issuance of bonds	79,626	-	5,114	74,512	(5,114)
Compensated absences	198,991	37,670	27,550	209,111	52,278
OPEB net pension obligation	29,342	3,986	-	33,328	-
Business-type activities long-term liabilities	<u>\$ 16,936,746</u>	<u>\$ 41,656</u>	<u>\$ 767,863</u>	<u>\$ 16,210,539</u>	<u>\$ 861,965</u>

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

Fund Balance

As of September 30, 2013, governmental fund balance is composed of the following:

Fund Balance Classification	General	Economic Development Corporation	Debt Service	General Improvements	Other Governmental	Totals
Nonspendable:						
Prepaid items	\$ 8,841	\$ -	\$ -	\$ -	\$ -	\$ 8,841
Restricted:						
Capital acquisition and construction	-	-	-	1,864,533	1,111	1,865,644
Tourism activities	-	-	-	-	265,013	265,013
Economic development	-	1,989,260	-	-	-	1,989,260
Police forfeiture	-	-	-	-	153,751	153,751
Unassigned	1,160,376	-	21,328	-	(309,744)	871,960
Total governmental fund balance	<u>\$ 1,169,217</u>	<u>\$ 1,989,260</u>	<u>\$ 21,328</u>	<u>\$ 1,864,533</u>	<u>\$ 110,131</u>	<u>\$ 5,154,469</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 2011</u>	<u>Plan Year 2012</u>	<u>Plan Year 2013</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

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

Fiscal Year Ended	Annual Pension Cost	Actual Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
09/30/11	\$ 361,956	\$ 361,956	100%	\$ -
09/30/12	384,789	384,789	100%	-
09/30/13	380,856	380,856	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Information

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
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%

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)
2010	\$ 12,938,581	\$ 12,452,053	\$(486,528)	103.91%	\$ 5,646,832	(8.62%)
2011	14,153,184	13,548,705	(604,479)	104.46%	5,552,892	(10.89%)
2012	15,140,510	14,380,734	(759,776)	105.28%	4,884,883	(15.55%)

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.

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.

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, 2013, is as follows:

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>155,929</u>
 Net OPEB obligation (asset) as of end of year	 <u><u>\$ 177,687</u></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, 2013, 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 Actuary Accrued Liability as a Percentage of Covered Payroll
2011	\$ -	\$ 159,949	\$ 159,949	- %	\$ 5,123,443	3.12
2012	-	139,651	139,651	- %	5,024,084	2.78
2013	-	139,651	139,651	- %	4,998,091	2.79

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,777,687 at September 30, 2013.

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:

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 (6)	OPEB Cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/11	\$ 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
09/30/13	23,777	2,177	7,017	(6,859)	24.16630	23,935	21,758	177,687

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
09/30/11	\$ 27,467	\$ -	0%	\$ 134,171
09/30/12	21,758	-	0%	155,929
09/30/13	23,935	2,177	9.10%	177,687

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.

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 2013, 2012 and 2011, were \$12,772, \$12,443 and \$12,193, respectively, which equaled the required contributions each year.

<u>Schedule of Contribution Rates</u>			
<u>Accounting</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u> <u>(Rate)</u>	<u>Actual</u> <u>Contribution</u> <u>Made</u> <u>(Rate)</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed</u>
09/30/10	0.21%	0.21%	100%
09/30/11	0.23%	0.23%	100%
09/30/12	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.

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**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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 1,273,500	\$ 1,273,500	\$ 1,081,780	\$(191,720)
Sales taxes	4,789,920	4,789,920	5,065,771	275,851
Franchise taxes	598,000	592,300	508,627	(83,673)
Other taxes	32,000	32,000	38,373	6,373
Fines and forfeitures	237,500	246,500	150,530	(95,970)
Permits and fees	331,265	338,265	264,872	(73,393)
Intergovernmental	169,900	183,200	293,475	110,275
Interest on investments	3,100	3,100	1,222	(1,878)
Other	153,400	153,957	74,690	(79,267)
Total revenues	7,588,585	7,612,742	7,479,340	(133,402)
EXPENDITURES				
GENERAL GOVERNMENT				
Administration:				
Personnel services	412,870	410,870	370,494	40,376
Supplies	23,800	25,800	22,371	3,429
Maintenance	18,250	18,250	33,853	(15,603)
Purchased and contracted services	290,250	292,250	262,227	30,023
Other services and charges	18,900	18,900	16,847	2,053
Total administration	764,070	766,070	705,792	60,278
Finance:				
Personnel services	282,300	282,300	280,865	1,435
Supplies	15,200	15,200	13,538	1,662
Maintenance	19,000	19,000	21,179	(2,179)
Purchased and contracted services	37,210	37,210	33,582	3,628
Other services and charges	3,900	3,900	2,946	954
Total finance	357,610	357,610	352,110	5,500
Human resources:				
Personnel services	103,375	81,675	65,734	15,941
Supplies	11,400	11,700	12,410	(710)
Maintenance	3,400	3,400	2,373	1,027
Purchased and contracted services	4,385	24,385	20,781	3,604
Other services and charges	18,100	20,100	14,052	6,048
Total human resources	140,660	141,260	115,350	25,910

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Mayor and City Council:				
Personnel services	\$ 110	\$ 1,410	\$ 1,372	\$ 38
Other services and charges	12,500	12,500	6,913	5,587
Total Mayor and City Council	12,610	13,910	8,285	5,625
Non-departmental:				
Purchased and contracted services	-	128,000	140,043	(12,043)
Other services and charges	27,400	27,400	27,400	-
Total non-departmental	27,400	155,400	167,443	(12,043)
Total general government	1,302,350	1,434,250	1,348,980	85,270
PUBLIC SAFETY				
Court:				
Personnel services	127,615	127,615	118,467	9,148
Supplies	2,960	2,960	1,633	1,327
Purchased and contracted services	24,575	21,975	22,819	(844)
Other services and charges	21,450	20,050	18,396	1,654
Total court	176,600	172,600	161,315	11,285
Police department:				
Personnel services	2,584,850	2,539,850	2,441,884	97,966
Supplies	162,650	162,650	134,445	28,205
Maintenance	173,600	198,600	208,566	(9,966)
Purchased and contracted services	146,155	146,155	136,468	9,687
Other operating	35,550	35,550	28,574	6,976
Total police department	3,102,805	3,082,805	2,949,937	132,868

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Fire department:				
Personnel services	\$ 1,215,550	\$ 1,187,150	\$ 1,048,231	\$ 138,919
Supplies	71,115	64,522	58,312	6,210
Maintenance	45,150	46,350	31,671	14,679
Purchased and contracted services	47,600	47,600	43,378	4,222
Other operating	31,675	31,675	22,259	9,416
Total fire department	<u>1,411,090</u>	<u>1,377,297</u>	<u>1,203,851</u>	<u>173,446</u>
Code enforcement:				
Personnel services	521,750	531,750	487,587	44,163
Supplies	39,010	39,010	25,484	13,526
Repairs and maintenance	9,600	9,600	7,074	2,526
Purchased and contracted services	26,000	26,000	23,633	2,367
Other services and charges	14,800	14,800	14,213	587
Total code enforcement	<u>611,160</u>	<u>621,160</u>	<u>557,991</u>	<u>63,169</u>
Total public safety	<u>5,301,655</u>	<u>5,253,862</u>	<u>4,873,094</u>	<u>380,768</u>
PUBLIC WORKS				
Streets:				
Personnel services	667,300	667,300	627,702	39,598
Supplies	47,850	52,850	69,775	(16,925)
Maintenance	55,500	60,500	68,926	(8,426)
Purchased and contracted services	126,700	126,700	90,699	36,001
Other services and charges	625	625	1,595	(970)
Total streets	<u>897,975</u>	<u>907,975</u>	<u>858,697</u>	<u>49,278</u>
Total public works	<u>897,975</u>	<u>907,975</u>	<u>858,697</u>	<u>49,278</u>

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, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
CULTURE AND RECREATION				
Parks and recreation:				
Personnel services	\$ 460,050	\$ 460,050	\$ 446,944	\$ 13,106
Supplies	55,220	55,220	48,970	6,250
Maintenance	87,000	87,000	79,830	7,170
Purchased and contracted services	58,900	58,900	41,844	17,056
Other services and charges	<u>4,800</u>	<u>4,800</u>	<u>6,038</u>	<u>(1,238)</u>
Total parks and recreation	<u>665,970</u>	<u>665,970</u>	<u>623,626</u>	<u>42,344</u>
Cemetery:				
Maintenance	-	2,500	450	2,050
Purchased and contracted services	-	250	547	(297)
Other services and charges	<u>-</u>	<u>-</u>	<u>3</u>	<u>(3)</u>
Total cemetery	<u>-</u>	<u>2,750</u>	<u>1,000</u>	<u>1,750</u>
Total culture and recreation	<u>665,970</u>	<u>668,720</u>	<u>624,626</u>	<u>44,094</u>
CAPITAL OUTLAY	<u>65,900</u>	<u>81,600</u>	<u>170,837</u>	<u>(89,237)</u>
Total expenditures	<u>8,233,850</u>	<u>8,346,407</u>	<u>7,876,234</u>	<u>470,173</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(645,265)</u>	<u>(733,665)</u>	<u>(396,894)</u>	<u>336,771</u>
OTHER FINANCING SOURCES				
Transfers in	682,500	655,000	655,000	-
Proceeds from insurance	-	-	120,529	120,529
Proceeds from sale of capital assets	<u>7,000</u>	<u>23,000</u>	<u>29,296</u>	<u>6,296</u>
Total other financing sources	<u>689,500</u>	<u>678,000</u>	<u>804,825</u>	<u>126,825</u>
NET CHANGE IN FUND BALANCE	44,235	(55,665)	407,931	463,596
FUND BALANCE, BEGINNING	<u>761,286</u>	<u>761,286</u>	<u>761,286</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 805,521</u>	<u>\$ 705,621</u>	<u>\$ 1,169,217</u>	<u>\$ 463,596</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Sales taxes	\$ 1,479,819	\$ 1,503,681	\$ 1,688,590	\$ 184,909
Interest on investments	1,850	2,251	2,055	(196)
Permits and fees	55,000	55,000	44,616	(10,384)
Other	-	-	4,117	4,117
Total revenues	1,536,669	1,560,932	1,739,378	178,446
EXPENDITURES				
Current:				
Personnel services	169,210	174,385	172,200	2,185
Supplies	9,500	9,500	5,072	4,428
Maintenance	34,600	46,499	47,763	(1,264)
Purchased and contracted services	348,810	249,941	97,395	152,546
Other services and charges	92,400	538,010	512,730	25,280
Debt service				
Principal	255,000	285,000	285,000	-
Interest	88,453	41,250	41,250	-
Total expenditures	997,973	1,344,585	1,161,410	183,175
EXCESS OF REVENUES OVER EXPENDITURES				
	538,696	216,347	577,968	361,621
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	122,513	146,569	115,869	(30,700)
Transfers out	(275,000)	(275,000)	(275,000)	-
Total other financing sources (uses)	(152,487)	(128,431)	(159,131)	(30,700)
NET CHANGE IN FUND BALANCE	386,209	87,916	418,837	330,921
FUND BALANCE, BEGINNING	1,570,423	1,570,423	1,570,423	-
FUND BALANCE, ENDING	\$ 1,956,632	\$ 1,658,339	\$ 1,989,260	\$ 330,921

CITY OF MARBLE FALLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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, 2013

	Special Revenue		
	Hotel/Motel Tax	Police Forfeiture	2006 TCDP Grant
ASSETS			
Cash and investments	\$ 725	\$ 154,200	\$ -
Receivables			
Other taxes	148,581	-	-
Due from other governments	-	-	-
Due from other funds	<u>118,706</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 268,012</u>	<u>\$ 154,200</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 2,999	\$ 449	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>26,743</u>
Total liabilities	<u>2,999</u>	<u>449</u>	<u>26,743</u>
FUND BALANCES			
Restricted	265,013	153,751	-
Unassigned	<u>-</u>	<u>-</u>	<u>(26,743)</u>
Total fund balances	<u>265,013</u>	<u>153,751</u>	<u>(26,743)</u>
Total liabilities and fund balances	<u>\$ 268,012</u>	<u>\$ 154,200</u>	<u>\$ -</u>

<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Flood Buy Back</u>	<u>Impact Fee Fund</u>	<u>CDBG 2009 Avenue U</u>	<u>Parks Improvement</u>	<u>2007 Flood Disaster</u>	
\$ 1	\$ 1,111	\$ -	\$ -	\$ -	\$ 156,037
-	-	-	-	-	148,581
-	-	7,500	-	-	7,500
-	-	-	-	-	118,706
<u>\$ 1</u>	<u>\$ 1,111</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,824</u>
\$ -	\$ -	\$ 3,675	\$ -	\$ -	\$ 7,123
181	-	35,774	54,043	196,829	313,570
<u>181</u>	<u>-</u>	<u>39,449</u>	<u>54,043</u>	<u>196,829</u>	<u>320,693</u>
-	1,111	-	-	-	419,875
(180)	-	(31,949)	(54,043)	(196,829)	(309,744)
<u>(180)</u>	<u>1,111</u>	<u>(31,949)</u>	<u>(54,043)</u>	<u>(196,829)</u>	<u>110,131</u>
<u>\$ 1</u>	<u>\$ 1,111</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,824</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, 2013

	Special Revenue		
	Hotel/Motel Tax	Police Forfeiture	2006 TCDP Grant
REVENUES			
Hotel/motel taxes	\$ 595,160	\$ -	\$ -
Fines and fees	-	20,389	-
Intergovernmental	-	-	-
Investment earnings	<u>64</u>	<u>328</u>	<u>-</u>
Total revenues	<u>595,224</u>	<u>20,717</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	3,990	-
Culture and recreation	328,212	-	-
Capital outlay	<u>-</u>	<u>10,976</u>	<u>-</u>
Total expenditures	<u>328,212</u>	<u>14,966</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>267,012</u>	<u>5,751</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	556	-
Transfers in	-	-	-
Transfers out	<u>(246,946)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(246,946)</u>	<u>556</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	20,066	6,307	-
FUND BALANCES, BEGINNING	<u>244,947</u>	<u>147,444</u>	<u>(26,743)</u>
FUND BALANCES, ENDING	<u>\$ 265,013</u>	<u>\$ 153,751</u>	<u>\$(26,743)</u>

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Flood Buy Back	Impact Fee Fund	CDBG 2009 Avenue U	Parks Improvement	2007 Flood Disaster	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 595,160
-	55,548	-	-	-	75,937
-	-	16,875	-	7,883	24,758
<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393</u>
<u>1</u>	<u>55,548</u>	<u>16,875</u>	<u>-</u>	<u>7,883</u>	<u>696,248</u>
-	30,580	50,324	-	8,146	89,050
-	-	-	-	-	3,990
-	-	-	-	-	328,212
-	-	-	54,200	-	65,176
<u>-</u>	<u>30,580</u>	<u>50,324</u>	<u>54,200</u>	<u>8,146</u>	<u>486,428</u>
<u>1</u>	<u>24,968</u>	<u>(33,449)</u>	<u>(54,200)</u>	<u>(263)</u>	<u>209,820</u>
-	-	-	-	-	556
-	-	-	40,000	-	40,000
<u>-</u>	<u>(23,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,803)</u>
<u>-</u>	<u>(23,857)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>(230,247)</u>
1	1,111	(33,449)	(14,200)	(263)	(20,427)
<u>(181)</u>	<u>-</u>	<u>1,500</u>	<u>(39,843)</u>	<u>(196,566)</u>	<u>130,558</u>
<u>\$(180)</u>	<u>\$ 1,111</u>	<u>\$(31,949)</u>	<u>\$(54,043)</u>	<u>\$(196,829)</u>	<u>\$ 110,131</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 2,962,000	\$ 2,962,000	\$ 3,046,970	\$ 84,970
Investment earnings	300	300	12,659	12,359
Total revenues	2,962,300	2,962,300	3,059,629	97,329
EXPENDITURES				
Debt service:				
Principal	1,865,000	1,865,000	1,895,000	(30,000)
Interest and fiscal charges	1,324,603	1,324,603	1,277,225	47,378
Total expenditures	3,189,603	3,189,603	3,172,225	17,378
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(227,303)	(227,303)	(112,596)	114,707
OTHER FINANCING SOURCES				
Transfers in	156,786	156,786	156,786	-
Total other financing sources	156,786	156,786	156,786	-
NET CHANGE IN FUND BALANCE	(70,517)	(70,517)	44,190	114,707
FUND BALANCE, BEGINNING	(22,862)	(22,862)	(22,862)	-
FUND BALANCE, ENDING	\$(93,379)	\$(93,379)	\$ 21,328	\$ 114,707

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
REVENUES				
Hotel/motel taxes	\$ 415,000	\$(415,000)	\$ 595,160	\$ 1,010,160
Investment earnings	<u>150</u>	<u>150</u>	<u>64</u>	<u>(86)</u>
Total revenues	<u>415,150</u>	<u>(414,850)</u>	<u>595,224</u>	<u>1,010,074</u>
EXPENDITURES				
Current:				
Services	-	-	124,500	(124,500)
Other	181,250	186,250	202,212	(15,962)
Local assistance	<u>3,000</u>	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>
Total expenditures	<u>184,250</u>	<u>189,250</u>	<u>328,212</u>	<u>(138,962)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>230,900</u>	<u>(604,100)</u>	<u>267,012</u>	<u>871,112</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(156,786)</u>	<u>-</u>	<u>(246,946)</u>	<u>(246,946)</u>
Total other financing sources (uses)	<u>(156,786)</u>	<u>-</u>	<u>(246,946)</u>	<u>(246,946)</u>
NET CHANGE IN FUND BALANCE	74,114	(604,100)	20,066	624,166
FUND BALANCE, BEGINNING	<u>244,947</u>	<u>244,947</u>	<u>244,947</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 319,061</u>	<u>\$(359,153)</u>	<u>\$ 265,013</u>	<u>\$ 624,166</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, 2013

	<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	\$ 150	\$ 150	\$ 328	\$ 178
Total revenues	<u>150</u>	<u>150</u>	<u>20,717</u>	<u>20,567</u>
EXPENDITURES				
Current:				
Purchased and contracted services	-	106	19	87
Other services and charges	-	-	3,971	(3,971)
Capital outlay	<u>20,000</u>	<u>10,000</u>	<u>10,976</u>	<u>(976)</u>
Total expenditures	<u>20,000</u>	<u>10,106</u>	<u>14,966</u>	<u>(4,860)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,850)</u>	<u>(9,956)</u>	<u>5,751</u>	<u>15,707</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	<u>556</u>	<u>556</u>	<u>556</u>	<u>-</u>
Total other financing sources	<u>556</u>	<u>556</u>	<u>556</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(19,294)</u>	<u>(9,400)</u>	<u>6,307</u>	<u>15,707</u>
FUND BALANCE, BEGINNING	<u>147,444</u>	<u>147,444</u>	<u>147,444</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 128,150</u>	<u>\$ 138,044</u>	<u>\$ 153,751</u>	<u>\$ 15,707</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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TABLE 1

CITY OF MARBLE FALLS, TEXAS

NET POSITION BY COMPONENT

LAST NINE FISCAL YEARS

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:									
Net investment in capital assets	\$ 13,477,285	\$ 15,498,652	\$ 17,635,811	\$ 19,645,964	\$ 21,720,097	\$ 19,625,996	\$ 7,531,537	\$ 8,371,582	\$ 5,516,779
Restricted	3,526,325	2,275,486	8,617,854	7,203,543	10,691,542	4,511,331	12,632,168	5,224,633	4,240,608
Unrestricted	<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>	<u>553,652</u>
Total governmental activities net position	<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>	<u>\$ 10,311,039</u>
Business-type activities:									
Net investment in capital assets	\$ 3,286,715	\$ 5,339,132	\$ 10,128,701	\$ 10,349,991	\$ 6,203,895	\$ 17,228,744	\$ 20,776,151	\$ 19,131,868	\$ 20,924,905
Restricted	104,555	-	-	-	-	-	-	-	-
Unrestricted	<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>	<u>(3,193,075)</u>
Total business-type activities net position	<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>	<u>\$ 17,731,830</u>
Primary government									
Net investment in capital assets	\$ 16,764,000	\$ 20,837,784	\$ 27,764,512	\$ 29,995,955	\$ 27,923,992	\$ 36,854,740	\$ 28,307,688	\$ 27,503,450	\$ 26,441,684
Restricted	3,630,880	2,275,486	8,617,854	7,203,543	10,691,542	4,511,331	12,632,168	5,224,633	4,240,608
Unrestricted	<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>	<u>(2,639,423)</u>
Total primary government net position	<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>	<u>\$ 28,042,869</u>

CITY OF MARBLE FALLS, TEXAS

CHANGES IN NET POSITION

LAST EIGHT FISCAL YEARS

	Fiscal Year		
	2005	2006	2007
EXPENSES			
Governmental activities:			
General government	\$ 1,804,796	\$ 2,309,640	\$ 3,537,781
Public safety	4,401,696	3,980,050	4,832,220
Public works	1,369,357	1,567,998	1,490,228
Culture and recreation	468,976	446,579	838,504
Interest on long-term debt	<u>375,387</u>	<u>373,404</u>	<u>483,701</u>
Total governmental activities expenses	<u>8,420,212</u>	<u>8,677,671</u>	<u>11,182,434</u>
Business-type activities:			
Water and wastewater	3,059,697	3,369,467	3,508,190
Principal and interest on long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities expenses	<u>3,059,697</u>	<u>3,369,467</u>	<u>3,508,190</u>
Total primary government program expenses	<u>\$ 11,479,909</u>	<u>\$ 12,047,138</u>	<u>\$ 14,690,624</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 330,298	\$ 493,824	\$ 650,799
Public safety	3,339	4,840	6,620
Public works	41,475	41,009	40,542
Culture and recreation	<u>24,672</u>	<u>38,310</u>	<u>58,533</u>
Total charges for services	<u>399,784</u>	<u>577,983</u>	<u>756,494</u>
Operating grants and contributions	845,594	324,191	619,127
Capital grants and contributions	<u>250,000</u>	<u>-</u>	<u>1,255,281</u>
Total governmental activities program revenues	<u>1,495,378</u>	<u>902,174</u>	<u>2,630,902</u>
Business-type activities:			
Charges for services	2,715,995	3,029,155	2,933,098
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>2,715,995</u>	<u>3,029,155</u>	<u>2,933,098</u>
Total primary government program revenues	<u>\$ 4,211,373</u>	<u>\$ 3,931,329</u>	<u>\$ 5,564,000</u>

TABLE 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 3,414,850	\$ 3,001,249	\$ 2,912,799	\$ 2,448,150	\$ 2,773,415	\$ 2,736,605
5,733,824	5,646,443	5,677,405	5,683,286	5,530,785	5,447,990
1,729,376	1,885,591	2,505,782	2,717,226	3,068,214	3,210,567
907,686	1,062,156	1,124,241	1,082,266	1,146,016	1,089,241
<u>751,471</u>	<u>1,079,296</u>	<u>1,404,037</u>	<u>1,511,314</u>	<u>1,494,575</u>	<u>1,333,648</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>	<u>13,818,051</u>
4,623,193	4,352,380	4,421,786	4,755,391	4,873,802	5,086,736
-	-	-	-	-	-
<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>5,086,736</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>	<u>\$ 18,904,787</u>
\$ 629,137	\$ 555,515	\$ 544,704	\$ 422,428	\$ 343,192	\$ 321,446
159,562	15,465	48,202	125,453	143,310	130,912
41,477	17,153	17,710	48,583	76,662	39,043
<u>76,458</u>	<u>98,926</u>	<u>111,208</u>	<u>127,151</u>	<u>121,577</u>	<u>113,650</u>
<u>906,634</u>	<u>687,059</u>	<u>721,824</u>	<u>723,615</u>	<u>684,741</u>	<u>605,051</u>
383,994	604,032	592,418	269,845	78,620	272,770
<u>918,861</u>	<u>346,435</u>	-	-	-	<u>54,630</u>
<u>2,209,489</u>	<u>1,637,526</u>	<u>1,314,242</u>	<u>993,460</u>	<u>763,361</u>	<u>932,451</u>
3,439,880	3,556,786	3,107,039	3,913,067	3,550,400	3,840,593
-	<u>2,125,837</u>	<u>233,368</u>	-	<u>1,352,500</u>	<u>367,738</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>4,208,331</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>	<u>\$ 5,140,782</u>

CITY OF MARBLE FALLS, TEXAS

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

	Fiscal Year		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
NET (EXPENSE) REVENUES			
Governmental activities	\$(6,924,834)	\$(7,775,497)	\$(8,551,532)
Business-type activities	<u>(343,702)</u>	<u>(340,312)</u>	<u>(575,092)</u>
Total primary government net expense	<u>(7,268,536)</u>	<u>(8,115,809)</u>	<u>(9,126,624)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	1,746,096	1,841,949	1,976,266
Sales	5,180,176	5,753,525	6,237,604
Franchise	407,900	446,395	440,748
Other	318,163	315,150	350,704
Investment earnings	181,350	286,433	509,835
Loss/gain on sale of assets	(238,190)	149,048	322,967
Miscellaneous	2,622	35,286	100,142
Transfers	<u>(409,581)</u>	<u>(461,790)</u>	<u>(361,635)</u>
Total governmental activities	<u>7,188,536</u>	<u>8,365,996</u>	<u>9,576,631</u>
Business-type activities:			
Investment earnings	167,830	296,116	332,006
Loss/gain on sale of assets	-	-	-
Transfers	<u>409,581</u>	<u>461,790</u>	<u>361,635</u>
Total business-type activities	<u>577,411</u>	<u>757,906</u>	<u>693,641</u>
Total primary government	<u>7,765,947</u>	<u>9,123,902</u>	<u>10,270,272</u>
CHANGE IN NET POSITION			
Governmental activities	263,702	590,499	1,025,099
Business-type activities	<u>233,709</u>	<u>417,594</u>	<u>118,549</u>
Total primary government	<u>\$ 497,411</u>	<u>\$ 1,008,093</u>	<u>\$ 1,143,648</u>

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

TABLE 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$(10,327,718)	\$(11,037,209)	\$(12,310,022)	\$(12,448,782)	\$(13,249,644)	\$(12,885,600)
(1,183,313)	1,330,243	(1,081,379)	(842,324)	29,098	(878,405)
(11,511,031)	(9,706,966)	(13,391,401)	(13,291,106)	(13,220,546)	(13,764,005)
2,571,934	3,803,048	3,995,373	4,034,744	4,074,096	4,104,048
6,296,080	6,095,187	5,819,527	5,877,763	6,014,725	6,754,361
448,804	421,100	527,617	505,866	519,081	508,627
378,395	322,280	502,606	421,209	418,000	637,407
831,364	246,872	21,898	51,621	20,734	17,644
196,587	45,077	225,856	215,384	-	-
236,042	448,573	309,554	43,166	116,511	183,678
477,611	500,767	(5,026,429)	478,834	(1,947,172)	356,143
11,436,817	11,882,904	6,376,002	11,628,587	9,215,975	12,561,908
202,003	82,882	2,643	602	4,713	1,531
-	-	244,723	-	-	-
(477,611)	(500,767)	5,026,429	(478,834)	1,947,172	(356,143)
(275,608)	(417,885)	5,273,795	(478,232)	1,951,885	(354,612)
11,161,209	11,465,019	11,649,797	11,150,355	11,167,860	12,207,296
1,109,099	845,695	(5,934,020)	(820,195)	(4,033,669)	(323,692)
(1,458,921)	912,358	4,192,416	(1,320,556)	1,980,983	(1,233,017)
\$(349,822)	\$ 1,758,053	\$(1,741,604)	\$(2,140,751)	\$(2,052,686)	\$(1,556,709)

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TABLE 3

CITY OF MARBLE FALLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,564	\$ 1,319	\$ 7,575	\$ 2,881	\$ 8,841
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<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>	<u>1,160,376</u>
Total general fund	<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>	<u>\$ 1,169,217</u>
All other governmental funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	12,632,168	5,224,633	4,273,668
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	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)	(58,872)
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)	(250,872)
Debt service funds	<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>	<u>21,328</u>
Total all other governmental funds	<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>	<u>\$ 3,985,252</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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	\$ 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	\$ 12,025,271
Intergovernmental	743,736	778,489	699,383	1,809,787	1,278,337	871,973	581,306	311,455	182,098	364,980
Charges for services	149,184	124,758	157,545	282,335	376,128	333,749	367,448	352,602	332,242	309,488
Fines	272,837	255,109	390,893	469,246	406,959	348,925	331,153	314,459	241,594	226,467
Investment earnings	123,199	181,350	286,433	509,835	831,364	246,872	21,898	14,935	20,734	17,644
Other revenues	179,126	339,644	136,034	153,858	272,740	538,486	337,293	113,181	131,944	102,130
Total revenues	<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>	<u>13,045,980</u>
EXPENDITURES										
General government	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	2,273,190
Public safety	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	5,004,539
Public works	756,065	829,906	1,080,497	955,095	1,089,717	981,985	1,048,398	857,364	876,789	858,697
Culture and recreation	373,768	411,905	371,615	777,969	864,512	961,312	1,009,801	952,954	1,010,830	952,838
Capital outlay	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	1,625,889
Debt service										
Principal	425,054	377,522	364,546	924,407	957,409	1,800,000	1,935,000	1,645,000	1,990,000	2,180,000
Interest	558,236	616,634	824,178	549,939	747,771	1,206,997	1,290,891	1,455,753	1,479,735	1,318,475
Bond issuance cost	-	-	-	-	-	-	-	225,666	118,729	-
Total expenditures	<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>	<u>14,213,628</u>

CITY OF MARBLE FALLS, TEXAS

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
EXCESS OF REVENUES OVER (UNDER)										
EXPENDITURES	<u>\$ (1,015,549)</u>	<u>\$ (2,720,584)</u>	<u>\$ (3,181,111)</u>	<u>\$ (2,060,668)</u>	<u>\$ (3,572,548)</u>	<u>\$ (8,352,647)</u>	<u>\$ (8,195,317)</u>	<u>\$ (2,766,274)</u>	<u>\$ (6,532,535)</u>	<u>\$ (1,167,648)</u>
OTHER FINANCING SOURCES (USES)										
Bonds issued	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 issuar	-	-	-	-	-	39,735	-	182,399	138,990	-
Payment to escrow ager	-	-	-	-	-	-	-	-	(4,415,261)	-
Sale of asset proceeds	148,442	34,400	149,048	323,822	196,671	45,077	225,856	220,828	154,536	145,721
Proceeds from insurance	-	-	-	-	-	-	-	-	-	120,529
Transfers in	-	538,461	161,031	414,107	1,833,315	1,317,647	1,327,300	1,648,719	1,248,269	941,946
Transfers out	<u>(422,175)</u>	<u>(948,042)</u>	<u>(622,821)</u>	<u>(775,742)</u>	<u>(1,355,704)</u>	<u>(816,880)</u>	<u>(1,823,729)</u>	<u>(1,169,885)</u>	<u>(645,941)</u>	<u>(585,803)</u>
Total other financing sources (uses)	<u>4,070,607</u>	<u>164,819</u>	<u>1,827,258</u>	<u>7,878,005</u>	<u>1,239,282</u>	<u>10,750,579</u>	<u>2,229,427</u>	<u>10,852,061</u>	<u>875,593</u>	<u>622,393</u>
NET CHANGE IN FUND BALANCES	<u>\$ 3,055,058</u>	<u>\$ (2,555,765)</u>	<u>\$ (1,353,853)</u>	<u>\$ 5,817,337</u>	<u>\$ (2,333,266)</u>	<u>\$ 2,397,932</u>	<u>\$ (5,965,890)</u>	<u>\$ 8,085,787</u>	<u>\$ (5,656,942)</u>	<u>\$ (545,255)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<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>	<u>27.85%</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
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	45,768,929	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
2013	474,425,723	316,912,217	17,386,158	75,820,498	732,903,600	2.3316	625,665,424

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
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
2013	0.6483	33,155,000	2.3234	1.2800	0.3951

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	2013		2004	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Scott & White Healthcare	\$ 14,507,010	2.15%	\$ -	- %
Huber JM Corp	9,515,188	1.44%	-	- %
Wal-Mart Store Inc 01-0781	9,384,112	1.44%	-	- %
Wal-Mart Stores East LP	8,645,342	1.33%	-	- %
Lowe's Home Centers Inc	6,972,908	1.07%	-	- %
Johnson-Sewell Family Partnership	6,819,086	1.05%	-	- %
HD Development Properties LP	5,493,850	0.84%	-	- %
Johnson Ross H	4,817,341	0.74%	-	- %
Lowe's Home Centers Inc	4,323,859	0.66%	-	- %
Highland Lakes RP LTD	4,263,481	0.65%	-	- %
	<u>\$ 74,742,177</u>	<u>11.37%</u>	<u>\$ -</u>	<u>- %</u>

Source: Burnet County Appraisal office

Note: Many of the principal property taxpayers did not exist in 2004.

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
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%	68,068	4,021,309	100.00%
2013	4,056,133	3,995,294	98.50%	-	3,995,294	98.50%

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>
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%
2012-13	6,754,361	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			
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
2013	33,155,000	90,000	-	-	16,035,000	-	-	-	49,280,000	0.001	8,136

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		
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
2013	31,650,000	31,650,000	5.06%	5,225.36

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, 2013

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Marble Falls Independent School District	\$ 71,274,339	22.000%	\$ 15,680,355
Burnet County General Obligation Debt	3,400,000	15.000%	510,000
Subtotal overlapping debt			16,190,355
City direct debt	33,155,000	100.000%	<u>33,155,000</u>
Total direct and overlapping debt			<u>\$ 49,345,355</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 2013									
Assessed value		\$ 575,499,669									
Debt applicable to limit:											
General obligation bonds		33,155,000									
Less: Amount set aside for repayment of general obligation debt		<u> -</u>									
Total net debt applicable to limit		<u>33,155,000</u>									
Legal debt margin		<u>\$ 542,344,669</u>									
		Fiscal Year									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$	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	575,499,669
Total net debt applicable to limit		<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>	<u>33,155,000</u>
Legal debt margin	\$	<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>	<u>542,344,669</u>
Total net debt applicable to the limit as a percentage of debt limit.		2.13%	2.11%	1.92%	3.04%	2.75%	3.83%	4.40%	6.26%	5.77%	5.76%

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	
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
2012	3,667,973	2,284,656	1,383,317	755,000	668,087	0.97

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>
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%
2013	6,057	43,722	21,425	4.1%

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	2013		2004	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Marble Falls ISD	623	13.65%	**	**
Wal-Mart	271	5.94%	**	**
H.E.B. Grocery Company	187	4.10%	**	**
Granite Mesa	160	3.50%	**	**
City of Marble Falls	124	2.72%	**	**
The Home Depot	97	2.12%	**	**
Lowe's	96	2.10%	**	**
Johnson-Sewell Ford Lincoln Mercury	80	1.75%	**	**
Cold Spring Texas Granite	74	1.62%	**	**
Pedernales Electric Cooperative	74	1.62%	**	**
Total	<u>1,786</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 2003.

TABLE 17

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Management services	2	2	2	2	2	2	2	2	3	5
Finance	4	4	4	4	4	5	5	5	5	5
Planning	2	3	3	3	6	6	6	6	6	5
Building	1	2	2	5	5	5	5	5	6	7
Other	8	6	6	19	6	3	3	4	4	0
Human resources	NA	NA	NA	NA	NA	1	1	1	2	2
Court	NA	NA	NA	NA	3	3	3	3	3	3
Police										
Officers	20	23	25	30	26	27	26	25	24	20
Civilians	12	12	14	-	16	13	13	15	15	15
Fire										
Firefighters and officers	7	7	10	16	16	17	15	15	15	15
Other public works										
Other	10	10	11	13	13	13	13	13	13	13
Parks and recreation	3	5	6	10	10	11	11	11	11	11
Water	10	12	11	16	14	14	14	14	14	14
Wastewater	10	10	11	11	11	10	10	10	10	10
Total	<u>89</u>	<u>96</u>	<u>105</u>	<u>129</u>	<u>132</u>	<u>130</u>	<u>127</u>	<u>129</u>	<u>131</u>	<u>125</u>

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Building permits issued	808	898	984	1,206	872	952	662	564	564	259
Building inspections conducted	4,621	5,136	5,628	6,898	5,700	1,490	1,201	1,108	3,289	1515
Police										
Physical arrests	842	715	970	770	1,067	1,154	661	993	959	934
Parking violations	39	47	85	72	825	60	26	22	35	31
Traffic violations	4,173	3,182	4,890	5,174	4,677	3,840	2,508	1,650	1,062	2101
Fire										
Emergency responses	611	809	1,033	1,199	1,200	1,212	765	821	821	1215
Fires extinguished	-	-	97	43	60	17	9	12	12	10
Inspections	-	-	-	480	1,800	874	849	771	840	239
Other public works										
Street resurfacing (miles)	1.50	1.50	1.50	-	2.50	4.80	3.00	3.50	2.00	1
Tonage to repair potholes	450	500	500	536	500	1,200	1,993	1,240	600	160
Parks and recreation										
Community center admissions	-	-	72	98	198	128	130	139	240	186
Library										
Volumes in collection	39,000	42,218	45,432	46,247	47,083	46,487	44,323	43,512	43,512	39,590
Total volumes borrowed	-	-	139,463	144,885	144,800	158,005	148,999	149,229	149,229	198,785
Water										
New connections	-	-	415	413	439	565	593	1,131	490	582
Water main breaks	-	-	147	152	175	65	210	208	200	104
Average daily consumption (thousands of gallons)	-	1,077	1,090	966	1,168	1,612	1,233	1,445	1,500	1,500
Peak daily consumption (thousands of gallons)	-	-	1,267	1,910	2,700	2,810	2,058	2,397	2,400	2,132
Wastewater										
Average daily sewage treatment (thousands of gallons)	708	679	624	660	740	621	625	636	675	820

Source: Various City departments

TABLE 19

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	27	18	20	25	25	25	11
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	47	47	48	52	52	52	60	60	60	62
Highways (miles)	-	-	8	8	8	14	14	14	14	15.2
Streetlights	12	364	364	364	364	364	448	448	448	448
Traffic signals	-	-	13	13	13	14	14	14	14	14
Parks and recreation										
Acreage	50	50	65	68	68	99	123	123	123	126.7
Playgrounds	2	2	2	2	2	4	6	6	6	6
Baseball/softball diamonds	1	1	1	4	4	8	8	8	8	8
Soccer/football fields	7	7	7	7	7	9	9	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	42	42	49	49	50	55	83	83	83	84
Fire hydrants	299	315	390	406	406	544	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	2,939
Wastewater										
Sanitary sewers (miles)	34	34	34	49	51	56	63	63	63	63
Storm sewers (miles)	10	10	10	10	10	12	12	12	12	12
Treatment capacity (thousands of gallons)	980	980	980	980	980	980	980	980	380	980

Source: Various City departments

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

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Marble Falls, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Marble Falls, Texas' basic financial statements, and have issued our report thereon dated January 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Marble Falls, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness City of Marble Falls, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Marble Falls, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
January 30, 2014